

CEO Message

Steadfastly following the Way of the Merchant, ITOCHU will continue to brave turbulent seas by staying true to the “*Sampo-yoshi*” philosophy.

FYE 2020 was the most fruitful year of ITOCHU’s more than 160-year history. We successfully carried out forward-looking measures and achieved record-high profits for the fourth consecutive year. We fully lived up to our commitment of “turning words into accomplishments.” In FYE 2021, we will resolutely temper overconfidence. We will return to our fundamental “earn, cut, prevent” principles and establish a firm footing for the future.



Masahiro Okafuji
Chairman & Chief Executive Officer

I would like to first offer my sincere condolences to those who have tragically lost friends and family from the COVID-19 pandemic raging across the globe. My heart also goes out to those who are currently battling the disease. Finally, to all the healthcare workers, government officials, and citizens out on the front lines, my words cannot begin to fully express my deep gratitude.

The Thought behind the Cherry Blossoms

On April 1, 2020, a pastel sea of pink blossoms brightened the ground-floor lobby of the Tokyo Headquarters, where 100 branches from cherry trees were decoratively arranged. The specific type of tree is called *keio-zakura* in Japanese, and it is beloved for announcing the arrival of spring. With precious blossoms bursting forth, the boughs welcomed the young people who just joined ITOCHU in FYE 2021.

Due to COVID-19, which is still ravaging the world, ITOCHU had to forgo traditional welcome ceremonies this year, as did many other companies. Across Japan, cherry blossom viewing parties were tightly restrained if held at all. Graduation ceremonies, which should be a memorable event of life, were canceled one after another. For our new hires, however, the first day is a once in a lifetime rite of passage, as they had prevailed in a fiercely competitive job market. We were determined to ensure an unforgettable first step for them as new members of ITOCHU. Surrounded by cherry trees in full bloom, President & COO Yoshihisa Suzuki and I stepped forward to welcome each of the new hires in person.

Working from home began in response to the COVID-19 pandemic, and ITOCHU made teleworking the standard from the beginning of April when a nationwide state of emergency was declared. Some people speculated this would become the new normal after the pandemic ended,

and that workstyles might never go back to how they were before. Nevertheless, when the state of emergency was lifted, ITOCHU asked all employees to return to their workplace as a general rule, except those with health concerns or extenuating family circumstances. Of course, we are taking every precaution to prevent the spread of the disease.

I am sure everyone has their own opinion, but this decision was based on my steadfast belief that “ITOCHU is a merchant.”

Our “Vision” as a Merchant

On June 1, the ground-floor lobby was made brilliant with a dazzling assortment of flowers. These flowers were fittingly symbolic of the economy beginning to reopen, following the complete lifting of the state of emergency. Bathed in sunlight, the merchants of ITOCHU came to work early that morning before business began and customers arrived, and the flowers welcomed them.

After the Great East Japan Earthquake in March 2011, in the ensuing disruption when it seemed like our customers might be in trouble, I witnessed our employees using the flextime system to come into the office at the rather late hour of 10 a.m. This provided the impetus for the “Morning-Focused Working System.” The ITOCHU Group has strengths in the non-resource sector, which centers on consumer-related businesses. In this field, we must



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tirelessly focus on business from the “customer’s perspective.”

The pandemic presents a similar obligation. People across Japan are striving to avoid risks, and yet we have customers navigating hazards to fulfill their duty to deliver daily essentials to people. Many of our partners in the ITOCHU Group are working hard on the front lines in retail and other areas. I have even heard stories of partners who have practiced smiling while wearing a mask in front of the mirror to ensure that customers will be able to tell they are smiling. We compete by providing finely tuned services. I did not feel that we could live up to our “vision” as a merchant if only ITOCHU employees were working from home. To be clear, the “workstyle reforms” we are carrying out are not simply for the “pursuit of efficiency.”

We do, however, fully reward our employees’ best efforts. The aforementioned flower display provides an example. The thought behind this was that flowers can instantly brighten people’s day, providing inspiration without any words. We also prepared various provisions and provided every employee with special benefits so they could get a quick start when the state of emergency was lifted. Temporary staff, dispatched personnel, and employees of subsidiaries that complement functions of ITOCHU received the benefits as well. We also provided a modest bonus with a message to security guards and cleaners.

Supported by many people, ITOCHU is, I believe, a merchant with the ability to perceive various viewpoints and create shared value for all sides. This was precisely the business ideal our founder pursued more than 160 years ago.

Our Unwavering Ideal—“Sampo-yoshi”

I was approached by a person rather advanced in years at a meeting I attended last year. He thanked me because the ITOCHU shares he purchased have increased in value eight-fold while dividends have risen significantly. As a manager,



A red carpet and cherry blossoms in full bloom welcome new hires.

this was music to my ears and, simultaneously, a moment that heightened my awareness of the importance of fulfilling my fiduciary responsibilities related to share price and shareholder returns.

Amid recent concerns of rapid economic deterioration, some people are saying companies should prioritize financial soundness, employment, and social contribution while scaling down shareholder returns. However, I intend to continue focusing on steadily raising dividends every year regardless of the situation.

We have numerous priorities to pursue. We could focus on specific stakeholders, economic or social value, or short-term results or steppingstones for medium- to long-term growth. The words of our founder, Chubei Itoh I, provide insight. The modern interpretation of “*Sampo-yoshi*” (good for the seller, good for the buyer, and good for society) is not to choose “a single expedient” based on the situation, but rather to unflinchingly pursue “all the priorities.” (➡ Page 26 Dialogue: “*Sampo-yoshi*” and ITOCHU)

Since ITOCHU’s founding in 1858, the spirit of “*Sampo-yoshi*” has steadily underpinned the Company. On the other hand, each time the head of the Company changed, the overarching goal that encompasses “*Sampo-yoshi*” has been expressed using different words, making it gradually harder to precisely understand what we are aiming for and how to achieve it. Therefore, in April 2020, we went back to basics, making the Group corporate mission the simplest and clearest expression: “*Sampo-yoshi*.” At the same time, we reestablished “I am One with Infinite Missions” as our corporate Guideline of Conduct to realize “*Sampo-yoshi*.”

We give to society “what is required to the right person and in the right manner.” We do this by, for example, delivering safe and secure products from Japan to consumers in China, or by helping improve the lives of Indonesia’s citizens through geothermal power. “Enriching lives” through business in this way is how we provide social value based on “*Sampo-yoshi*.” In doing so, we earn profit in proportion to the value we add. This mindset aligns with the Sustainable Development Goals (SDGs) and the concept of Creating Shared Value (CSV). I hope you can see how properly executing a profitable plan which leverages our strengths, like the storage battery business we are currently engaging in, is one of our “Infinite Missions.” (➡ Page 62 Initiatives and Systems Supporting Sustainable Growth)

Merchants Are Diligent

I am a bit of a “worrier.” I have talked before about how cautious I am. I inevitably imagine the worst-case scenario, act to avoid it, and take one step forward only after reflecting on the history and actions leading up to that point and again ruminating on the situation. I am now reflecting on the history of ITOCHU.

After World War II, ITOCHU dove headfirst into expanding into non-textile businesses with the aim of diversifying



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

its businesses. A huge gap stood between our abilities and the general trading companies associated with the former *zaibatsu* industrial groups. To overcome this, we took a big gamble; we acquired shares of TOA Oil Co., Ltd., invested in state-of-the-art refineries, and concluded long-term charter contracts with oil tankers. These actions were based on the observation that oil was almost 100% imported and the hypothesis that since reserves were predicted to be in gradual decline, quickly acquiring crude oil would present a major business opportunity. However, the 1970s were visited by two oil shocks. The hypothesis was ruthlessly shattered when we fixed our buying price high 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.

I believe it is extremely dangerous to make large investments relying on the hypothetical alone. This applies to the “Fourth Industrial Revolution” also, where Artificial Intelligence (AI) and other digital technologies are developing rapidly. A revolution does not guarantee that every related business will steadily grow. We must avoid investing recklessly.

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

“It is in times like these we need to remember to smile.”

“Spring is just around the corner.”

“Thanks for all the important work you do.”

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

with precision, we can compete sufficiently even if each business transaction is small. 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 11 years 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 break in August last year, I decided to advance the semi-annual business strategy meeting which is usually held in early October by one month, holding it in early September. 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 2020, 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 unfortunate we did not seize back the top spot, we were the No. 1 general trading company in terms of core profit, which proves our earning power. ROE was an industry-leading 17.0%, and our net debt-to-shareholders’ equity ratio (NET DER) decreased to its best level ever. The price 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.

I strongly believe that “we should always stand firmly

I want everyone to witness the unsurpassed reliability that our “commitment-based management” consistently achieves when we fully leverage the “true business power” of ITOCHU and the “combined power” of all Group employees working together.



behind the promises we make to our shareholders and investors.” This is also the mercantile belief that has been steadily passed down from Chubei Itoh I. I have heard some people assert that “achieving our targets requires workers on the front lines to overextend themselves.” I would answer, however, “that wouldn’t necessarily be bad for a single year, but such exertion would be unsustainable over a decade or so.” Overexerting ourselves is definitely not the way we make it possible to continuously keep our promises. Of course, a medium- to long-term vision and quantitative targets are important, but these are all meaningless unless we take responsibility for achieving them in the future. Similarly, targets that lack focus, which are set just to please everybody, are worthless. I hope that shareholders and investors will develop their own processes to assess the achievements businesses are making, as well as the progress companies are making toward the medium- to long-term vision and quantitative targets over the course of several years.

FYE 2020 was the brightest year in ITOCHU’s more than 160-year history. From FYE 2021 onward, however, we will have to endure headwinds unlike any experienced before.

A Year that Will Test Our “True Business Power”

During good times, anybody can handle management. But that is not the case when headwinds begin to blow. Going forward, our “true business power” will be tested. I realize that I will need to remain vigilant to avoid overconfidence.

Due to the extraordinary progress and results of FYE 2019 and 2020, we achieved the medium-term management plan “Brand-new Deal 2020” ahead of schedule. We therefore positioned FYE 2021 as a year to prepare for the future and achieve a solid footing through a single-year management plan. Amid a business environment where COVID-19 clouds the future, many companies have not formulated their initial plans for FYE 2021. ITOCHU, however, believes its “responsibility to stakeholders” includes disclosing one-year targets, and we announced a consolidated net profit plan of ¥400.0 billion after carefully considering the known risks we can analyze.

Unlike the global financial crisis where the corrective

course of action was clear, this time we have to wait for the development of treatments and vaccines. It will take considerable time until consumer confidence and investment appetite recover. We need to prepare ourselves for the risks of sudden, repeated plunges in market prices, exchange rates, share prices, and other indices. During these times, it is clear what we need to do: Go back to the “basics of business.”

Returning to Our “Earn, Cut, Prevent” Principles

Back in my days at the Textile Company, I was competing with other companies for the exclusive sales rights to Armani. I appealed to my negotiating partner’s sympathies by, for example, compiling the data they wanted on Japanese taxes in a thick Italian-language proposal. Ultimately, ITOCHU was able to beat out rivals who had offered larger sums of money. In a business situation similar to this, the game is won by being able to figure out precisely what the partner wants and delivering those “fine distinctions.” Academic theories and treatises do not do much good in these situations.

Similarly, in management, merely compiling data and logic would not lead to deeper understanding. Grasping the bigger picture and thinking about “what should be done” is what constitutes management. Looking more closely, I think management means deciding what to emphasize among the three “earn, cut, prevent” principles in response to the business environment over time.

With the global economy on the brink of recession and sales channels facing bottlenecks, we need to focus on the “prevent” and “cut” principles more than the “earn” principle. Fundamentals will prove invaluable. For example, we will need to closely assess the contract terms of every business transaction to carefully manage credit and inventories, take proactive and exhaustive measures to collect debt, and perform thorough cost / benefit analyses of business expenses and adjust accordingly. Now, with the outlook unclear, I intend to engage in methodical management more diligently than ever before.

In addition to comprehensively practicing lean management, we also need to prepare for business model

transformation designed with the post-COVID-19 world in mind. For example, in the automotive industry, a major shift in consumer needs has been underway, “from ownership to usership.” But with people preoccupied with preventing the spread of COVID-19, consumers are now reevaluating “ownership” as their needs continue to evolve. In business, it is becoming indispensable to switch from a “product-oriented perspective” to a “market-oriented perspective,” seize customer contact points downstream, and provide the added value that consumers demand. ITOCHU has empowered The 8th Company with a budget and consumer-related businesses, and now it is striving to create new businesses as a trailblazer for market-oriented perspective.

I have recently been hearing a lot about how “general trading companies’ growth strategies are rarely released.” Under the extenuating environment of COVID-19, some companies are downgrading their market assessments because they cannot tap their full potential. Put another way, in various industries, it is likely that companies will be clearly divided into winners and losers, and not strictly based on potential. In FYE 2021, our policy is to actively search for investment opportunities in companies with low valuations despite “room for growth,” leveraging our “comprehensive strength” as a general trading company as we continue to “upgrade our existing business.”

As in-person customer interaction is restricted to prevent the spread of COVID-19, many of our employees are coming into work wearing jeans, which aligns with our long-standing initiative of “Dress-down Days.” In tandem with our “Morning-Focused Working System,” we will actively create proposals that will lead to future profit by enabling a work environment where ideas are freely generated. (➡ Page 70 Human Resource Strategy)

“The Giants, *Taiho*, and *Tamagoyaki*”

This is a bit of an old story, but in the 1960s in Japan the phrase “the Giants, *Taiho*, and *Tamagoyaki*” became quite trendy, alluding to three things that were popular among the public, including children (respectively, the baseball team, the grand champion *sumo* wrestler, and the Japanese rolled omelet). The phrase was uniquely suited to the period because people were desperately seeking strong heroes. In contrast, when someone strong only keeps winning, a tendency often emerges in Japan to “favor the underdog,” and the hero’s popularity can slide. It is not well known, but the ratings for the Giants’ games were actually higher after they lost the championship than during their nine-year winning streak. That means, it was because the Giants’ position changed that the baseball league became animated and its popularity was revived.

I think we could say the same about competition between companies. Before FYE 2011, we were fourth in the industry in terms of consolidated net profit, and the three ranked above us were all general trading companies

associated with the former *zaibatsu* industrial groups. Had we had gotten content with our position at the time, we probably would have lost our hunger for success and began a downward slide. ITOCHU, a non-*zaibatsu* associated company, turned the tables in this way, gradually rising in the ranks and upsetting the status quo. Then, I think this competition principle kicked in and the industry as a whole became much more active.

In June 2020, there were two events we should commemorate as part of ITOCHU’s history. For the first time in our history, both ITOCHU’s share price and market capitalization reached No. 1 for general trading companies on a Tokyo Stock Exchange closing-price basis. This feels a world away from where we were at the beginning of FYE 2011, when our share price was only around a third of the top performer’s and our market capitalization was roughly ¥3 trillion lower from the top.

Staying True to the Way of the Merchant

Last year, I went to a department store in Nihonbashi to buy a gift for a secretary who was transferring. As I was waiting for the gift to be wrapped, a woman suddenly came running up to me to shake my hand. I was taken aback and asked what was going on. She told me she had once applied for a job with ITOCHU. Although she regrets not getting it, she has remained a big fan all along. She was both delighted, and a bit jealous, to see what a great company ITOCHU was turning into.

To date, I have managed the business with a focus on making ITOCHU a “great company” in the eyes of its shareholders, investors, business partners, financial institutions, society, employees, and their families. We have achieved the top employer spot in many rankings of companies for new graduates, garnering praise from students as well as those with longer relationships with the Company. For this, I am thankful. I believe we could say this is a result of keeping our promises to diverse stakeholders.

Going forward, we will have to keep pushing ahead as the waves of this chaotic period approach. Fortunately, we are empowered by our “*Sampo-yoshi*” philosophy—our unwavering ideal aimed at sustainably enhancing ITOCHU’s corporate value. If each employee can avoid feeling overconfident, if we can all embrace our basic principles of “earn, cut, prevent,” and if ITOCHU stays true to the “*Sampo-yoshi*” philosophy, then I am sure we will be able to overcome any turbulence. In FYE 2021, I want everyone to witness the unsurpassed reliability that our “commitment-based management” consistently achieves when we fully leverage the “true business power” of ITOCHU and the “combined power” of all Group employees working together.

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By keeping our focus firmly fixed beyond the current difficulties and taking forward-looking preparations, we aim to sustainably enhance our corporate value.

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



Yoshihisa Suzuki
President & Chief Operating Officer

FYE 2020: The Year the Tide Turned

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 discussion 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 reflecting on the many ups and downs the Company has experienced and what lessons could be learned. We narrowed these down to three major lessons. The first is not to formulate long-term management plans on hypotheticals. In other words, we should not announce baseless quantitative targets, and management should emphasize its commitments. 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 consolidated 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

FamilyMart, which was made a subsidiary in FYE 2019, and strengthen the Group’s value chain by using the consumers’ 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 make for 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’s 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 companies. 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 grown dramatically over the course of a decade, determined that it was facing a major challenge about whether it could 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 preparations we made for that time helped us be ready when



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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)



We will work to maintain supply chains in each field by steadily carrying out operations and contribute to the stability of society as a whole.

Regarding the upgrade of business models through venture investments or by using new technologies, we have completed the development of forward-looking foundations and the identification of key fields. From FYE 2021, we will enter a phase where we strive to expand business under the initiative of our Division Companies centering on mobility, power, and retail businesses. In particular, the power field combined the downstream fields of next-generation power and storage batteries and established the new Power & Environmental Solution Division. Our brand of storage batteries equipped with AI functions has sold a cumulative total of roughly 30,000 units across Japan as of March 31, 2020, giving it the No. 1 share in Japan on a capacity basis. Our strengths in this area include our sales network and a business foundation that has evolved over more than a decade. We are steadily expanding our business by taking full advantage of our investees handling a variety of next-generation businesses, such as Sunnova Energy International Inc., 24M Technologies, Inc., and Shenzhen Pandpower Co., Ltd. (➔ Page 60 Realizing Our “*Sampo-yoshi*” Philosophy through the Largest Multifaceted Development in Japan)

Amid the current crisis, which has been called the greatest since World War II, let us recall the words of President John F. Kennedy during the Cuban Missile Crisis: “In the Chinese language, the word ‘crisis’ is composed of two characters, one representing danger and the other, opportunity.” For example, COVID-19 is obviously spurring retailers to more quickly move online and fostering greater online engagement with customers of services. During this time, the ITOCHU Group has also launched new initiatives, such as HOKEN NO MADOGUCHI (an insurance agency with walk-in stores) starting online consultations. Even during the COVID-19 crisis, we will continue to precisely sense changes in customers and industry structure, attune our senses to the seeds of change, and seize good opportunities.

We are also monitoring the effect of COVID-19 overseas. By thoroughly managing risks and polishing our existing businesses, our “earn, cut, prevent” principles will serve as a base. Through the “earn” principle, we strive to expand our business through collaboration with powerful partners. For example, the Energy-from-Waste (EfW) project in Serbia started construction in FYE 2020, and it is a collaborative initiative with SUEZ S.A., a major French company for water and environmental utilities. Annually 340,000 tons of waste, equivalent to 66% of the waste emitted by the city of

Belgrade, is incinerated to produce electricity and supply heat. This is Serbia’s first large-scale Public Private Partnership (PPP) using project finance. The project is of paramount importance to the Serbian government, which aims to meet the European Union (EU)’s waste disposal standards and join the EU. ITOCHU also operates similar EfW facilities in the United Kingdom. Leveraging the business development and operational know-how we have cultivated to date, we will collaborate with strong partners in each region and business field to enhance the quality of our projects, thereby making steady progress. (➔ Page 59 Viewing Environmental Issues as Business Opportunities)

Aiming to Sustainably Enhance Corporate Value

To achieve major accomplishments with very few employees relative to other general trading companies on a non-consolidated basis, ITOCHU has rolled out its distinctive advanced measures to enhance every employee’s productivity. Specifically, we have made operations more efficient by going paperless for meetings and applications and by utilizing IT including robotic process automation (RPA). We also promoted workstyle reforms through the “Morning-Focused Working System” and “Dress-down Days,” as well as health management through such measures as “Support Measures for Balancing Cancer Care and Work.”

Going forward, by providing opportunities for advancement as a “strict but rewarding company,” ITOCHU will continue to ensure its employees can truly experience growth and feel the appeal of creation, through cultivating new customers and developing business models on their own.

In April 2020, to achieve further growth as we adapt to the rapid changes in the business environment in the industries that we are facing and to establish values that resonate with the strengths that set ITOCHU apart, we amended our corporate mission to be “*Sampo-yoshi*,” our management philosophy that has been in place since our founding, which also aligns with the principles behind the SDGs. We will continue to increase the unified strength of the entire Group as we aim to enhance our corporate value.

Going forward, we will work reliably to support the diligent efforts of our subsidiaries, affiliates, and customers even amid the COVID-19 crisis. We will work to maintain supply chains in each field by steadily carrying out operations and contribute to the stability of society as a whole.