

Accumulated Strengths

Since its founding in 1858, ITOCHU has fostered a unique corporate culture while flexibly changing its business structure, primarily by dynamically allocating management resources to growth areas that shift with the times, and leveraging business investments to move into downstream fields in the value chain. Our business model, which currently boasts high sustainability, has enabled us to consistently overcome the obstacles we have faced, such as the economic crisis in the late 1990s. The driving force behind this model lies in four corporate strengths we have accumulated over our history of more than 160 years.

Accumulated Strength—

Comprehensive Strength and Ability of Self-Transformation

Compound Annual Growth Rate of Consolidated Net Profit

11.8% (FYE 2011–2022)

We realize sustainable growth by leveraging our comprehensive strength as a general trading company and flexibly transforming ourselves in response to the outside environment.

Consolidated Net Profit



01 Driving Force for Sustainable Value Creation

Founded—

Focus Mainly on the Textile Sector

Chubei Itoh I commenced linen trading operations via Osaka in Senshu (now the southwestern part of Osaka Prefecture) and Kishu (now Wakayama Prefecture). From a base in Osaka, we expanded business, mainly in the textile sector.



Chubei Itoh I

1950s—

Diversification, Including Automobiles, Petroleum, and Food

We pursued a path of diversification, and as a result non-textile areas accounted for around 40% of trading volume in 1958. In the 1960s, we expanded our business to include energy, machinery, general merchandise projects, and the iron and steel business, becoming a “¥1 trillion trading company.” In 1977, we further expanded the iron and steel business through a merger with Ataka & Co., Ltd.



1980s—

Expansion in the ICT Sector

As yen appreciation became a fixture of the economy, we promoted internationalization and globalization. We moved aggressively into the ICT field and entered the satellite business.



1990s—

Set the Steppingstones for the Current Business

We took decisive action to dispose of low-efficiency and unprofitable assets to sweep away negative legacy assets from the bubble era. At the same time, we set in place the steppingstones for the future, such as acquiring shares in FamilyMart in 1998.



2010s—

Enhancing Comprehensive Strength by Harnessing Our Ability of Self-Transformation

Ahead of other general trading companies, we began focusing on the non-resource sector. We commenced a strategic business alliance and capital participation with CITIC and CP Group, strengthened North American construction materials-related businesses, acquired Dole business, invested more in major Group companies, and privatized FamilyMart. We have further built up comprehensive strength and promoted self-transformation from a market-oriented perspective in part by entwining our business investments to create multifaceted businesses that connect for synergy, establishing The 8th Company, and developing the value chain of energy storage systems.



Strengthening Our Foundation to Harness Individual Capabilities

Since its founding, ITOCHU did not maintain free-standing stores, but instead cultivated a spirit of creating businesses on its own. Based on this DNA and our core focus on the non-resource sector, which consists of small businesses and has a large number of clients, we have cultivated “individual capabilities.” The ability of individuals, who are also referred to as “brave warriors,” to create business through their own discretion on the front lines is characteristic of the Company and the driving force behind its sustainable value creation.

Under “Brand-new Deal 2012” (FYE 2012–2013), we established our business fundamentals as the strengthening of front-line capabilities and the “earn, cut, prevent” principles, then implemented various internal reforms to draw forth our latent individual capabilities. We subsequently enhanced initiatives for work-style reforms, including the introduction of a Morning-Focused Working System. As a result, we achieved high labor productivity with a small but elite system. ITOCHU boasts the lowest number of employees (non-consolidated basis) of the general trading companies, but we generate the highest consolidated net profit per employee.

Accumulated Strength— Individual Capabilities

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.10 billion (FYE 2021)

From the Company’s founding, merchants developed business by balancing their wares on shoulder poles as they traveled on foot to distant locales. This DNA has been steadily passed down through the eras until the present as “individual capabilities.”



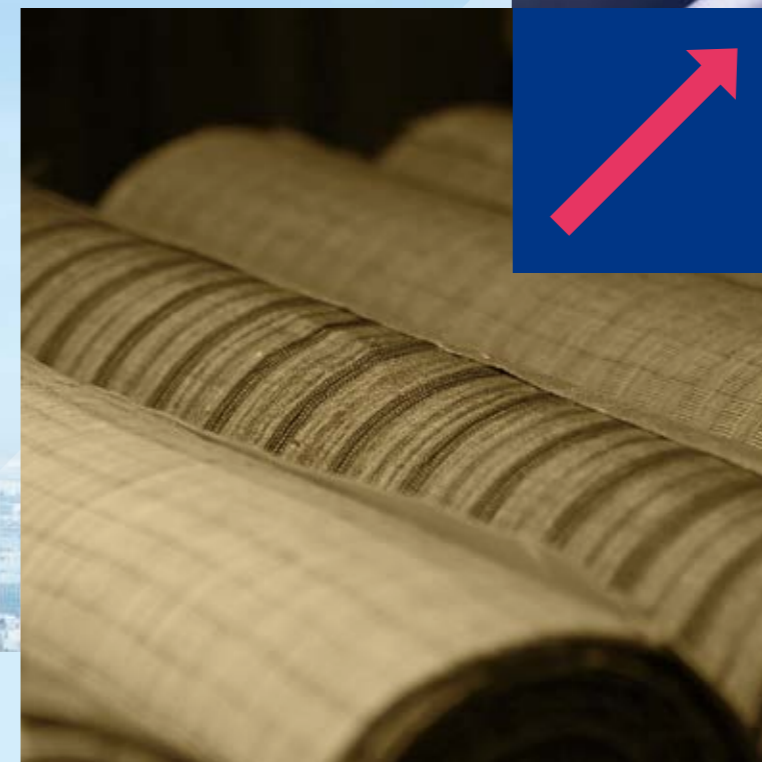
(Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University)

Accumulated Strength— Earning Power in the Non-Resource Sector

Core Profit in the Non-Resource Sector

¥330.7 billion (FYE 2021)

Although business has significantly changed, expanding from linen trading to the development of a value chain in sustainable materials, the Company’s main focus remains in the non-resource sector.



Further Enhancing Earning Power in the Non-Resource Sector

ITOCHU’s business originated with textiles. In contrast with the general trading companies associated with the former *zaibatsu* industrial groups, the Company has weaker connections to the national government and companies in heavy industry. We therefore inevitably built up strengths in the non-resource sector, centered on clothing, food, and housing, where we have a wealth of expertise.

“Brand-new Deal 2014” (FYE 2014–2015) was subtitled, “Aiming to be the No. 1 Trading Company in the Non-resource Sector.” Under it, ITOCHU did in fact become the No. 1 general trading company in the non-resource sector. We attribute this success to our efforts to enhance the returns from major investments completed, improve the profitability of existing businesses, and revise investment criteria directing nearly 80% of new investment to the non-resource sector. Following that, we continued to accumulate strengths in the non-resource sector and built an earnings base that is diversified across many fields and more resilient to economic volatility, thereby enabling the stable generation of cash flows.

■ Laying a Strategic Foundation for the Future in Markets in China and Other Parts of Asia

ITOCHU was the first major general trading company to be accepted to restart trading between Japan and China. This early success to build a bridgehead in China is connected to our current strength of “experience and track record in China and other parts of Asia.”

Under “Brand-new Deal 2017” (FYE 2016–2018), we sought to enhance sustainable corporate value from a longer-term perspective. We worked with the CP Group to make a joint investment in CITIC, the largest investment in ITOCHU’s history (approx. ¥600.0 billion), and placed a major strategic steppingstone in the world’s largest consumer markets of China and other parts of Asia. CITIC is the largest Chinese state-owned conglomerate, and CP Group is the largest conglomerate in Thailand which has built up various businesses across all of China. Working with these two reputable partners (CITIC and CP Group), we strive to develop businesses which lead to improve the earning power in our strong non-resource sector.

Accumulated Strength— Experience and Track Record in China and Other Parts of Asia

Expanding Business into China

1972

In 1972, then-President Masakazu Echigo headed a mission to China and attempted to make an early start at cultivating the Chinese market. This led to our current valued partnerships.



Once Again, Unleashing Our Strengths

FYE 2021

Increasing Comprehensive Strength Through Self-transformation

→ Achieving the **Triple Crown*** of General Trading Companies

* Market capitalization, share price, and consolidated net profit

FYE 2016

Steppingstones Toward China and Other Parts of Asia

→ **No. 1** General Trading Company in Consolidated Net Profit

FYE 2015

Strengthening Earning Power in the Non-Resource Sector

→ **No. 1** in the Non-Resource Sector

FYE 2012

Harnessing Individual Capabilities

→ **No. 1** in the Consumer Sector

■ Working Toward a New Growth Stage

Adding new strengths to proven strengths, ITOCHU steadily advanced its position, and in FYE 2021 clinched the “triple crown” for general trading companies, achieving the highest market capitalization, share price, and consolidated net profit. However, the COVID-19 pandemic, which is still raging across the world, has brought about major changes in the world. The SDGs are now influencing business models at a faster speed than predicted, and uncertainty in the economic environment is increasing. Driven by its four accumulated strengths, the Company is flexibly responding to this business environment. We are also promoting the basic policies of “Realizing business transformation by shifting to a market-oriented perspective” and “Enhancing our contribution to and engagement with the SDGs through business activities” as laid out in the new medium-term management plan “Brand-new Deal 2023.” Through these efforts, we aim to achieve consolidated net profit of ¥600.0 billion during the plan’s period and further leap toward a new growth stage.

2021

01

Driving Force for Sustainable Value Creation