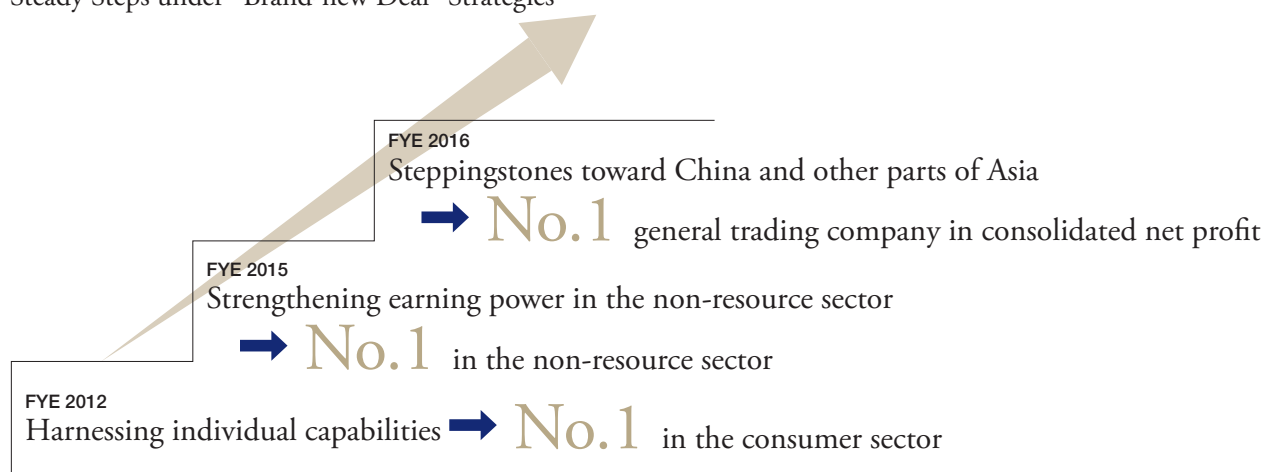


Steady Steps under “Brand-new Deal” Strategies



In addition, we adopted A&P Strategy and concentrated management resources on areas of strength, centering on food, clothing, and housing. He then passed on the management baton to unleash our strengths in the non-resource sector.

Taking over the management reins, President Eizo Kobayashi emphasized the pursuit of efficiency, strengthening “defense.” At the same time, the Company made proactive efforts to build the foundation for “offense” through accumulating profit by taking advantage of a resource boom. The role of President Okafuji (the current Chairman & CEO), appointed in 2010, was to dramatically develop the path the two prior presidents had outlined, maximizing the true value of our strengths as a merchant. The Company then proceeded to achieve each of its targets under “Brand-new Deal” strategies from FYE 2012.

Three Steps to Unleashing the True Value of Our Strengths

“Brand-new Deal 2012” (FYE 2012–2013) established the strengthening of front-line capabilities and “earn, cut, prevent” as the fundamental of the merchant ethos, marking a shift from our previous predilection toward “defense.” We launched a number of internal reforms to thoroughly unleash the potential of individual capabilities. We reduced internal meetings and materials, strengthened front-line capabilities, and introduced a Morning-Focused Working System. Enhancing measures such as these led us to become an industry leader in labor productivity.

Next, under “Brand-new Deal 2014” (FYE 2014–2015) we set about reaping the rewards of large-scale investments we had made and increasing profitability in existing businesses. Furthermore, by revising investment criteria, we made nearly 80% of our total investments in the non-resource sector and strengthened our earning power in this area. Through consistent implementation of the “earn, cut, prevent” principles, our business portfolio dispersed over a wide range of regions and business fields, and we have established stable cash generating power, as about

90% of the Group companies are reporting profit.

As the third step, under “Brand-new Deal 2017” (FYE 2016–2018), in addition to ensuring profit growth each fiscal year, we conducted preparations with a longer-term view. Following our investment in CP Group, we invested approximately ¥600.0 billion—the largest amount to date—in CITIC. With this move, we laid a major strategic foundation for business in China and other parts of Asia, the world’s largest consumer market.

In FYE 2012, we achieved our objective of becoming No. 1 in the consumer sector. In FYE 2015, we became No. 1 in the non-resource sector. And in FYE 2016, we became the No. 1 general trading company in consolidated net profit, as the higher-ranked general trading companies were affected significantly by the fall in resource prices while we were able to demonstrate the true value of our earnings base—being highly resilient to economic fluctuations due to our diversified business portfolio. Furthermore, in FYE 2019 we reached the major milestone of exceeding ¥500.0 billion in consolidated net profit for the first time. We have steadily stepped up our businesses by building on our existing strengths. This could be interpreted as us having charted a major change of course toward “offensive” management, but in fact that is not the case. Rather, as we moved forward we weighed the risks very carefully, keeping in mind the harsh lessons learned in the late 1990s. As the next step in the following medium-term management plan, “Brand-new Deal 2020,” we advanced the shift from a product-oriented to a market-oriented perspective, in order to upgrade the physical businesses we have honed to date. As a result, in FYE 2020 we achieved the strongest financial results ever including consolidated net profit, achieving the targets of “Brand-new Deal 2020” one year ahead of schedule.

In FYE 2021, we expect global economic confusion to become more pronounced on various fronts due to the COVID-19 pandemic which we cannot predict its containment. Remaining true to the “Sampo-yoshi” spirit, despite the adverse operating conditions we will continue to lay the steppingstones for our next step forward.