Driving Force for Sustainable Value Creation

The Story of Merchan

government. We took advantage of this opportunity to secure access to what would become a massive consumer market in the future. We continued working to build relations with China, which was undergoing economic development under a reform and open-door policy. In the process, we expandedourhumannetworkandbusinessfoundations.

# Comprehensive Strength Accumulated from

General trading companies, which operate in the middle of the value chain, are affected by trends among sellers. In particular, as manufacturers transitioned toward a practice of seling products themselves, trading companies became concerned that this disintermediation could be fateful for them.We havefaced such existential crises numerous times, with the 1960s marked by "the notion that trading companies were a declining force" and the late 1970s to early 80s labeled as a "period of hardship for trading com- panies." We have successfully overcome such adversities by flexibly changing the form of our business. As part of these initiatives, we moved upstream to secure stable supplies of resources and product materials. At the same time, we invested in downstream operations, notably FamilyMart, to expand our customer contact points. In addition to this vertical expansion of the value chain, we shifted toward a business model that pursued added value One example was our move into the brand business in the Textile Company in the 1970s. By entwining our business investments and creatingbusinesses in a multifaceted

strength. As Chubei Itoh I worded in "supplying the needs of the society" and the current Chairman & CEO, Masahirc Okafuji, explained that trading companies "are like water taking the form of the vessel in which it is carried, some- times round, and sometimes square,” we transform our- selves as a merchant sensitive to the needs of the times.

Passing on the Management Baton While Bringing out True Value of a History of more than 160 Years

# Passing on the Management Baton While Bring

In the late 1990s, huge holdings of underperforming asset led to a crisis that threatened our continued existence. Then-President Uichiro Niwa adopted a bold stance, saying “Problems created in the 2Oth century should be resolved in the 20th century." Accordingly, in FYE 2000 we. processed total losses of ￥400.0 billion, sweeping away low-efficiency and unprofitable assets. We also introduced a new management method, called Risk Capital Management and shifted funds to high-efficiency assets.

# Strengthening Our Financial Position

Approximately 4.2 tilion March 31,2011 NET DER: 1 .4 times

Net interest-bearing debt: Approximately ￥1 .6 trilion