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The best prescription is the improvement of added value

23rd October, Reiwa 4th

President : Sumito Shimizu

Commentators and some politicians are making a fuss, saying that South Korea has surpassed Japan concerning the per capita GDP among the OECD countries. According to the data published by IMF(International Monetary Fund) and OECD, in 2018 the per capita GDP(PPP<Purchasing Power Parity> calculated by the price level in 2017) of Japan was surpassed by that of South Korea and the gap has been increasing.

In addition, the yen has gotten weaker, temporarily fell to ¥150 against the US dollar. The Bank of Japan intervened in the foreign exchange market to support the yen by reducing foreign exchange reserve, and after that it has fluctuated around the ¥145 level. In short, this means that the Japanese economy has been in a very serious situation. I should judge that the decline of Japan has been progressing. Even so, Japan has managed to keep the position of the third largest economy power in the world(the United States, China and Japan). However Japan temporarily has almost caught up with the largest economy power, America in the past(bubble period from 1986 to 1991), but it was so long ago. For Japan to recover as a genuine economy power, Japanese companies must regain credibility (quality problems such as data falsification and management problems such as accounting fraud) and spread high value-added products to the world, I have thought.



Can★Do



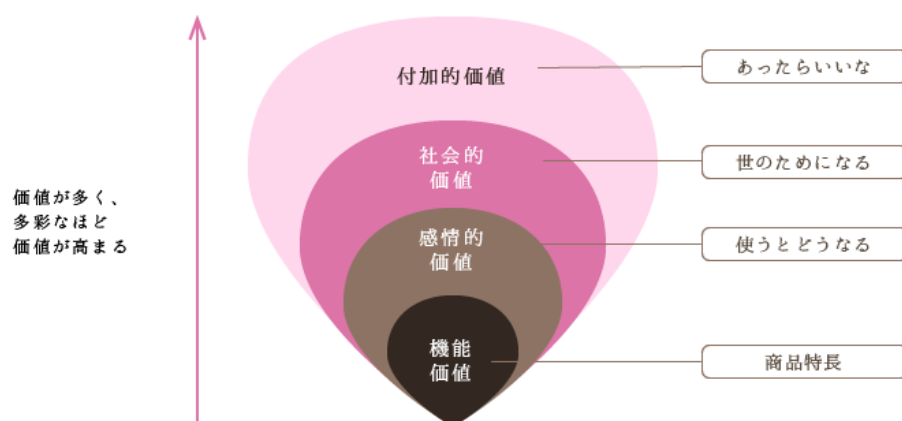
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They have given themselves to developing 100 yen products with no added value in Japan and it has caused all the Japanese people to seem poor. Japanese people should stop this kind of situation. They should make production innovation that Japanese have been good

at, and provide products that all the people in the world are willing to purchase at 1,000 yen, even at 10,000 yen. As the result, companies would become prosperous, their employees and families would happy, and would make the country rich with their tax . This is the essential role of a company. If a company runs a deficit, neglects their duty to pay tax(national tax), and does not increase the income of its employees, it can be called a zombie company. According to "International Comparison of Labor Productivity 2021," of the Japan Productivity Center, Japan's labor productivity was \$49.5 (5,086 yen), which ranked 23rd among the 38 member countries of OECD, and has been the lowest in the seven major countries (G7). In other words, it is essential to increase the added value of the products. Also, we need to raise the selling price and lower the production cost by raising the automation rate. It is said that the higher the sales becomes, the higher the expenses becomes. However it is a false common sense. We need to make our sales the maximum and try to suppress expenses to a minimum thoroughly, which could bring higher profit.

This is the direction that Japanese companies should aim at as a leader. Uchiya has taken a management strategy while being deeply aware of this fact.



Considering from macro perspective, the below things have been often appointed out.

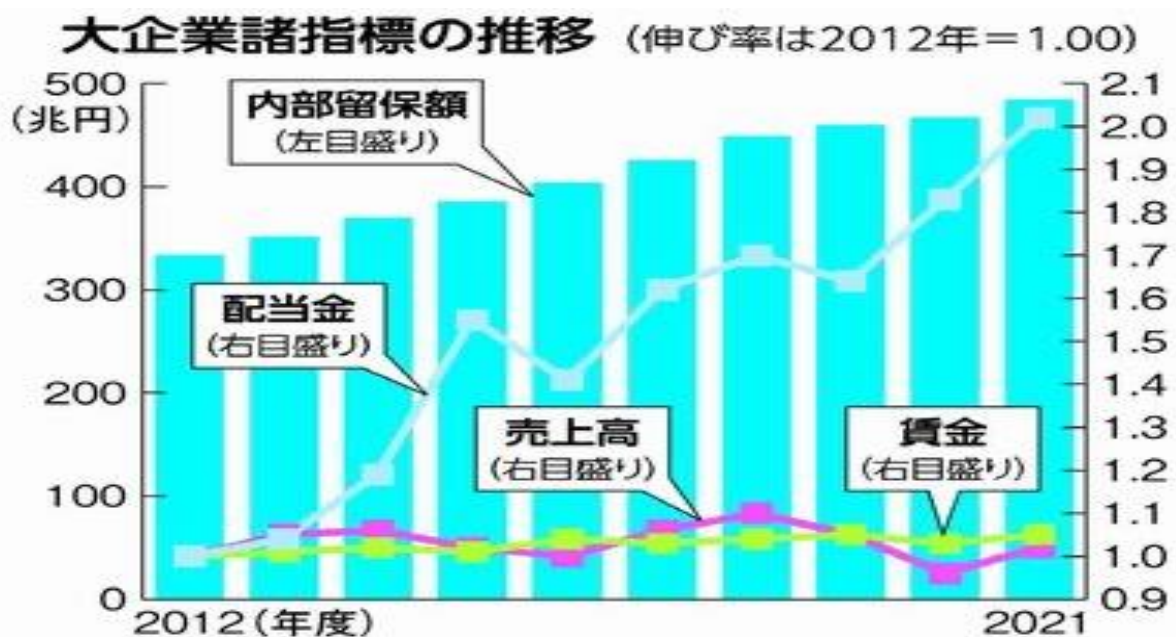
- ① Innovations have been rarely created(could not be created).
- ② Investment for human resources and equipments has been decreased.
- ③ Lower prices competition has progressed due to past deflation. As the result, companies could get less profits(added value) when they provide similar products and services as other countries.
- ④ There have been few newly started business and M&A.
- ⑤ The Japanese productivity of the service industry which needs a large working population is lower than that of other countries.

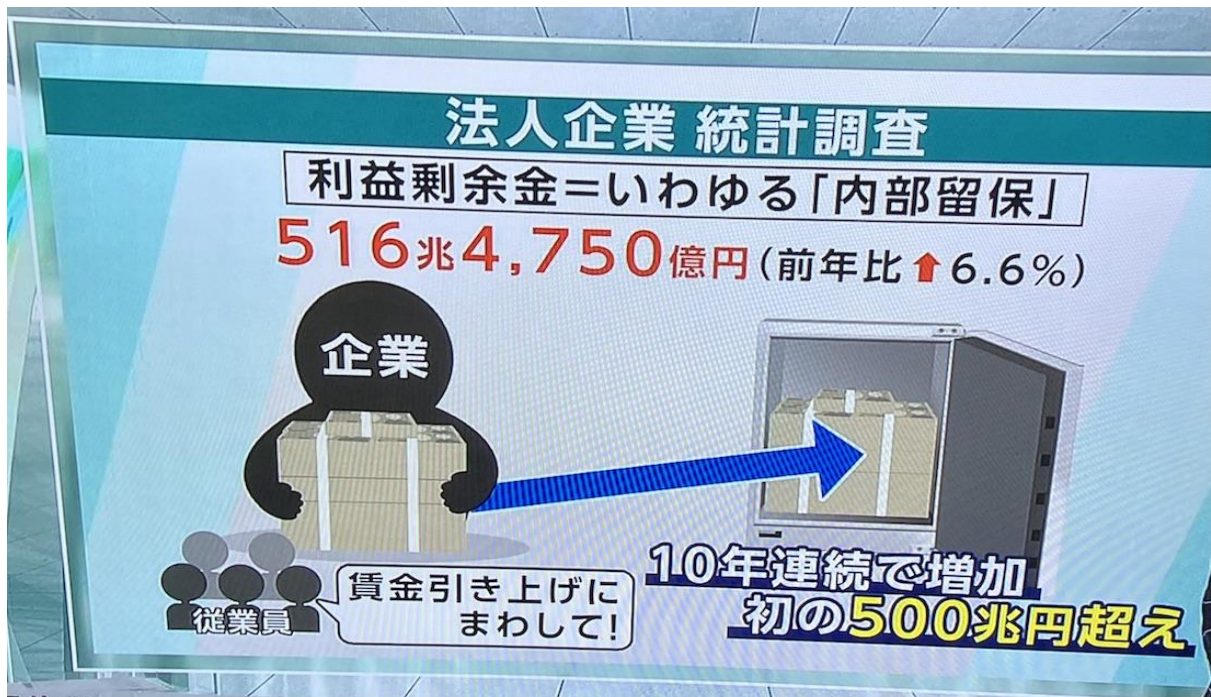
In the early 1990s, when the bubble had bursted, the word "price collapse" became popular in Japan. It can be said that this is a symbol of the "beginning of a deflationary spiral." After the burst of the bubble, being rushed to dispose of non-performing loans, debt repayment had been prioritized as a way to use money, and the sales of companies and

stores had been decreased. Companies and stores try to increase sales even a little by lowering prices. As the result, → Decrease of profit → No increase of wages of workers → people spend even less money → sales of goods and services fall further → then lower prices again. We have fallen into the spiral of “nothing good at all”. Even now, there are many embarrassing companies that set up the price destruction as their business strategy. @ 100 Yen shops are typical ones !



In fiscal 2018, internal reserves of all corporate companies (2.8 million companies) had swelled to 463 trillion yen, and that of only 5,000 large companies with capital of 1 billion yen or more had swelled to 234 trillion yen. It has become clear that only 0.2% large corporations out of all corporations hold the half of their internal reserves. Retained earnings are the amount profit left over in their companies after paying dividends to shareholders from the profits of each period. The reason why large profits were made even though sales weren't actually increased was that workers' wages and welfare expenses had been reduced and reduction of corporate tax had been completed. Wages and welfare costs per one worker have been kept very low, and corporate tax has been reduced while the consumption tax has been increased. As the result, internal reserves have been higher and higher.





Developed countries in Europe and the United States have been moving away from the industrial society in the 20th century to the creation of new industries that is based on "digitalization" in the 21st century. Wage increases and capital investment in Europe and the United States have been carried out in order to bring out the vitality of human resources for this purpose. However, Japanese companies have prioritized increasing internal reserves and they have not invested enough money to transform their industrial structure through digitalization.

Based on this situation, Uchiya has promoted digital transformation by investing so-called people, things, money, and information in wage increases, human investment, capital expenditure, new product development, and investment in the construction of information systems.

デジタルトランスフォーメーション

Digital + Transformation

デジタル技術・デジタルデータ

変化・変容

「企業がデジタル技術を活用して起こす変革」

Presented with Gold Meritorious Award from the Japan Red Cross Society

25th October, Reiwa 4th

President : Sumito Shimizu

On Tuesday, October 25th, the Tokyo Chapter of the Japanese Red Cross Society held the 2021 Tokyo Red Cross Convention at Meiji Jingu Kaikan in Shibuya Ward. Originally, the honorary vice-president of the Japanese Red Cross Society, Her Imperial Highness Princess Takamado, and branch manager Yuriko Koike (Governor of Tokyo) were to attend, but due to the coronavirus infection, they were absent. More than 1,000 members usually attend this ceremony, but the number of people present were restricted to about 250 people due to corona infection measures. This is the award ceremony in which the Japan Red Cross Society commends Red Cross people(members) who have made large donations in Tokyo and people who have made achievements in volunteer activities. Uchiya also made a donation in February of this year, so I attended the ceremony on behalf of Uchiya Thermostat Co., Ltd. The manager(deputy) of Tokyo branch of the Japanese Red Cross Society gave some commemorative mementos(plaques) to some associations, companies and individuals which were chosen in advance from the attendants. The actual commemorative plaques have already been received by the recipients when Tokyo branch of the Japanese Red Cross Society visited them in advance. Uchiya also has already received one when the Japanese Red Cross Society visited Uchiya in August.

Fundamentally, donation should be done secretly, purely, cleanly, and beautifully. However, because I am a person who cannot get rid of worldly desire in the real world, I was happy to attend such a grand ceremony and experience a little pleasant feeling. We were able to make a donation to the Japanese Red Cross Society as a result of the hard work of everyone at Uchiya. Because this activity was highly evaluated, we received the "Kinshoku(Gold)-yuukoushou(Meritorious award) award" this time. It is a great honor to receive such an award for our contributions. I think that all of us who work at Uchiya should be united in heart and be encouraged to continue our social contribution activities by this award..



<Kind of Award>

Gold Meritorious Award : Awarded when one or total(accumulated) amount of donation is more than 500,000 yen. (Individual : Medal、 Corporation : Shield)

Silver Meritorious Award : Awarded when one or total(accumulated) amount of donation is from more than 200,000 yen to less than 500,000 yen.

A letter of appreciation from President

: Awarded when one or total amount of another donation is more than 500,000 yen after receiving Gold Meritorious Award.



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