

# Future Approach Given the Reality of the Operating Environment

The operating environment of the PPIH Group is undergoing great change. In Japan, the landscape is undergoing massive transformations due to labor shortfalls, resulting from factors such as population aging and birthrate decline, as well as the trend toward frugality among consumers and the burgeoning of e-commerce. Overseas, a rising movement toward protectionism is deepening the divide between countries while concerns over climate change and resource depletion are growing. Faced with this reality, we must examine the approach to be taken by the PPIH Group going forward and think about the foundations that will be needed to support the ongoing existence of the Group.

The current era is one in which we are pressed to accelerate the evolution of the PPIH Group to move toward a brighter future.

Projected Population of Japan in 2060  
**Down to 86,740,000 people**

Source: *White Paper on the Labour Economy 2015*, Ministry of Health, Labour and Welfare

Portion of Population Over 65  
**Up to 40%**

Source: *White Paper on the Labour Economy 2015*, Ministry of Health, Labour and Welfare

Non-Japanese Residents of Japan  
**Approx. 1,460,000**

Source: Status of reporting on the employment of foreign workers by employers (October 2018)

## Global Megatrends

Population growth in emerging countries

Economic growth in emerging countries

Widening wealth disparity

Accelerated trend toward diversity and diversification of values

Climate change

Resource depletion

Increased need for decarbonization and renewable energy

Evolution of artificial intelligence (AI) and IT technologies

Population aging

Shrinking workforces

Average Economic Growth Rate of Emerging Countries in 2020

**4.7%**

Source: *World Economic Outlook*, International Monetary Fund, July 2019

Middle Income or Higher Population in Asia's Emerging Countries in 2030

Approx. **3.4 billion**

Source: *Outlook for 2030 and Improvement Taskforce Report*, Cabinet Office

Consequences If Climate Change Is Not Addressed

Average temperature

**3.7°C above pre-industrial levels in 2100 and higher physical risks to assets**

Source: Summary for Policymakers of the Working Group I of IPCC Fifth Assessment Report released by Intergovernmental Panel on Climate Change

# Maximization of Opportunities and Minimization of Risks

If the PPIH Group is to continue to achieve growth, it will be crucial to develop its business while identifying growth opportunities and risks based on various global megatrends.

Management strategies will thus need to be developed going forward by working backward from a vision for the future. This approach should look at the strategies needed to maximize growth opportunities for the Group while minimizing its risks.

The PPIH Group will continue to create new value by positioning risks as business opportunities going forward, all the while exercising its competitiveness and relentlessly tackling bold, new challenges.

## Major Growth Opportunities

Growing demand in Japan

Rising demand overseas

Increased demand for low-carbon products and services

Diversification of energy sources and improvement of resource efficiency

Creation of new services utilizing innovative technologies

Augmentation of value creation capabilities through human resource diversity

## Major Risks

Deterioration of political, economic, and social conditions in major foreign countries

Halts to business activities due to natural disasters stemming from climate change

Labor shortfalls and inflexible organizations plaguing major corporations

## The PPIH Group's Response

### Expansion of Business Scale in Japan

In Japan, consumers are becoming more selective and price conscious. Accordingly, we are developing our stores with the aim of making them No. 1 in their area among a wide range of customers. At the same time, we are utilizing IT technologies to develop next-generation stores in order to better deliver the sense of anticipation and excitement that are exclusive to physical stores.

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### Store Environmental Management Systems

The PPIH Group Environmental Policy states "the PPIH Group contributes to the building of a sustainable society... through our corporate activities." Accordingly, we assess the environmental impacts of our stores and offices and pursue improvements with this regard. As of July 2019, all 173 Apita and Piago stores acquired certification under the ISO 14001 international standard for environmental management systems as part of their efforts to help preserve the environment and improve environmental performance.

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