Business Segment IR Meeting

Mitsubishi Corporation

Consumer Industry Group

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Consumer Industry Group: Attendees

Kiyotaka Kikuchi: Group CEO, Division COO, Retail Div.

Shigeo Matsunaga: General Manager, Group CEO Office

Yoshio Takahashi: General Manager, Group Administration Dept.

Taku Ozawa: Division COO, Apparel & S.P.A. Div.

Katsutoshi Kitaura: Division COO, Healthcare Div.

Wataru Kato: Division COO, Logistics & Food Distribution Div.

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Today's Agenda

1. Group Overview

➢ Our Businesses

➢ Group Organization

2. Group Policy

➢ Mission & Role

➢ Our Aspiration

➢ Plans for profit and investments

3. Reinforcing the Lawson Business

➢ Domestic Operations

➢ China Operations

➢ DX/EX initiatives

4. DX initiatives

➢ DX overview of the Consumer Industry Group

➢ A. Value chain innovation DX
B. Consumer value creation DX
C. Industry focused DX

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1. Group Overview : Our Businesses

Retail Div.

Through businesses such as the retail business including convenience stores and supermarkets, as well as various marketing businesses including the common loyalty point programs, the Retail Division provides products and services that cater to a wide and diverse range of consumer needs.

Logistics & Food Distribution Div.

Through partnerships with principal group companies such as Mitsubishi Shokuhin Co., Ltd., the Division provides services and products to respond to diverse consumer needs in the areas of food distribution, logistics services and packaging.

Apparel & S.P.A. Div.

Promotes retail business through the procurement of a wide range of products such as clothing, fashion accessories, footwear and household goods, as well as the collaboration with leading global S.P.A. brands.

Healthcare Div.

Provides products and services to solve issues faced by customers, in the fields of healthcare and nursing care.

Tire Dept. (*)

Operates an extensive range of businesses related to tires, from manufacturing to retail, through the partnership with Japanese tire manufacturers.
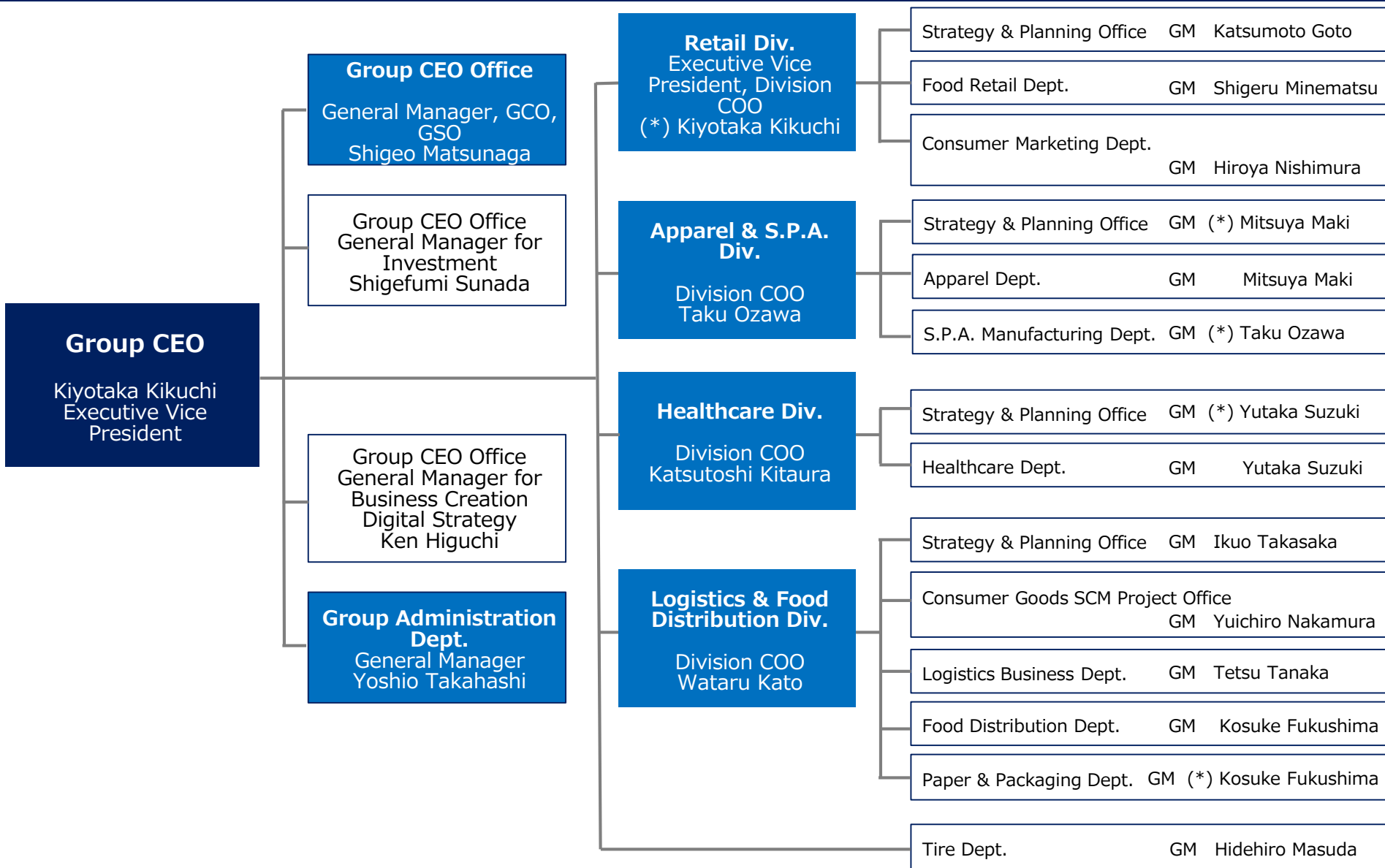
(*) The Tire Dept. (is independent and) does not belong to any Division, reporting directly to the Group CEO

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1. Group Overview : Group Organization

Group CEO

Kiyotaka Kikuchi
Executive Vice President

Group CEO Office

General Manager, GCO, GSO
Shigeo Matsunaga

Group CEO Office
General Manager for Investment
Shigefumi Sunada

Group CEO Office
General Manager for Business Creation
Digital Strategy
Ken Higuchi

Group Administration Dept.
General Manager
Yoshio Takahashi

Retail Div.
Executive Vice President, Division COO
(*) Kiyotaka Kikuchi

Strategy & Planning Office	GM Katsumoto Goto
Food Retail Dept.	GM Shigeru Minematsu
Consumer Marketing Dept.	GM Hiroya Nishimura

Apparel & S.P.A. Div.

Division COO
Taku Ozawa

Strategy & Planning Office	GM (*) Mitsuya Maki
Apparel Dept.	GM Mitsuya Maki
S.P.A. Manufacturing Dept.	GM (*) Taku Ozawa

Healthcare Div.

Division COO
Katsutoshi Kitaura

Strategy & Planning Office	GM (*) Yutaka Suzuki
Healthcare Dept.	GM Yutaka Suzuki

Logistics & Food Distribution Div.

Division COO
Wataru Kato

Strategy & Planning Office	GM Ikuo Takasaka
Consumer Goods SCM Project Office	GM Yuichiro Nakamura
Logistics Business Dept.	GM Tetsu Tanaka
Food Distribution Dept.	GM Kosuke Fukushima
Paper & Packaging Dept.	GM (*) Kosuke Fukushima

|	
Tire Dept.	GM Hidehiro Masuda

(*) : Concurrent Position

2. Group Policy : Mission & Role

1. The Group's mission

To be the leader in resolving social challenges in the retail and distribution industries, and maximize the value of real assets such as physical retail stores as a social infrastructure. Through the integration of real and digital business models, the Group seeks to establish a retail and distribution platform that provides compelling value to consumers using the platform.

2. The Group's role in Mitsubishi Corporation's business portfolio
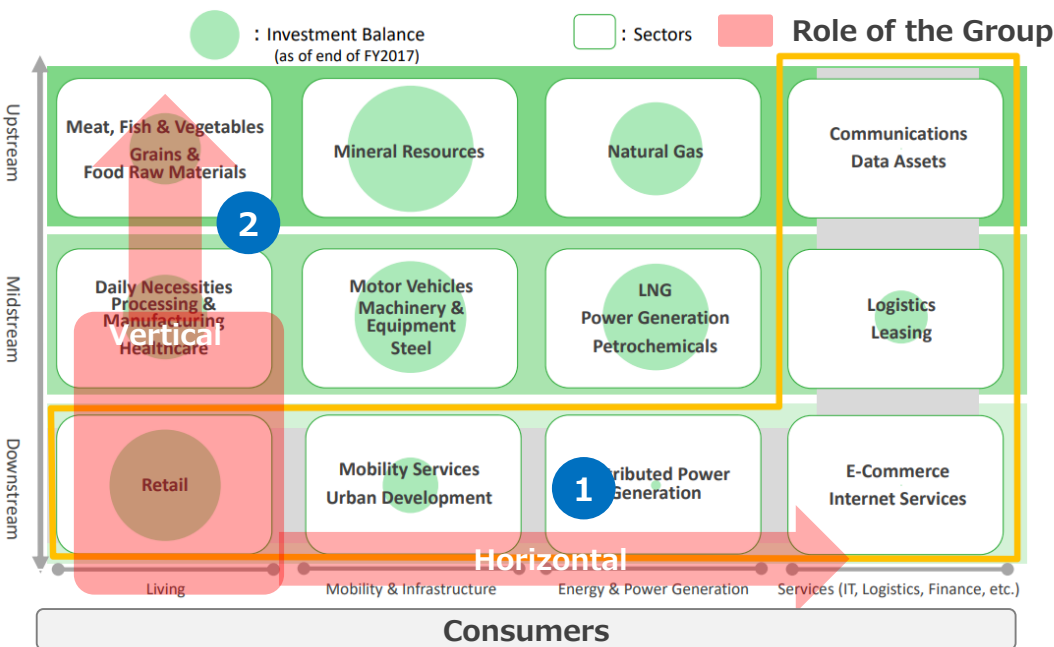
1 The role of the Group is to view the retail network as a social infrastructure that supports consumers, and expand businesses facing consumers, while at the same time contribute to **building a comprehensive consumer platform covering mobility, energy & power, and services.**

2 Starting with the downstream, where progress in digitalization will lead to a deeper understanding of consumers using data, the Group **utilizes DX to reinforce the retail business platform, as well as improve efficiency and sophisticate the functions of the entire value chain.**
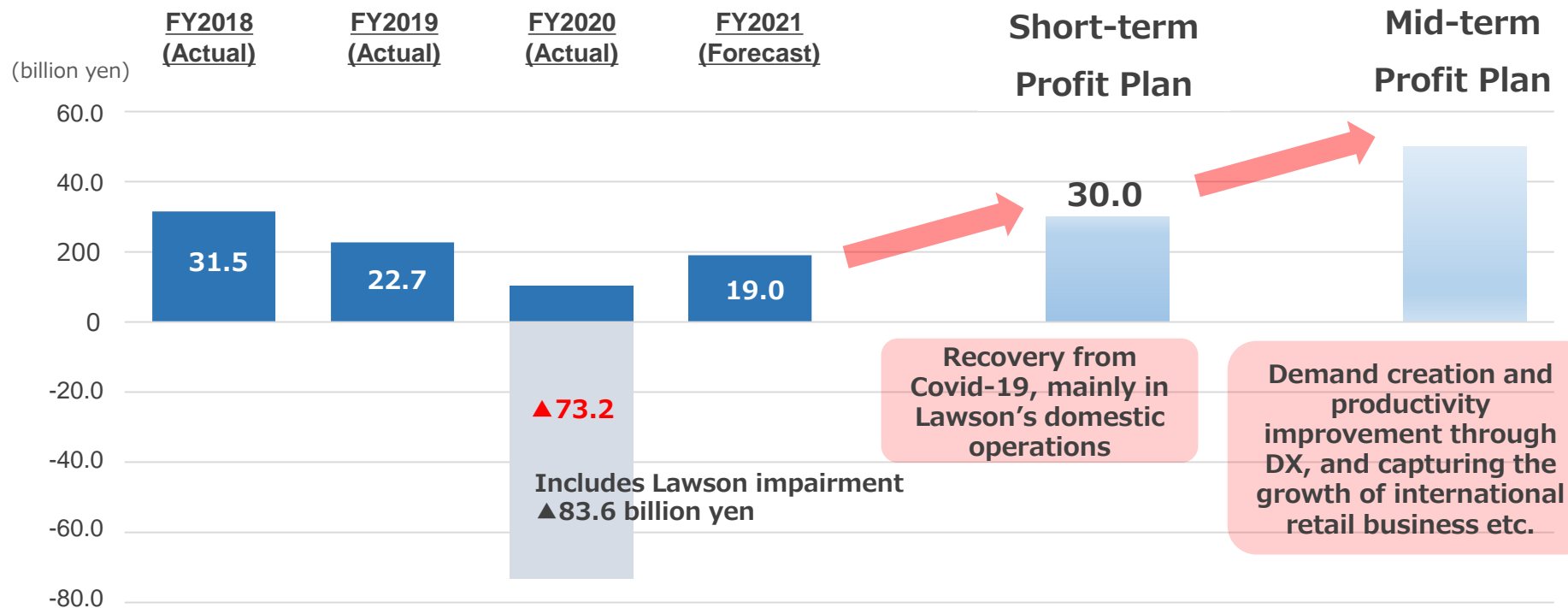
2. Group Policy : Our Aspiration

The Group will focus on EX initiatives, as well as utilize DX in establishing self-sustained decentralized communities together with local partners and consumers, while at the same time creating a highly productive society with business partners

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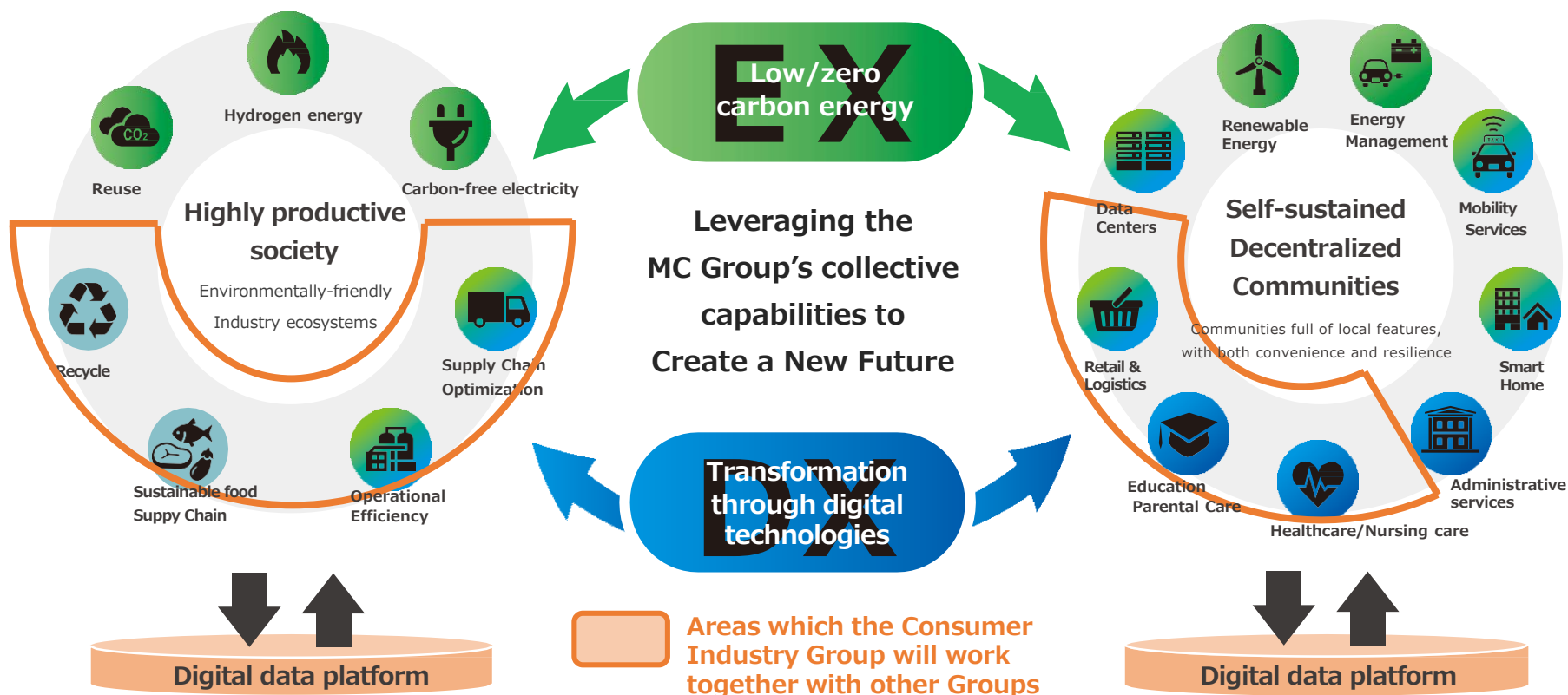
2. Group Policy : Plans for profit and investments

Business performance and profit targets (image)

FY2018 (Actual)	FY2019 (Actual)	FY2020 (Actual)	FY2021 (Forecast)	Short-term Profit Plan	Mid-term Profit Plan

(billion yen)

- 31.5
- 22.7
- ▲73.2
- 19.0
- 30.0

Includes Lawson impairment ▲83.6 billion yen

Recovery from Covid-19, mainly in Lawson's domestic operations

Demand creation and productivity improvement through DX, and capturing the growth of international retail business etc.

Investment plan (image)

- In FY2019～2021, the Group will make investments necessary for future growth, but will prioritize and steadily execute asset recycling.
  For FY2022 onwards, assess the growth areas such as **DX and international businesses**, and actively invest in those areas.

- Include in the management KPI, metrics such as ROIC to monitor asset efficiency, thereby thoroughly implement the cyclical growth model.

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3. Reinforcing the Lawson Business : Domestic Operations

Strengthening domestic operations

- Consumer needs are evolving, driven by changes in lifestyles brought about by the aging society and Covid-19
- The value of stores close to people's homes will continue to rise, and the Group will focus on creating stores that cater to the needs of local consumers

❶ Convenience store business

Launched the「Sweeping Transformation Executive Committee」, under the direct leadership of the CEO, towards creating the "Hub of refreshment in every community" in the New Normal

● **Store renovations**:
Completed renovating approx. 800 stores in the 1st half, and planning to renovate around 5,000 stores in FY2021

● **In-store kitchen**:
Installed in 7,100 stores as of end of August, to be expanded on 8,400 by the end of FY2021

● **Selling MUJI products**

❷ Seijo Ishii business

Sales growth driven by capturing stay-at-home demand, utilizing strong merchandising and brand power. With operations expected to start in the new central kitchen factory, the focus will be on expanding the store network and new product development, together with the expansion of the EC business.
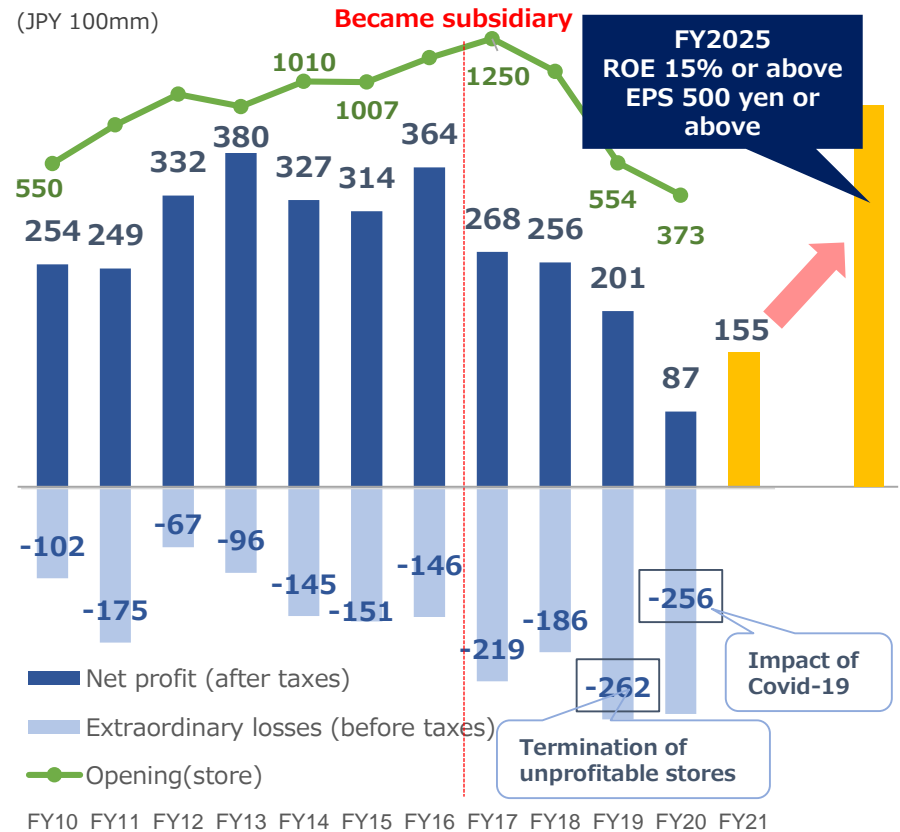
New central kitchen factory
(expected to start operating in spring of 2022)

191 stores as of the end of August 2021
(167 directly operated, 24 franchise stores)

❸ Net profit of Lawson Group (incl. China Operations)

(JPY 100mm)

Became subsidiary

FY2025 ROE 15% or above EPS 500 yen or above

Opening(store): 550, 332, 1010, 1007, 1250, 554, 373

Net profit (after taxes): 254, 249, 332, 380, 327, 314, 364, 268, 256, 201, 87, 155

Extraordinary losses (before taxes): -102, -175, -67, -96, -145, -151, -146, -219, -186, -262, -256

Termination of unprofitable stores

Impact of Covid-19

- Net profit (after taxes)
- Extraordinary losses (before taxes)
- Opening(store)

FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21

3. Reinforcing the Lawson Business : China Operations

Growth of the China operations

➢ Ranked 5th in the number of CVS stores in China, the largest among Japanese players
➢ Surpassed 4,000 stores in September 2021. Expansion of store network continuing through area license agreements with local partners, etc.

❶ Growth of the China CVS market

· China government announces plan to double the number of CVS stores by 2022
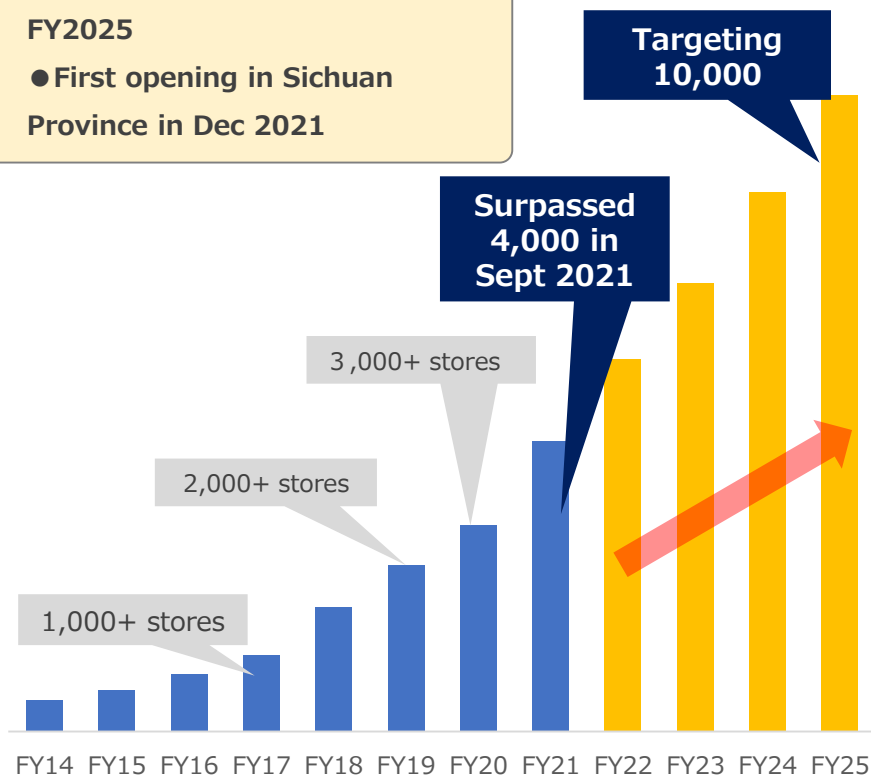
(RMB100mm)

Sales

- CY15: 1,181
- CY20: 2,961
- 251%

No. of stores

- CY15: 9.1
- CY20: 19.3
- 212%
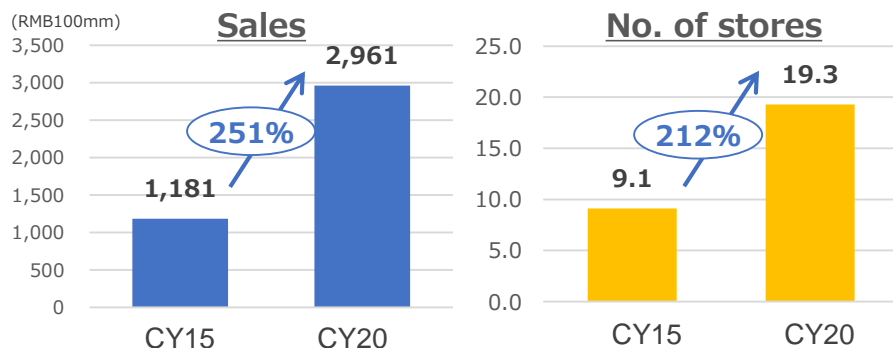
❷ Population per store (China and Japan)

China		Japan	
Region	Population/store (1,000)	Region	Population/store (1,000)
Shanghai	3.9	Hokkaido	1.7
Beijing	9.2	Tokyo	1.8
Dalian	10.8	Osaka	2.2
Chongqing	17.3	Fukuoka	2.2
Shenyang	5.3	Average	2.2

Data Source:China Chain Store & Franchise Association

❸ Lawson China: Number of stores

- ●Target of 10,000 stores in FY2025
- ●First opening in Sichuan Province in Dec 2021

Targeting 10,000

Surpassed 4,000 in Sept 2021

3,000+ stores

2,000+ stores

1,000+ stores

FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25

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3. Reinforcing the Lawson Business : DX/EX initiatives

DX/EX initiatives

Taking on the challenge of creating a new CVS model, through the integration of real stores and digital, following the capital and business alliance with KDDI, and the sophistication of demand projections using AI.
Will utilize renewable energy and solve environmental challenges, with the goal of creating a sustainable society.

DX initiatives

❶ KDDI×Loyalty Marketing capital & business alliance

Integrated KDDI's point scheme with "Ponta Point" in May 2020, establishing a powerful Ponta Economy of more than 100mm users. Will provide optimal goods, information and services to consumers using this platform.

❷ Sophistication of demand projections

Utilized AI to sophisticate demand projections, based on historic sales data. Started trials of discount promotions in 65 stores in the Tohoku region. Plan to expand to all stores in around FY2023.

Optimization of the entire supply chain

- Projection of demand for merchandise, and recommendations for better ordering
- Recommendations about the amount and duration of discounts for merchandise about to meet the "best before" date

Lower opportunity loss and disposal loss ▶ **Achieve sustainable development**

EX initiatives

Decarbonization initiatives

- "Environment-friendly model stores", as part of trial for better energy efficiency using renewable sources

- Introduced and conducted trials with Fuel Cell-based small-sized trucks fueled by hydrogen in the distribution centers.
- Participating in logistics reform, with the aim of evolving into a sustainable model in consideration of the environment.

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4. DX initiatives : Overview of DX in the Consumer Industry Group

Solving challenges and creating value, through the multiplier effect from our strengths of "Vast amount of big data in the domains of distribution, consumers and industry", "State-of-the-art digital technologies and a group of DX specialists", "Industry expertise and network accumulated over the years"

A Value chain innovation DX

Bring together the extensive "Distribution transaction big data" accumulated with digital technologies, and reduce excesses, waste and inefficiencies in the value chain. Contribute to streamlining management resources and lowering the environmental burden.

Food distribution & logistics DX

Mitsubishi Shokuhin MCLOGI OPTIMIND

Roboware here WareX

Apparel DX

MF FASHION Co., Ltd.

Tire DX

CARFRONTIER

Retail DX

LAWSON

SMARI Ponta LIFE 中部電力ミライズ コネクト

Healthcare DX

MC Healthcare,Inc. Nippon Care Supply

RWD けあピアノート White healthcare

Payment DX

Transaction Media-Networks

B Consumer value creation DX

Utilize "Consumer big data" accumulated through wide-ranging contact points and AI, to create new customer experience value (goods, services and information) that are convenient, exciting and attractive

Construction DX

MC DATA PLUS

C Industry focused DX

Develop and provide a cloud service platform to solve issues unique to the industry, and gain top market share. Utilize the accumulated "Industry big data" create new services and businesses

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4. DX initiatives : A Value chain innovation DX

Accumulated vast amount of industry data, through our expertise and knowledge in the area of food distribution, and the network spanning 6,000 manufacturers and 150,000 retail outlets throughout Japan. Optimize the supply chain by automating order intake and placement, and sophisticating demand projections for the entire industry, and building the logistics network.

Our Group's strengths

Customer base and data

Accumulation of food distribution data from **1.2 billion transactions per year**, through business with **6,500 manufacturers** and **160,000 retail outlets**

Mitsubishi Shokuhin

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Technologies

- Demand projection AI
- Operation automation AI
- Route optimization AI
- Warehouse robotics, etc.

MC DIGITAL

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Industry expertise and network

- **Approx. 100 years of experience** (established Hokuyo Shokai in 1925) in the area of food distribution and **5,000 professionals**
- Built a group of DX specialists through partnership with NTT

INDUSTRY ONE

Value Creation

❶ Better operational efficiency through **automation of order intake and placement**

❷ Reduction of waste based on **advanced demand projection** (wholesalers and retailers)

❸ Lower cost and energy usage based on **optimal delivery and logistics**

| Manufacturers | Food wholesalers | Retailers LAWSON |

Mitsubishi Shokuhin — POS data

Inventory optimization
Production plans

Demand forecasting/ Automatic ordering
MC DIGITAL
Central demand forecasting AI

Demand forecasting/ Automatic ordering
Lower opportunity Loss and disposal loss
In-store demand / inventory projection AI

Consumers

Better operational efficiency
Smart contracts, etc.

Optimization of logistics
Optimization of routing and vehicle allocation OPTIMIND

Size of addressable market

Food distribution : 27trillion yen

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4. DX initiatives : B Consumer value creation DX

Utilize **"Consumer big data"** accumulated through wide-ranging contact points with consumers and AI, to create new customer experience value (goods, services and information) that is more convenient, exciting and attractive.

Our Group's strengths

Customer base and data

- More than **100 million** Ponta membership IDs and the Ponta economy
- More than **50 million** customer membership data (Lawson, Life, Chubu Electric Power Miraiz Connect, etc.)
- **20 billion per year** of ID-PoS data

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Technologies

- Purchase and customer loss forecasting AI
- Consumer preference estimation AI

- Consumer analysis BI
- App platform
- Online supermarket platform

カシカル
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Industry expertise & network

- Consumer base, expertise on merchandise and services, and expertise on advertising, promotion, marketing expertise built up through the Retail business

- Business alliance with KDDI

Value Creation

【Value for consumers】
Use data to gain better understanding of consumers in each region, and maximize **Life Time Value**※ and **stimulate regional economies**

【Monetization model】
❶ Development of new merchandise, services, information and experiences based on detailed & thorough understanding of customer needs and demand forecasting

❷ One-way and bilateral communication with customers (advertising, promotion, marketing) that links digital (EC, apps, etc.), based on predictions of consumer activity, with the physical (sales floor in the stores)

❸ Preventing customer loss and improving loyalty based on customer activity predictions

Size of addressable market

Food retail   : **46tn yen**
Advertising and promotion (food) : **3tn yen**

※ Life Time Value(LTV): Marketing term usually defined as "average spend X frequency of purchase X period", but in this case defined more broadly to include "happiness and satisfaction"

4. DX initiatives : **B** Examples of consumer value creation DX

❶ Development of new merchandise based on detailed & thorough understanding of customer needs and demand forecasting

- **Analyze consumers' "values and tastes"** based on purchase data, and **design merchandise**

- Clearly define "which value segment to target", and plan the concept, name, packaging design and marketing of the merchandise. Continuously refine merchandise planning through trial sales, etc.

- Further improve the quality of overall merchandise, through the renewals of core products, and **develop highly original brands and merchandise unique to the Group and capture new customer segments.**

LAWSON
①"Baschee"

②Renewal of bento (boxed meals) : "Korega Bento" series

①BIO-RAL brand, to cater to health-conscious

②Renewal of pre-cooked food

❷ Advertising and promotion that links digital with physical, based on predictions of consumer activity

- Relying on digital advertising media such as SNS and apps makes it **hard to accurately measure the effect of encouraging consumers to visit and make purchases in the physical stores**, therefore making it difficult to review and improve ad strategies.

- Through the alliance between Ponta and digital media, **accurately visualize and measure customer activity, from initial contact with the ad to store visits and purchases.**

- Moreover, by collaborating with retailers such as supermarkets, it is possible to **link digital ads with in-store promotions**, and achieve advertising and promotion effects more powerful than traditional digital advertising.
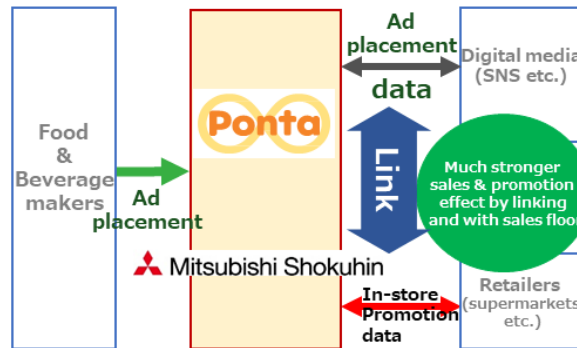
❸ Preventing customer loss and improving loyalty based on customer activity predictions

- The key for retailers in gaining share in their local regions is to prevent the loss of customers, and instead encourage customers to visit the store repeatedly.

- **Use AI to learn the characteristics and purchase data of lost customers, and develop algorithms that predict customer loss.**

- **Establish system that automatically sends discount coupons customized for each customer**, to customers with high potential loss scoring, and lower the loss ratio.

①Learn historic customer loss data
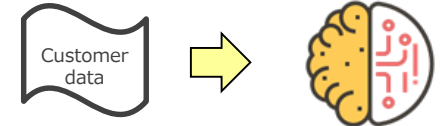
②Automatically issue discount coupons customized for each customer, based on potential churn prediction scoring

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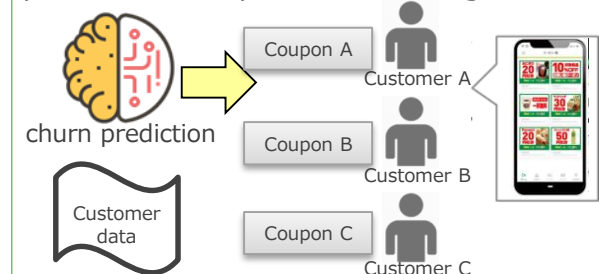
4. DX initiatives : C Industry focused DX

Developed and provided an issue-solving type (B2B) cloud service platform focused on the industry, and achieved top market share.
Utilize "industry big data" accumulated in the cloud platform to create new service businesses (B2B2C).

Our Group's strengths

Customer base and data

- **Construction DX:** Records of skillset, qualifications, work experience and past projects of **more than 1.6 million workers, with 600,000 registered companies**
- **Payment DX: Payment data of 1.5 billion transactions (2.6 trillion yen) per year**, from **700,000 cashless payment terminals**
- **Nursing care DX:** Data on "conditions and changes" and "requests" of **more than 3 million** nursing care users

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Technologies

- Construction projects X workers matching AI
- Consumption and health preference prediction AI
- Purchase prediction AI
- Business credit calculation AI
- Health and wellness evaluation & prediction AI

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Industry expertise and network

- A track record of more than 20 years of providing services as industry insider
- **Top share** in each of the service areas, including construction cloud, payment gateways, hospital management support, nursing care equipment & supplies, etc.

Value Creation

❶ Operations made more automated, efficient, convenient and accurate using industry-wide shared service (B2B-type cloud platform)

❷ Planning and provision of industry-focused new products & services, utilizing industry big data and AI (insurance and financial products, welfare services, subscription service for consumables and other equipment, B2B matching services, resource sharing, etc.)

❸ New business incubation and R&D investments focused on the industry

MC DATA PLUS   MC Healthcare, Inc.   Nippon Care Supply   RWD

Transaction Media-Networks   けあピアノート   White healthcare

MC FASHION Co., Ltd.   CARFRONTIER

Size of addressable market

Construction	**: 63tn yen**
Payments	**: 89tn yen**
Support the lives of the elderly	**: 51tn yen**

4. DX initiatives : C Examples of industry focused DX ❶

Construction DX

MC DATA PLUS

Provides cloud platform that streamlines and automates the entire process of managing workers in construction projects and government administration documents

Strengths

- Built up business relations and track record, by providing construction cloud services for 20 years
- **Owns and manages data on qualifications, skills, past projects etc. on 1.6 million construction workers**

[No. of]

Registered companies 600,778	Registered workers 1,618,033	Contracted sites 21,165
Contracted companies 71,640	General contractors 311	User IDs 239,573

Future strategies

Plan and provide various life and work support services, targeting the construction site and workers.

- Sales of insurance and financial products
- Subscription sales of consumables to be used at construction sites
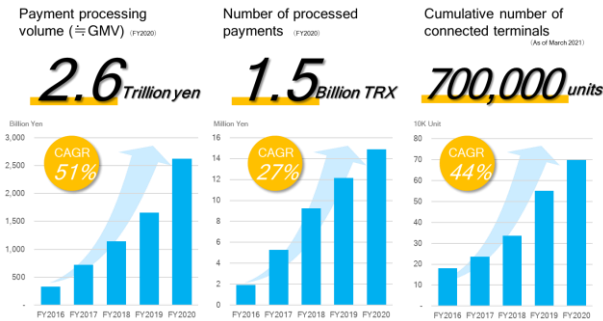- Matching service of workers and construction projects
- Welfare services, etc.

Payment DX

Transaction Media-Networks

Provide "payment gateway" and "payment data network" that links cashless payment terminals (thin-client type) in stores nationwide, with payment service operators

Strengths

Industry No.1 in number of connecting terminals, number of payment transactions, and accumulated payment data

Payment processing volume (≒GMV) (FY2020): **2.6** Trillion yen, CAGR 51%

Number of processed payments (FY2020): **1.5** Billion TRX, CAGR 27%

Cumulative number of connected terminals (As of March 2021): **700,000** units, CAGR 44%

Future strategies

Provide gateway services based not only on cashless payment data, but all retail data, including ID-PoS data of retailers

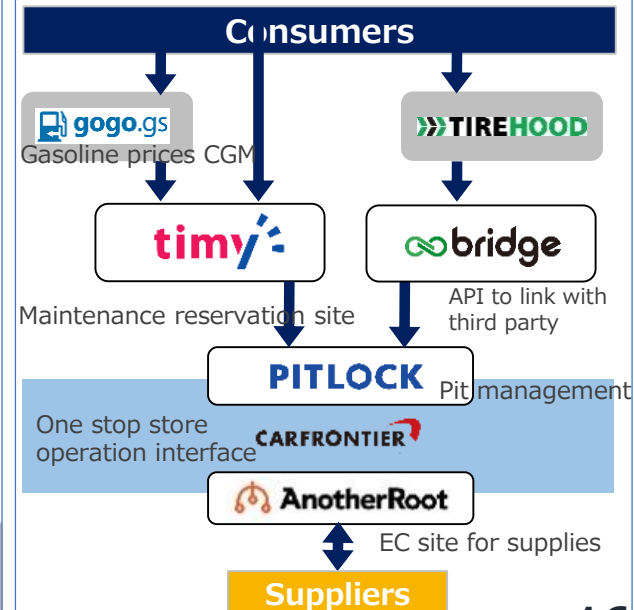Store / WEB / Delivery / Outside the store / Point exchange among members / Headquarter accounting

Tire DX

CARFRONTIER

The **150,000** car maintenance garages in Japan are mainly SMEs that are slow in digitalizing. Car Frontier focuses on the DX of the service facilities, using a SaaS-type business model, and aims to provide stress-free car maintenance to consumers

Initiative

Visualize the availability of car pit services in maintenance facilities via "PITLOCK", and match it with consumers through online contact point "timy", and tire EC sites, allowing users to make reservations for car maintenance

Consumers

gogo.gs — Gasoline prices CGM

TIREHOOD

timy — Maintenance reservation site

bridge — API to link with third party

PITLOCK — Pit management

One stop store operation interface — CARFRONTIER
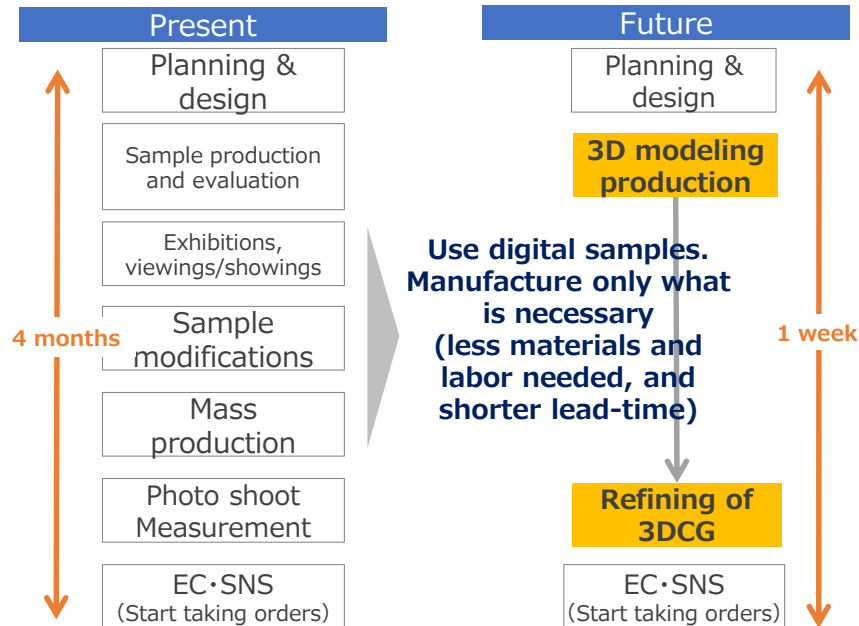
AnotherRoot — EC site for supplies

Suppliers

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Apparel DX

- Oversupply and waste is becoming a social issue (long production lead-time, chronic oversupply due to speculative production, margin pressure due to discount sales)
- Taking on the challenge of solving the above issue of the industry, using digital technologies.

Initiatives

- **Using state-of-the-art 3DCG technology, drive the digitalization and usage of product samples**.
- Through measures such as the use of digital samples and switching to virtual exhibitions, shorten the lead-time between planning & design to taking orders.
- Encourage the switch from speculative production to on-demand production, and lowering the loss ratio.

Present	Future
Planning & design	Planning & design
Sample production and evaluation	**3D modeling production**
Exhibitions, viewings/showings	Use digital samples. Manufacture only what is necessary (less materials and labor needed, and shorter lead-time)
Sample modifications	
Mass production	
Photo shoot Measurement	**Refining of 3DCG**
EC·SNS (Start taking orders)	EC·SNS (Start taking orders)

4 months → 1 week

Healthcare DX (nursing care)

- Smartphone app service developed and provided as a communication tool to lower the burden of communication and recording work in nursing care.
- Uses voice recognition and other technologies to ease the stress from communication and recording, and digitalizes information related to nursing care operations.

Strengths

- Positive user feedback regarding the ease of use. Can accommodate users with different proficiency levels, and supports the use of IT in nursing care operations.
- **Accumulated more than 3 million units of data on daily "conditions and changes" and "requests" of nursing care users, gained through the credibility and observations of helpers.** (e.g. : eating and drinking, excretion, mood, changes in body conditions & constitution, inconveniences and concerns in everyday life)

Future initiatives

Aim to **provide products and services to nursing care users and the elderly, utilizing their life data that changes everyday.** (providing different sizes of diapers based on change in their body constitution, providing meals based on their appetite, etc.)

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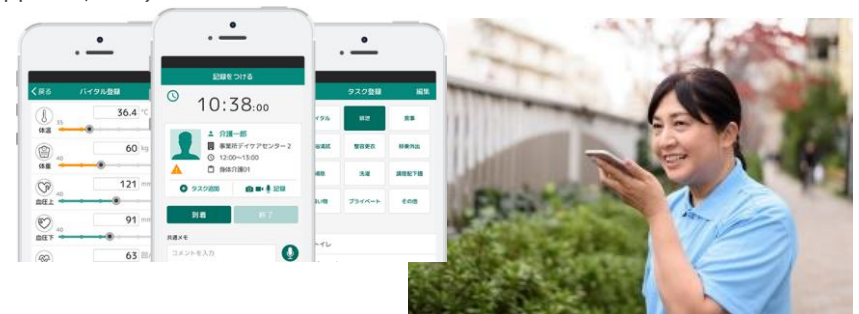
(Notes on forward-looking statements etc.)

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