

# Consumer Industry Group



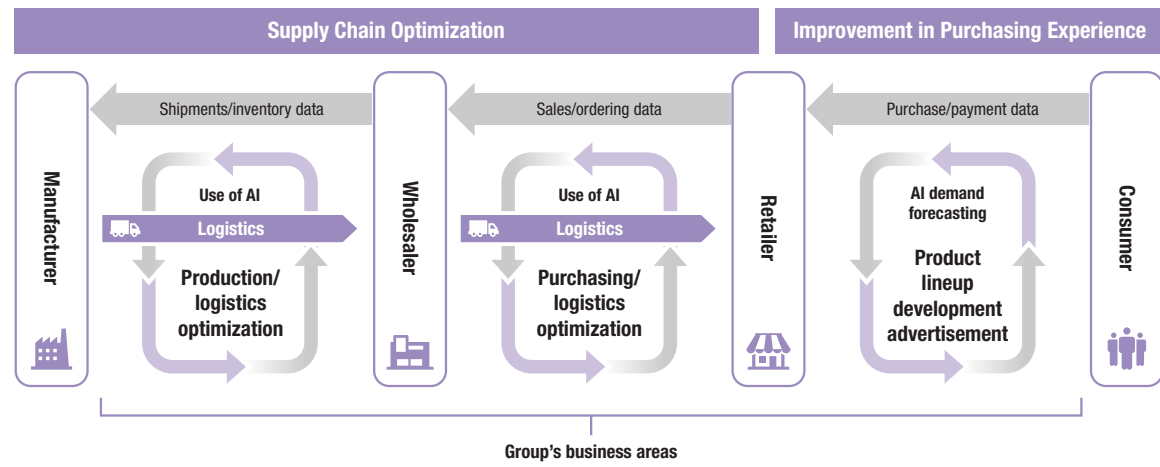
*K. Kikuchi*  
**Kiyotaka Kikuchi**  
 Executive Vice President  
 Group CEO,  
 Consumer Industry Group

Summary

- Retail businesses, such as convenience stores and supermarkets, as well as data marketing and loyalty points businesses
- Procurement and distribution for apparel and household goods, and Specialty retailer of Private label Apparel (SPA) business through collaboration with global brands
- Hospital outsourcing and senior citizen lifestyle support
- Food distribution, global contract logistics services, packaging solutions, digital advertisement and promotion support, etc.

## Group Strengths

- A system that provides unique and convenient goods and services based on a deep understanding of consumer needs through our wide range of contact with consumers centered on physical retail stores, and consumer data accessed through the membership base
- Logistics platform through our industry-leading intermediary distribution business, and networks of regional manufacturers and retailers
- Locally-rooted business knowledge cultivated through the expansion of a retail store network in China and Southeast Asia



## Relevance of Material Issues to the Business

Focused Material Issues	Details/Action Plans
Contributing to Decarbonized Societies	<p>Promoting decarbonization by utilizing our wide range of contact with consumers, centered on retail stores</p> <ul style="list-style-type: none"> <li>• Reducing GHG emissions through renewable energy measures and optimization of delivery routes using AI</li> </ul>
Promoting Stable, Sustainable Societies and Lifestyles	<p>Realizing a sustainable social security system through support for improving hospital operations efficiency and productivity, and providing services to improve the profitability of corporate health insurance</p> <ul style="list-style-type: none"> <li>• Improving hospital operation efficiency by providing joint purchasing and in-hospital logistics management functions to medical institutions</li> <li>• Promoting the optimization of medical costs for corporate health insurance and health management through the provision of preventive and health services</li> </ul>
Utilizing Innovation to Address Societal Needs	<p>Offering solutions to wasteful, inconsistent, and burdensome practices by optimizing the entire supply chain through digital technology</p> <ul style="list-style-type: none"> <li>• Inventory optimization and food waste reduction through demand forecasting using AI</li> <li>• Reducing overproduction and mass waste by improving customer operation efficiency and productivity in the OEM business using digital technology</li> <li>• Improving warehouse infrastructure productivity using DX solutions such as robots in the logistics business</li> </ul>
Respecting Human Rights in Our Business Operations	<p>Optimizing the entire value chain through business promotion with respect for human rights</p> <ul style="list-style-type: none"> <li>• Promoting sustainable procurement through human rights and environmental due diligence in the apparel OEM business</li> </ul>

## Awareness of the External Environment

Risks	Opportunities
<ul style="list-style-type: none"> <li>• Decrease in domestic demand due to population decline</li> <li>• Shortage of supply chain workers due to declining birthrate and an aging population, etc.</li> <li>• Tightening supply-demand for logistics due to increasing frequency of small-lot freight deliveries</li> <li>• Infancy solutions regarding societal demand for environmental considerations</li> </ul>	<ul style="list-style-type: none"> <li>• Creating new consumer value in response to diversifying needs and changing purchasing behavior</li> <li>• Capturing new demand as emerging countries grow and modernize their retail industries</li> <li>• Strengthening competitiveness through supply chain optimization using digital technology</li> <li>• Differentiation from competitors by reducing GHG emissions and food loss, and developing materials with a lower environmental impact</li> </ul>

## Strategies Under Midterm Corporate Strategy 2024

- Strengthen consumer support by utilizing purchasing and behavior data to provide goods and services that accurately capture consumers' needs and superior purchasing experiences
- Build a sustainable and competitive supply chain by utilizing transaction data accumulated through manufacturer and retailer networks across Japan to promote distribution optimization, including EX/DX
- Capture market growth by expanding convenience store, apparel, and other businesses overseas

## Progress Under Midterm Corporate Strategy 2024

### Advancing Supply Chain Optimization Using AI

MC is working on optimizing product deliveries to Lawson stores through cooperation with its subsidiaries, Lawson, Inc., and Mitsubishi Shokuhin Co., Ltd. Based on accumulated data for orders placed, delivery vehicle outing records, and time spent at stores, we are using AI to create optimal delivery routes and schedules. This has led to a successful reduction in GHG emissions due to lower total mileage at multiple distribution centers.



### Participation in a Joint Initiative to Realize Warehouse DX

In July 2022, MC transferred its warehouse DX operations, which it had been developing, to its newly established subsidiary Gaussey, Inc. We have established a system to promote the business as a joint initiative with six partner companies. Through a warehouse robot subscription service and a warehouse sharing service, this business will attempt to solve problems in the logistics industry, such as labor shortages and overreliance on existing employees.



## Major Growth Drivers

### Number of Overseas Retail Stores of Affiliated Companies

We aim to increase the Group's profit level by expanding business models and products overseas that feature Japanese competitiveness and uniqueness, and by gaining the support of local consumers.

