

CEO Message

Message from the President



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As “a Lifestyle Producer,”
we will start a substantial
movement while embracing
sustainability

Sustainability requires persistence

I often ask myself what defines the essence of sustainability. Last year alone we had a series of external environmental changes: the Ukrainian crisis, rising costs, surging energy prices, and exchange rate fluctuations. Mitsuo Group strives to incrementally take preemptive action while adapting to such changes in the external environment. In that regard, it is of utmost importance that we carry on regardless of any changes in the business environment, which I feel is what sustainability is all about. I also believe that persistence is crucial when it comes to coexisting with members of our local communities.

Substantial improvement in IT/digital literacy and environmental literacy

Internally we have adopted new work styles during the COVID-19 pandemic—streamlined meetings, started a new way of customer interaction, and replaced IT tools. It is unlikely that we will return to work arrangements of the past with new work styles becoming more firmly established as standard business practices. Throughout these past few years of living in the pandemic, even people in older generations have learned how to use personal computers and now bring tablet devices to sales locations. This has

resulted in significant improvements when it comes to IT and digital literacy. People in the workplace are also clearly improving their environmental literacy as is evident by conversations increasingly regarding questions of whether our practices are good for the environment and expressing enthusiasm in terms of being more economical. In seeking to maintain this momentum, we have decided to step up our investment toward such ends.

Feedback regarding the Sustainability Report

When it comes to external feedback on our Sustainability Report, institutional investors have given us high marks for having put more effort into communicating our sustainability management practices. However, what particularly surprised me was the response from individual investors. Housewives and seniors have expressed substantial interest in sustainability and seem to be reading the report carefully, as was evident by several of their questions as to why we have implemented such initiatives and asking whether we will adhere to such efforts going forward. I believe that such feedback indicates that many people are reading the report and accordingly we hope to further promote sustainability while actively disseminating such information. Although the word “sustainability” itself had not previously

been in common use within the company, we have always harbored a desire for such aims in terms of the importance we assign to sustainability. By reading the Sustainability Report and becoming aware of sustainability while embracing such aims as a shared language, our employees have come to realize that what they have long been vaguely thinking about and unconsciously practicing actually aligns with the notion of sustainability. Looking back, we have served as a company with substantial awareness of sustainability ever since Japan’s Showa era (1926–1989), when the notion of eliminating the three Ms of Muda (waste), Mura (inconsistency), and Muri (overburden) was written in our corporate notebooks. In those days, we were referred to as “kechi-uroko” (frugal Mitsuo) because Mitsuo was frugal to the extent that employees were prompted to use pencils until there was nothing left of them, and if two erasers had become small, were even encouraged to glue them together to make a single eraser. Nowadays, sustainability serves as a prerequisite on which our business strategies are based. Thus, I am extremely pleased that we have published our Sustainability Report. The Energy Solutions Business is the core business of the Group. Whereas there is a perception that energy imposes burdens on the environment, our employees voice a desire to convey to our customers in simple terms the notion that it is possible to minimize the environmental impact of energy by employing creative solutions. Our junior employees in

particular address issues from a long-term point of view rather than a short-term perspective. The Group has been serving society through its operations and placing value on long-term connections with its customers thus far. We are committed to accordingly promoting sustainability and will continue to do so with heightened awareness going forward.

Key concepts of sustainability for each of our businesses

In publishing this year’s Sustainability Report, we identified key concepts of sustainability by communicating directly with people in each of our businesses to find out what their thoughts are in that regard. The key concept of the Energy Solutions Business is carbon neutrality. This entails the aim of achieving a management approach based on Creating Shared Value (CSV) that strikes a balance between social value and our own profits by enhancing initiatives looking toward decarbonization and linking such initiatives to the growth strategy. In so doing, we will establish new sources of revenue in our new energy, decarbonization, and city gas businesses while ensuring that the remaining parties in our existing businesses continue to benefit. In the Power & Electricity Business, the key concept is new technologies and new services. Whereas the media has been covering developments in areas such as offshore

corporate power purchase agreements (PPA), storage batteries, electricity supply and demand adjustment, demand response, and electric vehicles (EVs), we will seek expansion in the new renewable energy aggregation business in part by extending sales from our environmentally friendly electricity options.

For the Foods Business, the key concept is ethical consumption and food loss reduction. We accordingly promote manufacturing and selling products that take environmental impact into account in part by using less excessive packaging, and initiatives looking toward reducing food loss through so-called “Save Bread” sales of imperfect products. Additionally, given the labor-intensive nature of many workplaces in this sector, we are striving to create stores that are economically efficient while also serving as comfortable working environments.

The Living & Wellness Business focuses on the key concept of health, sports and well-being. This involves developing more opportunities and environments that enable people to engage in sports, including our hosting of health bowling classes based on Learn-to-Bowl (LTB) programs. We will accordingly find ways for people to achieve the physical, mental and social states that are ultimately best for them by providing tangible and intangible solutions oriented to well-being through both facilities and programs.

The key concept of the Others segment is an environmentally adaptive enterprise and eliminating the three Ms of Muda (waste), Mura (inconsistency), and Muri (overburden). This involves providing optimal solutions while adapting to the social environment. We will accordingly seek to eliminate the three Ms to the extent possible, including streamlining delivery operations, shortening travel distances, and reducing environmental impact.

Continuing to take up challenges while employing a balanced approach to risk

Initiatives of the Group are occasionally too far ahead of their time. For instance, we have been researching hydrogen for about two decades, yet that field of study has only recently become a topic of discussion among the general public. Whereas we tend to operate 20 steps ahead of the curve, I feel that remaining half a step ahead would be the optimal approach. We have traditionally started with low investment and a small number of people, however, which helps to prevent major failures. Some of our initiatives do not come to fruition, but even a failure serves as a valuable experience. With this in mind, we will continue to take up challenges one after the other with a positive attitude going forward. The Energy Solutions Business, which is our main business, makes it possible for us to engage in such initiatives. I feel we are fortunate to be able to take up challenges with confidence in diverse fields as we are already in the midst of a period of stability rather than a reform phase, where we have gained a high level of trust from our customers and established solid foundations. In taking up challenges, we invariably consider the balance of risk in a manner that entails monitoring developments to determine whether or not our initiatives are capable of contributing to society, even though such objectives may not be stated explicitly. I feel that this approach has enabled us to adeptly strike a proper balance between our future-oriented initiatives and the practical business at hand. Mitsuuroko Group may be characterized as a company with a visible presence given the consistency of our people over the long term relative to the short-term nature of our business. This is akin to a long-established Japanese

confectionery shop whose product lineup gradually changes over time amid a situation where the shop features standard items available over many years while occasionally rolling out new items. Customers entering such shops are able to feel at ease amid the presence of familiar shopkeepers and staff. The success of such shops derives from the personal appeal of their people in addition to their traditional Japanese *noren* shop curtains and signage. Customers visit such establishments not only because of the merchandise but also for the people. Likewise, I stand committed to valuing the connections we have developed with our customers and local communities going forward.

Achieving carbon neutrality enlisting the involvement of our stakeholders

In seeking to achieve carbon neutrality, we plan to pursue a collaborative approach. Given that the Energy Solutions Business is interconnected from upstream to downstream, there are many objectives that cannot be accomplished by our company alone. With CO₂ emissions directly linked to climate change risks, cooperation from many of our stakeholders is essential when it comes to the prospect of reducing such emissions, given that approximately 99% of our value chain’s CO₂ emissions are classified as Scope 3 emissions. Although we have not yet taken this option, it may become necessary for us to heighten awareness among franchisees by distributing stickers showcasing our carbon neutrality initiatives. Another option could be displaying signage promoting the appeal of our recently launched carbon neutral LPG in hopes of enticing environmentally conscious customers to purchase that sort of gas product from us. Whereas it is common to encounter PR messages in the energy industry promoting a company’s eco-friendly products and detailing initiatives of specific companies, it is not often that I hear calls appealing for collective action toward a shared objective. Limitations on what is possible for us to achieve in terms of reducing CO₂ emissions become greater at points progressively further downstream in the value chain even with awareness of carbon neutrality. With that in mind, I assume many people would like to become involved in such efforts. I accordingly hope to enlist the involvement of as many people who have substantial awareness in that regard as possible, and think it would be intriguing to see Mitsuuroko Group distinguish itself by assertively and actively engaging in activities that raise awareness of each and every individual. We have been implementing in-house measures that entail leveraging the National Mitsuuroko Association’s dealer network of approximately 1,800 companies in providing concrete support toward achieving carbon neutrality through initiatives that include promoting high-efficiency gas equipment to National Mitsuuroko Association members, actively promoting liquefied petroleum gas (LPG) conversion, providing support for sales of new energy products, and supporting initiatives under the new business model. Meanwhile, under our external measures, we aim to curb fuel consumption and reduce CO₂ emissions by shortening travel distances through the promotion of solutions for improving delivery efficiency among our business partners. Going forward, we will create a sustainability promotion program in hopes of sparking a substantial sustainability movement in conjunction with the National Mitsuuroko Association and our numerous partners.

Establishing a hands-on learning program that enables participants to gain firsthand experience regarding sustainability

Whereas we have been implementing training thus far as part of our human resources development efforts, including profession-specific training, diversity training, compliance training, and human rights training, there is no substitute for firsthand experience. Therefore, I would like for us to establish a hands-on learning program that enables our employees to gain firsthand experience by sending them to countries and regions where they can be exposed to sustainability practices.

Replacing the majority of existing businesses with new businesses within three decades

The Group will mark the 100th anniversary of foundation and 140 years since its establishment in 2026. The next four years will be a period during which we reflect on the path we have taken thus far and furthermore articulate our sentiments both as to what we must proudly pass on to the next generation and as to what we would like to cherish going forward. We uphold the concept of “SOLA” (Simple, Organic, Live, Advanced) under our code of conduct that we value as a company, and accordingly aspire to serve as an enterprise that is relevant to the times while valuing these ideals.

One decade from now, I envision a scenario where each of our businesses, particularly those in the energy sector, has been extended to the limit in terms of having reached the ultimate manifestation of our current trajectory. Our goal is to serve as a leader in the industry, whereby each of our businesses holds a major position within its respective industry. At the same time, we are bound to encounter new business opportunities to which we will assign fresh talent. Three decades from now, I expect that a majority of our existing businesses will have been replaced by new businesses. With that in mind, I advocate for “changing the company by 3% yearly,” thereby giving rise to a completely new company in 30 years. Such renewal of the company will likewise coincide with the notion that the products and services we deliver to our customers will also be new. We will accordingly strive to serve as a company that takes a visionary approach as a challenger, while remaining relevant and useful to our customers.

A century from now, nobody knows what is in store when it comes to the global environment. Assuming that humanity is then thriving amidst that era’s new normal, we at Mitsuuroko Group hope to be playing an active role in continuing to serve as “a Lifestyle Producer.” It would indeed be fascinating if humanity were to have left the Earth by that time with Mitsuuroko operating colonies under a name such as “Mitsuuroko Planet.” Given that our currently youngest employees may still be alive in 100 years, I hope they will continue to watch and support Mitsuuroko Group a century from now.

As such, Mitsuuroko Group will remain committed to helping each and every customer lead more fulfilling lifestyles as it engages in sustainability initiatives with its stakeholders.

