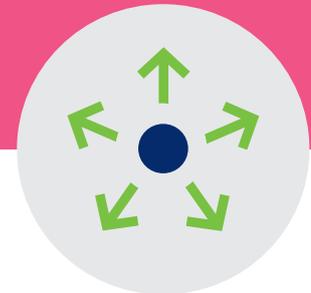


Introducing Ryutsu BMS in Seiyu GK



1. Seiyu's Transition of its Communication Protocol

Seiyu GK, a subsidiary of the U.S.-based Walmart Stores, Inc., has 345 stores in Japan (*as of January 1, 2016). Seiyu has been working to update its EDI system since 2011, and has proceeded with a transition from the JCA Protocol (see 2.5) to the new domestic industry standard EDI, "Ryutsu Business Message Standards (Ryutsu BMS)". By the 2014 fiscal year, Seiyu had established connections with 593 vendors through Ryutsu BMS, and in June 2015 it abandoned its JCA Protocol environment, finishing the transition of its communication protocol.

2. Reasons for Introducing Ryutsu BMS

Ms Hiromi Hirabayashi, Executive Officer and SVP of Seiyu, said, "It was important for Seiyu to make the ordering process for our products more efficient. Considering the efficiency of the transaction process, as well as the limitations of the JCA Protocol's format due to the fixed length and communication methods, the transition to Ryutsu BMS was necessary."

3. Transition Process of the System

Seiyu held briefing sessions on the introduction of Ryutsu BMS from February 2010 onward at its headquarter and vendors' offices. The transition proceeded according to product categories, starting with non-fresh products such as processed foods and household goods. The company began by introducing the system as a pilot program to a

few companies, including some small vendors. After that, the system was expanded to all vendors in the Kanto area, and was ultimately extended nationwide.

4. Handling of Fresh Products

Orders for fresh products used to be placed mostly by phone or by fax. Seiyu's core system sent faxes automatically, but this was not an efficient way of communicating because the information sharing in this system was cut off at that point. The adoption of a Web-EDI for ordering these products has significantly enhanced the company's operational efficiency.

5. Support for the Transitioning Vendors

To ensure a smooth transition to Ryutsu BMS, Seiyu did not set or enforce a timeframe on its vendors, but instead customized the schedule for each vendor individually, while considering their specific needs (such as their budget). Even if only one vendor sticks to the old system, Seiyu will also have to keep the old process in place. Therefore, in order to improve efficiency both in the operations and the processing, a full transition to the new system was necessary. In particular, when the Great East Japan earthquake occurred unexpectedly, it was expected that some vendors might face difficulties with the transition, but the process went more smoothly than had been anticipated.

6. Effects of Introducing Ryutsu BMS

For Seiyu, the biggest effect of introducing Ryutsu BMS was the speeding up in the ordering process. Under the JCA

Fig. 1 Ms Hiromi Hirabayashi, Executive Officer and SVP of Seiyu



Fig. 2 Number of Seiyu Vendors that have Transitioned to Ryutsu BMS

| Fiscal Year | Non-fresh | Fresh | Total |
|-------------|------------|-----------|------------|
| FY 2012 | 195 | 5 | 200 |
| FY 2013 | 253 | 34 | 287 |
| FY 2014 | 84 | 22 | 106 |
| Total | 532 | 61 | 593 |

Note: Number of companies excluding the Web-EDI fresh product vendors

Fig. 3 Seiyu's Data Exchange BMS Communication Protocol

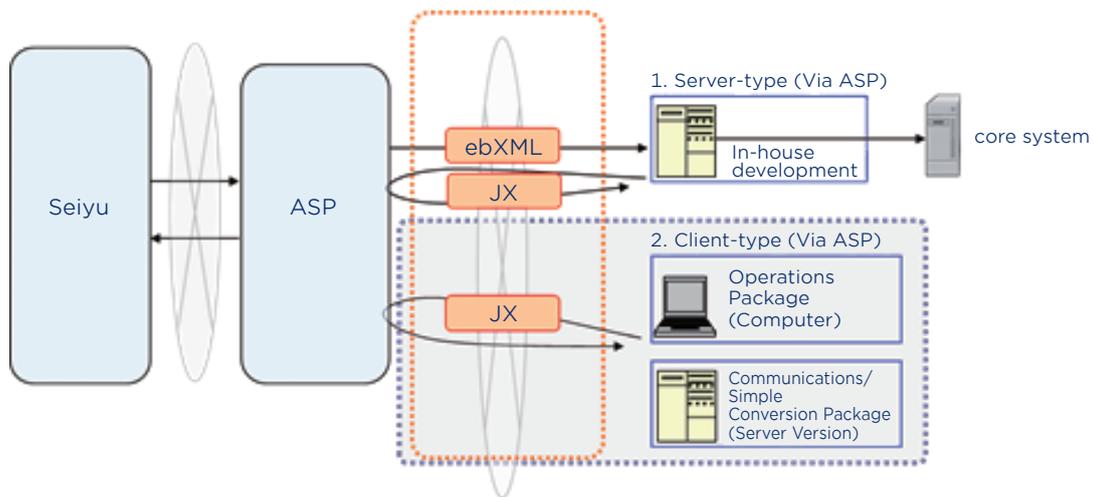


Fig. 4 Seiyu Niiza Store



Protocol, data communications would take around two hours when the number of items was large; but the time was shortened considerably after the transition to Ryutsu

BMS. Furthermore, since the vendors no longer need to customise the system for each retailer, maintenance became easier for them. This is because unlike the JCA Protocol, the format for Ryutsu BMS is standardized.

7. Outlook for the Future

Ms Hirabayashi, said “The transaction process has become more efficient with the introduction of Ryutsu BMS. Since the old system is still operating in some distribution centers, our goal going forward will be to consolidate the system that is used by Walmart globally,” .

“We would also like to improve the quality of our distribution management. For example, we are thinking about raising the level of our cold chain management. To achieve this, we need to improve not only our information systems but also the related business processes.”

GS1 Japan

3rd Fl. Place Canada 7-3-37, Akasaka Minato-ku TOKYO, 107-0052 JAPAN

T 81-3-5414-8520 F 81-3-5414-8529

E jan@dsri.jp

www.gs1jp.org

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