

45th anniversary of KFI
U.S.-Japan Food Distribution Symposium

**Seven & i Group Overview and
7-Eleven Japan's Management Strategy**

June 7, 2018

Ryuichi Isaka

President and Representative Director

Seven & i Holdings. Co., Ltd.

Overview of Seven & i Group



General Merchandise Store

◆ Ito-Yokado Co., Ltd. (IY)



Convenience Store

◆ Seven-Eleven Japan Co., Ltd. (SEJ)

◆ 7-Eleven, Inc.

◆ SEVEN-ELEVEN HAWAII, INC.



Department Store

◆ Sogo & Seibu Co., Ltd.



Food Services

◆ York-Benimaru Co., Ltd.

◆ York Mart Co., Ltd.



Food Services

◆ Seven & i Food Systems Co., Ltd.



Financial Services

◆ Seven Bank, Ltd.



Group's total sales
¥11,048 bn

Opened approx. 31,000 stores,
mainly in Japan and the U.S.
(Approx. 22,000 in Japan)

36 million customer
store-visits per day

FY2018

IT/Services

◆ Seven & i Net Media Co., Ltd.

◆ Seven Net Shopping Co., Ltd.

◆ Seven-Meal Services Co., Ltd.



Specialty Stores

◆ THE LOFT CO., LTD.

◆ AKACHAN HONPO CO., LTD.

◆ Barneys Japan



Affiliated Companies

◆ Francfranc Corporation

◆ Tower Records Japan Inc.



Others


















◆ Seven & i Create Link., Ltd.



The Company Has **66,043** Stores in **17** Countries and Regions around the World



As of end of March 2018

 Japan 20,286	 U.S. 9,451	 Thailand 10,533	 South Korea 9,294
 Taiwan 5,245	 China 2,630	 Mexico 1,800	 Malaysia 2,235
 The Philippines 2,329	 Australia 678	 Canada 641	 Singapore 372
 Sweden 187	 Denmark 183	 UAE 13	 Norway 152
 Vietnam 14	Enhance the 7-Eleven brand around the world by feeding on the growth of Seven-Eleven Japan, raising the level of quality in stores in all countries and expanding areas for store openings		

Seven & i Group's Envisaged Sustainable Future



セブン&アイグループが目指す持続可能な未来

セブン&アイグループは、社会と企業の間で持続可能な未来のために、社会の一員としての責任を果たすとともに、ステークホルダーとの対話を進め、社会の持続可能性を高め、SDGsの達成に貢献していきます。

ステークホルダーとの対話

SUSTAINABLE DEVELOPMENT GOALS

世界を変えるための17の目標

SDGsは、2015年9月の国連サミットで採択された、持続可能な開発のための世界にわたる持続可能な開発目標（SDGs）として、17の目標と169のターゲットから構成されています。SDGsは、2030年までに達成を目指す目標です。SDGsは、持続可能な開発のための世界にわたる持続可能な開発目標（SDGs）として、17の目標と169のターゲットから構成されています。SDGsは、2030年までに達成を目指す目標です。

Environment

気候変動や資源の枯渇など地球環境に対して、環境にやさしい材料、エネルギーを積極的に利用するとともに、自然環境や社会環境にも配慮した形でさまざまなサービスや商品を提供し、持続可能な社会の実現に貢献しています。

Solar power generator

Seven Premium recycling

PET bottle recycling

Seven Farms (recycling-oriented agriculture)

E

environment
環境

S

social
社会

G

governance
ガバナンス

Social

世界中の貧困、人権問題、国内における人口減少、少子高齢化、小売店舗・飲食店等の減少など社会課題に対して、社会の一員として解決や支援などの事業を通じて、課題解決に貢献しています。

Seven Nanairo Hoikuen

Response to allergies

Seven Anshin Delivery

Sending kids' shoes overseas

Governance

「社会」ステークホルダーに信頼される誠実な企業」

世界にもとづき、高品質の食料品が提供され、社会・社会課題が解決される社会づくりに努めています。健全なガバナンスを推進し、環境・社会の健全な発展に対して「企業としての責任」を果たし、さらに「事業を通じた社会課題の解決」に取り組むことで、SDGsが掲げる「誰一人取り残さない」社会の実現を目指します。

Material Issues Determination Process



From a list of social issues in Japan and overseas, the Company identified 33 issues that are relevant to the operations of the Group



Dialogues with stakeholders
(Customers, business partners and franchisees,
shareholders and investors, and employees)



Group management conducted dialogues with experts



Identified “material issues”

Five Material Issues & SDGs

SUSTAINABLE DEVELOPMENT GOALS

世界を変えるための17の目標

Material 1 Providing Social Infrastructure for an Aging Society and Declining Population



Material 2 Providing safety and Reliability through Products and Stores



Material 3 Non Wasteful Usage of Products, Ingredients and Energy



Material 4 Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

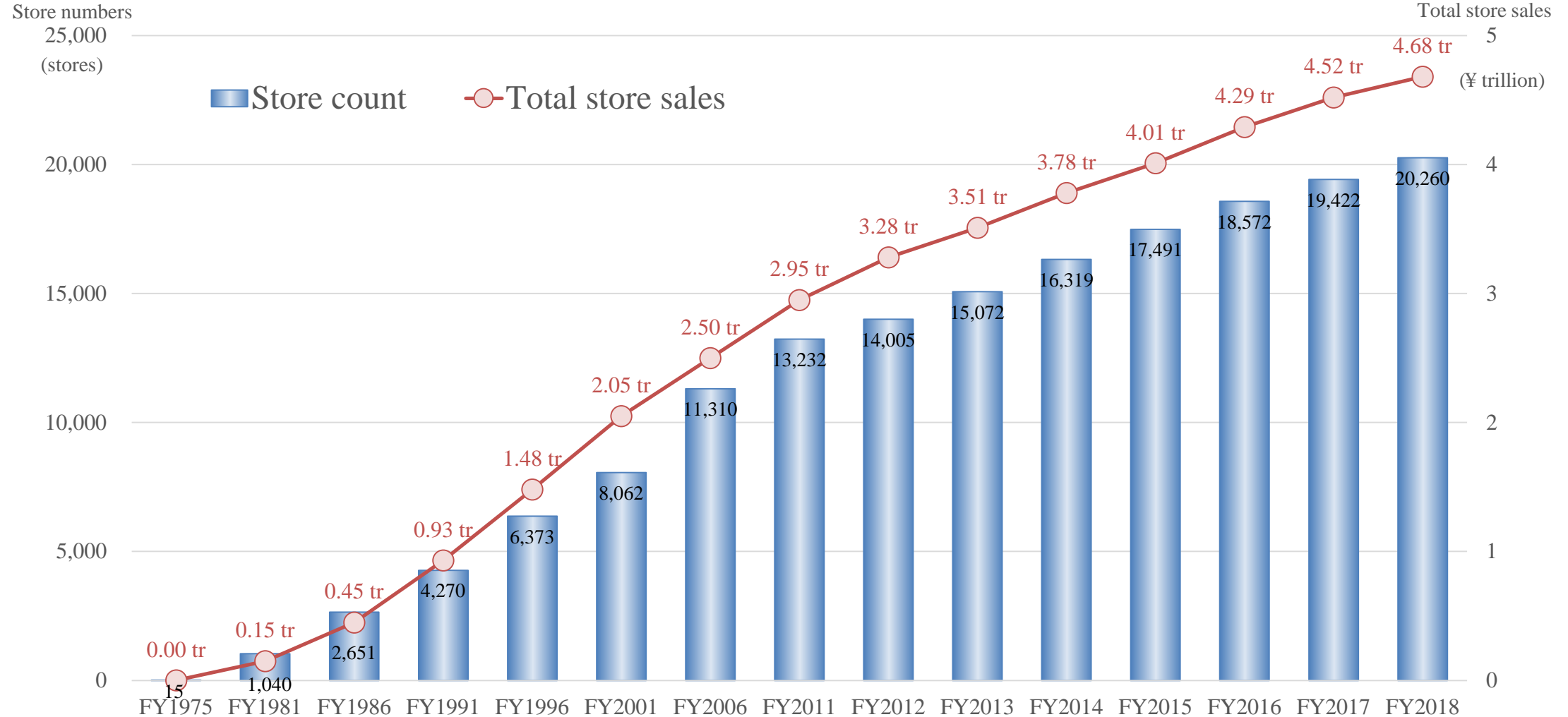


Material 5 Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners



Seven Eleven Japan's Management Strategy

SEJ: Total Store Sales and Store Count



Number of Customers
in FY2018

Total Number of Customers
Nationwide Per Day

Approx. **20.4** million

Annual Total of Store Visitors

Approx. **7.44** billion

Changes in the Environment Encompassing 7-Eleven

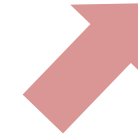


Low birthrate and aging population

Share in the population of those aged 65 and older

Source: Population Census of Japan
(Ministry of Internal Affairs and Communications)

1977
8.37%



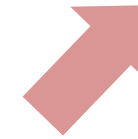
2017
27.7%

Increase in single- and two-person households

Share of single- and two-person households

Source: Population Census of Japan
(Ministry of Internal Affairs and Communications)

1980
33.3%



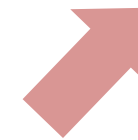
2015
62.4%

Increase in the rate of working women

Working women aged 20-64

Source: Labour Force Survey 15 -64 years old
(Ministry of Internal Affairs and Communications)

1977
53.4%



2017
69.4%

Decline in retail stores

Number of retail stores in all retail industries

Source: The Census of Commerce(1982-2007),
Ministry of Economy, Trade and Industry
Economic Census for Business Activity
(2012-2016)

1982
1,720 k



2016
990 k

Group's private-brand products “Seven Premium”

- Sales: ¥1.32 trillion
- # of items: 3,900
- Annual sales per item: ¥340 million
- Products that sell over ¥1 billion:
243 items (FY2018)



Seven-Meal

- Meal delivery service
- Registered dietitians advise on preparing healthy boxed lunches, delicatessen foods, vegetables, etc.
- Popular among the elderly and stay-at-home parents in dual career households



Mobile Sales

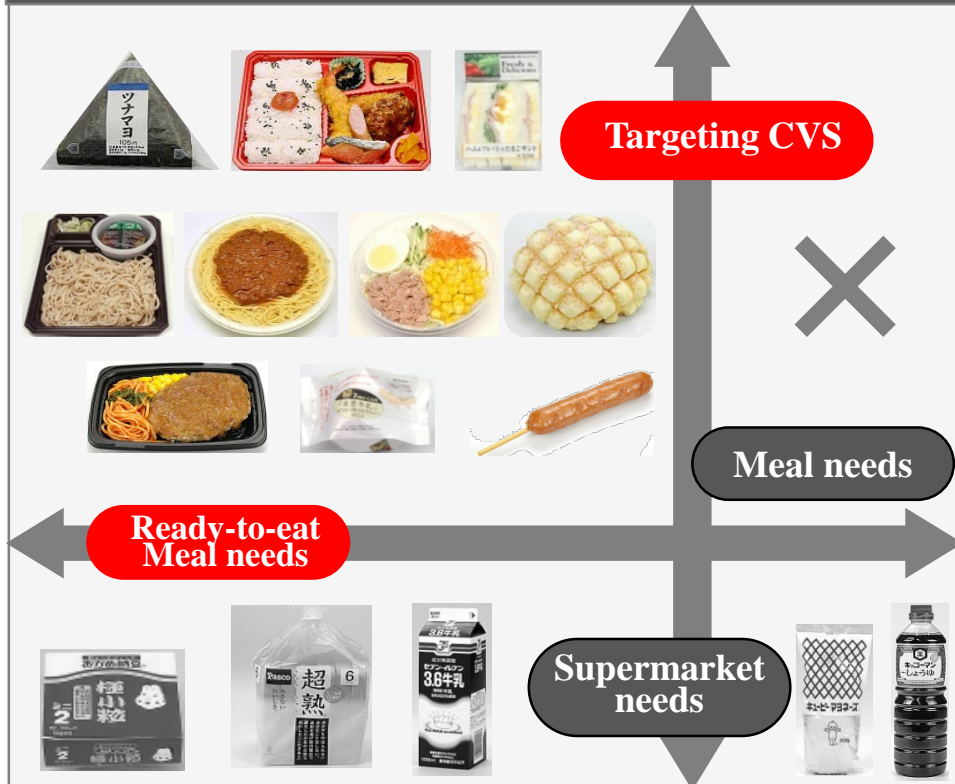
- Mobile sales conducted through compact trucks and electric mini cars



Response to Environmental Changes (Revise Product Lineups)



Lineup since autumn 2009,
centered on ready-to-eat meals



Responding to meal solutions since
autumn 2009



- Conventionally, lineups had centered around products with high ready-to-eat appeal, such as boxed lunches and rice balls
- Since autumn 2009, lineups have been expanded to bring about more “Close by, convenient” stores

Environmental changes surrounding the distribution retail business



◆ Digital Revolution

◆ Diversity of Payments

◆ Reasons for changes
in Japan

◆ Reasons for changes
in the retail business

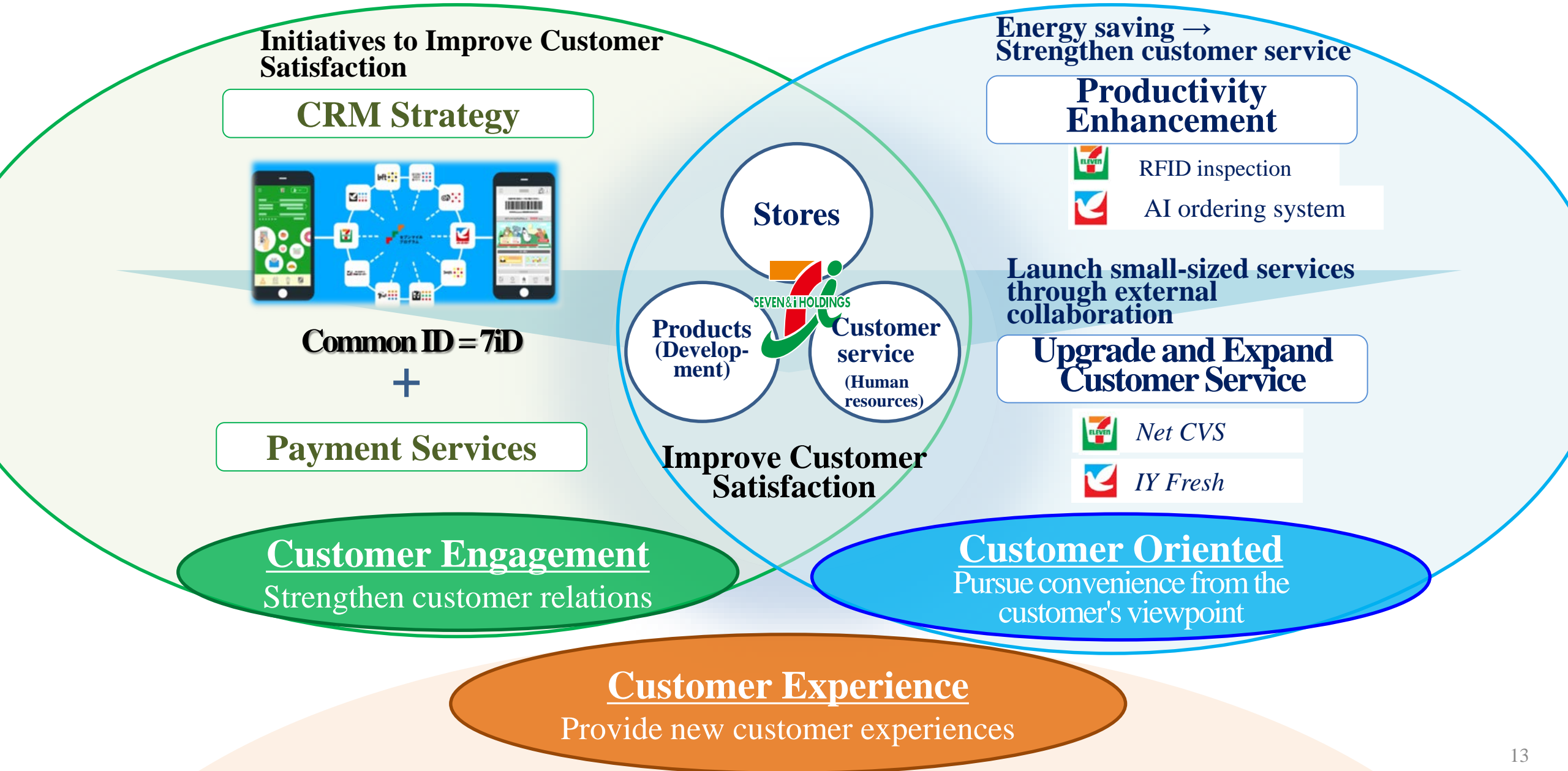
A **“once in a century” revolution** in terms of the speed and content of changes

23 million customer
store-visits per day

22,000
brick-and-mortar stores

Promote a digital strategy utilizing the resources and strengths
of the Seven & i Group and create new value experiences

Seven & i Group's Digital Strategy



CRM Strategy Using Smartphone App



Launch schedule for smartphone apps and SEVEN MILE PROGRAM



Realize optimal customer profiling recommendations by utilizing conglomerate management

Develop settlement service linked with Group company app



Upgrade and Expand Customer Service: Overview of SEJ's *Net Convenience Store*



Start of trial test at 15 stores in Otaru district, Hokkaido (From Oct. 2017)

Winter sales are difficult in Hokkaido, with the advance of aging and an increase in people who find shopping inconvenient

Trial started from a strong desire on the front line to alleviate customer inconvenience



Display **lineup at stores**
on smartphones

*Smartphones only
for the time being



24 hour ordering
via **smartphone**

*Suspended
from 05:00-07:00



GENie delivery;
Delivery fee **¥216** (tax included)
Orders of ¥1,000 or more
are accepted
Deliveries are **free** for
orders of **¥3,000 or more**

*Prices are for the Hokkaido area



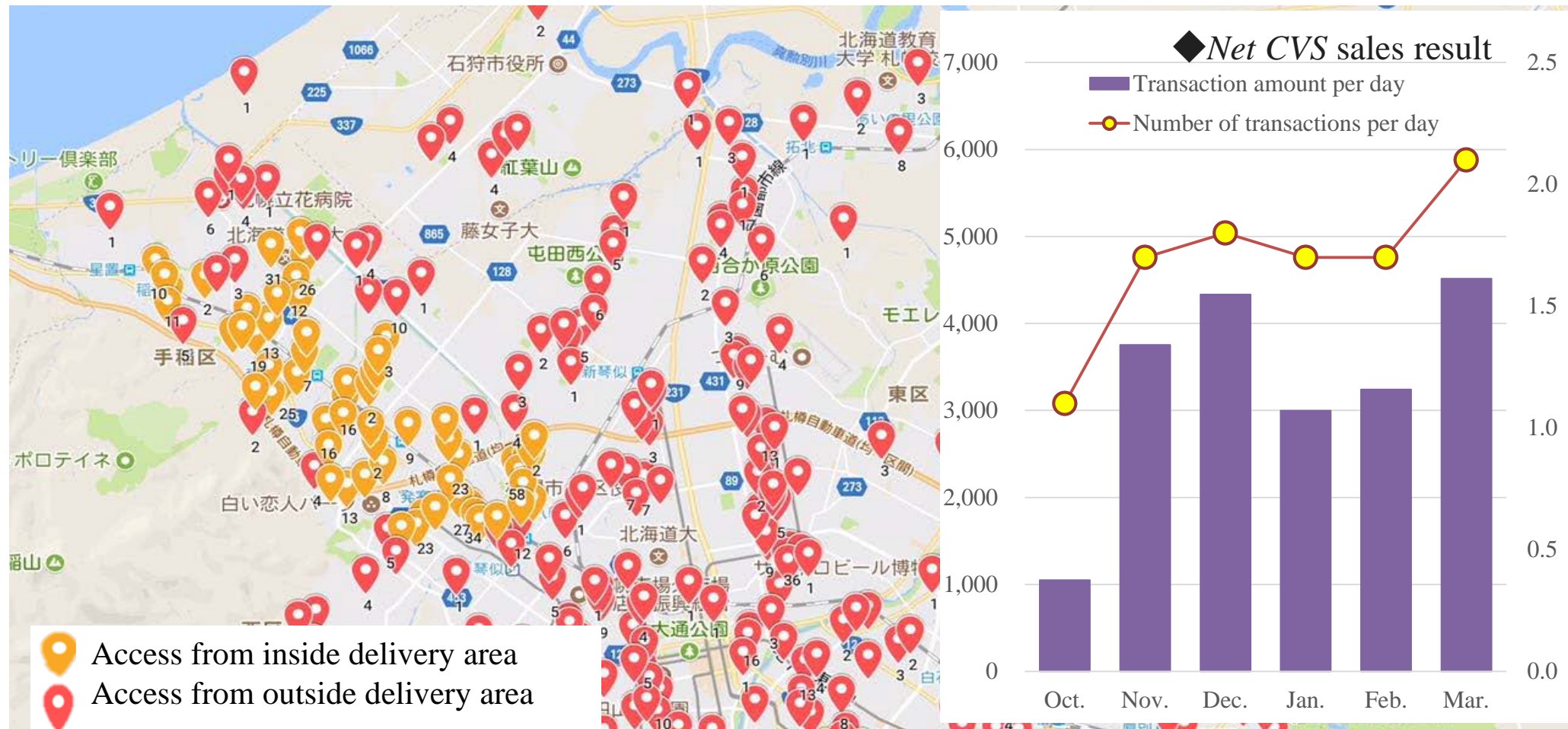
Received **11:00-20:00**
Hourly time designation
Deliveries in as
little as two hours

* In some areas 10:00-21:00

SEJ: Potential of *Net Convenience Store*



◆Customer site access locations (January 31)



Much access came from outside the delivery area, showing high expectation for smartphone order service.

Currently offered at 25 stores. Plan to expand to all stores in Hokkaido (1,000 stores) by the first half of FY2020, and expand sequentially nationwide from the second half of FY2020

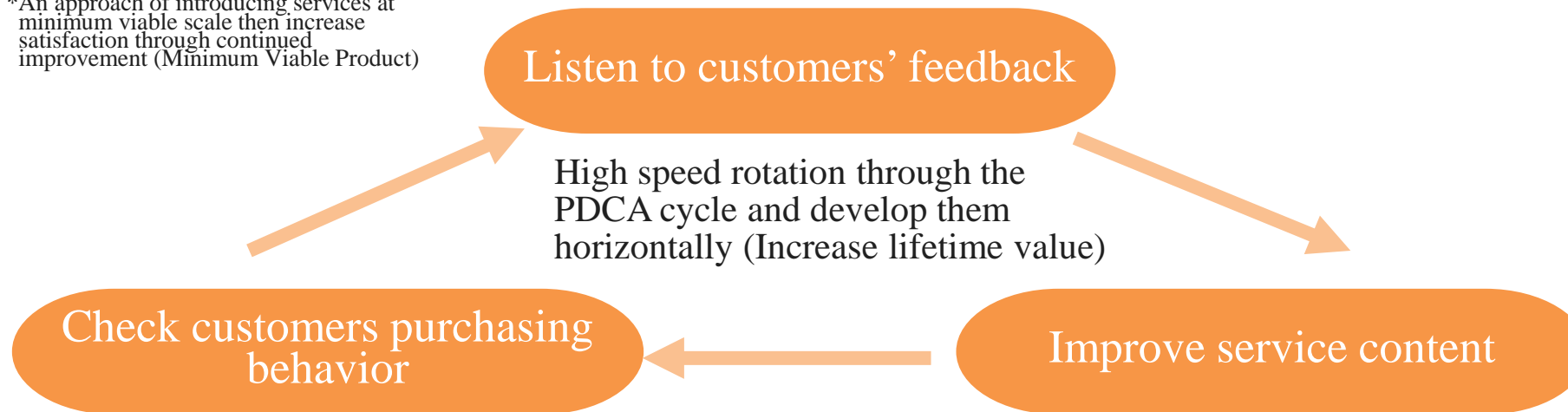
Increase Customer Satisfaction



◆ Examples from 7-Eleven, *Net convenience store*

Introduce services at small scale (MVP approach*) through use of digital and IT formats and external collaboration, then work at high speed through PDCA cycles to develop them horizontally

*An approach of introducing services at minimum viable scale then increase satisfaction through continued improvement (Minimum Viable Product)



CRM strategy is not only for making recommendations, but also **in the following PDCA cycle for parlaying customer feedback and behavior into development of new products and services**

Actively moving ahead on collaboration with outside companies

Aim for sustainable growth



The spirit of the Corporate Philosophy (creed) and Basic Policy (slogan) since foundation remains unchanged

“Trust” & “Sincere”

“Responding to Change while Strengthening Fundamentals”

Actively incorporating innovation