



### Becoming a group that can change consumer lifestyles

#### Scott Trevor Davis

Outside Director

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The Seven & i Group has inherited the corporate DNA of two unparalleled innovators, Honorary Chairman Masatoshi Ito and former Chairman and Honorary Advisor Toshifumi Suzuki. These leaders achieved breakthrough innovations by rejecting methods that do not meet the current needs of consumers, even if those methods worked in the past. Under their leadership, the Seven & i Group has repeatedly cycled through a daily process of testing and verifying innovations that are closely linked to the lifestyles of consumers. The cumulative effect of these efforts can be seen in the Group's bold advances, such as the establishment of Seven Bank. Moreover, it is the employees on the front lines who are closest to the viewpoints of consumers, and the Group has asked these employees to think and act like managers. As a result, a culture of innovation has become deeply ingrained throughout the entire Seven & i Group, and I am confident that this will not change under the Group's new management team.

Looking ahead, I have especially high expectations for the Omni-Channel Strategy. In recent years, the Seven & i Group has added new companies in a variety of business formats, and the Groupwide Omni-Channel Strategy will enable Seven & i to fully leverage its strengths in each business. The use of the Group's network in procurement goes without saying, and in sales, if the stores leverage their close ties to local communities

to provide distinctive products and offer consumers new choices, then the Group will be able to provide shopping experiences that are centered on value propositions matched to each individual consumer, with a clear differentiation from consumer behavior that is determined simply by price and convenience. Omni-Channel will reform the retail industry and change the lifestyles of consumers. Moreover, the *Seven Premium* concept — a *higher quality private brand* — is itself innovative. For example, by offering a broad range of *sozai* prepared meals in quantities that can be consumed by one person, the Group has made it possible for elderly couples and other small households to enjoy several dishes in one meal. This could also be called a change in their lifestyle.

Finally, in regard to my expectations of the Seven & i Group, I would like to see the Group take steps to further improve the functioning of the governance system with appropriate allocation of all resources, to systematize the governance processes, and to communicate those initiatives externally. I believe that one of the functions of an outside director is to see that milestones have been incorporated into the path toward the achievement of objectives and to confirm the progress that is being made toward those milestones.

## A corporate group that works with a sense of mission and draws people closer

### Yoshio Tsukio

Outside Director

Professor Emeritus, University of Tokyo. Conducted research for many years in systems engineering and media policy, and worked as Vice-Minister and Special Advisor at the Ministry of Internal Affairs and Communications. Outside Director of the Company since May 2014



The Seven & i Group has successfully implemented the Group slogan of “Responding to Change while Strengthening Fundamentals,” but I believe that the Group still needs to clarify its future mission. In other words, what does the Group want to provide to society? Under the new leadership, the Group’s overall mission must be earnestly considered and communicated to those outside the Group. This is not a task just for President Isaka. Rather, the mission will take shape from a shared understanding of the thoughts of a wide range of front-line employees. Specifically, what relationship do they want to have with local communities, and what role do they want to fill? As symbolized by SEJ’s objective of “close-by, convenient stores,” close ties with local communities are a major strength of the Group. In the future, it will likely be increasingly necessary to expand the circle of stakeholders, proactively take responsibility for the natural environment, and work with society in a broad and wide-ranging manner.

One other expectation I have is that I think the Group should strive to appeal to and attract excellent young employees. It is said that national competitiveness in the present age is determined by cultural power as well as economic and military power. This is also true for companies. If a company’s cultural power is highly appealing, then the company will be able to attract

excellent employees, facilitating sustained gains in its competitiveness. Looking at the circumstances of the Seven & i Group, it does not appear that this has been a strong focus of the Group’s efforts to date. For example, the Seven & i Group is rarely listed among the top ranks of companies where job seekers want to work. The popularity of the retail industry is low, and I would like to see this situation change.

I think that my role at the Seven & i Group is to speak from the perspective of a generalist. That is, specialists can tend to be limited to their fields of specialty, which sometimes can make it difficult to reach decisions. In contrast, the role of generalists involves working from a moderately independent position and providing all-around opinions based on diverse sources of information. In addition to offering my opinions at meetings of the Board of Directors, I would also like to take steps to contribute to the promotion of active careers for women and other types of diversity, such as by giving lectures to employees.



## Fostering a culture with roots in corporate brand awareness

### **Kunio Ito**

Outside Director

Research Professor, Graduate School of Commerce and Management, Hitotsubashi University. Specializes in accounting and corporate value management theory. In 2014, released a METI project report known as the *Ito Report*. Outside Director of the Company since May 2014

There are several things that I expect from the Seven & i Group. First, I would like to see the new Group leaders become a management team that effectively leverages their individual strengths and experience and works with a focus on increasing corporate value over the medium to long term. As an outside director, I will offer my opinion about policies and initiatives that are not in line with the cost of capital over the medium to long term, and I will work to support the effective functioning of the governance system. Second, I believe that the Group is in a position where it needs to strengthen the functions of the holding company while also bolstering each operating company. In other words, the Group should simultaneously conduct individual reinforcement and overall optimization. Third, when it is necessary, the Group must reject the current state of affairs. The business environment is constantly changing, and there is no guarantee that the methods that worked best in the past will continue to work in the future. The new management leaders will need to determine if there are aspects of current practices that need to be changed. Fourth, the Group needs to develop its managers. The entire executive workforce will need to build a more-established system based on the evaluation and development methods that were previously implemented by Honorary Advisor Suzuki.

I also have especially high expectations for management

that significantly values dialogue and engagement. The enhanced awareness that is obtained from dialogue with stakeholders — including customers, convenience store franchisees, part-time workers and other employees, and suppliers — should be leveraged to change the organization. I believe that, in the future, it is the companies that voluntarily practice this type of stakeholder engagement that will survive. The Group should also actively conduct dialogue with shareholders and investors, who also want to increase corporate value. Of course, at a minimum, ROE must exceed the cost of capital, and accordingly, it is important to bolster earnings capacity. However, it is equally important to repeatedly engage in dialogue so that shareholders and investors understand management policies.

One other major expectation that I have is for the establishment of a corporate culture in which employees and the Group work together to raise brand value. When employees work hard and compete against each other, the Group's brand value increases and the values of the employees' personal brands also increase. To become an excellent Group that benefits from this type of cycle, the Seven & i Group should engage in dynamic discussions about how it wants to be viewed by stakeholders and what the standards for conduct should be.

## More-dynamic discussions, more-certain decision making

### Toshiro Yonemura

Outside Director

Joined the Tokyo Metropolitan Police Department in 1974, with subsequent positions including Superintendent-General, Deputy Chief Cabinet Secretary for Crisis Management, and Special Advisor to the Cabinet. Currently an Executive Board Member of the Tokyo Organising Committee of the Olympic and Paralympic Games. Outside Director of the Company since May 2014.



I worked for many years as a police officer, and I believe that, when people lose their capability for self-observation and their sense of ethics, then from that point on they are certain to have serious problems. Moreover, this applies not only to people but also to organizations. I think that outside directors are one means of ensuring that companies do not lose these qualities, and accordingly, one of my responsibilities is to directly express my opinion whenever I have any questions.

Another area in which I would like to utilize my experience to contribute to Seven & i Holdings is in the analysis of information when formulating strategies. Information can be difficult to interpret, and as a result even if the facts are the same, different people have individual ways of looking at those facts, which leads to different viewpoints. Information is not reality. Rather, it is just a reflection of reality. Consequently, it is difficult to grasp the actual circumstances without collecting and analyzing a wide range of information. As with the police, the Seven & i Group places an extremely high importance on the front lines, and I think that one future issue will be the extent to which information flows up from the front lines, is appropriately analyzed, and is reflected in management. In addition, the Group encompasses a wide range of companies and the scale of its operations is ever

expanding. In this setting, there is a risk that information will end up in silos and the overall view will be lost.

I agree with the policy of President Isaka of having free and open-minded discussions within the Group. This policy will also serve as a countermeasure to the problems described above. Information sharing may be possible over the Internet, but I believe that, without face-to-face discussions, in the end it can be difficult to truly share information based on a mutual understanding. Also, if a high value is placed on opposing opinions that emerge during the course of discussions, and if the reasons for those opinions are considered, then the decision making will be more certain, even if the same decision is reached.

There is a view that the basis of a nation's strength is not just military power or economic power, but also the unity of the people. I believe that is true. For the Seven & i Group to realize further increases in corporate value, a sense of solidarity under the leadership of President Isaka is most important. I am confident that the Group will be able to achieve this solidarity.