

# Business Strategy of Domestic Convenience Store Operations

[ CGC Principle 3.1 (i)]

The domestic convenience store operations are a pillar of the Group's business strategy. With 20,955 domestic stores as of February 29, 2020, SEVEN-ELEVEN JAPAN continues to fulfill its infrastructure function of operating “close-by, convenient” stores indispensable to people's lives.

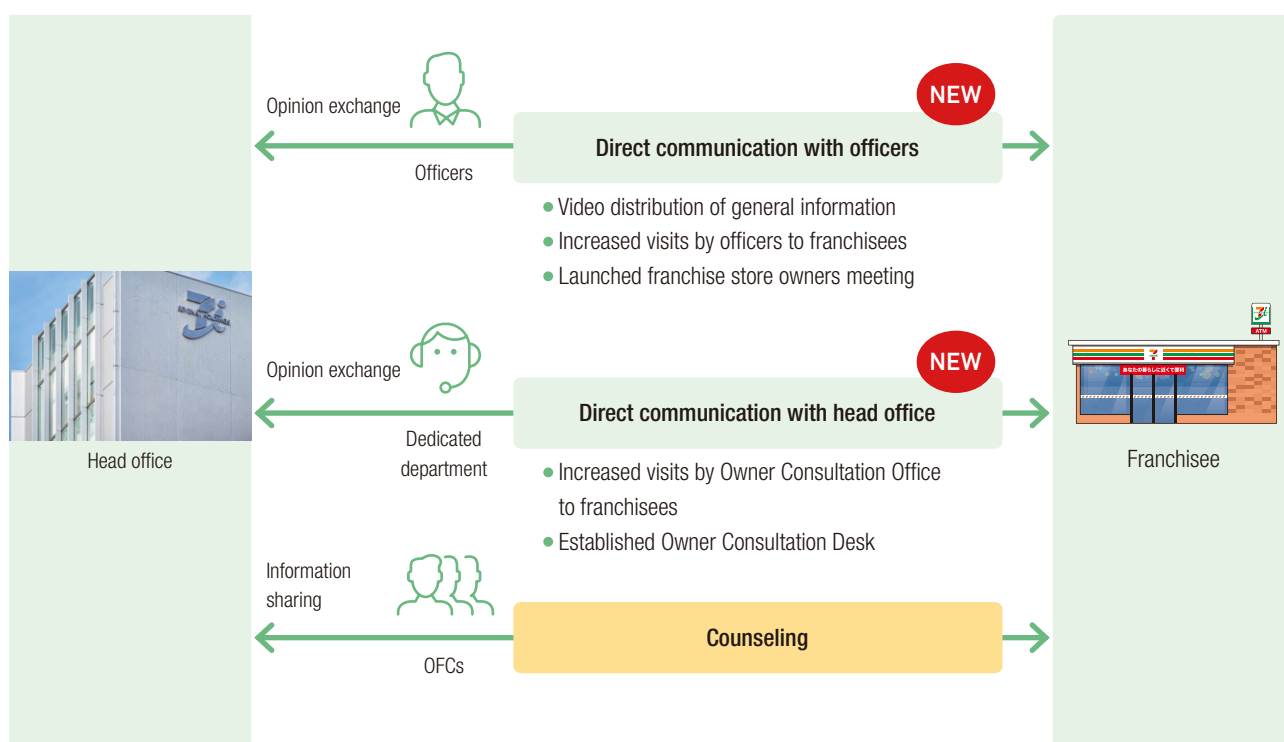
The strengths of 7-Eleven lie in the uncompromised taste and quality of its products, as well as its store locations and customer services, which together function as social infrastructure. Another asset is its highly convenient digital technologies, which include 7-Eleven online convenience store. By further enhancing these qualitative strengths in the future, we will seek to become more “close-by, convenient” stores. To continue growing our business, we will promote capital investments in existing stores while deploying digital technologies to save labor and improve the productivity of store management.

## 1. Targeting sustainable growth together with franchisees

In 2019, we formulated an action plan to realize sustainable growth together with franchise store owners. Under the plan, we launched an in-house cross-departmental project and are monitoring its progress, while continuously promoting franchisee support and other initiatives. In addition to creating a system that

allows franchise store owners to focus on management with peace of mind, in fiscal 2021, we further strengthened communication with franchisees and our head office governance framework, enabling the head office and franchisees to work together to deliver new levels of growth in the future.

**Modifying our system for direct communication with officers and a dedicated department in addition to Operations Field Counselors (OFCs)**



## Values

Business Mode



Sustainability/Growth

## Key Indicators

assistance to franchisees to counter the spread of COVID-19 infections, including distributing masks and face shields to stores and providing special appreciation payments. We will continue to take the voices of franchisees seriously as we work to resolve issues while implementing ongoing measures to increase franchisee satisfaction over the long term.

## Governance

## Financial Section

spending more quality time at home. To address these changes in customer needs, we have changed the layouts of some stores to increase sales space for alcoholic beverages and display related items, including snacks and prepared dishes, next to them. The result has been increased sales of such items, and for this reason we will expand the number of stores earmarked for layout changes.

Performance at new layout rolled-out stores (Difference between these stores and respective area average)

800 introduced stores in Sep. 2020

Seven & i Management Report (as of February 3, 2021)

## Cooking kits to help people eat at home in response to rising female employment rates

As more and more people seek to spend more quality time at home, we offer Meal Kits and other products that make it easier for people to eat at home. Meal Kits contain pre-cut ingredients that the user simply takes out of the bag and cooks. This reduces the burden of household chores and also eliminates food waste.



## Cup Deli

We have continued to promote our *Cup Deli* series of foods that can function not only as a salad but also as a snack, a feature that makes them ideal in multiple scenarios. In addition to meeting the needs of customers, we are committed to maintaining quality and developing more authentic products aimed at creating more discerning home tastes.

For all *Cup Deli* products in Japan, moreover, we have

changed the container lids to seal-type lids, enabling us to extend the expiration date by around one day and further reduce the amount of plastic used.



Octopus, broccoli, and basil salad

Coleslaw

## 3. Stepping up DX to provide new customer experiences

Nationwide network of around 20,000 stores

Physical store network



Delivery service (same day + reservation)

7-Eleven online convenience store, Seven-Meal service



Seven Vending Machines

Area services



Deployed in conjunction with Last Mile DX Platform

## 7-Eleven online convenience store

We are building on our strengths—including a physical nationwide network of around 20,000 stores, delivery services, and area services such as Seven Vending Machines—to strengthen our Last Mile capabilities. As a new growth strategy

in these efforts, we are using DX to step up and accelerate our 7-Eleven online convenience store service.

7-Eleven online convenience store is a delivery service covering around 3,000 items handled at 7-Eleven stores in



Japan, including food and daily necessities, that customers can order via a dedicated website. When the service was launched, we made deliveries in as little as two hours after order placement. Now, we use DX to link inventories to the dedicated site in real time, enabling delivery in as little as 30 minutes.

By the end of fiscal 2022, we will increase the number of stores providing the 7-Eleven online convenience store service to 1,000, mainly in Tokyo, then gradually expand coverage in fiscal 2023 and thereafter.

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## Seven Anshin Delivery

*Seven Anshin Delivery* is a service that uses a fleet of light trucks to deliver rice balls, boxed lunches, bread, beverages, and other items. The interior of every truck is divided into four temperature zones, from room temperature to freezing, to accommodate a diversity of foods and beverages, and every truck can be loaded with more than 150 items, including daily goods. *Seven Anshin Delivery* service is offered in areas with few retail stores.



## Seven Vending Machines

In 2017, we introduced Seven Vending Machines, food vending machines, as a new platform that focuses on so-called “micro markets,” where we anticipate a certain level of demand. These markets include offices, factories, hospitals, and schools. Customers can use the machines to purchase the same products as those sold at our physical stores. Accordingly, they function as

“small 7-Eleven stores” and help us expand customer contact points. We plan to increase installation of Seven Vending Machines in the future.



## Efforts to improve productivity

We have introduced a semi self-checkout system with automatic change machines to improve productivity, reduce the workload on cashiers, and prevent the spread of infectious diseases. We are also improving productivity with various other means,

including a new product inspection system that greatly reduces working time at the time of delivery of fresh food by switching from per-product to per-delivery-case inspections.

### Semi self-checkout



#### Hours saved (per day)

Cashier time:	7.2 hours
Inspection time:	1.5 hours
Total:	8.7 hours

To be introduced in all stores by the first half of 2021

### New product inspection system



Scans every product



Scans every delivery case

Inspection time: 30 minutes/day → 3 minutes/day


To be introduced in all stores by February 28, 2021

## 4. Creating value with the 7-Eleven value chain



### 7-Eleven value chain



### Major points of excellence and distinction, and initiatives

- Joint procurement for stable product quality and cost-competitiveness
- Ensuring safety and traceability (distribution history) through an integrated system that prioritizes consumer peace of mind  
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- Environmentally responsive procurement of raw food ingredients

- Demonstrating strong product development capabilities through “Team Merchandising,” which leverages the expertise of our business partners
- Product planning and development sensitive to social needs and customers’ opinions
- Developing safe, secure, and health-friendly products  
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- Dedicated production facilities provide strong product appeal
- Establishment of an efficient, short lead-time product delivery system with strict safety and product quality standards  
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- Collaboration with business partners to promote human rights, labor and environmental considerations across the supply chain  
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- CSR audits of business partners’ production facilities



7-Eleven has built a unique system appropriate for every level of the value chain to kindle a chain reaction of added-value creation. Going forward, we will continue to orient our activities

toward the needs of each and every customer, search for ways to make the daily routine, the environment and society better, and strive to create new value.

### Logistics



In addition to ensuring product freshness throughout the supply chain, we are improving our environmental performance and work environment by streamlining logistics and introducing the latest technologies.

### Marketing and Sales



We have established a service and support system aimed at creating attractive stores that serve as comfortable places for customers to shop every day and employees to work.

### Disposal



Seeking to realize a circular economy and reduce food waste in society as a whole, we are pursuing integrated environmentally friendly initiatives ranging from product design to use, disposal, and recycling.

- Maintaining product freshness and improving business profitability through efficient logistics
- Using latest technologies to provide efficient, worker-friendly environments
- Promoting use of hydrogen by introducing fuel cell trucks and fuel cell generators
- Maintaining quality through cold chain technologies
- Streamlining logistics through use of combined distribution centers

- Providing service to ensure the safety and convenience of everyday life
- Removing the burden of shopping to further improve convenience  
Page 28
- Creating attractive sales spaces and providing extensive education and training to enable our diverse human resources to excel and grow  
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- Food waste reduction (control at source, reuse, conversion to animal feed, conversion to fertilizers) and ethical projects  
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- Conserving materials used in containers and packaging, and reducing use of expendables  
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- Recycling systems that support the creation of a circular economy

# Business Strategy of Overseas Convenience Store Operations

[ CGC Principle 3.1 (i)]

As we leverage our convenience store operations, our goal is to become a global company that provides convenience in the form of food and thus is indispensable to people's daily lives. As one of our growth engines, we are targeting further growth of our overseas convenience store operations with the aim of providing new value by opening the door to the "next level of convenience" for people worldwide.

## 7-Eleven, Inc.: Largest convenience store chain in the United States with around 9,900 stores in North America

Based in Irving Texas, 7-Eleven, Inc. (SEI) operates, franchises and/or licenses more than 71,800 stores worldwide and is the largest convenience store chain in the United States with around 9,900 stores in North America as of December 31, 2020.

SEI is pursuing a growth strategy in North America that reflects changes in the consumer environment. Through an effective combination of store openings and M&As, we are opening stores in regions with high growth potential to further strengthen the growth of the entire chain.

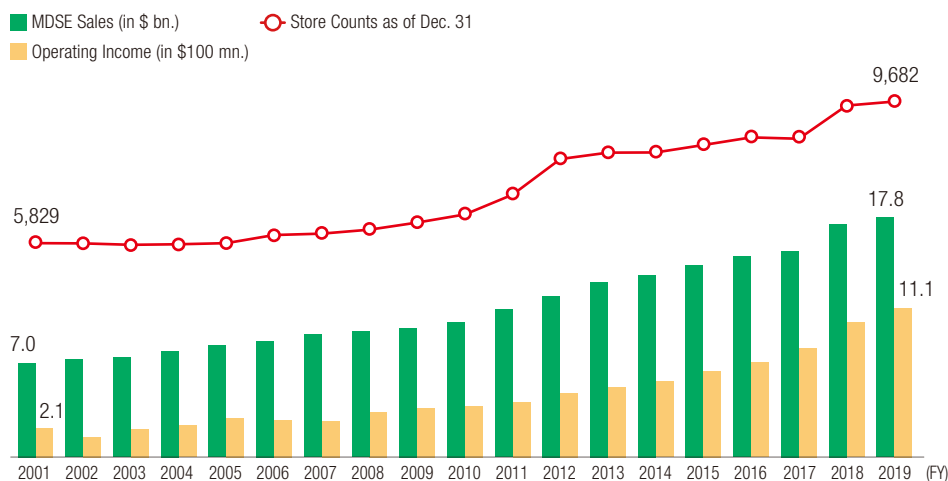
SEI continues to grow. In the fiscal year ended February 29, 2020, it accounted for 24% of the Group's consolidated operating income and around 30% of net income.

By expanding our selection of fresh food and proprietary beverages, as well as private-brand products, we have successfully addressed the diversified needs of customers. Accordingly, sales of products have been growing every year, and products now account for around 80% of SEI's gross profit.

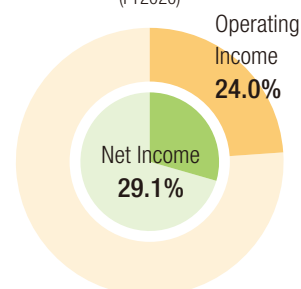
## 7-Eleven, Inc. Overview



## MDSE Sales, Operating Income, Store Counts



## Contribution for Consolidated Figures (FY2020)



**Accounts for approx. 30% of consolidated net income**

\*Composition ratio is calculated on a yen basis after amortization of goodwill.

## Characteristics of the North American market

### Growth potential of the U.S. market

One factor keeping the U.S. market in the world spotlight is its strong growth potential although the United States is a developed country. Japan's population is expected to decline moderately in the future, falling below 100 million in the

2050s, while the United States is expected to show modest population growth. GDP and consumption are also projected to increase, making the United States an attractive growth market for convenience store operations.

### U.S. convenience store industry crowded with small chains

The U.S. convenience store industry is characterized by a large number of small businesses. As of December 31, 2019, there were around 153,000 convenience stores nationwide, and chains of 10 stores or fewer and privately owned stores account for about 65% of the total. Even if all the stores of the 10 largest chains (including SEI at the top) were combined,

they would account for less than 20% of the market. As such, the industry is very fragmented, and restructuring efforts are gathering pace. The United States is also the world's second-largest automobile market after China, and a major feature is that around 80% of U.S. convenience stores have gas stations.

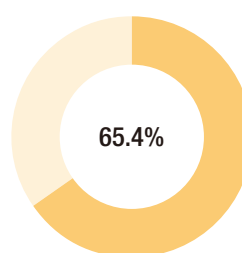
## U.S. Convenience Store Industry

### U.S. Convenience Store Counts: 152,720 (as of Dec. 31, 2019)

Chain Name	No. of Stores	Shares (%)
1 7-Eleven, Inc.	9,046	5.9
2 Alimentation Couche-Tard Inc.	5,933	3.9
3 Speedway LLC	3,900	2.6
4 Casey's General Stores Inc.	2,181	1.4
5 EG America LLC	1,679	1.1
6 Murphy USA Inc.	1,489	1.0
7 GPM Investments LLC	1,272	0.8
8 BP America Inc.	1,017	0.7
9 ExtraMile Convenience Stores LLC	942	0.6
10 Wawa Inc.	880	0.6
Top 10 chains	28,339	18.6

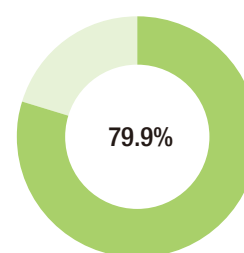
Source: NACS State of the Industry Compensation Report, CSP's TOP 202 Convenience Stores 2020, except for SEI, which is the U.S. store count as of December 2019.

### No. of stores operated



Small operators  
(10 or fewer stores)  
**over 65%**

### w/Fuels



With motor fuels  
**approx. 80%**

Top 10 chains' shares  
**less than 20%**

**Industry remains fragmented**





**Aiming to be a company that provides new customer experiences and value in both the physical and digital domains**

## Six Point Plan

SEI is implementing a strategy based on its Six Point Plan, which consists of six key initiatives: provide consistent customer experiences, propose new food and beverage experiences, optimize product selections, promote digital strategies, modernize stores, and expand the store network.

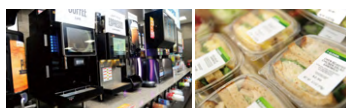
By offering distinct fresh food and proprietary beverages while developing and expanding sales of private brands, we are providing new food and beverage experiences that are low in

cost and high in quality. While modernizing our stores, we are also promoting digital transformation to support our 7REWARDS loyalty program and 7NOW delivery service. Here, our aims are to change conventional convenience store stereotypes and become a company that provides new customer experiences and value in both the physical and digital domains.

### Six Point Plan

- 1 Provide consistent customer experiences
- 2 Propose new food and beverage experiences
- 3 Optimize product selections
- 4 Promote digital strategies
- 5 Modernize stores
- 6 Expand the store network

### Fresh Food & Proprietary Beverages



- Fresh Foods is a \$2B+ business
- Proprietary Beverages average 62% margin
- New Food & Beverage platform, in approx. 1,500 stores by the end of 2020

### Private Brands



- \$1B/year business with +22% CAGR (compound annual growth rate)
- High quality, lower price
- 55% average margin

### Digital Transformation

#### Loyalty Program



- 40M Registered Members
- 2020 Launch: Mobile Check-Out, Digital Wallet and Fuel Loyalty

#### Delivery



- 1,100+ Stores, approx. 2,000 by the end of 2020
- Volume +400% since February 2020
- Transaction size, approx. 2x average in-store basket
- Industry leading delivery time: within 30 min. at earliest

**We have a customer focused strategy that produces results and supports ongoing growth**

## Proposing new food and beverage experiences

Similar to how we manage our domestic convenience store operations, we are developing product strategies centered on “food” in the United States. In Dallas, Texas, we have adopted Team Merchandising to develop products that suit local tastes and meet local needs, winning high praise from customers as

a result. We are also rolling out this success story in New York and Los Angeles. In addition, we are introducing new equipment aimed at improving the quality and assortment of our proprietary beverages.

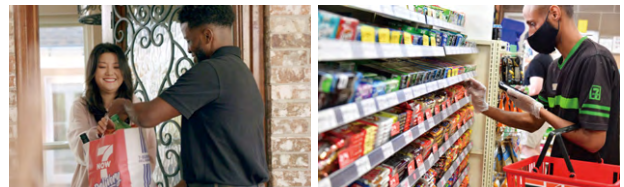


The store offers fresh hot food, beverages, and other items that reflect local characteristics (Dallas).

## 7NOW delivery service

Since starting test operations of our 7NOW delivery service in 2017, we have expanded the service to cover 75% of the U.S. store commercial area as of December 31, 2020. We are responding to customer needs with a wide range of products, including fresh food and beverages, and demand has increased sharply in this “new normal” environment. As of November 30, 2020, delivery sales had grown around sixfold compared with

those of the end of January of the same year. We plan to expand 7NOW to currently unsupported areas and offer the service across North America.



## Store modernization through expansion of Evolution Stores

We are also taking on the challenge of Evolution Stores with innovative, modern and differentiated product assortment. Since beginning test operations in a Dallas store, we have expanded this initiative to Washington, D.C., New York, San Diego, and one more store in Dallas, for a total of five stores as of November 30,

2020. Despite opening stores in cities that have been severely affected by COVID-19, we have seen impressive results in terms of daily sales, customer numbers, and the ratio of fresh food sales to total sales. We will use the results of our tests to expand our Evolution Store network to other areas.

### Evolution Store: New Platform

Proprietary Beverages	Cold-pressed juices, Smoothies, etc.
Alcoholic Beverage	Craft beers, Wine cellar
In-Store Bakery	Croissants, Cookies
With Restaurant	Laredo Taco
Others	Mobile Checkout technology



Our Evolution Store challenges the conventional stereotype by offering craft beer, an in-store bakery, and other items (Washington, D.C.).

### Acquire Speedway LLC, 3rd largest U.S convenience store chain

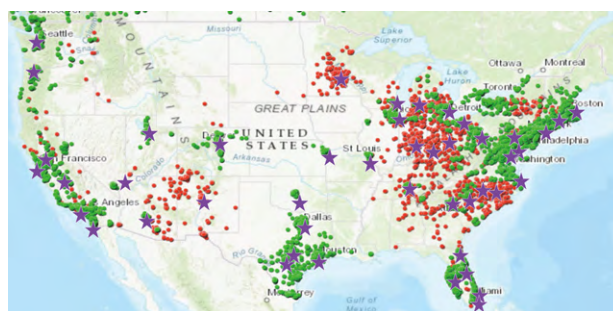
In August 2020, SEI signed the agreement with Marathon Petroleum Corporation to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses under the Speedway brand. This acquisition

will give SEI the opportunity to operate in 47 of the top 50 most-populated metro areas in the U.S., and it will provide an entry for us into other parts of the country that we don't currently operate in.

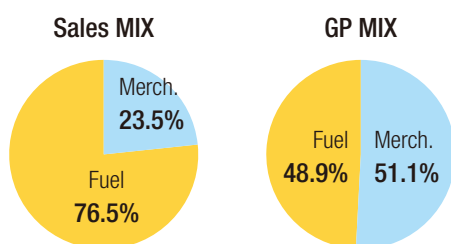
### Speedway Overview

- Favorable site and business attributes
- Strong \$1.5B EBITDA in 2019 (7-Eleven, Inc. \$1.8B)
- Over 70% of real estate owned
- 100% of the Speedways are company operated
- Speedy Rewards loyalty program with 6+ million active users

Source: Speedway internal financials, excludes direct dealer business.



★ Top 50 metro areas ● SEI stores ● Speedway stores



~3,900 Locations	100% Sites offer fuel	6M+ Speedy Rewards Members
2019 \$6.3B Merch. Sales	2019 7.7B Fuel Gallons	2019 \$1.5B EBITDA

### SEI has entered new markets and developed its store network by leveraging M&A Strategy

SEI has a strong and proven track record of success with acquisitions and integrations. Over the period our team has been in place, we have now completed more than 40 acquisitions and we've added more than 3,300 locations through these transactions. We have an effective integration

framework and know how to acquire and how to successfully integrate. Our largest acquisition to date, the Sunoco Stripes acquisition in early 2018, has proven to be great addition and it foreshadows what our Speedway acquisition will look like in terms of potential added value.

### Proven Track Record of Successful Acquisitions

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Deal Closed	2	—	3	2	2	4	10	4	—	4	4	—	1	3	3	42
Locations Acquired*	213	—	43	71	30	394	702	127	—	285	258	—	1,030	58	151	3,362
% Locations w/Gas	4.2	0.0	100	18.3	100	57.1	61.0	52.8	0.0	41.8	100	0.0	98.1	74.1	98.0	71.2

\*includes all channels of trade that include real estate.

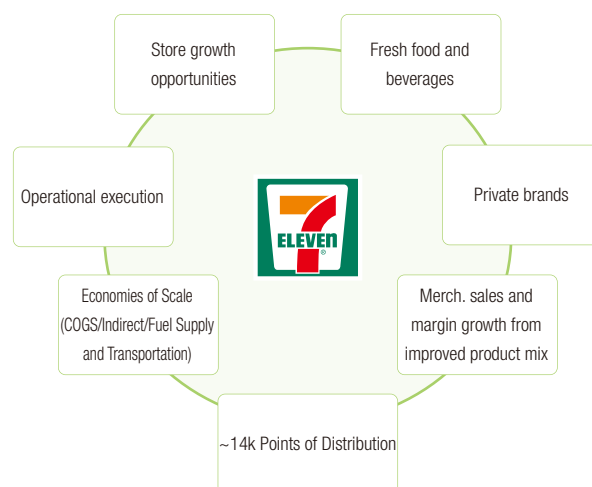


## Framework for Successful Integration

Methodical and disciplined integration program will unlock best of both companies and synergy realization



## Significant Synergy Opportunities



## Accelerate ESG initiatives while we execute 『GREEN CHALLENGE 2050』

7-Eleven and Speedway have similar environmental, social, and governance philosophies. And we'll also add corporate value by accelerating our ESG initiatives. Just as 7-Eleven has made significant progress in recent years, harnessing LED lighting, solar and wind power for electricity, and more efficient HVA systems—HVAC systems toward a reduced CO<sub>2</sub> footprint,

Speedway has also recently reduced its greenhouse gases by double digits as well. Together the combined company will set mutual and shared 2027 goals to reduce CO<sub>2</sub> emissions, to utilize more eco friendly packaging, to utilize sustainable food supplies, and to drive reduction in plastic usage.

## Acquisition of Speedway sets New ESG goals by 2027

Current 2027 Goals	New 2027 Goals Adding Speedway
20% lower CO <sub>2</sub> emissions (vs. 2015)	<ul style="list-style-type: none"> <li>• <b>40% reduction</b> in CO<sub>2</sub> emissions (vs. 2015)</li> </ul>
	Launch <b>250</b> EV sites
	Store base to be <b>25%</b> carbon neutral

## 7-Eleven Global ESG Forum



In November 2020, SEI, SEJ, and Seven & i Holdings co-hosted the first ever International ESG Forum involving Licensees, Master Franchisees and Business Partners in 15 Countries. The virtual Forum was held across three days included participation of over 300 people. Presentations focused on the comprehensive ESG plans and major initiatives underway in each country worldwide. Sustainability continues to be a global challenge, and for the Global Brand, it is now more critical than

ever for the world-wide 7-Eleven community to engage in building a better future, together.



# Enhanced Food Offerings and Tokyo Metropolitan Area Food Strategy

[ CGC Principle 3.1 (i)]

The Group's growth strategy is to embrace true leadership in our changing times by responding to new lifestyles in various ways. These include diversifying customer contact points, which will be required in the coming era, and working to give customers richer and more comfortable shopping experiences.

In this section, we introduce our "Tokyo metropolitan area food strategy" and "Last Mile" initiatives—for which we are harnessing our Group strengths—as well as *Seven Premium*, a cross-Group private brand (PB) initiative focusing on quality and value.

Through these initiatives, the Group is enhancing retail services that will be more closely attuned than ever before to the lives of customers in the coming era.

## Aims of Tokyo metropolitan area food strategy and Last Mile initiatives

### Diversify customer contact points and provide comfortable shopping experiences

Through our Tokyo metropolitan area food strategy and Last Mile initiatives, we will diversify customer contact points and correctly respond to customer needs for improved convenience, health, safety, and peace of mind.



#### Enhanced Internet-based capabilities reflecting customer feedback

By reflecting customer feedback in our online supermarket, home delivery, and other offerings, we will make our services more accessible than ever before.



#### Pickup services for improved shopping convenience

We offer product pickup services at our own stores and at various external facilities to address people's diversified purchasing needs.



#### Attracting new customers with home delivery services

We also deliver products to customers who have difficulty visiting stores due to childcare or nursing-care commitments.



#### Creating stores that reflect local needs

Having multiple store formats makes it possible to strategically open stores according to local characteristics and commercial area environments.



#### Supplying products of consistent quality

We have opened food-processing centers to accumulate know-how on material utilization, aiming to establish a system for supplying products of consistent quality.



#### Improving the quality of fresh foods and prepared dishes

In the future, we plan to improve the quality of our own products by operating centralized kitchens and other infrastructures within the Group.

## 1. Tokyo metropolitan area food strategy

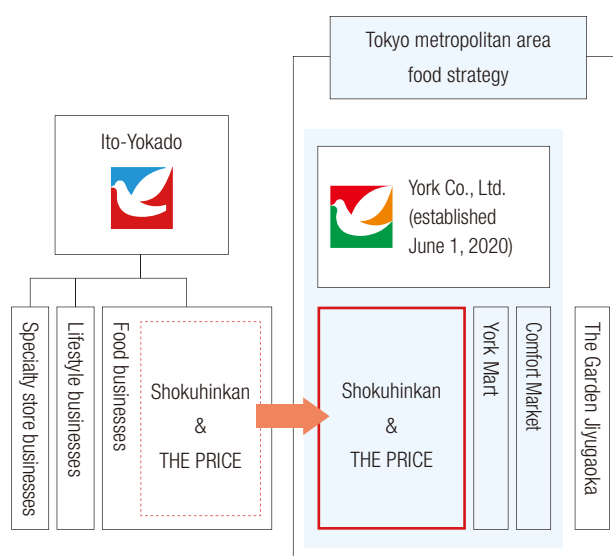
The Tokyo metropolitan area is characterized by a slowly decreasing population, an increasing number of elderly people, and a diversity of economic and lifestyle attributes. We will step

up our response to the food market in the Tokyo metropolitan area by building a new food supermarket business structure that takes advantage of Group synergies.

### (1) Specific initiatives

In June 2020, we established York Co., Ltd. to spearhead the Group's food supermarket business. Under that company, we have built a system to integrate and operate our existing York Mart stores, Ito-Yokado food specialty store "Shokuhinkan," THE PRICE stores, and Comfort Market stores.

This system allows us to combine our knowledge and expertise about food supermarkets, which have been cultivated by each Group company, to establish strategic frameworks for flexible store openings in accordance with location attributes and the development of product supply systems, and thus accurately respond to customer needs. Here, we are focusing on four key points.



### Tokyo metropolitan area food strategy: Four key points

#### Point 1

Four formats corresponding to location and surrounding commercial area

#### Point 2

Utilize common infrastructure

#### Point 3

Develop appealing products

#### Point 4

Foster and deploy talented human resources

### Point 1 Four formats corresponding to location and surrounding commercial area

York is promoting four new store formats: "standard type," "urban type," "price-compatible type," and "small/medium-sized type." In the Tokyo metropolitan area, which has a variety of commercial areas, we will use these different formats to flexibly create "lifestyle proposal" stores that meet the needs of local customers.

- Common concept: Strengthen home meal offerings; new merchandising (MD)
- Review product lineup and price range according to local market needs

#### Standard type

1,650–1,980 sqm

Lively aspect  
Regionalization

Model store: Chiharadai, Azusawa

#### Urban type

990 sqm–

Review breadth of product  
assortment

Model store: Shinjuku-Tomihisa

#### Price-compatible type

1,650–1,980 sqm

Price appeal  
Increase productivity

Model store: Kawasaki-Nogawa, Urnejima

#### Small/medium-sized type

495–825 sqm

Maximize sales floor space  
Improve efficiency of sales floors and BR

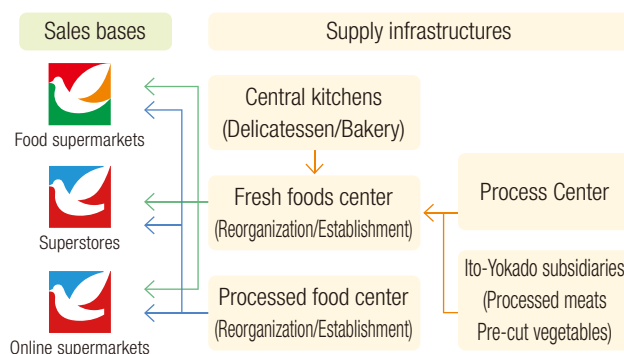
Model store: Nakamachi, Nishimagome



**Point 2 Utilize common infrastructure**

Utilizing and enhancing the Group's know-how and infrastructure will enable us to create higher-quality products more efficiently while building a very efficient supply system. By using our own Group infrastructure, we can incorporate our preferred ingredients and unique cooking methods in our products and optimize our processes. Developing a supply infrastructure in this way will allow us to consistently provide attractive products that meet customer needs with optimal timing.

- Share Group infrastructure and build a highly efficient supply system
- Collaborate with sales bases that have used DX to enhance accuracy and efficiency

**Point 3 Develop appealing products**

We are leveraging our strength in fresh foods to step up development of original products. Here, our purchasing managers visit production areas to obtain high-quality fresh products that we can recommend with confidence. This

process enables us to produce handmade salads, desserts, and fish-based prepared dishes with the same fresh ingredients as products available in our fresh food sections.

**Point 4 Foster and deploy talented human resources**

Creating product selections that reflect local needs requires support mechanisms of technical skills and personnel education. At York, we are building an operational framework to realize these mechanisms. For example, we have set goals for individual employees, encouraging them to think how to

prepare the necessary groundwork for improving work efficiency and how to devote more time to high-added-value tasks—and act accordingly. We will continue building on these efforts to create more comfortable work environments.

By acting on the above four points, we will develop stores more closely attuned than ever before to the lives of local customers. Our aim is to create “lifestyle proposal” food

supermarkets, highlighted by fresh food and prepared dishes, that meet the expectations of customers in the Tokyo metropolitan area.

**(2) DX initiatives to support our Tokyo metropolitan area food strategy**

To support our Tokyo metropolitan area food strategy, we are introducing AI and other technologies to create products that meet customer demand while promoting DX initiatives to realize a highly efficient supply system.

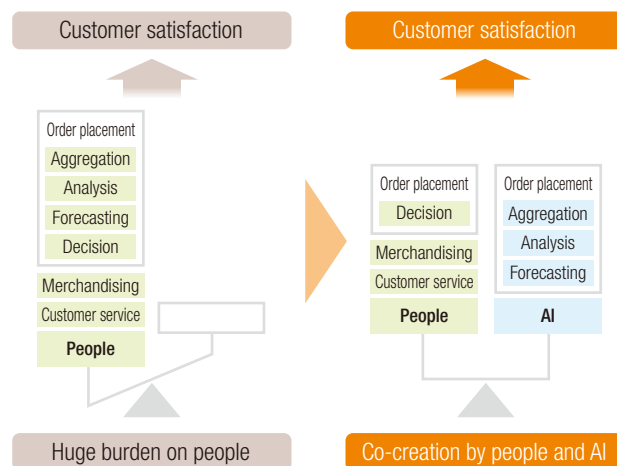
In September 2020, for example, Ito-Yokado began operating an AI-based product-ordering system at 135 stores nationwide (as of December 31, 2020) to improve productivity and enable employees to focus on more creative work, such as

customer service. The ordering system covers around 8,000 products, including cup noodles, confectionery, and other processed foods.

In this initiative, the AI system analyzes product-related information (such as prices and the number of rows of products on display), weather data (including the temperature and probability of rain), and other basic information (such as the day of the week and number of customers). The AI system

proposes optimal initial sales numbers to the store's order placement manager, who uses such data to decide orders.

We have been testing the system at some stores since spring 2018 and have reduced the average time spent by store personnel on ordering by around 30%. We also clearly confirmed fewer cases of products going out of stock during business hours, which helped ensure appropriate inventory quantities. As a result, time previously spent on ordering is now being directed toward customer service and merchandising.



## 2. Last Mile initiatives

Work, childcare, and nursing care are just a few of the many reasons why people cannot take the time to do their daily shopping in this modern world. Moreover, the number of shopping arcades and familiar shopping areas continues to decline, while places where people usually shop for fresh foods tend to be farther away. Accordingly, more and more customers feel that shopping is a burden. To resolve these problems, it is essential not only to sell products when customers visit our stores but also address the “last mile,” which means delivering

products to customers at the time and place of their choice.

Our Group companies have rolled out a variety of delivery services to meet such needs, including online supermarket, offered by Ito-Yokado; online convenience store, *Seven Anshin Delivery*, *Seven RakuRaku Delivery*, and Seven-Meal delivery service, offered by 7-Eleven; and home delivery and takeout services offered by Denny's. We are also launching a series of service upgrades and new service trials in fiscal 2021.

### (1) Specific initiatives

#### Ito-Yokado online supermarket

In July 2020, we updated the Ito-Yokado online supermarket website, which is used by many customers. Previously, the site accepted only “regular” orders (for same- or next-day delivery), but now it accepts “advance” orders (for delivery three to seven days later). We have also introduced “Delivery Charge Dynamic Pricing,” which offers different charges according to the delivery day and time that customers choose. In addition to improving convenience for customers, we have added new features such as automatically registering frequently ordered products and allowing customers to freely select the stores where they want to pick up items.

Moreover, when a customer selects a recipe in the Ito-Yokado online supermarket smartphone app, the app displays a

list of the needed ingredients. Included is an added function that allows the customer to remove from the list any items already on hand at home and make a bulk purchase of the remaining items. The service succeeds in reducing customers' shopping time.



Ito-Yokado online supermarket smartphone app screen

### Expansion of Denny's home delivery and takeout services

In May 2020, Denny's, a restaurant chain operated by Seven & i Food Systems Co., Ltd., remodeled an existing store in Shinagawa, Tokyo, and opened a store dedicated to home delivery services. Setting up a dedicated home delivery store enables us to concentrate on home cooking, shorten the time from order to delivery, and offer freshly prepared food more quickly.

In October 2020, meanwhile, Denny's opened its Shinjuku-

Gyoen store, which specializes in home delivery and takeout. In these ways, Denny's continues to expand and upgrade its services.



## (2) Using DX to support our Last Mile initiatives

To support our Last Mile initiatives and deliver products seamlessly to customers, we created our Last Mile DX Platform, which works with our e-commerce platform and combines our delivery resources to optimize the four key

aspects of home delivery services—vehicles and drivers, delivery charges, delivery routes, and pickup locations.

▶ DX Strategy Page 48

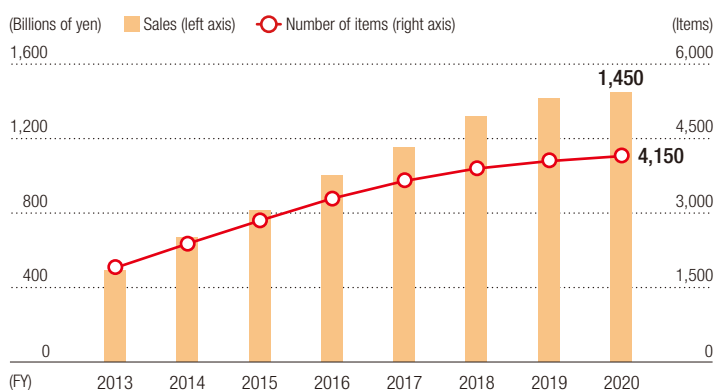
## 3. Seven Premium initiatives

*Seven Premium* was created in 2007 as the Group's own private brand (PB) series of products with high quality in terms of taste, safety, and peace of mind. In the process, we dispelled the price-driven image of PBs that prevailed in the past. In addition, by grasping the changes of the times—such as the decreasing birthrate and aging population, the increasing number of working women, and growing consciousness about health and environmental issues—we have proposed new levels of value to leading manufacturers in Japan and overseas,

together creating a new concept for PBs.

In 2017, the 10th anniversary of *Seven Premium*, we reorganized our diverse PB lines into five brands: *Seven Premium*, *Seven Premium Gold*, *Seven Premium Lifestyle* (daily necessities and apparel), *Seven Premium Fresh* (fresh foods), and *SEVEN CAFÉ*. We also started selling those brands at Group stores across multiple formats, including 7-Eleven, Ito-Yokado, York-Benimaru, York Mart, and Sogo & Seibu.

### Seven Premium sales and item quantity





Our *Seven Premium* brands continue to grow, numbering 4,150 items and generating sales of ¥1,450 billion in fiscal 2020.

#### PB items with annual sales of more than ¥1 billion (fiscal 2020)

Daily food products	Beverages and alcohol	Confectionery	Processed food and sundries	Total
<b>185 items</b>	<b>53 items</b>	<b>26 items</b>	<b>26 items</b>	<b>290 items</b> (Up 16 from previous fiscal year)

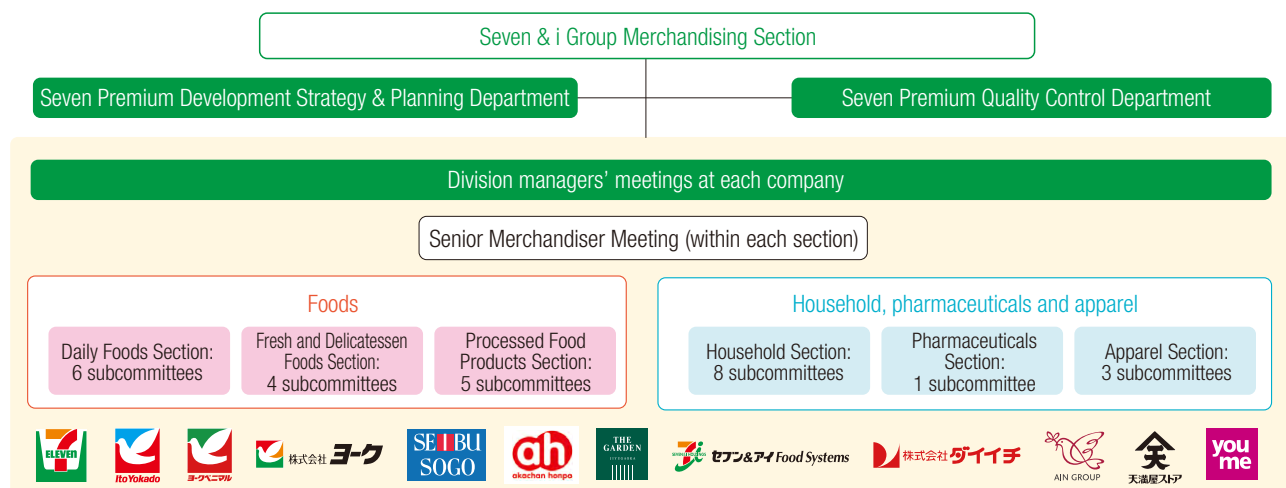
#### Development system

*Seven Premium* is based on an original product development method called Team Merchandising, which was cultivated at SEVEN-ELEVEN JAPAN. This method brings together the product knowledge and development know-how of Ito-Yokado, York-Benimaru, and other Group companies and leverages the strong management resources of the Group's diverse businesses.

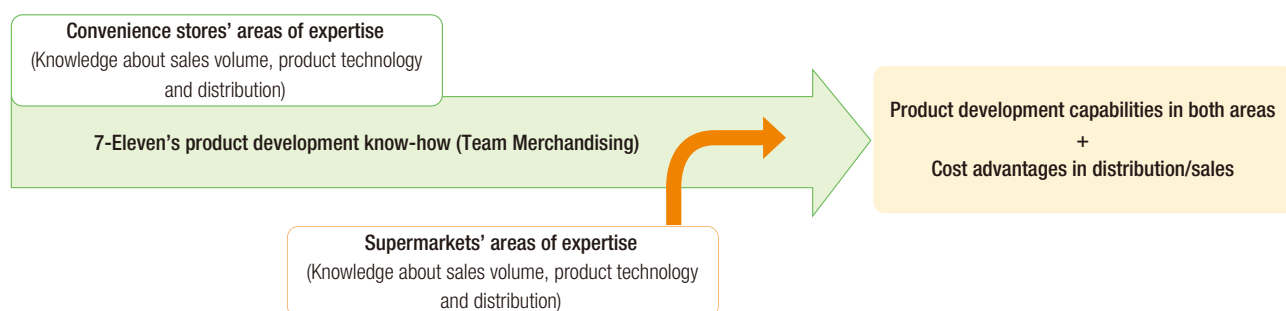
In response to various social changes, such as increasing numbers of single-person households and working women, as

well as an aging population, we have engaged in product development that transcends the boundaries of different operating companies. This has produced new consumer patterns, typified by the trend to buy dinner side dishes at the nearest convenience store.

The Group's convenience stores and supermarkets share each other's strengths and create synergies by taking the lead in product development in their respective fields of expertise.



#### Product development capabilities and cost advantages leveraging synergies



## Formulated in May 2020 *Seven Premium* Connect Declaration

People's values and lifestyles are evolving amid changes in the social environment, including the aging population, decreasing number of households, and increasing number of two-income households. Among other factors, a series of large-scale natural disasters and the spread of COVID-19 infections have heightened interest in the environment and health.

From an early stage, we have taken steps to make *Seven Premium* a brand that customers can buy with confidence and trust, including steps such as putting the name of the manufacturer on products before being legally required to do so. To achieve a sustainable society in such areas as health and the environment, the Group decided it needed to redefine "value created by *Seven Premium*" from a medium- to long-term perspective. The guiding principle behind this decision was the founding philosophy of "Trust and Sincerity," embraced by Ito-Yokado, which celebrated its 100th anniversary in 2020.

Since its founding, Ito-Yokado has responded to customer needs with products and services while actively pursuing activities that contribute to safety, security, and environmental protection. In the process, it has passed on

the prosperity of all stakeholders, including customers, local communities, and business partners, to the next generation for a more secure future.

To further deepen this connection, in May 2020, the Group formulated its "*Seven Premium* Connect Declaration," which consists of four pillars of new value creation for the *Seven Premium* brand: **eco-friendliness, health-consciousness, high-quality products, and global compatibility.**

We will connect these four values, which resonate strongly with the times, to every product we make. These values will then connect us to our customers and other stakeholders around the world—and connect them to the future as well.

This declaration expresses the Group's intention to continue to deepen contact with customers through the *Seven Premium* brand, while sharing prosperity and happiness and connecting with people around the world.

## Eco-friendliness

### Passing on our efforts addressing environmental issues to the next generation

The Group is accelerating efforts for the next generation under its 『GREEN CHALLENGE 2050』 environmental declaration. Among *Seven Premium* products, we have realized the world's first beverage containers made from 100% recycled plastic bottles, and in the apparel field we have developed original innerwear made from recycled plastic bottles.



## Health-consciousness

### Passing on healthy minds and bodies to tomorrow

At *Seven Premium*, we are developing a large number of health-themed products. We also indicate on packaging labels the presence or absence of all 27 allergens recognized in Japan, including quasi-specified allergens for which labeling is not mandated. Since 2019, moreover, we have sought to develop and label products that are more closely attuned to the daily lives of our customers by, for example, specifying sodium levels as “salt equivalent” and separating carbohydrates into “sugar” and “dietary fiber.”



Nutritional information (potato salad)

栄養成分表示: 1袋100g当たり  
エネルギー 171kcal/たんぱく質 2.8g/  
脂質 11.8g/炭水化物 14.2g(糖質  
12.6g/食物繊維 1.6g)/食塩相当量 0.9g  
(サンプル品分析による推定値)

## High-quality products

### Passing on the taste and quality of specialty stores to your daily dining table

The exceptional taste and quality of *Seven Premium* food are the result of Team Merchandising, through which we develop and make products in collaboration with business partners possessing advanced technologies and know-how in all processes related to product creation, from product development to raw materials procurement, processing, production, and packaging.

In 2010, we launched the *Seven Premium Gold* brand, which offers an even higher level of quality. Here, we use top-quality raw materials and make products with advanced technologies to bring richness to the dinner table.



## Global compatibility

### Passing on the spirit of Japanese manufacturing to customers around the world

We currently sell many *Seven Premium* products, including confectionery, processed foods, and miscellaneous goods at Group stores in China, Hong Kong, Macau, Taiwan, and Singapore. We have modified the visual appearance of the packaging by enlarging the English wording to make it easier for overseas customers to understand the contents. Thinking from the sales perspective, however, we retain the original Japanese package designs to highlight the appeal of Japanese quality, thereby ensuring that our products are well received by customers.



# Large-Scale Commercial Base Strategy

[ CGC Principle 3.1 (i) ]

Amid dramatic changes in customer purchasing behavior, we need to further accelerate structural reforms in our superstore and department store operations, which take place in large-scale commercial facilities. As part of these reforms, we will reassess our existing store network while identifying prime locations. At the same time, we will pursue a growth strategy of fully deploying the strengths we have developed to promote structural reform of stores.

## Store structural reform

In our store structural reform, we conduct rigorous analyses of the commercial areas surrounding each store and review product mixes and floor layouts based on those analyses. At Ito-Yokado, we are developing sales spaces with displays of life scenarios that people will easily recognize while promoting merchandising strategies and tenant expansion according to new evolving lifestyles.

These efforts, which reflect the growing need for one-stop shopping in the COVID-19 world, have increased the capability to attract customers and improved profitability.

At Sogo & Seibu, meanwhile, we have welcomed specialty store tenants and restructured our sales floors, achieving the increased capability to attract customers and other successes. Here, we are taking full advantage of our exceptional assets, namely, prime store locations, a network of business partners cultivated over the years, and our ability to address customer needs. Building on these successes, we will continue to create facilities that meet community needs and accelerate restructuring at all our stores.

## Specific strategy initiatives

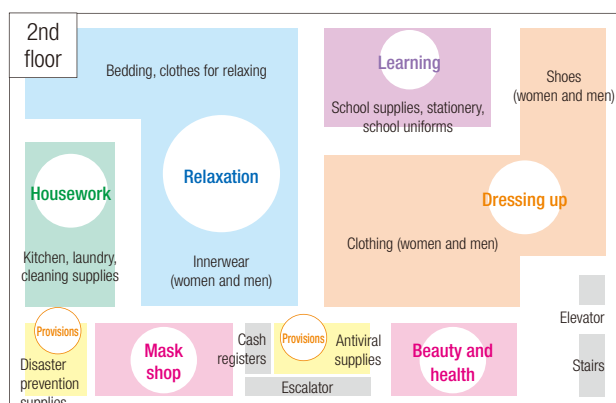
### Store layout that reflects new values (Ito-Yokado Tama Plaza store)

In September 2020, Ito-Yokado remodeled its Tama Plaza store to make it more accessible for local customers, creating the first Ito-Yokado store to provide a sales environment matched to new customer lifestyles. Ito-Yokado will continue to support the enjoyable and affluent lives of customers by providing store layouts that reflect new values.

### SEIBU Tokorozawa S.C. (Sogo & Seibu)

In November 2019, Sogo & Seibu opened its revamped SEIBU Tokorozawa store as a new “hybrid shopping center” that combines a department store with specialty stores. In addition to directly operated sales spaces (for cosmetics, gifts, food, and the like) that leverage the strengths of department stores for customer service, we have introduced prominent large-scale specialty stores that cater to local lifestyles and sell such items as home appliances and household goods.

#### Second-floor layout of Ito-Yokado Tama Plaza store





# Financial Strategy

[ CGC Principle 3.1 (i) ]

Conditions in the financial services sector are changing dramatically amid advances in digitalization, the emphasis on cashless transactions in the public and private sectors, and the emergence of diverse payment methods. Against this backdrop, the Group intends to strengthen its unique financial services by combining its store network—the largest in Japan—with Seven Bank's network of over 25,000 ATMs and the cashless networks of *nanaco*, SEVEN CARD, and other services.



## Specific strategy initiatives

### More convenient payment services

For some time, the Group has met customer needs by providing various payment services, including *nanaco*, credit cards, QR code, and other electronic money services. In June 2020, 7-Eleven stores nationwide began accepting contactless payment services, including those for credit cards. We will gradually expand such services to other Group stores to provide more convenient shopping environments.

### Enhancing our financial product lineup

As customers' needs for financial products and services diversify, we will expand our offerings to include asset management and insurance, with the aim of providing safe, secure, and user-friendly financial services.

To develop this new product lineup, we are actively collaborating with venture companies and others to acquire new knowledge and ensure quick responses.

### Expanding our ATM services

The Group is working to expand services that take advantage of the unique strengths of Seven Bank's ATMs, which offer physical touchpoints familiar to customers.

In addition to existing deposit and withdrawal services, we are expanding into new cash services, such as money charging for electronic money and QR code payment services, as well as an ATM receipt service that gives customers access to cash without using an account. We are also introducing services that do not involve cash, including ones that support My Number Card (for Myna Point applications).



## DX initiatives to support our financial strategy

We are working to develop a common Groupwide data analysis platform that allows customers to use the Group's network to conveniently access our services. With the Group's common customer ID (7iD) and the understanding of our customers, we

will promote the coordination and mutual utilization of retail and financial data within the Group. We will also study ways to further improve the convenience of smartphone payments.

# DX Strategy

[ CGC Principle 3.1 (i) ]

## 1. Expanding customer contact points

Recent times have seen the emergence of the so-called “new normal” lifestyle, as people become more aware of the need to counter and respond to COVID-19. In this context, digital transformation (DX) has become an urgent issue for society as a whole, and the retail industry is no exception.

The Group operates approximately 22,500 stores in Japan, which serve more than 25 million customers daily. We also bring together a wide variety of business formats, including convenience stores, superstores, department stores, specialty stores, and financial services.

By integrating the “physical” and “digital” aspects of the Group’s various business infrastructures—including the store network, logistics infrastructure, and item-specific Point of Sale (POS) information—we will create and provide new products and services that reflect the changing values and behavior of customers impacted by COVID-19. Our aim is to provide rich life experiences for our customers.

To accelerate DX in the Group, we formulated our Group DX

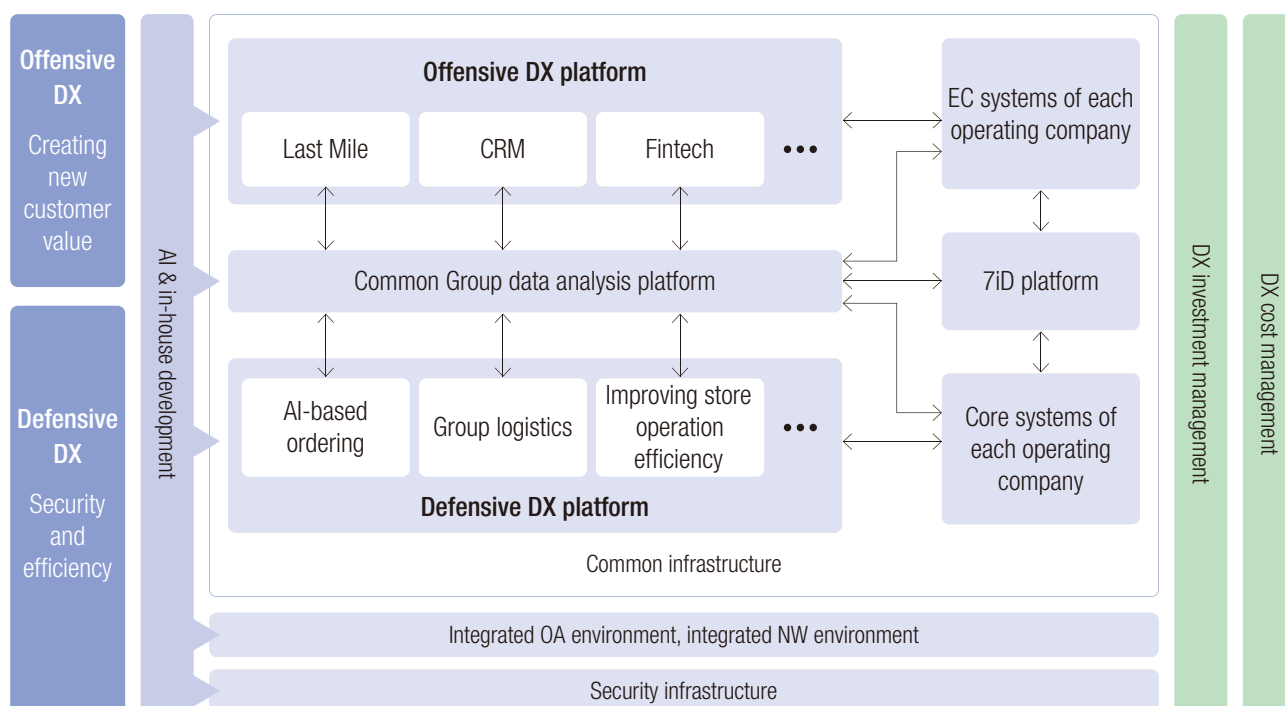
Strategy Map for 2020. This covers common DX measures to be implemented across the entire Group and embodies our shared vision for the Group as a whole.

The Group DX Strategy Map is divided into two major areas: “defensive DX” and “offensive DX.” Defensive DX focuses on security and efficiency, while offensive DX concentrates on creating new customer value, for which we will implement various measures through AI and in-house development.

Defensive DX is a strategy for protecting the Group. For example, it aims to build a common infrastructure that supports the business systems of every operating company, reduce Groupwide costs, and uniformly strengthen security within the Group.

Offensive DX aims to accelerate the business growth of every operating company, generate Group synergies, and create new customer value. In this section, we explain one of our DX initiatives, the “Last Mile DX Platform.”

### Group DX Strategy Map



## 2. Defensive DX: Building a security system

Following is a look at the conventional product making that the Group has undertaken to date. In this business, no matter how delicious and competitively priced a food item is, it cannot be offered as a product if it is lacking in safety and security. In the same way, digital services must meet sufficient standards of security and convenience as a matter of course. In July 2019, an incident occurred involving unauthorized access to some

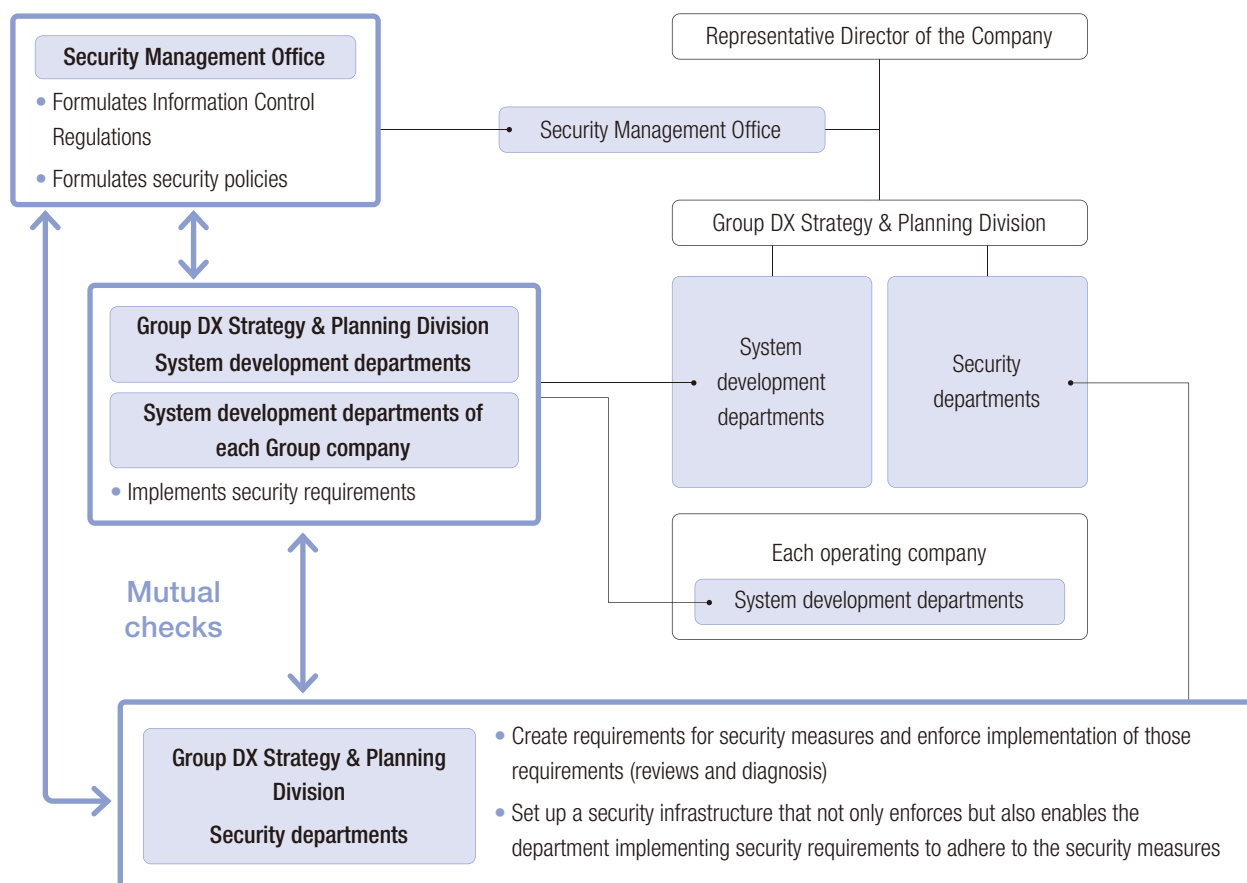
accounts of our 7pay service. We take this matter very seriously and are fortifying our security systems accordingly. Measures taken include making the security departments the foundation of our DX strategy by properly separating them from the systems departments, as well as rigorously establishing and enforcing regulations.

### Measures to prevent recurrence

#### ● Separation of security functions

We established the Security Management Office as a specialized department to supervise the Group's security measures. The security departments that were previously part of the systems departments were separated and placed under the direct control of the Representative Director.

We also separated our security functions into three organizations, each of which fulfills its own role and mutually checks the actions of the others, thus creating a framework for enhancing security.

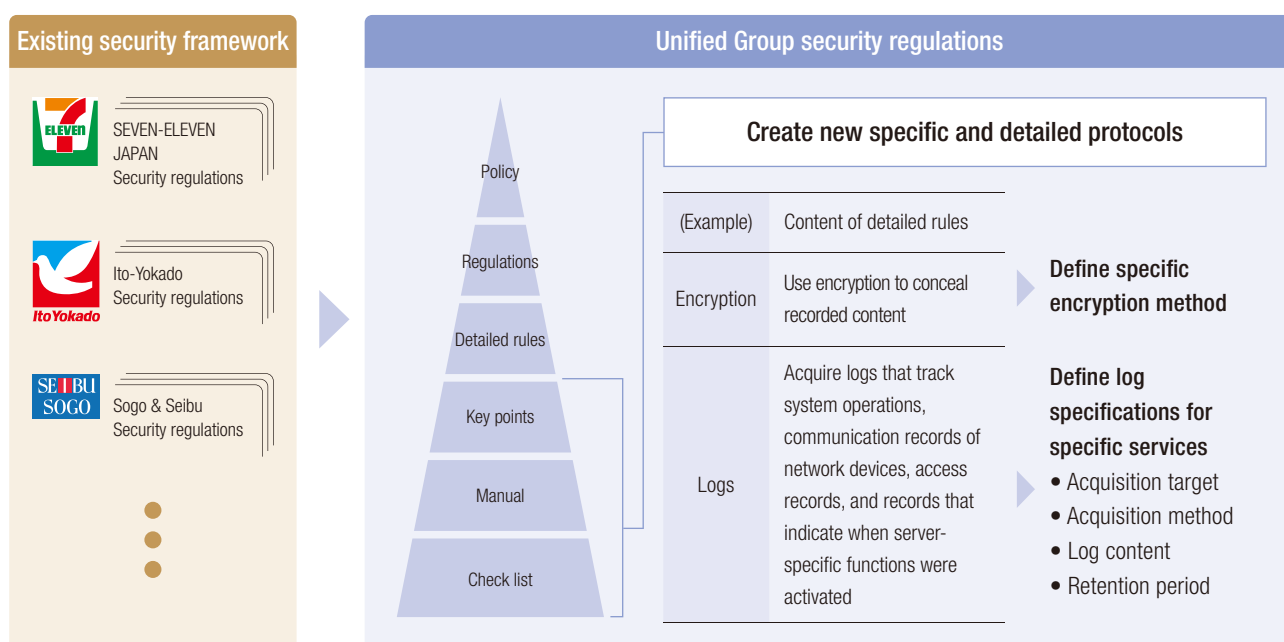


### ● Painstaking establishment and enforcement of regulations

We renewed security policies, regulations (including guidelines), and guidelines related to system development, and defined the rules to be followed in detailed and concrete terms. We are also strengthening our security incident prevention, detection, and recovery capabilities by establishing a monitoring system

to check whether protocols are being fully implemented, and we are expanding the functions of that system.

In addition, by applying this system to every Group operating company, we will eliminate differences between companies and realize Groupwide governance of security systems.



## 3. Offensive DX: Last Mile initiatives

### Last Mile challenges

The Group's e-commerce businesses include 7-Eleven online convenience store, Ito-Yokado online supermarket, and Seven-Meal (delivery service of 7-Eleven). In the past, we focused on finding optimal solutions to enhance delivery efficiency in these businesses. Because deliveries were outsourced to delivery companies, however, we were unable to fully visualize and utilize delivery-related data as a Group. In addition, each operating company selected its own delivery vendor, leading to inconsistent service levels between companies. Moreover, the companies did not share logistics information with each other.

To overcome this situation, we launched our Last Mile DX Project and began investigating. The project has two key

elements. One is our "delivery resource," meaning physical vehicles and their drivers. The other is "AI-based delivery control," aimed at optimizing the four key aspects of delivery services: (1) vehicles and drivers, (2) delivery charges, (3) delivery routes, and (4) pickup locations.

With respect to "delivery resources," we have decided to consider outsourcing as a precondition. By contrast, we have positioned "AI-based delivery control" as a valuable source of the Group's competitiveness and will build it into a platform common to the Group.

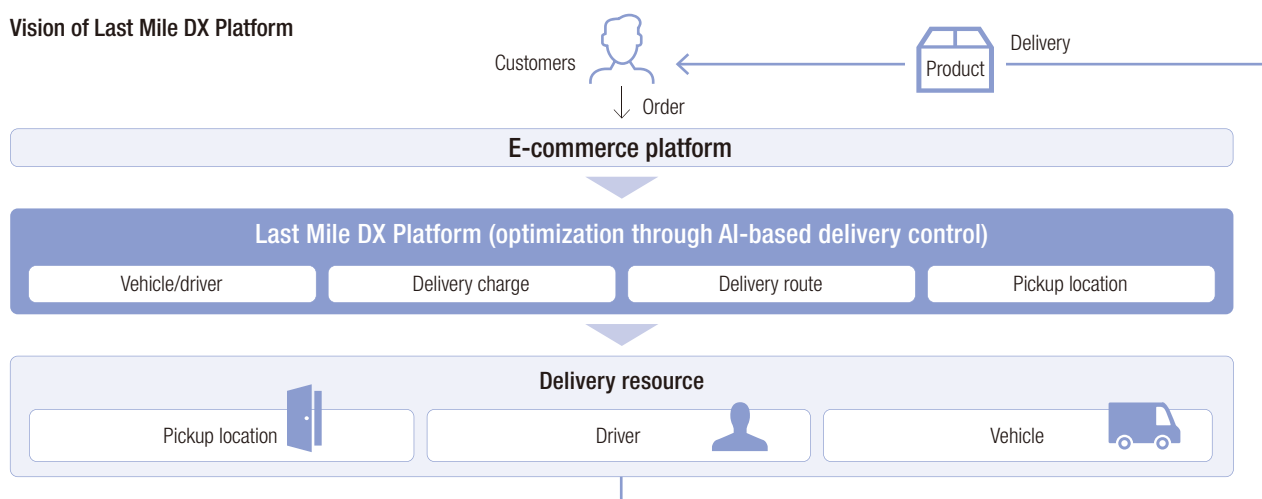
Our ultimate goal is to deliver products to customers by optimizing the four above-mentioned aspects—vehicles and



drivers, delivery charges, delivery routes, and pickup locations—while combining our delivery resources with the

Last Mile DX Platform linked to our e-commerce platforms.

### Vision of Last Mile DX Platform



### Realizing our Last Mile initiatives

In developing our Last Mile DX Platform, we have positioned AI-based delivery control, which optimizes the four above-mentioned aspects of delivery services, as the source of our competitiveness, and we decided to develop this in-house rather than outsource it to IT vendors. The platform is being jointly developed by our AI development departments and agile development departments in our Group DX Strategy & Planning Division. For each of the four aspects targeted for optimization, we will conduct data analysis and proof of concept (PoC), build AI models, and install the applications. We will then take steps to create an application programming interface (API) and adopt agile development methods to resolve issues that regularly arise.

We are also working with SEVEN-ELEVEN JAPAN, Seven & i Food Systems (which operates Denny's), Ito-Yokado, and other Group companies to develop the platform.

Currently we are in the first phase of development and are conducting PoCs for 7-Eleven online convenience store at physical 7-Eleven stores in Japan, which places us on a virtuous cycle of data collection, development, and utilization. The delivery service covers around 3,000 items, including food and daily necessities, sold at 7-Eleven stores in Japan, with

orders accepted via a dedicated website. When we launched the service, we delivered in as little as two hours from order placement, but now we can deliver in as little as 30 minutes. 7-Eleven online convenience store service will be available via 1,000 stores, mainly in Tokyo, by the end of fiscal 2022, and will be gradually expanded from fiscal 2023 onward.

In addition, Denny's (operated by Seven & i Food Systems) started a PoC in November 2020, and Ito-Yokado is planning to expand its online supermarket service by incorporating its cultivated know-how. Moreover, some of our department stores plan to introduce delivery services from their basement food sections.

As described above, we will take full advantage of our Last Mile DX Platform to deliver the Group's products to customers in an optimal manner.

- ▶ Please see the following pages for specific initiatives.
- 7-Eleven online convenience store [Page 28](#)
- Ito-Yokado online supermarket [Page 41](#)
- Denny's home delivery service [Page 42](#)

#### 4. Organization and human resources to promote the Group DX

To promote our Group DX initiatives, we have positioned the Group DX Strategy & Planning Division directly under the control of the Representative Director in order to speed up decision-making and directly incorporate the intentions of management.

One feature of the Group DX Strategy & Planning Division is its focus on recruiting, training, and retaining engineers in its engineering-related departments: the Security Infrastructure Department, the IT Infrastructure Department, and the IT Solution

Department. In our IT Strategy & Planning Department, we have appointed a human resources manager specializing in the hiring of engineers. We are also strengthening our engineering staff by hiring human resources based on standards that differ from those of our retail business departments, and educating and training them as engineers, as well as by modifying our systems to ensure that engineers are retained.

##### For defensive DX

From the perspective of defensive DX, we are increasing the number of personnel with expertise and experience in security in an ongoing effort to establish specific protocols for prevention, detection, and recovery in our security measures. We will continue to reinforce the system to ensure prompt countermeasures against cyberattacks, which will become more sophisticated in the future.

We recognize that the protection of personal information entrusted to us by our customers is one of the most important social responsibilities of our business activities. With this in mind, we have established a management system to ensure that the importance of security is instilled throughout the Group through education and training of all executives and employees.

##### For offensive DX

From the perspective of offensive DX, we launched the new AI Human Resources Development Program for employees. Specifically, after self-learning the programming language as a preliminary task, the participants take part in classroom lectures and exercises conducted by external instructors. Using demand forecasting as a sample, they gain an understanding of the mechanisms involved, data used, and characteristics, then

program their own demand forecasting models using machine learning, deep learning, and other technologies.

Looking ahead, we will consider initiatives to provide learning opportunities suited to each target group. By providing ongoing learning opportunities, we hope to raise the Group's DX-related capabilities.

##### Further expanding customer contact points

In this way, we will improve and strengthen our organization and human resources from the perspectives of defensive and offensive DX while pursuing collaborations and synergies between our Group DX Strategy & Planning Division, which spearheads our DX initiatives, and each operating company.

Here, our aim is to further expand customer contact points and implement each of the Group's strategies and measures.

# Message from General Manager of the Corporate Finance & Accounting Division [ **CGC** Principle 3.1 (i)]

## Yoshimichi Maruyama

Director and Executive Officer, General Manager of the Corporate Finance & Accounting Division

Joined Seven & i Holdings Co., Ltd. in 2008. Appointed Executive Officer and Senior Officer of Finance Planning Dept. in May 2017, Executive Officer and General Manager of the Corporate Finance & Accounting Division in March 2018, then Director and Executive Officer, General Manager of the Corporate Finance & Accounting Division in May 2020.



**We aim to increase returns (profits) that exceed the cost of capital and improve our ability to generate cash flow, in order to sustainably increase our corporate value.**

### Toward sustainable growth

The operating environment surrounding the retail industry, where the Seven & i Group conducts most of its business, is undergoing major changes. Customer needs and the social environment are changing more rapidly due to the global COVID-19 pandemic. These trends highlight the importance of embracing digitalization and drastically reforming our business models and store strategies.

In addition, to realize a sustainable society, we will contribute

to the creation of sustainable systems by allocating at least 5% of our total investments (excluding strategic investments) to reducing environmental impacts.

From a financial standpoint, we will strengthen our systems to make the returns on our medium- to long-term investments more visible and facilitate timely and accurate management decisions.

## Basic strategy for capital policy

To increase corporate value and achieve sustainable growth over the medium to long term, we aim to “increase capital efficiency” and “enhance cash flow generation” while ensuring “financial soundness.”

With respect to ensuring “financial soundness,” we aim to maintain a sound financial structure that enables us to invest aggressively in growth businesses, as well as in new businesses with medium- to long-term potential, and we view the debt/EBITDA multiple as a key indicator in this regard.

As for “increasing capital efficiency,” we use ROE as a key indicator and strive to consistently achieve ROE that exceeds the cost of shareholders’ equity. Specifically, from a medium- to long-term perspective, we will increase return on invested capital (ROIC, “invested capital” meaning “owned capital + interest-bearing debt”) by investing in both growth and new

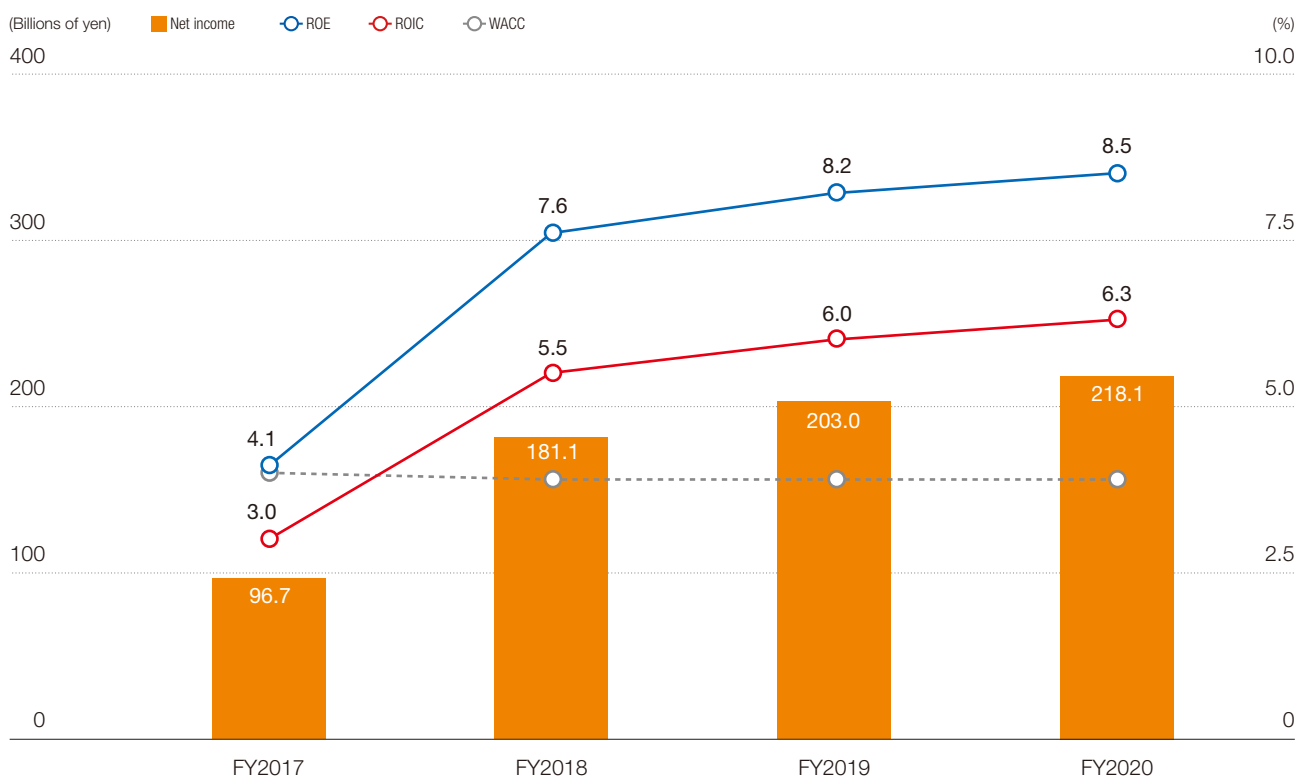
businesses, while simultaneously reducing the weighted average cost of capital (WACC) from an optimal capital structure standpoint. Through these efforts, we aim to widen the ROIC spread (difference between ROIC and WACC).

In terms of “enhancing cash flow generation,” we will work toward increasing operating cash flows by improving capital efficiency and optimizing capital allocation.

Regarding strategic investments, including M&As, we will allocate capital optimally on the basis of the Group’s strategy and expected investment return, with the aim of improving corporate value over the medium to long term.

As for shareholder returns, we will adopt a flexible approach—taking into account free cash flow, stock price, and other factors—with a focus on increasing dividends per share in a stable and continuous manner.

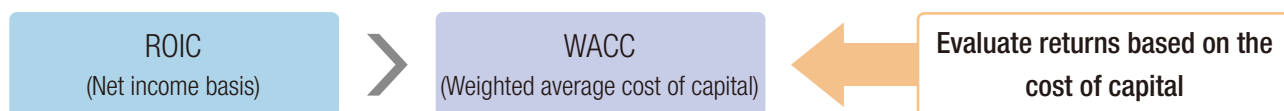
### Consolidated ROE & ROIC



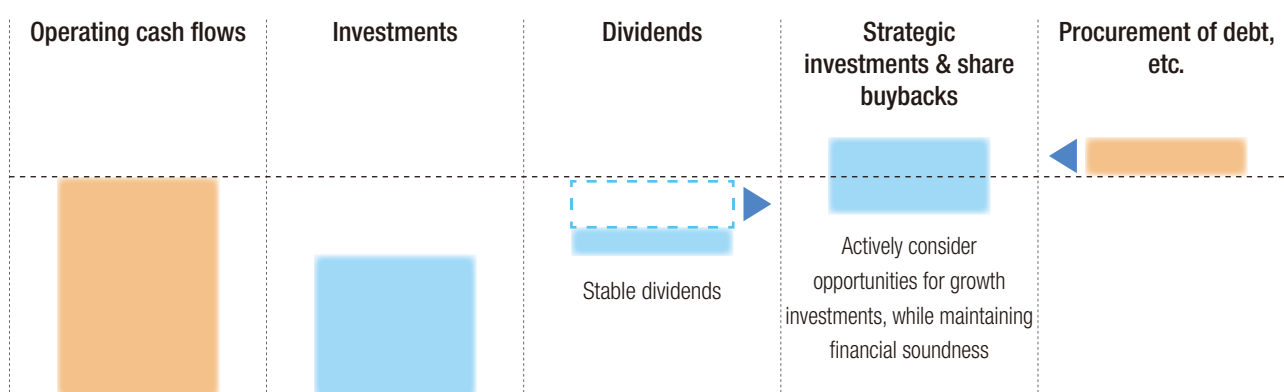


## Basic framework for capital policy

- (1) Enhance returns (ROIC) relative to the cost of invested capital (owned capital + interest-bearing debt) (WACC), i.e., increase the ROIC spread over the medium to long term

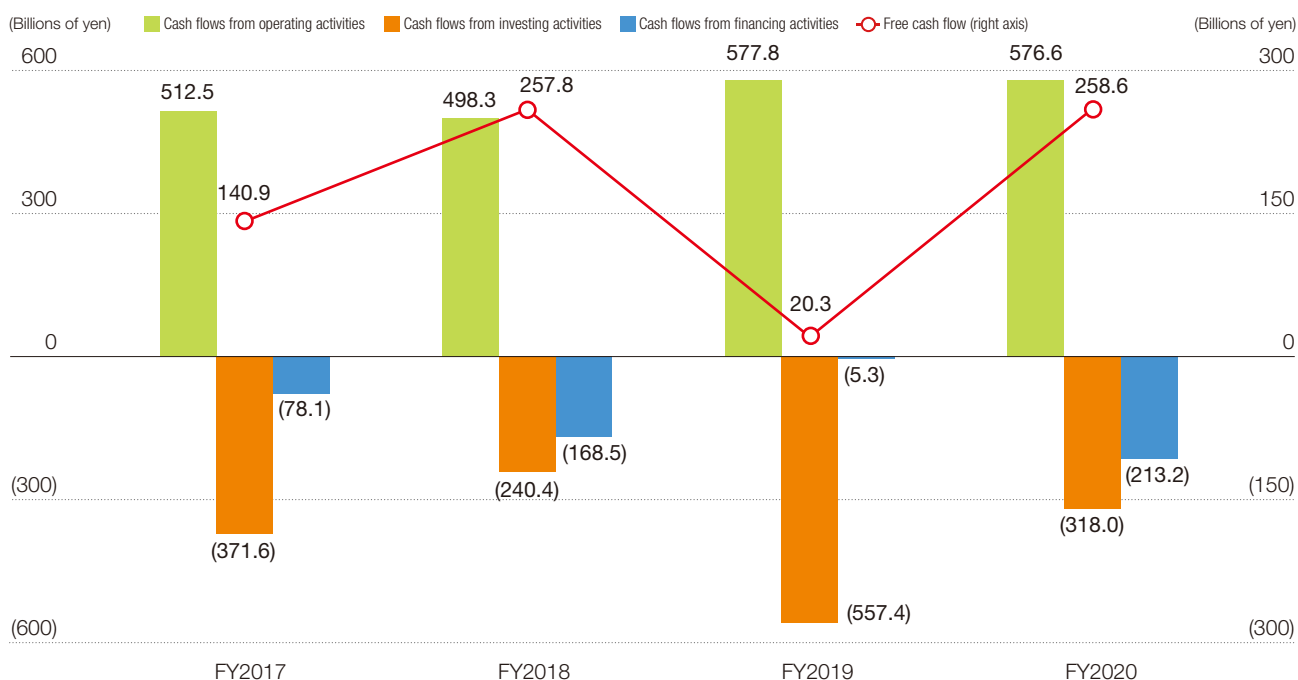


- (2) Prioritize allocation of funds to investments and shareholder returns, and enhance the capability to generate operating cash flows
- (3) Ensure discipline from the perspective of financial soundness in determining how to manage growth strategy investments, particularly M&As, with the balance sheet



Note: In consideration of factors such as the recording of special losses, the numerator of ROIC needs to be calculated and managed on a net income basis to achieve the ROE target. Moreover, given that WACC includes costs for interest-bearing debt, ROIC has been adjusted by adding after-tax interest expenses to the numerator of ROIC.

## Consolidated cash flows



# Human Resources Development Initiatives

[ CGC Principle 3.1 (i)]

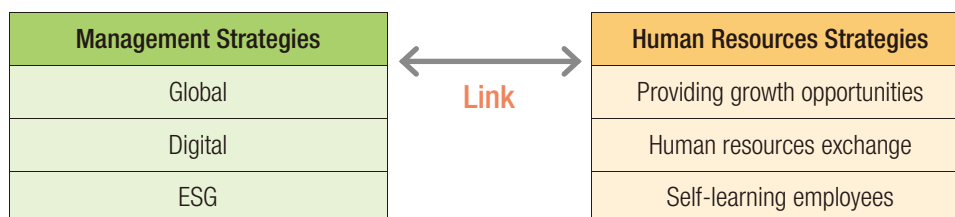
The Group considers its employees to be “human resources”—important assets that support the improvement of corporate value. We are working to create organizations in which both the companies and their employees can grow together. With a shrinking labor force caused by a low birthrate and an aging population, Japan is facing serious social challenges, and the retail sector too must urgently address labor shortages. We believe that creating work environments in which a diverse range of human resources can demonstrate their abilities with enthusiasm, feel motivated to work, and develop their careers autonomously will not only improve the productivity of our business activities, but will also help us secure excellent human resources.

## Strengthening the links between management and human resources strategies

The Group believes that addressing “global,” “digital,” and “ESG” issues is essential to its management strategies in order to sustainably enhance its corporate value. In order to promote these initiatives, we will advance human resources exchange

within the Group, support the acquisition of advanced knowledge and skills, and provide opportunities for autonomous learning and other efforts, to develop professional human resources.

### Future Group Human Resources Strategies



## Human resources development system

### Strengthening a system centered on the Human Resources Development Department

In August 2020, we separated the education functions of the Personnel Planning Department to establish the Human Resources Development Department to promote the Group’s skills and human resources development.

We will work to establish our human resources development system, in order to support the development of the skills and autonomous learning of each employee who is responsible for value creation.

### Expansion of the Ito Training Center for sharing philosophy and supporting independent growth

The Group strives to enhance its training and education programs in order to support the growth of all employees.

In 2012, we opened the Ito Training Center with the aim of passing on our founding philosophy and training on knowledge and skills.

The Center is an important place to experience the founding spirit and share the Group’s philosophy and initiatives, and has been used by a total of more than 400,000 employees

to date as a base for nurturing the next generation of human resources.

In 2020, the building underwent a major renovation to enable it to accommodate new educational programs.

The historical materials room is now equipped with digital signage, making it an



Newly installed tiered seating

“easy to see and understand” place for learning. In the training rooms, we are working to create environments in which employees can actively learn by installing tiered seating to

accommodate free and dynamic training regardless of their styles, as well as introducing remote cameras and tablets for comfortable online training.

### Enhancing the historical materials room to consider the future of the Group from its founding philosophy



At the entrance to the historical materials room is a reproduction of a Yokado store from around 1950.

One of the main facilities of the Ito Training Center is the historical materials room. Our corporate creed of “Trust and Sincerity,” the cornerstone of our growth, lies at the heart of our management philosophy. As a place to pass on the philosophy of the Group, the historical materials room consists of five exhibition zones, including the founding years of Ito-Yokado, the history of the Group, the innovations of 7-Eleven stores, Group synergies, and special exhibitions that examine the future. It offers programs that allow visitors to learn firsthand about the significance of responding to change and taking on challenges, as well as a philosophy that has not wavered over time.

#### Foundation

Spirit of the foundation

#### Challenges

Trajectory of challenges

#### Innovation

Retail store innovation

#### Co-Creation

Formation of synergies

#### The Future

Our work

### Expansion of opportunities for training on knowledge and skills

The facility is fully equipped with a training room that can be connected to accommodate up to about 500 people, skills rooms for learning fresh food processing, cooking, display, cash register, and other skills, accommodation facilities to support training, a restaurant, and a library. In addition to training, the facility is widely used for conferences and contests.



Technical contest

## Reform work styles to improve productivity

Individual lifestyles and values are diversifying. To help our diverse human resources fully demonstrate their capabilities, we must create an environment that enables individual employees to work in a manner that suits their personal situations and also flexibly modify their work styles according to changes in life stages.

In order to promote these efforts, the Group has introduced systems that allow for diverse work styles, and in addition to

collaboration among the personnel departments of Group companies, we formed the Work-Style Reform Project in 2017 to continue cross-divisional efforts. We are also working on further reforms in cooperation with the Diversity & Inclusion Promotion Project.

► Diversity & Inclusion Promotion Project

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