

sustainable japan

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Seven & I builds trust to realize richer lives worldwide

Unraveling Japanese companies

HIROKO NAKATA
CONTRIBUTING WRITER

Many century-old companies have a history of transformation to survive. Seven & I Holdings Co. is no exception.

The operator of 7-Eleven convenience stores and Ito-Yokado supermarkets began as a small shop selling Western-style apparel more than a century ago. Eventually, riding on the rapid postwar economic boom in the 1960s and 1970s, it started the supermarket chain and then opened 7-Eleven outlets in Japan. At the same time, it further expanded its business portfolio to a wider range of retail. Today, it moves forward with reforms, concentrating its resources once again on its biggest strength — the convenience store business — as its growth strategy at home and abroad.

"We have had one slogan for a long time. That's 'responding to changes,'" said Junro Ito, vice president and chief sustainability officer at Seven & I Holdings. "What's important is how fast we can catch and respond to customer needs. We've been doing this for a long time, and that's why we are here," he said in a recent interview, part of a monthly series by Naonori Kimura, a partner for the consulting firm

Industrial Growth Platform Inc.

At its roughly 22,800 outlets at home and 85,800 abroad, Seven & I Holdings generated a total of ¥17.79 trillion (\$125 billion) in sales for the last business year, which ended in February.

In its long history, the group has gone through a series of big changes.

Its story began in 1920, when founder Toshio Yoshikawa opened the clothing store Yokado, which later became Ito-Yokado, in Tokyo's Asakusa district. Yoshikawa was an uncle of Ito-Yokado's founder and honorary chairman, Masatoshi Ito, who is Junro's father.

At first, it was a small clothing retailer. The turning point was the launch of 7-Eleven convenience stores in Japan and the expansion of Ito-Yokado with groceries as its main business.

That started after Masatoshi Ito joined an inspection tour to the United States in the early 1960s. Around that time, representatives of other supermarket chains, including Daiei, Jusco (currently Aeon), Seiyu and Uny, went on similar tours. They all were stunned to see the flourishing retailers in big American cities.

"My father, who originally sold clothing, had a goal of making it a department store at that time. But he witnessed the wealth and the growth of chain stores in the U.S., which made him sure that it was the era of chain stores," Ito said, and so his father started to expand Ito-Yokado in 1961.



Junro Ito, vice president and chief sustainability officer at Seven & I Holdings HIROMICHI MATONO

Later inspection tours also led to the launch of 7-Elevens in Japan. One of Ito-Yokado's executives at the time, Toshifumi Suzuki, who later became the CEO, was attracted to the U.S. convenience stores and their potential during the tours. He won a contract with the then-parent company, Southland Corp., to open the first 7-Eleven in Japan in 1973 and boosted the number across the country. When Southland filed for bankruptcy in 1991, Seven-Eleven Japan bailed out its U.S. parent company by buying about 70% of its shares together with Ito-Yokado. The Japanese retailing group later made the U.S. store a 100% group firm.

The year 1973 was also when the group started to diversify its business. It opened the first outlet of the Denny's family restaurant chain in Japan after signing a contract with the U.S. operator for technical

support. Seven & I later bought the trademark, under which it started developing its own menu.

This was a harbinger in many ways. In 2001, Seven & I launched IY Bank Co., now Seven Bank, winning approval under Japan's financial deregulation at that time.

At the turn of the century, the second wave of the group's business diversification started as it bought out a series of companies. As part of ongoing business reforms, however, it sold off many of them by last year — the Japanese department stores Sogo & Seibu Co., the Japanese branch of the U.S. luxury store Barney's, and the U.S. sporting goods chain Oshman's and part of the Japanese interior shop Francfranc.

"Unfortunately, the buyouts did not create synergy with our real strength," Ito said. "We will focus on convenience stores

once again and proceed with reforms in order for the group to log profits again."

In 2021, the giant retailer purchased Speedway gas stations from their U.S. parent, Marathon Petroleum Corp., to further boost its convenience store business abroad. As the result of the buyout, the EBITDA (earnings before interest, taxes, depreciation and amortization), a major indicator of how well a company generates revenues, of the group's convenience store sector stood at more than 90% of the overall ¥1.05 trillion in EBITDA for the last business year. More than half of the earnings comes from overseas.

For the current business year to February 2025, Seven & I expects the EBITDA to reach ¥1.1 trillion.

In the latest example of reforms, the group is working on what it calls "Synergy 3.0," in which it shares its private food brands, suppliers and food-processing infrastructure with overseas outlets. Last year, it built the group's first central food-processing plant in Chiba Prefecture.

The group's strategy on food synergy started with "Synergy 1.0," in which it developed its Seven Premium brand of quality processed food for 7-Eleven outlets, followed by "Synergy 2.0" to share original food products and services among the group companies.

While the group is driving synergy among its outlets across borders, it also needs to balance globalization with localization, Ito said. "We share fundamentals like processing infrastructure and marketing for how to find customers' needs," he continued. "But we also need to introduce what is needed locally in terms of taste. We need to strike a balance."

On Oct. 10, Seven & I announced a new restructuring plan to further focus on the global convenience store business. It includes setting up an intermediate holding company for its supermarket food and other businesses, and changing its name, Seven & I Holdings Co., to 7-Eleven Corp.

NAONORI KIMURA
INDUSTRIAL GROWTH PLATFORM INC. (IGPI) PARTNER



Seven & I Holdings Co. is one of the major companies that have grown along with people's daily lives as society developed.

Without Ito-Yokado and 7-Eleven, we can't tell the full story of how life has changed since the postwar economic boom.

The business model seen in the product development, manufacturing and outlet operations that make 7-Eleven the No. 1 convenience store chain in Japan and across the world requires close collaboration with stakeholders such as producers and franchisees who do not have a direct stake in the group. It struck me that Vice President Junro Ito strongly stressed the importance of one root value: trust.

Also, strong trust in foreign staff members is essential because the current operation of 7-Eleven outlets would fail without them. When their dreams of becoming 7-Eleven franchisees in their home countries come true, it means that the company is realizing its growth strategies and creating social infrastructure that leads to richer lives for people.

What gives the company the ability to develop convenience store chains across the world that are yet rooted in each country's culture is its ability to build trust in many ways wherever it goes and thereby form a strong organization that meets both local and global needs.



Ito thinks that "what's important is how fast we can catch and respond to customer needs." HIROMICHI MATONO

Ca'enne

Italian firewood cuisine from the mountains



TAEIKO TERAO
CONTRIBUTING WRITER

Ca'enne is an Italian restaurant in Chino, Nagano Prefecture. Located at the base of the Yatsugatake mountains at an altitude of 1,000 meters, even in summer you feel a bracing chill in the air. Chino was home to many Jomon people, inhabitants of ancient Japan, and has 273 Jomon ruins.

Ca'enne's owner-chef, Noriyuki Usui, uses only ingredients produced in Yatsugatake and the area within a 20-kilometer radius (with the exception of olive oil). "When you combine foods that have been nurtured with the same water, the dishes have flavors that go straight into the body," Usui said.

After graduating from university, Usui decided to pursue a career as a chef and trained in several Italian restaurants in Tokyo. In 2009, he went to Italy to train further, returning to Japan in 2012. He worked as a chef in Tokyo restaurants, but his wish was to create dishes in an environment rich in nature. Thus, in 2017, he moved to Nagano Prefecture, his wife's home area. First he opened a restaurant in the Tatehina area, and in April 2020 he relocated to the city of Chino and launched Ca'enne, a restaurant specializing in firewood-cooked cuisine. "With firewood, unlike with a gas stove or a



Address
Ca'enne
10222-25 Toyohira-Higashidake, Chino-shi,
Nagano Prefecture
<http://caenne.com>

charcoal fire, the ingredients are steamed by the moisture that evaporates from the wood, so they have a plump, fluffy texture when they're cooked," Usui said.

Indeed, the restaurant's spring-water-raised iwana and Suffolk lamb are crisp and golden brown outside but moist inside. When chewed, the meat is exceptionally

juicy. Along with firewood-cooked cuisine, a specialty of Ca'enne is the naturally aged prosciutto served as the course menu opener. Usui makes his own prosciutto, which he coats with the rice malt of locally made sake. More and more people are coming to Ca'enne from beyond the mountains and the ocean to experience Usui's cuisine.

SHUICHI ABE
GOVERNOR OF NAGANO PREFECTURE



I would like to offer my heartfelt congratulations to Ca'enne.

The restaurant's location in the bountiful natural environment of the Yatsugatake foothills, its carefully selected local ingredients and the chef's outstanding skills bring out the region's full flavors and aromas. We express our heartfelt respect to chef Noriyuki Usui, who serves dishes that concentrate the richness of Nagano's foods and promotes them both in Japan and overseas. We hope many people will visit the area to enjoy his cuisine. I wish Ca'enne continued success.

ATSUSHI IMAI
MAYOR OF CHINO



I would like to offer heartfelt congratulations to chef Noriyuki Usui, the owner of Ca'enne, over its selection as one of the Destination Restaurants 2024.

I am very proud that a restaurant in our city of Chino, located at the foot of the Yatsugatake mountains, has won this award. I think this is a result of the chef's passion for cooking with firewood, one of the natural local blessings.

I hope many people will make their way to Chino and get to know more about the charms of our area.

NTT East and West's road map for sustainable urban development

ESG/SDGs

EMI MAEDA
CONTRIBUTING WRITER

Leading telecommunications company NTT Corp. is bringing new possibilities to urban development through its Sustainable Smart City Partner Program and a tool called Sugatami. These initiatives aim to foster sustainable regional growth, address social challenges and create new value.

SSPP is a community development initiative aimed at maximizing the well-being of communities and residents. The program leverages the NTT Group's information and communications technology expertise in collaboration with a range of partners that includes governments, companies, academic institutions and other relevant organizations. In a recent interview with The Japan Times, the general managers from NTT West and NTT East shared their experiences and insights on leveraging SSPP and Sugatami for community development initiatives.

"Sugatami, the cornerstone of SSPP, is a tool widely adopted by various communities and organizations. It is implemented through partnering businesses, such as NTT East and NTT West, to assess and visualize urban conditions," Masato Terada, digital business director of NTT West's business and marketing division, explained. "For NTT West, where the majority of our business is focused on municipal services, leveraging SSPP to engage with municipalities is a mission-critical objective."

In recent years, it has not been uncommon to find municipal, prefectural and other governments facing serious demographic challenges, such as declining tax revenues from population decline and out-migration, as well as workforce shrinkage. While digitalization is urgently needed to enhance efficiency, many municipalities struggle to initiate this process. So Sugatami emerges as a powerful solution.

"We are currently initiating trials and expanding to branches across the 30 prefectures covered by the West Japan Branch. Our



Masato Terada NTT WEST

goal is to continuously broaden the reach of our services," he added, discussing future prospects.

NTT East is also leveraging Sugatami to consider measures with local governments on evidence-based development. It serves as a crucial tool in this process, enabling the development of hypotheses about local issues by harnessing objective national data to assess current situations.

Yuuki Wakana, director of NTT East's regional development department, said: "Sugatami enables us to better understand the correlation between objective indicators for urban planning metrics and subjective indicators such as resident satisfaction and happiness levels." This enables a more comprehensive understanding of the region's actual conditions. "We can now capture data that objective indicators alone might miss, dramatically expanding the scope and depth of our data analysis."

Citing a specific example of Sugatami's utility, he said: "In one area, objective indicators suggested a high-performing transportation system. However, resident satisfaction was low, primarily due to accessibility issues for the elderly and infrequent service."

Utilizing Sugatami will facilitate the development of policies that enhance residents' well-being. This approach will also expand its business of supporting the planning and implementation of municipal policies and measures. "Similar to NTT West, we aim to expand our municipal business in east Japan by leveraging SSPP," Wakana explained.

A key factor in SSPP's success in fostering innovative urban development is its



Yuuki Wakana NTT EAST

advanced human resource development system, which emphasizes hands-on experience. Terada underscores the importance of this approach, stating: "Urban development isn't something you can fully grasp from behind a desk. You need to experience it firsthand and engage with the issues on the ground to truly understand and learn. The insights gained from actually immersing oneself in the community and engaging with local government officials and residents are invaluable."

A distinctive feature of this program is its cross-sector collaboration, bridging the gaps separating government, industry and academia. Wakana values this approach, noting: "Through hands-on field experience and collaboration with a diverse range of stakeholders — including local government officials, community financial institutions and academics from local universities — we're developing professionals who can genuinely think from the perspective of residents and communities." Terada also expressed optimism about SSPP's long-term impact, stating, "As the SSPP activities continue to evolve, we anticipate the growth of peer networks among municipalities and the formation of communities of practice among local governments facing similar challenges."

The NTT Group has high expectations for SSPP's future growth. This initiative, bringing together an array of stakeholders stands as a potential blueprint for sustainable societal development. Its evolution and outcomes will undoubtedly be watched with great interest across Japan and beyond.

Destination Restaurants 2024 AUTHENTIC JAPAN SELECTION



Sustainable Japan Network

