

The 8th Company

- Creating new business and collaborating with the seven existing Division Companies from a market-oriented perspective
- Promoting business that leverages FamilyMart's customer contact points
- Building an information platform that combines the ITOCHU Group's consumer-related data



Shuichi Kato
President, The 8th Company



From left: **Toshifumi Iwamura**,
Chief Financial Officer
Tetsuya Mukohata,
General Manager, Planning & Administration Section

Company Strengths

- FamilyMart's physical store network and a business base of Group companies with its strength in the consumer sector
- Human resources from diverse backgrounds and a highly fluid, ameba-like organizational system
- An organizational culture that creates businesses flexibly with a market-oriented perspective independent of product lines

Business Development

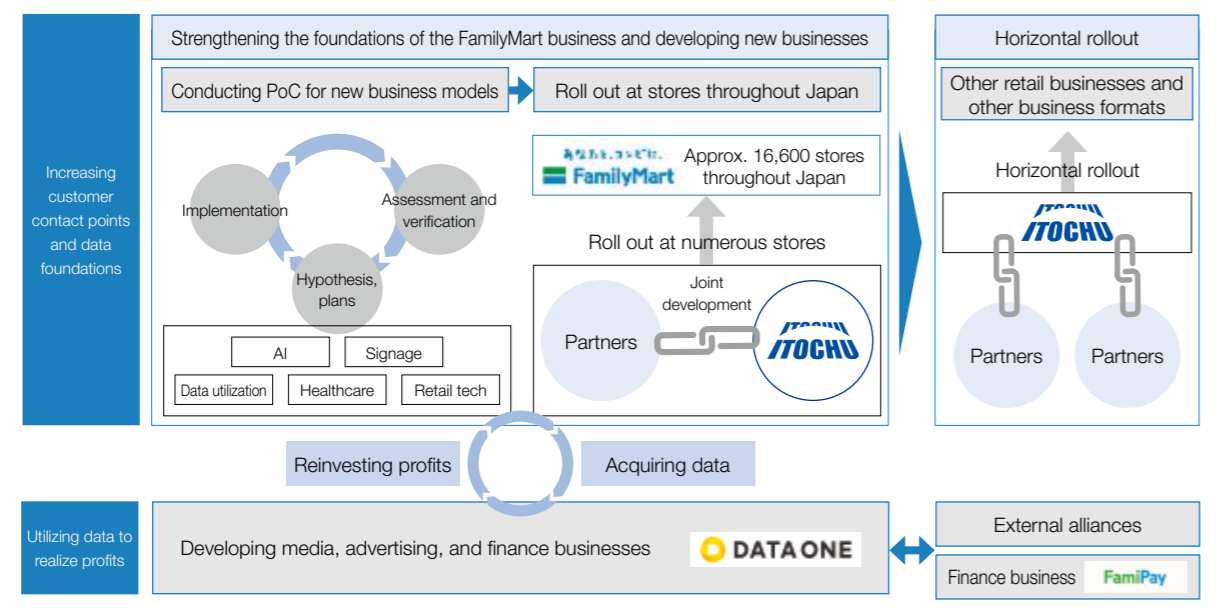
Percentage of Earnings from Domestic Business (image)

100%

With the transformation in consumer behavior accompanying the COVID-19 pandemic, adaptation to change has become vital. While making maximum use of ITOCHU's diverse business foundations—which are particularly robust in the consumer sector—The 8th Company will develop new services and business models that are enabled by digital technologies and AI based on a market-oriented perspective.

Specific Policies

- Rigorously strengthening FamilyMart, which is a core business. (→ Page 115 Growth Opportunities)
- Creating new business models that reflect customer needs and which utilize FamilyMart's store network and ability to attract customers; after conducting proof-of-concept testing for these business models, rolling them out at stores throughout Japan; and horizontally rolling out these services and technologies in other retail businesses and other business formats.
- Increasing data volume and customer contact points through external alliances and finance businesses, etc. to maximize the profits of advertising and finance businesses; reinvesting new profits in the convenience store business to further heighten stores' ability to attract customers.



FYE 2021 Review (Specific Accomplishments)

Corporate Value = $\frac{\text{Created Value}}{\text{Cost of Capital} \times \text{Growth Rate}}$

- Privatized FamilyMart to quickly shift its business model and swiftly respond to changes
- Entered the digital advertising distribution business by establishing Data One Corp.
- Began use of "FamiPay" (barcode payments) at stores besides FamilyMart
- Promoted the establishment and proof-of-concept tests of various projects

Growth Opportunities (Sustainable Growth)

Corporate Value = $\frac{\text{Created Value}}{\text{Cost of Capital} \times \text{Growth Rate}}$

- Expanding FamilyMart's earnings base by thoroughly improving the three basics of the convenience store business (product appeal, convenience, and familiarity) and making the entire supply chain more sophisticated
- Increasing customer contact points and business revenues by turning FamilyMart stores into media, etc.
- Enlarging our data infrastructure and developing new businesses, such as advertising and financial services that utilize customer data
- Developing and introducing demand prediction and procurement improvement tools using AI

Risk Responses (Reduction in Cost of Capital)

Corporate Value = $\frac{\text{Created Value}}{\text{Cost of Capital} \times \text{Growth Rate}}$

- Responding to the shortage of workers using digital technologies
- Flexibly responding to changes in consumer behavior caused by the COVID-19 pandemic, such as creating FamilyMart stores that are beloved by local people, developing store formats that meet local needs, and enhancing convenience through the development of new services

Notes: Items related to Sustainability Action Plans are indicated with a mark for the corresponding material issues.

Details of the action plans are available on our website: <https://www.itochu.co.jp/en/csr/itochu/activity/actionplan/>

- ① Evolve Businesses Through Technological Innovation
- ② Address Climate Change (Contribute to Realization of a Decarbonized Society)
- ③ Cultivate a Motivating Workplace Environment
- ④ Respect Human Rights
- ⑤ Contribute to Healthier and More Enriched Lifestyles
- ⑥ Ensure Stable Procurement and Supply
- ⑦ Maintain Rigorous Governance Structures

Specific Example of Realizing Business Transformation by Shifting to a Market-Oriented Perspective



FamilyMart celebrates its 40th founding anniversary this year



Mariko Fukao
Deputy General Manager,
Planning & Administration Section

Accelerating the Business Model Shift by Privatizing FamilyMart

ITOCHU conducted a public tender from July 9, 2020 with the aim of privatizing FamilyMart. A share consolidation was approved at FamilyMart's extraordinary general meeting of shareholders held on October 22, and the company was delisted on November 12. ITOCHU Group's ownership increased to 94.7% by March 31, 2021.

FamilyMart is ITOCHU's core business in the consumer sector. Going forward, we will first thoroughly strengthen the basics of the convenience store business: product appeal, convenience, and familiarity. We will simultaneously make distribution more efficient using Group companies' technologies and know-how, and create new businesses such as advertising and financial services. Through privatization, ITOCHU and FamilyMart become unified in name and in reality, and we will vigorously and quickly promote strategies rooted in a market-oriented perspective.