

## *Seven-Eleven Japan Establishes Joint Venture to Undertake Full-Scale Development of the Electronic Commerce Market*

*--Joint venture with NEC, NRI, Sony, Sony Marketing, Mitsui & Co., JTB, and KINOTROPE will be one of the largest EC businesses in Japan and operate at the forefront of its field--*

Seven-Eleven Japan Co., Ltd., NEC Corporation, Nomura Research Institute, Ltd. (NRI), Sony Corp., Sony Marketing (Japan) Inc., Mitsui & Co., Ltd., Japan Travel Bureau, Inc. (JTB), and KINOTROPE, INC. have agreed to establish a joint venture to undertake a full-scale development of the electronic commerce (EC) market. The joint venture will be established in February 2000.

The new company, 7dream.com, will be capitalized at 5 billion yen. Capital participation will be Seven-Eleven 51%, NEC 13%, NRI 13%, Sony 6.5%, Sony Marketing 6.5%, Mitsui & Co. 6%, JTB 2%, and KINOTROPE 2%.

To undertake full-scale development of the EC market, 7dream.com will offer progressive services by bringing on-line one of the largest Internet web sites in Japan in June 2000, to be followed by the placement of multimedia terminals in 7-Eleven stores starting in Autumn 2000. Moreover, the company will not limit itself to the Internet and multimedia terminals, but is aiming to provide new EC services by linking Seven-Eleven's store network with other networks through such services as mobile phones and digital broadcasting, to market the merchandise and services currently offered at 7-Eleven stores.

The joint venture will start by offering services in eight content areas: travel; music; merchandise, gifts, mobile phones; tickets; books; car-related; and information. All services will be available in a never-before-offered convenient format that will also be fun for customers.

Based on cooperation among the shareholding companies of the joint venture, which are leading companies in the fields of retailing systems, information equipment and services, content, and Internet technology, 7dream.com will not only be aiming to fully develop electronic commerce in Japan but also to contribute to the establishment of the basic infrastructure for a digital information society.

The new company will be looking to strike up partnerships with a wide-range of content providers to develop new contents for its system or to create new business models by linking up operations or systems. At the same time, the company intends to contribute to the development of EC business in Japan by expanding the communal infrastructure for EC business.

Start up costs of the company (including outlays by Seven-Eleven Japan) are expected to be around 40 billion yen. The annual volume of EC business handled by the company is estimated to reach 150 billion yen in February 2002 and rise to 300 billion yen in February 2004.

## Reference

### Outline of 7dream.com

- 1. Company Name:** 7dream.com (URL: 7dream.com)
- 2. Address:** 1-4, Shibakoen 4-chome, Minato-ku, Tokyo, Japan
- 3. Business:** System operation and EC sales of merchandise, services, and information.
- 4. Establishment:** February 2000
- 5. Paid-in Capital:** 5 billion yen
- 6. Capital Participation:**
- |                    |                   |        |
|--------------------|-------------------|--------|
| Seven-Eleven Japan | 2,550 million yen | (51%)  |
| NEC                | 650 million yen   | (13%)  |
| NRI                | 650 million yen   | (13%)  |
| Sony               | 325 million yen   | (6.5%) |
| Sony Marketing     | 325 million yen   | (6.5%) |
| Mitsui & Co.       | 300 million yen   | (6%)   |
| JTB                | 100 million yen   | (2%)   |
| KINOTROPE          | 100 million yen   | (2%)   |

### Outline and Special Features of the New EC Business

#### I. Structure of the new business model

- New EC services will be offered through an Internet, Multimedia Terminal and Store linkage.
- The company plans to expand its services that allow customers to pick up and pay for items purchased over the Internet at any of 8,000 7-Eleven stores in Japan.
- The company will offer efficient, reliable EC services by making use of the current infrastructure of the 7-Eleven store network (customer base, store network, network system, distribution, etc.)

#### II. The platform

- To allow customers to use the Internet and EC services with confidence and enjoyment, we will develop the appropriate EC platform by linking the 7dream.com's Internet site with multimedia terminals and 7-Eleven stores. We will enlarge our lines of merchandise and services, expand the payment receiving and item pick up system at 7-Eleven stores, and upgrade our call center function.
- We will increase the mutual conceivability of the Internet site and multimedia terminals and digital content channels, such as personal computers, game consoles, mobile phones, and digital broadcasting to provide a service linked to the largest retail channel of all, stores.

#### III. Business backing by leading companies in their industries

- To realize a full-fledged EC business and create an EC platform, the previously mentioned eight companies are forming a joint venture. We are also looking to cooperate with a wide range of other companies.

#### IV. Developing one of the largest EC business in Japan

- 7dream.com's business will be one of the largest EC businesses in Japan in terms of items offered on the Internet site, the introduction of 8,000 multimedia terminals in stores, and the development of major new services.
- Eight content areas will be available through the Internet web site and multimedia terminals.
- The services will be convenient and fun to use and it will be easy to do comparative shopping and make related purchases. For example, the system is designed so that music, tickets, and celebrity photographs and artist goods can be accessed from the same web page or services display.

## **The Roles of the Capital Participants**

- Seven-Eleven Japan will work to improve services for customers by linking stores and networks to create the EC platform.
- NEC will contribute to the new EC business by using its cutting-edge Internet-related technology and BIGLOBE's accumulated know-how to construct and operate the Internet web site and to design and develop the multimedia terminals.
- NRI's role will be to help structure the business based on research and consulting services for Internet businesses, to contribute accumulated know-how from its knowledge solution business, and to develop and operate the EC Center system.
- Taking the view that the platform has strong potential to become an important business infrastructure for the network age, Sony and Sony Marketing will contribute technological infrastructure, such as their MD and IC card technologies, using their know-how to create a highly entertaining business model.
- Mitsui & Co. will contribute their global information collecting abilities as a general trading company, their merchandising capabilities, and information industry-related content. In addition, Mitsui & Co. will also provide know-how accumulated over the years in product development and distribution services as a partner of Seven-Eleven Japan.
- JTB will contribute its background in travel services and well-developed relationship with customers and regions and its product development and supply capabilities for travel services. Moreover, it will use its technical and operational know-how in EC businesses to the fullest in creating new services and developing a new market.
- KINOTROPE is a specialist in Internet business consulting and in the design and development of systems. Considering this a major project that will determine the future of EC business in Japan, KINOTROPE will demonstrate its creative powers in supporting the joint venture.

## **Contents and Services**

The details of each content area will be announced in due course. We are determined to create a new market with new services backed by the strongest network in Japan and the 8,000-strong chain of 7-Eleven stores.

<travel>

- We will develop a one-stop service that combines an on-line, up-to-the-last-minute reservation and discount plan, original package tours, event and leisure contents, and hotel, airplane, train, ship, and international discount airplane tickets.
- Centered on JTB, we will expand the number of business partners for travel and travel related products.

#### <Music>

- We will offer sales of online no-package music through the multimedia terminals, sales of CDs through our Internet web site and stores, and supply music-related information. In addition, we plan to undertake promotions such as offering combinations of celebrity photographs and tickets to related events or using complimentary magazines to promote CDs.

#### <Photographs>

- We will provide a general service for the printout of digital photographs at 7-Eleven stores, sales of celebrity photographs or special character contents, and combining photographs.
- 7dream.com is currently developing the system and printers with Fuji Photo Film Co., Ltd. We are now discussing the provision of photograph-related contents with Fuji Film and Toppan Printing Co., Ltd. For character contents, we are talking with BANDAI CO., LTD.

#### <Merchandise, gifts, mobile phones, etc.>

- We plan to offer lifestyle enhancing items, Internet starter packages for computer beginners, and mobile phones and other items through the multimedia terminals in 7-Eleven stores.
- We are presently considering offering merchandise handled by NEC and Mitsui & Co. as well as other gift items, daily life goods, cut flowers, and others. We are discussing mobile phone sales with Mobilephone Telecommunications International Ltd., which has know-how in selling mobile phones through channels other than stores. We are also examining providing content to mobile phones as well as access to multimedia terminals.

#### <Ticket sales>

- Besides the sales of reserved tickets, we plan to expand our market for on-line sales, adding sales of same-day tickets, tickets to major events, and regionally-oriented services.
- We are beginning the services through a tie-up with PIA Corporation. In consideration of customer convenience, we are working to expand the ticket services market.

#### <Books>

- This market will be developed through a tie-up with e-Shopping! Books Corp.

#### <Car-related services>

- Car sales agency services offered by CarPoint K.K. will be provided through the multimedia terminals. Moreover, we are considering support services, such as acting as an agent for requests for automobile inspection, repairs and maintenance, driving school, and rent-a-car services.

## <Information services>

- Services will be developed around core services of digital contents, such as entertainment information, photographs, and fortune telling, and referral services for people wishing to take special qualification examinations, etc.
- We are considering such partners as Toppan Printing and JMA Management Center Inc., among others.

## Outline of the New System

For full-scale development of the EC business, we are planning to develop a system, network, and other facilities for the EC Center of 7dream.com. Furthermore, we will also use equipment of Seven-Eleven Japan, such as the multimedia terminals that it is purchasing and placing in its stores, its satellite network to start up EC services.

### I. EC Center system---NRI and NEC in charge

- The front-end system for the Internet will be developed in conjunction with BIGLOBE.
- The Internet, multimedia terminals, mobile phones, distribution network, and others will be connected through a multi-network.
- The contents creation, editing, and management system; contents provider support system; and call center system will be improved.

### II. Store system

#### 1.Multimedia terminals--originally-developed machines manufactured by NEC

##### [Main functions and equipment]

- Digital printer (Fuji Film's TA printers)
- High-speed MD recorder for music (Sony)
- IC cards and magnetic tape cards
- Scanner, CCD camera
- Receipt printer, color printer
- Receipt of payment in small denomination cash function
- Microsoft(r), Windows(r) 2000 Server, SQL Server (TM) 7.0

#### 2.Multicopier---customized equipment manufactured by Fuji Xerox Co., Ltd.

##### [Main functions and equipment]

- High-speed color copier
- Fax and scanner functions
- WindowsNT-based LAN connection, Internet access

#### 3. Ticket printer

- Used to print tickets for events, travel vouchers, coupons, etc.

### III. Network

- The current Seven-Eleven satellite system will be used to send content data between the stores and the EC Center, to be stored in the large capacity memory disks in the multimedia terminals.
- The bi-directional traffic between the stores and the EC Center is scheduled to be transmitted over dedicated lines.
- The connection of the basic network to the Internet will use BIGLOBE's infrastructure.

### Development Schedule

**February 2000** 7dream.com established

**June 2000** Internet web site brought on-line

**Autumn 2000** Start of introduction of multimedia terminals to 7-Eleven stores

**Spring 2001** Completion of introduction of multimedia terminals

### Scale of Investment

Total Investment: hardware and software development costs estimated to be approximately 40 billion yen (by new company and Seven Eleven Japan)

### Business Volume Expected

- Year-end February 2002: 150 billion yen
- Year-end February 2004: 300 billion yen