

## Chinese Convenience Store Business

### Providing Safe and Reliable Products

In China, where concerns over food safety and integrity have been mounting, SEVEN-ELEVEN(BEIJING), SEVEN-ELEVEN(TIANJIN) and SEVEN-ELEVEN(CHENGDU) work to provide safe and reliable products by leveraging quality management and product development capacities cultivated in Japan.

#### Quality Management Measures at Plants

For the Group's private-brand products in China, strict standards are applied in selecting ingredients, and processing plants that maintain high quality levels are selected through a screening process based on whether they have experience exporting to Japan and other criteria.

We have strengthened quality management at dedicated plants producing only the Group's products by incorporating international food safety management systems and measures implemented at plants in Japan. At JEANAVICE Factory, a dedicated plant of SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN), Chinese plant managers and quality control managers are required to attend the HACCP\*1 inspections for daily food processing plants that are implemented annually by Seven-Eleven Japan. Moreover, the manager of the quality assurance department has also obtained qualification as an internal inspector for FSSC 2200\*2.

\*1. HACCP (Hazard Analysis and Critical Control Point) food sanitation management method

\*2. A food safety management system certification

#### Healthy Food Choices

In response to an increase in health-conscious customers, the three companies are working to develop products containing abundant vegetables and boxed lunches featuring many different ingredients. One priority is to reduce the use of trans-fatty acids, which are said to increase the risk of heart disease, in the original room-temperature bread products of SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN). In the first half of 2015, certain products contained trans-fatty acids, but from the second half of the year, trans-fatty acids were reduced to zero by revising the ingredients used in room-temperature breads. In 2016, we plan to keep these products free of trans-fatty acids. Based on these activities, SEVEN-ELEVEN (CHENGDU) also plans to start taking steps in 2016 to reduce trans-fatty acids.



### Improving Customer Satisfaction

The three companies are working to collect customer feedback in order to improve quality and services from the standpoint of customers. Feedback obtained from customers is communicated to departments and stores on a daily basis. In addition, stores conduct customer surveys annually in order to grasp changes in customer needs and reflect them in products. In 2015, SEVEN-ELEVEN (TIANJIN) received customer survey responses from 624 people, while SEVEN-ELEVEN (CHENGDU) received responses from 2,250 people. This customer feedback was put to good use in developing and improving products.

In order to further improve the customer service provided by employees, the three companies conduct training and have also established award programs to recognize employees who have done outstanding work. We will strive to enhance motivation by presenting awards to recipients at meetings and other such forums in conjunction with striving to enhance the customer service level of all employees by making the award-winning activities widely known.

### Thriving with Local Communities

Each company conducts social contribution activities as members of their local communities.

#### Environmental Preservation through In-Store Fundraising

SEVEN-ELEVEN (BEIJING) has placed collection boxes in stores since November 2006 to accept contributions from customers for donation to the Beijing Green Foundation, a government-approved environmental organization. The foundation uses donations from citizens to plant trees and develop erosion control forests in Beijing and its surroundings so as to protect against sandstorm damage and desertification.



#### Funds Raised

(Yuan)

|      |         |
|------|---------|
| 2013 | 112,406 |
| 2014 | 147,755 |
| 2015 | 147,763 |

#### Community Cleanup Activities and Support for Children

Since 2012 SEVEN-ELEVEN (CHENGDU) has recognized July 11 and November 7 as "7-11 Days," with activities geared toward contributing to maintaining clean and beautiful city environments. On November 7, 2015, employees cleaned and picked up trash in areas around the Head Office.



Since 2013, the company has provided support for Benevolence House, a home for children with mental disabilities. In December 2015, six employees, including the vice president, and two members of the general public who responded to a call for volunteers visited the facility. They participated in a Christmas event, delivering donations of oranges, picture books and stationery to the facility from the company.



### Helping to Provide Work Experiences for Young People

SEVEN-ELEVEN (TIANJIN) actively accepts junior college and university students as interns. For these internships, the company has developed a tailored training curriculum to make the program useful to the students' job hunting activities. The curriculum is structured to provide job experience in combination with lectures and training seminars. Interns performing well on the job earn promotions and commendations just as if they were full-time employees, which provide them with a sense of accomplishment. In 2015, 70 students were accepted as interns, of whom 7 students were granted award certificates.



### Creating Fulfilling Workplaces

In continuing to expand our network of stores in China, it is essential that we hire and train local employees. The three companies are focused therefore on raising the communication abilities of employees and training them to be able to think and act with autonomy. To this end, the three companies are working to provide various training seminars and create workplaces where employees are able to demonstrate their abilities to the fullest.

### Systems to Raise Employee Motivation

The three companies provide opportunities for employees to resolve issues they may face in the workplace. SEVEN-ELEVEN (TIANJIN) holds employee meetings every quarter, as a chance for employees to resolve any difficulties or problems by interacting and socializing more closely and sharing positive experiences with one another. At SEVEN-ELEVEN (CHENGDU), labor relations staff hold interviews with employees and work to resolve issues in coordination with the relevant departments. New employees are interviewed 15 days, 60 days and 120 days after they join the company. SEVEN-ELEVEN (BEIJING) is working to solve the issues faced by employees by setting up a contact desk to receive consultations from employees via e-mail.

SEVEN-ELEVEN (TIANJIN) and SEVEN-ELEVEN (CHENGDU) have instituted internal hiring programs that allow employees to apply for desired positions. They are selected on the basis of interviews between the applicants and the relevant Head Office divisions, the Human Resources Department and so forth. In 2015, two people at each company were appointed to new positions through these programs.



### Fair Evaluation and Remuneration

The three companies have adopted an employee evaluation system that combines monthly interview evaluations and yearly evaluations. Monthly interviews are conducted between employees and their direct supervisors to discuss the rate of progress toward their performance goals. After self-

assessments are carried out by each employee, yearly interviews and evaluations are then conducted by the direct supervisor and a secondary, higher-level supervisor. From the second half of 2015, SEVEN-ELEVEN (CHENGDU) has switched its monthly evaluations to evaluations based on company, divisional and individual performance.

For managers who perform evaluations, regular training is carried out on matters such as monthly evaluation methods for subordinates and on determining pay in accordance with these evaluations. The training helps to ensure that managers have obtained the correct knowledge on these matters.



## Promoting the Advancement of Women

In China, the Labour Contract Law requires employers to provide generous maternity and child-raising leave to both male and female workers. A confluence of factors, including this legal framework and the appointment of managers based on performance, has accelerated the appointment of women to management positions at each company. In 2012, SEVEN-ELEVEN (TIANJIN) appointed its first female Chinese director, followed in 2013 by the appointment of a female vice president at SEVEN-ELEVEN (BEIJING). In 2014, SEVEN-ELEVEN (CHENGDU) also appointed a female vice president. The appointment of women to management positions has continued in 2015. For example, at SEVEN-ELEVEN (BEIJING), the ratio of women in management positions, excluding executives, was 56% in both 2014 and 2015, meaning that women account for more than half of all the managers at the company.



### Employee-Related Data (As of December 31, 2015)

|  | SEVEN-ELEVEN (BEIJING) | SEVEN-ELEVEN (TIANJIN) | SEVEN-ELEVEN(CHENGDU) |
|--|------------------------|------------------------|-----------------------|
| Full-time employees(Male and female)                         | 575(355·220)           | 261(125·136)           | 237(111·126)          |
| Part-time staff  | 927                    | 724                    | 325                   |
| Number of employees  | 1,502                  | 985                    | 562                   |
| Ratio of employees with disabilities                         | 2.3%                   | 2.3%                   | 4.4%                  |
| Ratio of women in management positions, excluding executives | 56.3%                  | 37.5%                  | 55.0%                 |

## Reducing Environmental Impact

In China, there is growing concern regarding air pollution and other environmental problems. In November 2014, the Chinese government announced the U.S.-China Joint Announcement on Climate Change, which states that China intends to achieve the peaking of CO<sub>2</sub> emissions around 2030 and to make best efforts to peak early. In 2012, the Beijing government initiated a pilot project for an emissions credit trading scheme. Under this scheme, companies that emit more CO<sub>2</sub> emissions than their allotted emissions limit must purchase CO<sub>2</sub> emissions credits on the market in the amount of the excess emissions. The three companies are implementing measures to reduce electricity consumption, including installing LED lighting and other energy-efficient equipment, along with raising the environmental awareness of employees.

### Energy Conservation Measures at Stores

#### SEVEN-ELEVEN (BEIJING)

In 2015, LED lighting was installed in refrigeration equipment. Moreover, heaters for walk-in cases were not used during winter. As a result of these measures, electricity consumption in 2015 was reduced by 6% from the previous year.

#### Store Environmental Data

|                                     | 2013   | 2014   | 2015   |
|-------------------------------------|--------|--------|--------|
| Number of stores                    | 150    | 175    | 187    |
| Electricity consumption (MWh)       | 19,648 | 19,366 | 18,122 |
| Water usage (1,000 m <sup>3</sup> ) | 69     | 73     | 75     |

#### SEVEN-ELEVEN (TIANJIN)

In 2015, LED lighting was installed in store signage and sales area lighting when opening new stores or remodeling existing ones. As a result of these measures, electricity consumption was reduced by 14% from the previous year. In 2016, plans call for converting backroom lights to LED lighting and installing curtains in walk-in refrigerators (right photo) at all directly operated stores.



#### Store Environmental Data

|                                     | 2013  | 2014  | 2015  |
|-------------------------------------|-------|-------|-------|
| Number of stores                    | 56    | 60    | 70    |
| Electricity consumption (MWh)       | 8,472 | 6,164 | 5,278 |
| Water usage (1,000 m <sup>3</sup> ) | 21    | 20    | 18    |

#### SEVEN-ELEVEN(CHENGDU)

In 2015, lighting for chilled cases and walk-in refrigerators were replaced with LED lighting at three new stores. However, additional double boiler cases and heated product cases were installed in stores. As a result, electricity consumption in 2015 rose by 6% from the previous year. In 2016, SEVEN-ELEVEN (CHENGDU) plans to reduce electricity consumption by using LED lighting in various places (3,786 units) at all stores.

#### Store Environmental Data

|                                     | 2014  | 2015  |
|-------------------------------------|-------|-------|
| Number of stores                    | 66    | 60    |
| Electricity consumption (MWh)       | 7,319 | 7,746 |
| Water usage (1,000 m <sup>3</sup> ) | 28    | 24    |



#### Environmental Measures at Dedicated Plants

In order to avoid wasting resources, efforts are being made at the Wang-Yang Factory and the JEANAVICE Factory, both of which are dedicated plants of SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN), to utilize unneeded food materials generated by each plant. The Wang-Yang Factory reuses unneeded food as feedstock for a pig farm, whereas the JEANAVICE Factory has a nursery collect residual bread under contract. Both plants use wastewater treatment facilities that clean water to the same or higher standard than government standards to ensure that polluted water is not discharged from the plants.

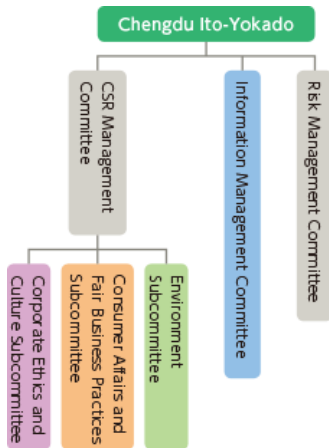


## Promotion of CSR Activities

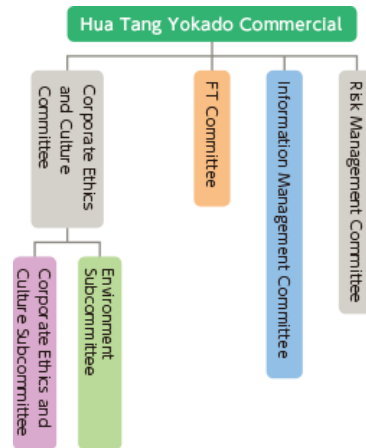
### CSR Promotion Structure

In recent years, public interest in CSR has been rising sharply in China. Environmental and labor issues have emerged in step with rapid economic development. Also, under the policies of the Chinese government, CSR implementation guidelines and assessment benchmarks have been formulated, and CSR assessment rankings have been published. Chengdu Ito-Yokado and Hua Tang Yokado Commercial have been taking steps to supply safe and reliable products, along with enhancing the job satisfaction of employees, contributing to communities and reducing environmental impact. In 2013, in order to advance more comprehensive measures, we established CSR promotion structures at the two companies that are modeled on those of our operating companies in Japan.

#### CSR Promotion Structure of Chengdu Ito-Yokado



#### CSR Promotion Structure of Hua Tang Yokado Commercial



### Publication of CSR Reports

In July 2016, Chengdu Ito-Yokado published its first CSR Report compiling its social and environmental activities. In the course of preparing the report, the company referred to the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0) developed by the Chinese Academy of Social Sciences and the international Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI). There is a comparison table between both guidelines at the back of the report.

Chengdu Ito-Yokado has published 1,000 copies of the report in booklet format. The report was distributed to participants at the 2016 Sichuan Province CSR Report Presentation. It is also available on the company's website, and will be used as a tool to communicate with many different stakeholders. The report will also be distributed to employees in order to increase their understanding of CSR activities.



➤ [For details about the CSR Report of Chengdu Ito-Yokado](#)

## Improving Customer Satisfaction

### Quality and Freshness Management

Amid rising public interest in food safety and reliability, Hua Tang Yokado Commercial and Chengdu Ito-Yokado are working to ensure rigorous quality and freshness management by leveraging expertise developed in Japan.

Chengdu Ito-Yokado has set proprietary freshness management standards (storage and temperature management and sales periods for products) in order to deliver fresh products to customers. In the fiscal year ended February 29, 2016, Chengdu Ito-Yokado held a training session attended by guests from government-related organizations and external experts based on the theme of new or revised laws, regulations and other rules beginning with the Food Safety Act. In parallel, the company worked to increase the awareness of employees by actively dispatching them to government study sessions. Approximately 530 employees participated in these training events.

In the fiscal year ended February 29, 2016, Hua Tang Yokado Commercial worked to raise awareness by distributing the new Standard Work Manual

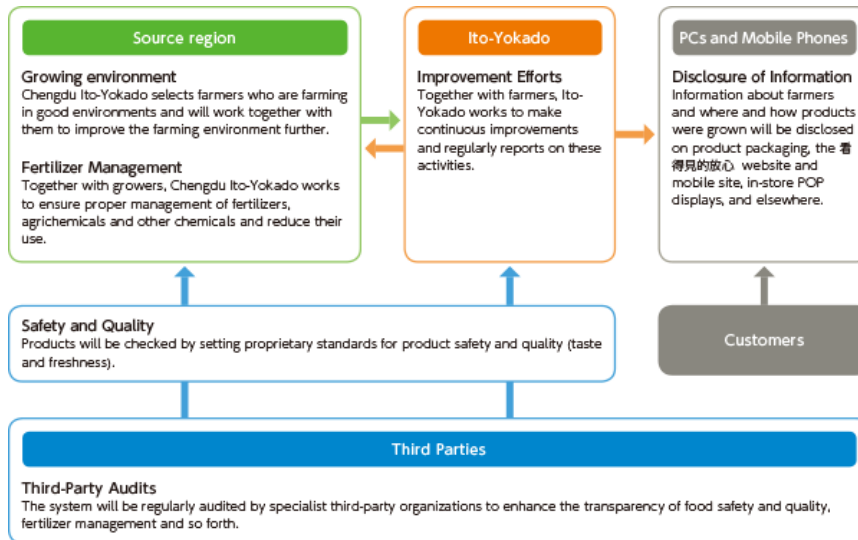
prepared for each time of day and each sales space, to every employee. In addition, managers from the Head Office regularly visited stores to check and provide guidance on store operations. Elsewhere, as part of employee education initiatives, the company held four training sessions on the Food Safety Act, the Standard Work Manual prepared in 2015 and other matters for food sales area managers and product and quality assurance managers. Approximately 100 employees participated in these training sessions. In other areas, Chengdu Ito-Yokado and Hua Tang Yokado Commercial performed 20 and 10 audits of business partners, respectively, thereby confirming the sanitation management, production structure, and other aspects of plants.

### Developing Products to Meet Customer Needs

Chengdu Ito-Yokado launched sales of "看得見的放心" food products, which are based on the same concept as the Foods With Traceability products launched in Japan in March 2013. With these products, consumers are able to confirm who the farmers are, along with where and how the products were grown, on a dedicated website. Therefore, these products have proven popular with customers who have a particularly strong interest in food safety and reliability, including customers with children and expectant mothers. In the fiscal year ending February 28, 2017, Chengdu Ito-Yokado will newly add rice, shrimp and flounder to the product lineup.

Hua Tang Yokado Commercial provides the "放心肉項目" meat products, for which customers are able to use consoles installed in sales areas to confirm the meat producer. This system was set up based on instructions from the Beijing Municipal Commission of Commerce. In other areas, since April 2014, the company has been selling organic foods in cooperation with farmers by confirming their food safety management systems and drawing up annual cultivation plans.

#### 看得見的放心 System



### Net Supermarket

Chengdu Ito-Yokado provides a Net Supermarket service that enables customers to place orders for the products of stores from their PCs or mobile phones. The service provides a convenient shopping experience to customers with small children who cannot easily go out shopping and customers seeking to purchase large or heavy products. In addition, customers who have difficulty operating a PC are able to place orders from home by telephone or from mobile phones within the store.



### Considering the Needs of a Diverse Range of Customers

Chengdu Ito-Yokado and Hua Tang Yokado Commercial have been working to improve their facilities so that diverse customers can shop comfortably, including customers with children and customers with disabilities. For example, entrance ramps and restrooms for people with disabilities are being added, and baby lounges and child play areas are being set up for customers with children.



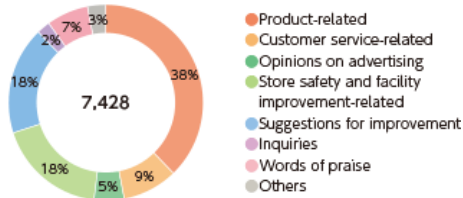
## Using Customer Feedback

In order to improve products and services from the customer's standpoint, Chengdu Ito-Yokado and Hua Tang Yokado Commercial have set up customer feedback boxes in all stores, and their Head Offices have established customer feedback departments to take customer feedback via telephone and the companies' websites. The customer feedback is shared internally and used to make improvements.

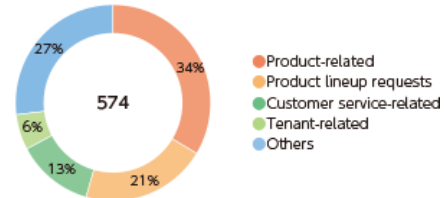
At Chengdu Ito-Yokado, the Customer Satisfaction Committee comprising executive staff from all stores meets every month to determine company response policies based on customer feedback that is compiled monthly. Hua Tang Yokado Commercial holds weekly meetings with persons in charge of customer feedback from each store. Monthly feedback received from customers is used on posters (after redacting the customer's personal information) that are displayed in stores along with the store's response and measures taken.

Customer questionnaires are administered at each store to obtain feedback from customers on the products and stores. In the fiscal year ended February 29, 2016, Chengdu Ito-Yokado and Hua Tang Yokado Commercial received responses from 24,908 and 6,027 customers, respectively. Moreover, Chengdu Ito-Yokado visited 1,330 customers living close to its stores to obtain their feedback, and put this feedback to good use in developing private-brand products and other activities.

### Breakdown of Customer Feedback



Chengdu Ito-Yokado



Hua Tang Yokado Commercial

## Quality Supervision System and Meetings with Customers

Since 2008, Chengdu Ito-Yokado has been appointing 10 customers per store as Quality Supervisors in order to improve products and stores from the customer's perspective. Meetings are held with Quality Supervisors for each individual store on a quarterly basis in order to obtain their feedback. The Quality Supervisors also share their observations with the company on a regular basis.

In addition, Chengdu Ito-Yokado and Hua Tang Yokado Commercial hold meetings with customers every year as an opportunity to obtain feedback directly from customers. In the fiscal year ended February 29, 2016, Chengdu Ito-Yokado held a meeting in March 2015, with a total of 29 customers in attendance. At the meeting, customers were asked to provide their feedback on products, store facilities, customer service and other matters, as they took part in activities such as sampling new food products and viewing displays and presentations on private-brand apparel by buyers. Hua Tang Yokado Commercial also held meetings in April and June 2015, both of which were attended by 15 customers.



Food sampling

## Social Contribution Activities

### Donations

Chengdu Ito-Yokado is involved in providing support in the event of a disaster, such as educational support, and in supporting households in poverty, among others. For example, to support Sichuan University, over the last 18 years the company has donated scholarships for students studying Japanese language that have supported 500 students. Furthermore, Chengdu Ito-Yokado has a vice chairman on the Chengdu City Next Generation Support Fund founded by Chairman Saegusa in December 2014, and has decided to donate 3 million yuan to it. To date, the company donated 1.5 million yuan to the foundation as education fees and living assistance children.

Chengdu Ito-Yokado also provides ongoing support for six elementary schools around Chengdu City through the Chengdu City Next Generation Support Fund. In the fiscal year ended February 29, 2016, the Company offered condolences and donations on Children's Day (June 1) and held a summer camp event. A total of 30 people participated in the camp, which took place over one night and two days, and featured a visit to a museum and a fun experience of being a store manager for a day. Through such activities, the company donated 1.17 million yuan during the fiscal year ended February 29, 2016.







Participants in the summer camp

## Volunteer Activities

Chengdu Ito-Yokado and Hua Tang Yokado Commercial continually promote volunteer activities by employees as a member of the communities where they have opened stores.

Chengdu Ito-Yokado visits households in the neighborhoods of its stores to donate food products and other items. Hua Tang Yokado Commercial supports households living in poverty and those that have people with disabilities. During the fiscal year ended February 29, 2016, for example, on International Women's Day (March 8) the company visited women raising children with disabilities and gave gifts of flowers and food.

Chengdu Ito-Yokado has designated the third week of each month as Environmental Protection Week. During this week, all of the stores conduct cleanup activities in their surrounding areas. This activity is ongoing, and over the years it has helped to develop employees' volunteer spirit. Hua Tang Yokado Commercial employees also clean the area around the store every day.



Donations of Flowers and Food (Hua Tang Yokado Commercial)



Clean-Up Activities (Chengdu Ito-Yokado)

## Creating Fulfilling Workplaces

### Appointing Local Employees

Since opening our first stores in China, we have been actively appointing local employees with the aim of developing "Stores of the Chinese people, by the Chinese people, and for the Chinese people." At Chengdu Ito-Yokado, Chinese employees have been appointed to all store manager posts, and the ratio of Chinese employees in management positions, excluding executives, is 85.4%. As of December 31, 2015, Hua Tang Yokado Commercial had appointed Chinese store managers to all five stores, and the ratio of Chinese employees in management positions, excluding executives, was 87%.

In addition, we have been making progress on the appointment of women in China. The ratio of women in management positions, excluding executives, was 55.1% at Chengdu Ito-Yokado and 47.8% at Hua Tang Yokado Commercial.



### Employee Data (As of December 31, 2015)

|  | Chengdu Ito-Yokado | Hua Tang Yokado Commercial |
|--|--------------------|----------------------------|
| No. of employees                                       | 3,017              | 1,053                      |
| Part-time employees                                    | 252                | 234                        |
| Full-time employee turnover (%)                        | 22                 | 15.6                       |
| Ratio of Chinese employees in management positions (%) | 85.4               | 87.0                       |
| Ratio of women in management positions (%)             | 55.1               | 47.8                       |



|                                       | Chengdu Ito-Yokado | Hua Tang Yokado Commercial |
|---------------------------------------|--------------------|----------------------------|
| Number of employees with disabilities | 53                 | 19                         |

### Athletic Meet to Foster Interaction Within and Outside the Company

Since 2011, Chengdu Ito-Yokado has held a yearly athletic meet attended by all company employees, as well as tenant employees at all stores. Each store forms a team, fostering employee unity by competing in various group events and cheering each other on. Moreover, executives of partner companies, local customers and the students of elementary schools supported by Chengdu Ito-Yokado are also invited to participate in the athletic meet. The event has been held five times since 2015, with attendance reaching 13,059 employees and 2,626 people from outside the company, including business partners and local customers, on a cumulative basis. The athletic meet fosters interaction among people within and outside the company.



### Human Resources Development

Training programs have been established, along with introducing various contests and awards programs that enable employees to compete with one another. This is to boost the motivation of local employees and enable them to demonstrate their abilities to the fullest. In 2011, Chengdu Ito-Yokado set up the Chengdu Ito-Yokado Job Training Institute Net Platform, with the company president serving as the head of the institute and experienced corporate employees serving as instructors to educate employees. In July 2015, Chengdu Ito-Yokado officially began operating an Internet-based training platform, creating an environment where all employees are able to learn over the Internet. At present, approximately 13,000 people are training on this platform, including employees as well as sales personnel at business partners. Employees learn about the company's policies, approaches and sales techniques via the Internet, and their learning is then reinforced by on-the-job training (OJT). In addition, starting in the fiscal year ended February 28, 2014, Chengdu Ito-Yokado introduced an executive employee training program led by external instructors for the purpose of raising communication abilities and honing leadership skills among executive employees.



### Main Contests (Examples from Hua Tang Yokado Commercial)

|   |  |
|---|--|
| Results presentations                       | <ul style="list-style-type: none"> <li>Held every six months</li> <li>Participants report on individual and departmental achievements in customer service, sales promotion, cost control, and environmental improvement, with the most exceptional achievements receiving awards.</li> </ul>   |
| Distinguished employee awards               | <ul style="list-style-type: none"> <li>An award for exemplary employees, business partners and tenant employees who contributed significantly to the company.</li> <li>Award recipients are sent to two Outward Bound sessions in June and October. Outward Bound is an outdoor education program designed to enhance the personal character of participants by having them overcome various outdoor tasks in cooperation with their fellow team members.</li> </ul> |
| Sales skills contest                        | <ul style="list-style-type: none"> <li>Stores compete against each other in areas such as increased holiday sales</li> <li>Awards are given to the top three stores in the company</li> <li>Store-by-store awards for excellence are also given in five fields</li> </ul>  |
| Business improvement proposal presentations | <ul style="list-style-type: none"> <li>Proposals for business improvements are sought, with one person selected from each store/department to present their proposal</li> </ul>  |



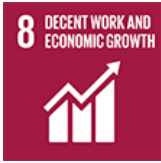
Results presentation



Skills contest

## Self-Recommendation System

In April 2015, Chengdu Ito-Yokado began operating a Self-Recommendation System as a show of respect for the autonomy of employees and to provide an outlet for their motivation. The system is for employees who have worked for the company for at least one year, and allows them to put themselves forward as candidates for the jobs they seek. Applicants who pass assessments are assigned to their desired workplace after a training period. In the fiscal year ended February 29, 2016, 15 people were assigned to their desired workplace out of 45 applicants.



## Reducing Environmental Impact

### Promoting Energy Conservation

Concern over air pollution and other environmental problems is growing in China, and the government is also strengthening regulations. Chengdu Ito-Yokado and Hua Tang Yokado Commercial are working to reduce their environmental impact through measures such as installing energy-efficient equipment.

Under an agreement with the city of Chengdu, Chengdu Ito-Yokado was required to reduce energy consumption by 750 standard carbon tons in the fiscal year ended February 29, 2016. The installation of LED lighting at the Chun Xu and Shuang Nan stores resulted in an annual reduction of 642 standard coal tons\*. In addition, Chengdu Ito-Yokado implemented rigorous management based on energy management standards, such as reducing the electricity consumption of freezer systems at night and turning off the lights of chilled cases at night. Despite these efforts, annual energy consumption rose by 383 standard coal tons from the fiscal year ended February 28, 2015, to 9,886 standard coal tons. Hua Tang Yokado Commercial has signed a Statement of Responsibility for Energy Conservation Targets with the city of Beijing. Based on this statement, Hua Tang Yokado Commercial was required to reduce energy consumption by 356 standard coal tons in the fiscal year ended February 29, 2016. Hua Tang Yokado Commercial achieved its target by reducing energy consumption by 3,125 standard coal tons mainly through the installation of LED lighting at the Sanlitun store in February 2015 and the Yayuncun, Fengtai Beilu, and Shilipu stores in May 2015.

Apart from this, in order to reduce their environmental impact, Chengdu Ito-Yokado and Hua Tang Yokado Commercial have set up a system where products delivered from business partners are first gathered at delivery centers and then sorted for delivery to each store. Centralizing products at delivery centers has a number of benefits, including reducing CO<sub>2</sub> emissions by using fewer delivery vehicles, along with helping to alleviate traffic congestion, noise and air pollution in urban areas. Moreover, Chengdu Ito-Yokado's delivery center uses a lighting system that harnesses natural sunlight and LED lighting. The system has successfully reduced electricity consumption by approximately 80% compared with conventional lighting equipment.

\* Energy use is converted into standard units of coal.



#### Chengdu Ito-Yokado

|   | FY2014 | FY2015 | FY2016 |
|---|--------|--------|--------|
| Number of stores                        | 5      | 6      | 6      |
| Energy consumption (standard coal tons) | 10,342 | 9,503  | 9,886  |
| Electricity consumption (MWh)           | 77,169 | 75,197 | 78,582 |
| Gas usage (1,000 m <sup>3</sup> )       | 645    | 198    | 200    |
| Water usage (1,000 m <sup>3</sup> )     | 678    | 808    | 747    |

#### Hua Tang Yokado Commercial

|   | FY2014 | FY2015 | FY2016 |
|---|--------|--------|--------|
| Number of stores                        | 9      | 6      | 5      |
| Energy consumption (standard coal tons) | 9,035  | 7,465  | 4,340  |
| Electricity consumption (MWh)           | 56,232 | 41,738 | 24,765 |
| Gas usage (1,000 m <sup>3</sup> )       | 899    | 812    | 448    |
| Water usage (1,000 m <sup>3</sup> )     | 359    | 309    | 177    |

## Environmental Events

### (1) Earth Hour

Chengdu Ito-Yokado supports Earth Hour, an international environmental event led by the World Wide Fund for Nature (WWF) and has participated in Earth Hour since 2010. For the event on March 28, 2015, Chengdu Ito-Yokado turned off lights in half of its backrooms and one-third of its sales spaces for one hour, from 20:30 to 21:30.

■ (2) Greenification Activities

Chengdu Ito-Yokado planted 20 pansies and daisies each in the Chengdu Botanical Garden together with 20 local families in Chengdu. The event was also attended by Chengdu Ito-Yokado President Tomohiro Saegusa.



Planting flowers at the Chengdu Botanical Garden

■ (3) Cooperation on Environmental Events

Hua Tang Yokado Commercial is cooperating with a campaign sponsored by the Beijing Municipal Commission of Development and Reform. In the fiscal year ended February 29, 2016, the company put up banners and posters encouraging environmental protection and energy conservation in front of and inside its stores. Eco-friendly shopping bags were also distributed free of charge at storefronts.



Distributing eco-friendly shopping bags at a storefront



**Raising Employees' Environmental Awareness**

In order to improve employees' environmental awareness, Chengdu Ito-Yokado communicated the importance of frequently turning off lights, switching chilled cases to energy-saving mode at night and implementing other measures through meetings and in-house notifications. Hua Tang Yokado Commercial held a training session on energy conservation management methods led by external experts, along with calling on employees to conserve energy through posters, at morning meetings and in other ways.



**Award History (FY2016)**

|                           |   |  |
|---------------------------|---|--|
| <b>Chengdu Ito-Yokado</b> | 2014 Business Leader List Department Store Category                                       | Tianfu Newspaper   |
|                           | Top 10 Innovative Companies in China (by Industry)  | Asia Brand Association   |
|                           | 2014 Stores with Superior Shopping Experiences  | Chengdu Daily Newspaper and Chengdu Municipal Financial Services Administration Office<br>Chengdu Municipal Commission of Commerce<br>Chengdu Municipal Consumers' Association |
|                           | 2014 Stores with Best Services for Parents with Children (store location in Jianshe Road) | Chengdu Business Daily   |
|                           | Contribution Award for the Construction of "Shopping Paradise" (賞物樂園)                     | Chengdu Retailers' Association   |
|                           | Annual Top 10 Ranking of Retail Companies   | Chengdu Retailers' Association   |
|                           | Annual Public Business Contribution Award   | Chengdu Retailers' Association   |
|                           | Store Offering a Distinctive Experience   | Chengdu Retailers' Association   |
|                           | Top Taxpayer  | Wuhou People's Government  |
|                           | Top 10 Ranking of Modern Commerce & Trade Businesses by                                   | Wuhou People's Government  |

|                                   |  |   |
|-----------------------------------|--|---|
|                                   | Taxes Paid   |   |
|                                   | Companies with Key Advantages  | Wuhou People's Government   |
|                                   | Top Taxpayer (store location in Jianshe Road)  | Chenghua People's Government  |
|                                   | Complaint Processing Desk for Protection of Lawful Rights and Interests (store location in Gaoxin) | Consumers' Association in Gaoxin District, Chengdu Consumers' Association |
| <b>Hua Tang Yokado Commercial</b> | 2015 Leading Companies with Safest Production Systems  | Chaoyang District Xiaoguan Subdistrict                                    |
|                                   | FY2016 Exemplary Company in Complaint Processing   | Beijing Administration for Industry and Commerce                          |