

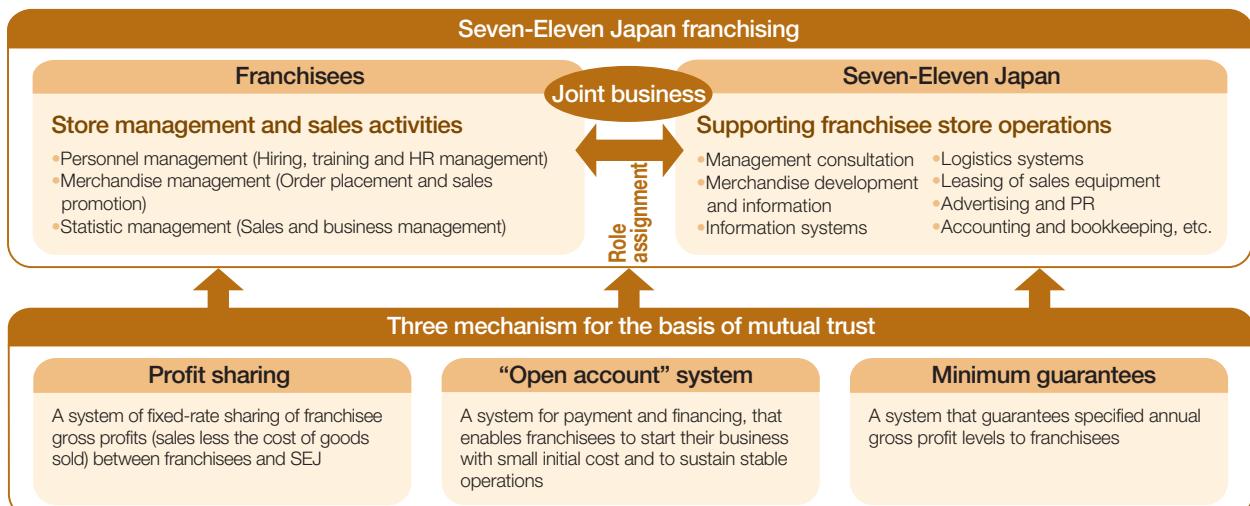


## Overview of Seven-Eleven Japan

Seven-Eleven Japan has been developing distinct franchise systems, aiming at bringing innovation and dynamism to small and medium sized retail stores, and achieving coexistence and co-prosperity with franchisees.

Seven-Eleven Japan (“SEJ”) opened its first franchise convenience store in the 1970s, when the retail industry was experiencing a sea change—the shift from business-driven to consumer-driven marketplace. Our founding mission was to create a modernized management system which ensures that customers can buy what they want when they want it, and to help existing small and medium retailers respond to market changes and grow further.

Since then, we have been developing distinct franchise systems under the basic philosophies, “bringing innovation and dynamism to small and medium retail stores” and “coexistence and co-prosperity with franchisees.” Key features of the systems include store operation using IT systems and merchandise development incorporating customer needs. SEJ has a network of 11,848 stores nationwide (as of August 31, 2007).

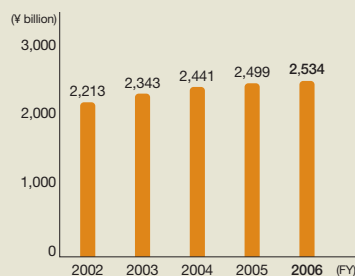


**Corporate Profile** (as of February 28, 2007)

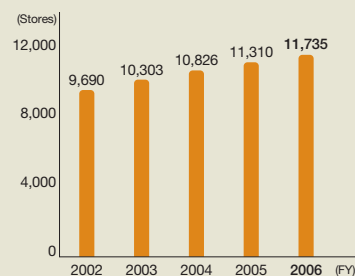
**Establishment:** November 20, 1973  
**Headquarters:** 8-8, Nibancho, Chiyoda-ku, Tokyo 102-8455, Japan  
**Nature of Business:** Operation of franchise convenience store chain in Japan  
**Paid-in capital:** ¥17.2 billion

**Total sales:** ¥2,533.5 billion  
**Number of employees:** 4,963  
**Number of stores:** 11,735

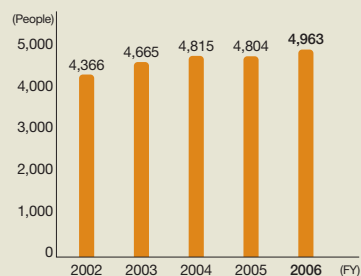
**Total sales**



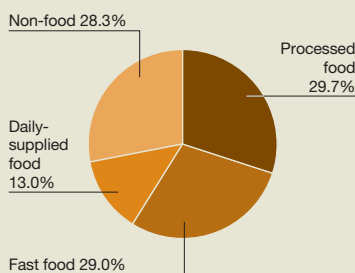
**Number of stores**



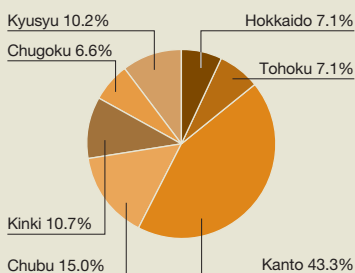
**Number of employees**



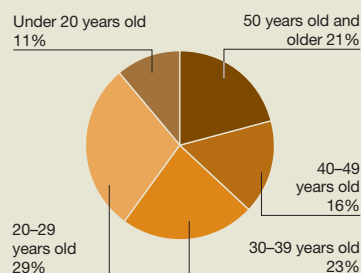
**Sales by product category**



**Stores by region**



**Customers by age**



**Our CSR focus**

- Supporting franchisees in stable business operation and implementation of their CSR
- Cooperating with local communities where our stores operate in crime prevention, and emergency and accident response
- Improving energy efficiency of store equipments and promoting recycling and proper waste disposal

**Responsibilities as the franchiser of a nationwide network of 11,848 convenience stores**

Operation of Seven-Eleven stores is a joint business between SEJ and our franchisees. We at SEJ recognize that as the franchiser, we are responsible to our franchisee for providing support in successful business operation and implementation of their own CSR as business operators.

SEJ is the largest retail chain in Japan, with 11,848 stores across the nation (as of August 2007). As the

market leader, our stores are working to develop harmonious relationships with, and to make positive contributions to the communities where we operate. We are also focusing on recycling and proper disposal of waste and expired products that are generated on a daily basis.

Furthermore, SEJ is working to minimize energy consumption in our 24-hours-a-day, seven-days-a-week business, by improving efficiency in store signs, lighting, sales equipment and other facilities.

## Toward a recycling society, producing product ingredients with the use of compost and livestock feed made from our food waste

As a retailer offering various food products, such as rice balls, lunch boxes and prepared dishes, SEJ has been promoting recycling of food wastes and developing effective systems for this purpose.

In this connection, Toshiro Yamaguchi, president and COO of SEJ had a meeting with Professor Sunao Kawai of Waseda University, to discuss recycling and application of food waste. Professor Kawai has profound knowledge of environmental issues and was a key architect of Waseda Research Park that is designed to become an open base for research and education with cooperation among business, government, academia and local communities.

### Promotion of food waste recycling, while reducing environmental burden generated from our business

**Kawai (K):** Over 30 years have passed since Seven-Eleven Japan opened its first store and I think it's fair to say that convenience stores have become embedded into our daily lives.

**Yamaguchi (Y):** We are grateful that SEJ has grown to welcome an average of 12 million customers every day in our 11,848 stores throughout Japan as of August 31, 2007.

**K:** Impressive numbers. We are witnessing a clear ongoing societal change from quantity-focus to quality-focus. Responding to such a change, how is SEJ working on the quality of business? In other words, while pursuing business expansion, how are you addressing environmental issues and responding to expectations and requests from customers, communities, and broader society?

**Y:** What matters most to us is the safety and reliability of our products. To deliver safe, reliable products with unquestionable quality, we have the highest quality control systems in place on the cycle from material procurement to manufacturing, distribution and sales at our stores. Together

with franchisees, SEJ is also working to reduce the environmental impact of our store operations by recycling waste, streamlining logistics and using less energy for store equipment. We are also promoting the Safety Station activities, where our round-the-clock stores serve as contact points in the case of crimes, accidents, sudden illnesses and other emergencies, and help prevent juvenile delinquency.

**K:** Your stores are positioned as a base for safety and security in the local communities.

**Y:** Exactly. Another focal area in recent years has been recycling of food waste, spurred by the enforcement of Food Waste Recycling Law. As 42% of our overall sales come from what we call "Daily Products" or "*nakashoku* (middle food)\*" product category, including rice balls, lunch boxes, noodles and side dishes, we generate various food waste every day, such as inedible or unused ingredients and products passed their "sell-by" dates. To use this waste effectively, SEJ is developing recycling systems of food waste to make livestock feed and compost for agricultural application.

\**Nakashoku* (middle food)

This refers to take-home prepared food, as opposed to *gaishoku* (eating-out at restaurants, fast food stores, etc) and *uchishoku* (home-made meal).





**Professor Sunao Kawai**

Dean of the School of Fundamental Science and Engineering, Waseda University

**Building a closed recycling loop, where SEJ sources fresh produce and meat produced with the use of compost and livestock feed made from our food waste**

**K:** Building an effective scheme is the key to success in effective use of food waste. What specific measures are you taking to achieve this?

**Y:** In 2002, we started producing livestock feed out of food waste under the Kyushu Food Plant Recycle Business Corporate Association, which was jointly organized by SEJ and local factories, waste disposal companies and hog producers. The quality, nutritious feed has been well-received by hog producers in that it is priced lower than commercial feed and that its ingredients, such as bread crumble and vegetable stubs from our factories, are all safe and high quality, meeting our internal quality standards (p.32).

**K:** And hogs raised with such feed produce safe, quality pork, don't they?

**Y:** Yes. The pork has gained good reputation for its quality and taste. Our efforts were recognized externally and in 2006, SEJ received the 15th Nisshoku Environmental and Resource Cooperation Award, from Japan Food Journal.

**K:** I am aware that SEJ has well-established systems from manufacturing through distribution and sales. How about recycling of expired products?

**Y:** Since March 2003, expired products at our stores in central Tokyo have been collected through our Eco-Distribution system (p.39) and composted at the factories of Agri Gaia System in Yachimata City, Chiba. In addition, a pilot production of recycled feed from our food waste has been underway at Agri Gaia System's Recycle Feed Center in Sakura City, Chiba, since May 2007.

**K:** Something previously disposed of as food waste is now transformed to animal feed or compost, in other words, a conversion from an environmental burden to beneficial material for food production.

**Y:** We are moving on to the next level to develop closed recycling loop systems (p.39) by not only providing feed or compost to farmers but procuring agricultural or livestock products from them. In some regions, we are building

a network of farmers and livestock breeders who agree to use our compost and feed. At the same time, we are developing new products that use the ingredients grown with such compost or feed.

**Forward-looking recycling, not as a burdensome obligation, but to create additional values**

**K:** I understand that SEJ intends to make the most of food waste generated in the course of manufacturing and sales processes as "value-added material" to produce quality feed and compost, rather than to dispose of it as "waste." I've also found it a very interesting idea to make food products using such safe, reliable agricultural and livestock products. Everybody understands the importance of recycling, but doing it effectively is difficult. Merely composting food waste will not solve problems. It has to be accompanied by a circle of material flow, underpinned by trust between people and organizations involved. It may sound a daunting task but once it succeeds, it will surely generate substantial value.

**Y:** I agree. We believe that our approach to recycling efforts should be "forward-looking," aiming at creating new values, rather than a reactive, "we-recycle-because-we-have-to" approach.



**Toshiro Yamaguchi**

President and COO

**K:** In the Honjo Campus of Waseda University in Saitama, we often hold dialogue sessions with a wide-range of people, including farmers in the neighboring areas. Topics raised during the sessions include Japan's food self-sufficiency ratio below 40%, and increase of abandoned farmlands, measures to increase the value of livestock products, and environmental conservation. Addressing these issues needs to start with creating mechanisms toward the goals, so tangible benefits will not be generated overnight. Given this, the SEJ initiatives you told me about today are encouraging. I look forward to the future development of these innovative projects to address food, agricultural and environmental issues.

**Y:** Our journey has just started. Together with our franchisees, contract farmers, waste disposal companies and people from academia, including yourself, we at SEJ will continuously make our earnest efforts to create a sustainable, recycling society.



# Responsibilities to Franchisees

## For coexistence and co-prosperity with franchisees

### Comprehensive support for store management from planning to post-opening phases

SEJ has grown to become a network of 11,848 stores nationwide (as of August 31, 2007). The franchise chain is founded on our fundamental philosophy of coexistence and co-prosperity with our franchisees. For SEJ, the franchisees are equal business partners, who jointly pursue success in our convenience store business. Under a set of clearly defined responsibilities, our franchisees are dedicated to sales activities and the management and operation of their stores, while SEJ—whose principle responsibility is to assist the franchisees in their store management—supports our partners in operating stable business and improving profitability.

## Offering Full-range of supporting programs for franchisees

### Deployment of special counselors, RFC and OFC

At SEJ, our special counselors, Recruit Field Counselors (RFCs) and Operation Field Counselors (OFCs) are available nationwide to support prospective or new franchisees in embarking on their new business with confidence.

RFCs support in preparation for store opening. They carry out preparatory market research in proposed locations, covering a total of 135 categories, including household numbers, population density and competition, to provide detailed analysis and projection of business conditions at prospective stores. In addition, RFCs provide advice on financial planning and store operation.

After opening of stores, OFCs support franchise owners in increasing sales. They visit stores at least twice a week to advise on a wide range of store business, including product assortment, sales and display techniques, and to conduct quantitative business analysis. We also hold Product Exhibitions for franchisees twice a year to introduce new products and ideas for sales promotion and store arrangement.

In addition, the SEJ management meets and shares information with franchise owners at Owners Forums in each region to gain a firsthand understanding of the status of the franchisees, and to communicate SEJ's management policies to the chain.

### The Owner Consultation Office to respond to franchisees' concerns

To reinforce support by OFCs through their management counseling, the Owner Consultation Office was established in 1979 within our headquarters to respond to a broad range of issues our franchise owners may encounter. The Office staff usually visit about five stores a day to meet with the owners. Issues brought up during the meetings are reported directly to the top management, who then tell relevant departments to take corrective actions, if needed.

Franchisees are also able to deliver their recommendation for improvement in store operation to SEJ through the "recommendation letter" system.

### Mutual aid compensation program for franchisees to support their stable store business

SEJ has a mutual aid compensation program in place since 1980 to support the financial stability of franchisee staff and sustainable long-term store operation.

This program is designed to compensate franchise owners for the damages from emergencies; to provide medical expense support and condolence money for full-time employees; and to cover occupational injuries during work or commuting for franchisee staff. The size of our nationwide franchise chain gives the program the status of group insurance, which allows franchisees to join the program with low-priced premiums.

### Earthquake insurance to compensate for merchandise damage

Even though Japan is a quake-prone country, there were no commercial insurance products that cover damage to merchandise by earthquakes. In response, SEJ and Mitsui Sumitomo Insurance developed an original insurance program to meet this purpose in December 2006.

SEJ has encouraged our franchise owners to join this program as a preparation for emergencies. A total of 2,442 franchisees are policy holders of this insurance package. We have also developed a program to cover damages by long black-outs with regard to products that require temperature control. By August 2007, our 10,396 stores, or about 90% of the franchisees have bought this new insurance program.



Leaflet on earthquake insurance for merchandise damage

## Placing part-time job information on the website to support franchisees in recruiting activities

Analysis of the traffic of our website revealed that a great number of people visited our website to search for part-time job openings in SEJ stores. As this finding was aligned with requests from our franchisees to post help-wanted information on part-timer positions, we created a new part-timer recruiting section on our website, together with a related banner on the top page from October 2005.

By August 2007, some 3,000 stores have placed job ads on our website. We have received positive feedback from them. Franchisee owners told us that they were delightedly surprised at the number of applicants, especially given previous tepid response, if any, to their ads on recruiting magazines.



Official website of SEJ  
(The image is as of August 2007)

## Flyer Preparation Tool to support franchisees in marketing activities

SEJ has developed the Flyer Preparation Tool in May 2006 when we updated the Sixth-Generation Total Information System that centrally manages the data with regard to ordering and sales at stores. The Tool, available at the enterprise information system, allows our franchisees to generate fliers easily and quickly.

Previously, the franchisees provided information on new products and services using their own flyers with hand-written text and photos. The new tool has shortened the time required for flyer preparation and allows franchisee staff to focus on sales activities.

## For promotion of CSR activities by franchisees

### Sharing policies, measures and systems to make our entire chain socially responsible

We believe that as equal business partners, our franchisees and SEJ should aim at mutual prosperity by growing together and fulfilling social responsibilities together. SEJ therefore focuses on educational programs for franchisees, designed to ensure the entire chain is fully aware of CSR-related policies, measures and systems, as well as ethical business behavior.

## Compliance awareness activities

SEJ launched the Corporate Ethics Committee in March 2004. This Committee provides guidance to both SEJ employees and our franchisees for compliance with rules and regulations. In addition, it provides compliance-related information through our online correspondence, “Seven-Eleven Japan Guidance” and our in-house magazine, “Seven-Eleven Family.”

During FY 2006, we supported our franchises in refocusing on their no-tolerance to drinking/smoking by minors and to drunk-driving, by reviewing in-store displays, advising on age verification practices, and assisting in creation of posters against drinking and driving.

## For safety and fair employment for part-time employees

We have created the “Part-Timer Training Guidebook,” listing all applicable laws and regulations and points of concern with regard to the hiring and training of employees at franchisees. All new franchise owners receive this guidebook at the initial training session for future reference.

To ensure all workers, including part-timers, work in a safe and secure environment, we have intensified safety measures at stores, making it mandatory to assign more than one employee at stores late at night, to keep dye-balls and protective shields near the cash register. SEJ staff regularly visits stores during late-night hours to confirm that all these safety measures are in place.



# Responsibilities to Customers

## For product quality and safety

### Pursuit of product safety and reliability in the entire processes, including product development

To meet customers' demand for safe and reliable products, SEJ implements rigorous quality control over the entire processes from material sourcing to manufacturing, distribution and sales of products. Our multi-faceted approach includes development of original products free from preservatives and artificial colors, use of safety-conscious packaging and containers and proper product labeling.

## Reduced use of food additives in our Daily Products

Use of food additives in Japan is strictly controlled by stringent legislation, such as the Food Sanitation Law. Therefore, all food additives used in processed and other foods are scientifically tested and approved by the Ministry of Health, Labor and Welfare.

Nevertheless, many consumers remain concerned about the health implication of food additives. To respond to such customers' concerns, SEJ has worked to reduce food additives in our "Daily Products," including lunch boxes and side dishes, manufactured at our dedicated factories. In October 2001, we discontinued use of any artificial colors and preservatives in lunch boxes, side dishes, burgers, sandwiches, filled bread, and prepared noodles. In March 2007, we banned the use of phosphate previously use in hams and sausages for sandwiches.

Our efforts are not limited to food additives. We have reduced trans-fatty acids in our original brand breads, *Yakitate-Chokuso-Bin*, from an average of 0.6 g to 0.2 g per serving (about 55 g) since March 2006.

These measures have received great reactions from our customers, leading to their increased confidence in our products. With inputs from experts in food additives, we will further reduce the use of food additives in a wider range of products to meet customers' expectations.

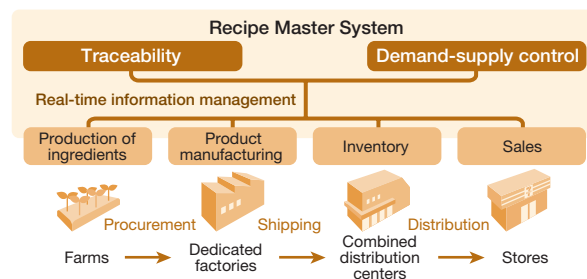


Examples of our Daily Products with less food additives

## Data management on food ingredients and packaging and containers

At SEJ, all data on production, procurement, use and sale of ingredients and packaging and containers of our Daily Products is centrally managed on the web-based "Recipe Master System."

Featuring two functions of traceability and demand-supply control, the system records and maintains real-time information on which ingredient is used in what amounts, for what product, at which factory, and when the product using the ingredients is sold. This enables prompt response to any product issue by immediately identifying stores that carry the product concerned and removing the items from their shelves. The system also allows effective control of supplies of food ingredients and packaging to each factory based on its product supply-demand analysis, resulting in proper inventory control and waste reduction.



## Accurate, easy-to-understand labeling with nutrition and allergen information

To help customers' informed shopping decisions, we display information on prices, production sites, best-before dates and others on the product labels in an accurate, easy-to-understand manner as required by the Seven-Eleven Labeling Guidelines, as well as in compliance with relevant laws (e.g. the JAS Law and the Act against Unjustifiable Premiums and Misleading Representation).

As many of our customers are concerned about food allergens, SEJ voluntarily discloses additional allergen information, together with required items, on the labels on our Daily Products. Nutrition facts are also displayed, responding to customer requests.



Allergen information on product label

## To make our stores friendlier to all customers

### Improvement of store facilities and services to increase customers' convenience

As convenience stores have become a part of daily living in local communities, customers from all walks of life enjoy shopping at our stores every day. To create stores that are easy-to-access and easy-to-browse-and-shop, and offer a comfortable shopping experience to every customer, SEJ has been promoting "Universal Design" stores. We have also expanded our out-of-store services, such as meal delivery and house call visits.

### Development and improvement of store facilities to achieve great accessibility, shopper-friendly display and pleasant shopping experience

At SEJ, we are promoting store development and innovation to ensure that customers can easily access, easily find products and spend pleasant time in our stores.

Stepping up these efforts, we have incorporated Universal Design approach to our store planning since FY 2004, so as to make it easy for everyone to enjoy shopping at SEJ stores, irrespective of age, disability, gender or physical characteristics.

Under this approach, doors at store entrances have been increasingly replaced with automatic doors for greater accessibility. A greater number of store aisles have been expanded to 1.2-1.6 m or wider to enable people in wheel-chairs to travel easily and to check and pick products on the lowest shelves without difficulties. Restrooms are also being expanded to become wheel-accessible with handrails installed.

We will continue working with franchisees to increase the number of Universal Design stores in our chain.



Toilet with handrails installed



Wheel-accessible restroom sign

### Enlarged price display and newly introduced shopping carts for elder customers

Elderly customers are becoming a larger customer base of our stores, reflecting societal changes, such as declining birthrate, an aging population and changing lifestyles. SEJ is improving our services to better cater to senior customers.

Price stickers on products have been enlarged to a size of 42 x 22 mm, from 30 x 15 mm, printed in double letter size. This new price tag format has been introduced in stages since June 2007, initially at stores in Tokyo and Kansai areas and eventually at all our stores by October 2007.

Shopping carts have been made available at a growing number of stores since December 2006 to increase convenience to our customers, especially elder or pregnant people (at 1,031 stores in February 2007).



Shopping carts at stores

### Reinforcing out-of-store services, such as house call visits and product delivery

Staff members of Seven-Eleven stores visit homes and offices in neighboring areas to take orders and receive requests and feedback. This currently chain-wide practice started with voluntary initiatives by some franchisees. SEJ incorporate comments and demand from customers into our product assortment and service offering for further improvement.

Meal delivery service by Seven Meal Service has also been available at all our stores since July 2007. Customers can order meals of choice from the Seven Meal catalog via telephone, fax or the Internet, which will be delivered at home on the next day (or received at stores). This service has been well-received among customers having difficulties in going shopping or preparing meals.





# Responsibilities to Business Partners

## For fair trade practices

### Ensuring fair trading practices without any illicit private profit

SEJ has established the Fair Trade Subcommittee to ensure that every trading practice is conducted in compliance with relevant legislation, rules and business ethics. Our trading practices are governed by the section of “Relationships with our Business Partner” in our Employee Code of Conduct, requiring that all employees at SEJ be engaged in trading practice in a fair and legally compliant manner and that they maintain equal relationships with trading counterparts, ruling out any private profit. Various measures, including study group meetings for employees who have direct business contact with suppliers, are in place to ensure fair business practices.

## Study sessions on fair trading practices for sourcing and distribution personnel

At SEJ, the Merchandising Department, responsible for the management of all products sold at our stores, has more opportunities to contact with our business partners than any other department. This department meets with some 800 suppliers each year to source around 10,000 items. The Distribution Management Department, responsible for the management and coordination of delivery companies who transport products from combined distribution centers to stores, also has substantial trading relationships.

For staff members at Merchandising and Distribution Management Departments, SEJ holds periodic study sessions to reinforce fair and proper trading activities and prevent any wrongdoing.

Regulatory compliance was a continual key focus of the study sessions during FY 2006, especially in connection with provisions on fair trading under the Anti-Monopoly Act and other applicable legislation, such as the Subcontracting Act and the Regulations on Unfair Trading by Large-Scale Retail Businesses. The participants learned about common violation cases that may occur in the course of trading practice, standards on product labeling, and other fair trading matters.

These activities helped SEJ achieve full legal compliance during FY 2006; there were no cases of violation of legislation on fair trading practice, nor was SEJ subject to guidance from the Fair Trade Commission.

## Fair contract systems to prevent unreasonable product returns or discount demands

Returning products to a supplier without a prior consent or demanding price discount after purchase without justifiable reason is prohibited under the law.

At SEJ, we never return unsold goods to suppliers (except sale-or-return products, such as magazines) unless the product has defects, because our contract with suppliers includes a no-return policy on purchased products. We also ensure that all purchase prices are decided as a result of negotiations with suppliers. Merchandise information and its purchase price cannot be registered without quoted figures from suppliers to prevent abusive conduct by sourcing personnel.

## TOPICS

### Reinforced personal information security measures at operating systems of our business partners

To ensure that all personal information related to our customers is properly maintained, we have intensified our information security measures to cover the information management at our suppliers.

During FY 2006, SEJ focused on the improvement of suppliers' security measures, based on the action plans developed by the Information Management Sub-Committee of Seven & i Holdings (p.22). We had our combined distribution centers (a total of 62 sites nationwide) install data protection software to ensure no personal data of our customers, such as names, addresses and phone numbers, is leaked, stolen or misplaced.

Our data security efforts will be continued and intensified in FY 2007. Systems at the headquarters will be revised so that employees will not be able to access personal information when they compile survey results or conduct trial operations of new computer systems.

**For coexistence and co-prosperity with business partners**

## Stronger business ties for mutual business expansion

At SEJ, we share information on latest business trends and practices, such as hot selling products and efficient logistic systems, with our business partners for mutual business success. Covering a wide range of areas, including environmental conservation and legal compliance, such shared information also helps promotion of CSR activities at business partners.

### Teaming up with business partners to develop new products

SEJ is working with Japanese and international manufacturers and suppliers to develop and offer high-quality original products. Such “merchandising teams,” led by SEJ merchandizing personnel, consist of manufacturers, material producers, container suppliers and SEJ.

One of the notable achievements by the teams is the joint development of original mineral water, *Karadani-Uruou-Alkali-Tennensui*, with KFG Co., Ltd. in April 1996. Since then, this pure natural water—from granite 300 meters below the ground at Kanagi, Shimane—has enjoyed great popularity for over 10 years, because the excellence of quality, which does not require heating or sterilizing treatment.

Another success is *Gokujo-no-Hitokuchi*, a series of original confectionaries jointly developed by SEJ and a leading Belgian chocolate manufacturer, Barry Callebaut, in September 2005. These original products have attracted a number of customers because of high-end taste and quality of specialty stores, made from selected ingredients that match Japanese taste, offered at reasonable prices.

These products were recognized externally too. The aforementioned original mineral water (two items) and confectionaries (four items) were awarded Grand Gold Medals at the 46th Monde Selection in May 2007, an international quality selection that evaluates food products based on a combination of analysis of sensory characteristic and ingredients.



Original products awarded Monde Selection Grand Gold Medals

### Shift to paperless accounting slips in conjunction with a full renewal of IT systems

At SEJ, we have central information management systems in place, connecting the headquarters, stores, and business partners, which enable efficient management of sales, sourcing and ordering by each store. The comprehensive systems were fully renewed in October 2005. Under the new systems, accounting slips and ledgers are displayed and downloaded on the website, and thus no longer needed to be printed out.

This paperless accounting system reduced a total of 220 million sheets, or some ¥1.4 billion worth of paper consumption at business partners, stores and the headquarters of SEJ combined during FY 2006, resulting in a substantial reduction in paper-related costs for our business partners.

### Joint initiatives with logistics companies to ensure safer and greener distributions

Aiming at safe and environmentally sound distribution operation, the Safe Operation Committee was launched in October 2006 by our outsourcing distribution companies throughout Japan who operate respective combined distribution centers to deliver products to SEJ stores. At the Committee, representatives of each distribution center meet regularly to share information and experience, such as actual traffic accidents during operation and their causes, training programs for drivers, and measures to prevent accidents.

In addition, SEJ has collaborative working groups to support business partners' initiatives: Working Groups on Traffic Accident Report Data Base and on New Vehicle-Installed System. The former collects, accumulates and analyzes data on traffic accidents in collaboration with distribution centers; and the latter studies most effective use of vehicle-installed equipment. In April 2006, new equipment was installed in all vehicles distributing SEJ products, which electronically records the driving patterns of each driver. The obtained data is used to provide tailor-made safety caution to each driver before or after the operation, and ultimately to achieve accident-free distributing operations. These initiatives have led to a substantial decrease in the number of traffic accidents in distributing our products to date during FY 2007. We will continue working with our business partners to deliver our products in an even safer and more environmentally conscious manner.



# Responsibilities to Local Communities

## To help create safe and secure communities

### Playing a bigger role as a base of safety and security for local communities

As a member of local communities, each SEJ store has long been participating in various local activities, such as cleaning and promotional campaigns of their respective shopping areas. Since 2002, our stores have also been performing “Safety Station Activities,” under which SEJ stores function as contact points for criminal prevention, accident and disaster response, and nursing care. With the 24/7 business hours, our stores are playing important roles in these activities, promoted by Japan Franchise Association (JFA).

## Active participation in Safety Station Activities

In 2002, the National Police Agency issued a request to JFA—to which all convenience store chains belong—for assistance in nurturing a sound educational environment for young people and creating safe and secure communities. In response, JFA launched Safety Station Activities, aiming to create a nationwide network of local emergency contact points where the member convenience stores, which open 24/7, serve as local contact points for criminal prevention, accident and disaster response, and nursing care. After JFA’s pilot programs in 2003, these activities have been carried out throughout Japan since October 2005.

With two major objectives—criminal prevention and nurturing sound juvenile development—the Activities have been taking various steps to make the community safe and sound. Making emergency calls to report accidents, sudden illness and other urgent situation is among key priorities. During FY 2006, SEJ continued working to keep our franchisees informed about crime prevention and local security measures, mainly through seminars held in conjunction with biannual Product Exhibitions and our in-house magazine, Seven-Eleven Family.

All SEJ stores are striving to improve their function as a base of safety and security for their respective local communities. For example, in addition to responding to rescue requests from women and children who rush in the store, and making calls to report emergencies or criminal incidents, they initiated a program to watch local students going between home and school, and urging any child found in town late at night to go home.

JFA monitors annual activities by participating convenience stores, and recognizes participants with excellent performance. In FY 2006, 78 SEJ stores were

rewarded (out of 204 stores in total).

SEJ will continuously focus on Safety Station Activities as a basic feature of our store operations, and thus make positive contributions to maintaining safety and security of local communities.

## TOPICS

### An example case of recognition by JFA Store provided protective custody for a lost boy

A boy of around 10 years old came to the store alone. Apparently having no personal belongings or accompanying family members, the store manager reported to the police and learned that his family had asked the police to search for him. The boy was returned to his parents’ custody within the day. His family members came to the store in person on a later day to express their gratitude.

(Sin-Yoshida-Nakamachi Store, Kanagawa)

## Disaster preparedness arrangements with local governments

Embedded into daily lives of local people, convenience stores play even greater roles when a disaster occurs. At SEJ, we have developed action guidelines for emergency response, including safety confirmation and damage assessment, and recovery support for affected stores and their surrounding areas. We have also entered agreements with 49 local governments (as of July 31, 2007) on disaster relief efforts, under which SEJ will deliver requested relief supplies to disaster-hit areas. To ensure smooth delivery of aid material, our delivery trucks—that normally transport products from combined distribution centers to SEJ stores—are equipped with digital radio systems. Furthermore, helicopters will be made available to deliver emergency supplies even if traffic is disrupted, in accordance with agreement with helicopter operating companies.

### Disaster donations during FY 2006

Target	Total donations
• Java Earthquake	¥50,365,419
• Torrential rain damage in Japan	¥23,616,543
• Typhoon No.13 (limited areas)	¥2,854,991

## Giving back to communities

### Promoting wide-ranging programs for societal advancement of local communities

SEJ implements various support programs for local communities. For example, in our hands-on program for local children, SEJ provides students with opportunities to experience store operations. We also support environmental groups working for protecting and conserving the environment throughout Japan, through the Seven Eleven Midorino Kikin (green fund) with in-store donations from customers and from the company.

### Offering simulated working experience through Student City program

SEJ provides children with opportunities to learn about how people are connected with society, how economic systems work, what money is about, and what work is about, by volunteering at Student City, a hands-on working program for children organized by a US-based non-profit organization of Junior Achievement.

In this program, a “town” is created in an elementary school in Shinagawa district, Tokyo. Participating students act as both customers and workers at the bank, convenience store, sport shop, city hall or other facilities in the town. SEJ has opened a mock store in the town. During FY 2006, a total of 1,876 students learned about customer service and other store operations.

For the program, we have also prepared a store operation manual for children, titled “About store job—how to create a store that delights customers,” for the distribution to participants.



Our mock store in Student City

### Establishing a nature school in Oita by Seven Eleven Midorino Kikin

Seven Eleven Midorino Kikin was established in 1993 to achieve collective social contributions by SEJ and its franchisees. Based on donations from customers and SEJ, this fund supports environmental groups in Japan who strive to protect and conserve the environment. In FY 2006, the fund received ¥333,341,098 from customers who donated at our stores and ¥96,035,814 from SEJ.

In 2003, on the tenth anniversary of the fund, a project for opening a “nature school” was launched with a goal to protect and conserve precious nature and ecosystems in Japan and to provide environmental education and training. In April 2007, Kokonoe Furusato Nature School was finally opened in Kokonoe-cho, Oita. The mission of the school is “learning from nature about coexistence and co-prosperity with natural environment and local communities.”

This nature school is working closely with environmental groups and governmental organizations in local Aso-Kuju area in Kyushu region, and in other areas throughout Japan, to protect and conserve precious nature and ecosystems in Japan. It is also working together with local residents to grow organic rice in fallow rice fields, restore depleted forests, and conserve farm forests and farmlands. The school aims that such conservation activities will improve the local natural environment so that it will be able to become even a habitat for endangered Japanese crested ibises.

The school also aspires to become a forum for lifelong learning and people development where children of future generations, local residents, and visitors can experience, learn and appreciate the importance and power of the nature.



Rice planting at Kokonoe Furusato Nature School



# Responsibilities to Employees

## Respect for diversity

### Developing HR systems that enable various working styles

Regular employees at SEJ are mainly engaged in headquarters functions or positions, including OFCs who support franchisees in store management (p.30); merchandise and logistics divisions that are responsible for business negotiations with business partners; and accounting, finance, human resources and other operational functions. In recent years, however, increasing numbers of employees have been interested in taking up new types of work to utilize their full potential. Our response has been to revise our HR systems so as to enable our employees to work in various styles in accordance with their preference and abilities.

### Offering broader employment opportunities for people with disabilities: sales staff positions at our wholly-own stores

SEJ has long been striving to create a workplace where people with disabilities can work comfortably. We have aggressively sought to employ people with disabilities mainly in accounting (taking care of franchisees' bookkeeping) and administrative (supporting OFCs through wide-ranging services) positions. In addition, we expanded this policy to include sales positions, responsible for customer service, sales and inventory ordering at our non-franchise stores since 2006. People with disabilities now have broader and greater employment opportunities.

At the same time, we created a new section to recruit individuals with disabilities on the recruit page of our website. Commentary from existing staff members with disabilities was included in the newly established section so that the content will be informative to prospective employees. As a result, as of July 2007, 69 employees with disabilities were pursuing their administrative and sales careers at SEJ.

### Supporting employees in starting their own business through the Shift to Franchise Owner Support Plan

From September 2005, SEJ employees with 10 or longer years of service have become eligible to apply for the Shift to Franchise Owner Support Plan. This program provides financial support to SEJ employees who intend to depart SEJ to start their own franchisee business as an owner of a SEJ store. Successful applicants will be granted a special additional allowance based on the age of departure,

together with regular termination benefit calculated under the internal policy. Selection procedures for this program are not different from those for regular franchise owners.

To date, this program has produced six franchise owners.

## To maintain and promote employees' well-being

### Intensifying preventative programs for the key objectives: health and safety

To create a comfortable and pleasant workplace, SEJ has been promoting employee wellness programs and safety measures on an ongoing basis, based on input from the Safety and Health Committee who meets each month to discuss possible measures to further improve our working environment.

### Ensuring all employees take an annual checkup and prevent health problems

SEJ has been focusing on maintenance and advancement of employee wellness, encouraging all employees to take an annual checkup and providing medical guidance to manage metabolic syndrome and other lifestyle-related diseases, which have been increasing recently. If the findings of the checkup call for reexamination, the individuals will be urged to visit a hospital and be monitored by our company doctor.

In addition, since FY 2006, we have retained a psychiatrist to provide detailed support to our employees in their mental health management.

### Training sessions for the prevention of work-related traffic accidents

At SEJ, prevention of traffic accidents at work is the most important concern in tackling occupational accidents. This is due to the fact that most of our OFCs, accounting for some 30% of the regular employees at SEJ, visit franchisees by corporate car.

This has led us to hold annual training sessions on safe driving for OFCs, in cooperation with the local police. We also have zero tolerance to drink driving, which is increasingly becoming a public concern, ensuing OFCs and all other SEJ employees at the headquarters and our own stores will not drive or let others drive under the influence.



# Responsibilities to the Environment

## Waste reduction

### Building closed-loop recycling systems of wood waste

SEJ developed its original Eco-Distribution System in 1994 to ensure appropriate disposal and recycling of waste from store operations. Using this system, we are also working to create a closed-loop recycling system where food waste, such as expired products, is recycled to make compost or livestock feed, which then will be delivered to contract farmers, from who SEJ will source food ingredients.

### Operation of original Eco-Distribution System that centralizes waste collection and disposal

Across the chain of SEJ stores, waste collection and disposal is conducted in a uniform manner through our Eco-Distribution System so as to ensure proper waste treatment and higher recycling rates. Under this system, developed in 1994, local waste disposal companies designated by SEJ centrally dispose of waste collected from our stores in their respective areas. As of February 2007, the system was in operation in 31 prefectures, although in some areas it was not available due to the lack of relevant permissions by municipal governments for commercial waste management vendors to collect and transport waste.

The majority of our franchises use this system, even though participation in the program is voluntary due to its cost sharing requirement. As of February 28, 2007, a total of 8,063 stores, or 85.8% of the 9,393 stores in suggested areas participated.

## TOPICS

### Winning the 15th Nisshoku Environmental and Resource Cooperation Award

SEJ has been actively promoting recycling of food waste. In Kyushu region, SEJ makes livestock feed from food waste generated in the course of manufacturing of our Daily Products, in collaboration with the operators of SEJ's dedicated factories, waste disposal companies, and hog producers. We also conduct joint studies with University of Miyazaki on feed formulation and hygiene control methodologies.

These activities were highly evaluated and SEJ received the 15th Nisshoku Environmental and Resource Cooperation Award in October 25, 2006. This award, organized by Japan Food Journal and sponsored by the Ministries of Agriculture and Environment, recognizes companies, organizations and products that made great contributions to conserving the global environment and protecting resources.

### Expanding network of closed recycling loop system

At SEJ, effective use of food waste, generated from our stores and factories manufacturing our Daily Products, was high on our agenda even before the enforcement of the Food Waste Recycling Law in May 2001. After thorough consideration, we initiated making compost from food waste collected in the central Tokyo area in March 2003, using our Eco-Distribution system.

During the five years since then, a growing number of farmers have used the resulting compost. We have received a lot of positive feedback, typically commenting that "the compost is of great help in producing quality agricultural products." Our contract farmers who grow vegetables for our Daily Products have also begun using the compost. Spinach grown with this "eco-compost" is used in some of our "Kanto-san Spinach *Gomaae* [boiled spinach with sesame sauce]," available at stores in Tokyo metropolitan area since October 2006. In June 2007, SEJ has started to market original carrot juice and tomato juice, using carrots and tomatoes grown with such compost, through its meal delivery service, Seven Meal Service.

These closed recycling loop systems are recommended in the Amended Food Waste Recycling Law, effective in June 2007. We will continue expanding a network for closed-loop recycling with contract farmers, waste disposal companies, and other relevant parties.



Kanto-san Spinach Gomaae

### Flow of recycling loop



Global warming prevention

Reduced CO<sub>2</sub> emissions in the course of store operations and distribution

To reduce energy consumption in our 24-hours-a-day, seven-days-a-week operations and develop fixtures and equipment best suited to convenience stores, SEJ have worked with manufacturers of store facilities and other business partners to develop original store equipment, such as display refrigerators and lighting fixtures. We are also focusing on the further improvement of energy efficiency in existing facilities and equipment.

Greater energy efficiency in the use of lighting fixtures in the stores

Lighting fixtures are indispensable store equipment to sustain 24-hours-a-day, seven-days-a-week operations of SEJ. About 23% of electricity consumption at each store is used to keep the store bright. To achieve a lower electricity use, SEJ uses Hf fluorescent lamps, and “continuously adjusting lighting equipment,” which automatically adjusts light levels of three-segmented sales floors, depending on the intensity of the natural lighting exposure in the store that varies depending on seasons, weather conditions and time hours.

Furthermore, our new and remodeled stores have installed high-power lighting fixtures and ceramic floor tiles that effectively reflect the light from the ceiling, since March 2007. A combination of these new fixtures has allowed an effective lighting arrangement, resulting in fewer fluorescent lamps used in our store from 85 to 63. This means an approximately 2,750 kWh (about 1t-CO<sub>2</sub>) reduction in our annual electricity consumption per store.

Switch to induction-heating *oden* warmers to reduce energy consumption

Our 9,000 stores have replaced their heat-conduction *oden* warmers with induction-heating (IH) ones since August 2007. By shifting to the IH method that allows more flexible temperature control, we can now offer our *oden* products in better conditions, while achieving greater energy efficiency. Electricity use per store is expected to be reduced by about 1,650 kWh (about 0.6t-CO<sub>2</sub>). The remaining 3,000 stores will be switching to the IH heaters in stages.

Ensuring efficient driving behavior to reduce CO<sub>2</sub> emissions by distribution vehicles

Environmental impact of logistics operations depends on not only the number of vehicles used but also vehicle maintenance and driving conditions. With this recognition, SEJ, together with operators of our combined distribution centers, has developed internal rules that the age of service and travel distance of our distribution vehicles should not exceed 6 years and 500,000 km, respectively, and that the vehicles should be maintained and inspected each month. We manage 4,005 vehicles (as of February 28, 2007) under these rules.

To reinforce safe distribution operations with lower environmental impact, our distribution vehicles transporting products from combined distribution centers to SEJ stores has had new terminals installed since April 2006. Data gathered via the equipment—such as travel distance, maximum speed, engine-idling duration, driving patterns (including sudden starting, acceleration or deceleration)—is graphically displayed and then analyzed to use for individual guidance to drivers and for possible revision of driving routes.

As a result, greater fuel efficiency has been achieved due to drivers’ heightened awareness of their driving behavior, realizing that their safe drive contributes to the environment.

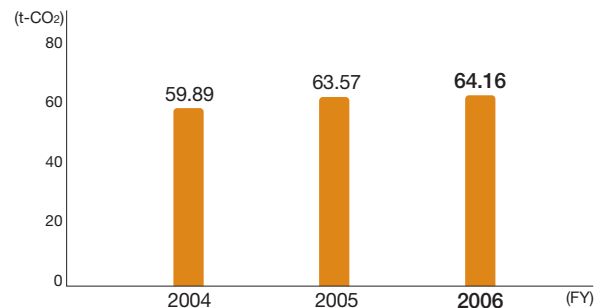


In-vehicle terminal equipment (main unit)



Six-buttoned device, recording departure and return from/to distribution centers

CO<sub>2</sub> emissions per store



## Reduced use of packaging material

### Substantial reduction in packaging consumption by making shopping bags thinner and using different material

SEJ has been working to improve our shopping bags and other packaging material, balancing effective use of the earth's finite resources with customers' convenience. Our shopping bags have become 71.9% thinner over the FY 1999 level. Total weight of consumed bags was reduced by 26.7%. We have also asked for customers' understanding and support for reduction of the use of shopping bags and disposable chopsticks.

### Shift to greener material for the use of disposable chopsticks and sales promotion material

In November 2006, SEJ started changing the material of our complimentary disposable chopsticks to bamboo from white birch grown in China, from the perspective of environmental concerns over forest resources in the neighboring country. While white birches require some decades to become large enough to be processed for chopsticks, fast-growing bamboo needs just a few years until processing. Another advantage of bamboo is that there is a repetitive cycle of growing-logging-processing and no replanting is necessary, because harvesting bamboo does not involve uprooting. All SEJ stores will have switched to bamboo chopsticks by February 2008. We will also continue our practice of asking customers at the check-out if they need chopsticks or shopping bags.

We have also added green changes to our POP displays which promote new products and notice of sales campaigns. From September 2006, POP displays for breads, snacks and confectionaries, household goods and other room-temperature products, as well as ice cream, started using paper, rather than polypropylene. Paper POP displays are not available for certain products that require temperature control, including lunch boxes and fresh desserts, because temperature change causes surface sweating.

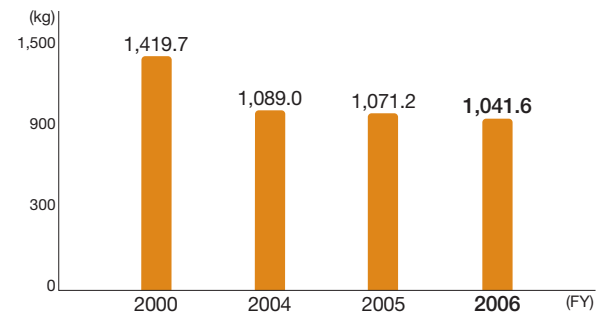
### Reduced weight of shopping bags to 73.3% of the FY 2000 levels

To reduce resource consumption and waste generation, we started using thinner shopping bags in 1999. Since then, we have conducted repetitive durability tests and reduced thickness of the shopping bags in stages.

By February 2007, each SEJ shopping bags has become 71.9% thinner from the FY 1999 level, and total weight of shopping bags used per store was reduced by 26.7% from the FY 2000 level.

As a next step, we are aiming to achieve the industry target on the reduction in shopping bag use. JFA targets a 35% reduction in the total weight of consumed shopping bags per store over the FY 2000 levels by FY 2010. To achieve this goal, SEJ and other convenience chains with JFA membership are operating a campaign to call on customers to use fewer shopping bags. For example, our store staff asks customers buying small items if we should put the products in a shopping bag.

Total weight of consumed shopping bags per store



Poster for the reduced shopping bag campaign