



Overview of York-Benimaru

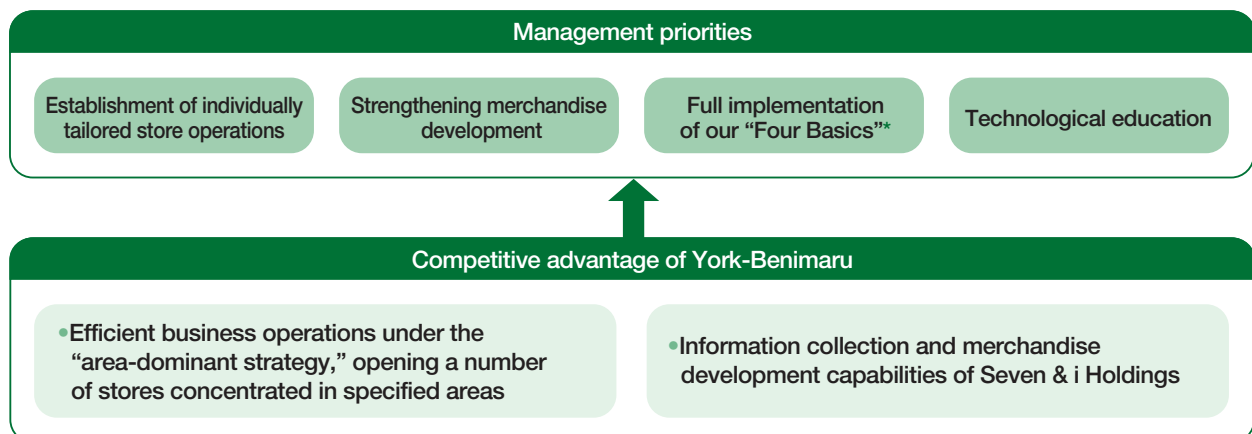
York-Benimaru operates supermarkets having strong local ties and promotes “local production for local consumption” together with local farmers.

York-Benimaru operates a network of supermarkets that offer fresh produce and grocery in Fukushima, Miyagi, Yamagata, Tochigi and Ibaraki prefectures. By executing “area-dominant strategy,” under which store openings are concentrated in specific areas, York-Benimaru has gained a high-profile in communities where we operate and been able to manage logistics efficiently.

Based on our motto, “for customers’ more joyful,

prosperous and convenient daily living,” our stores strive to deliver fresh and delicious food products, offer superb customer service and implement strict hygiene control. We have also worked with local farmers to promote “local production for local consumption.”

We will continue working to increase store loyalty by leveraging the information gathering and merchandise development capabilities of Seven & i Holdings.



*Four Basics

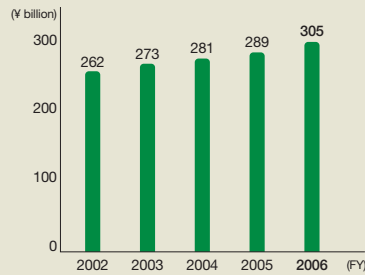
Friendly service, cleanliness, pursuit of freshness and taste, and stock availability

Corporate Profile (as of February 28, 2007)

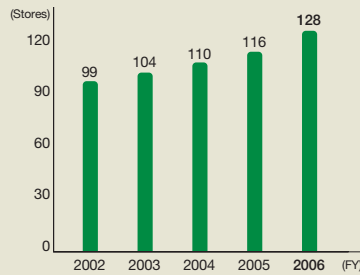
Establishment: June 12 1947
Headquarters: 18-2, 2-chome, Asahi, Koriyama-shi, Fukushima, 963-8543, Japan
Nature of Business: Superstore business selling food products (as main category), apparel and household goods

Total sales: ¥304.8 billion
Number of employees: 11,328
Number of stores: 128

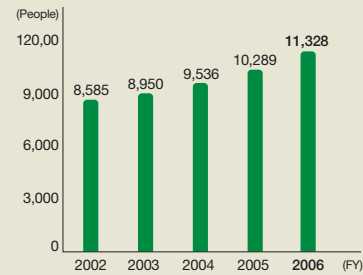
Total sales



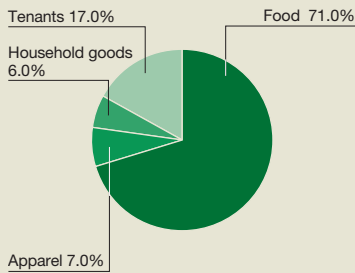
Number of stores



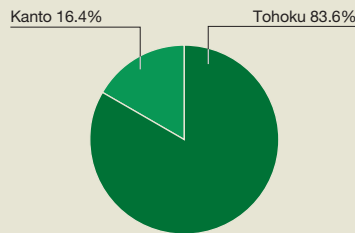
Number of employees



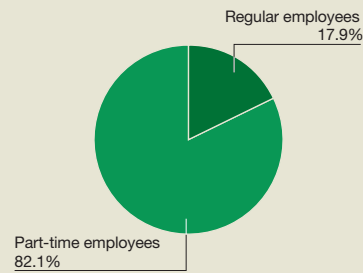
Sales by product category



Stores by region



Employees by type



Our CSR focus

- Pursuing food safety and reliability as a supermarket chain that supports daily diet of local people
- Developing products of good market value with local farmers, and thus increasing vibrancy of local communities and agriculture
- Supporting healthy development of children who will lead the future of local communities
- Enhancing our HR systems for local people who work with us as part-timers

Responsibilities as a community-based food supermarket chain

The majority of York-Benimaru customers are people living in the neighboring areas, who shop with us to buy food ingredients for their family meals. We recognize that meeting the needs of these customers by offering safe and reliable product assortment, and implementing most rigorous quality control to protect the health of customers and their families is, while basic, our most important responsibility as a food supermarket chain.

Prosperity in local communities is essential for sustainable growth of York-Benimaru, a community-based supermarket operator. We therefore have been

promoting local production for local consumption by developing products of high market value in active cooperation with local farmers, regional producers and business partners.

York-Benimaru is also convinced that successful store operations require support from local people who were born, grew up and live in the communities. For this reason, we are working to develop an appropriate HR system for those who live in the neighborhood and also work in our stores as part-timers. We are also actively involved in supportive and educational programs for local children who will lead the future of their communities.

Working with local producers to offer fresh, safe and reliable vegetables of choice

York-Benimaru delivers fresh, safe and reliable produce, harvested in local areas, to local consumers through our product assortment driven by our “local-production-for-local-consumption” policy. In this regard, we invited our contract farmers who produce the “*Mukkun-no-Oyasai*” brand vegetables (p.77), a major line of our locally produced products, to discuss the meaning of local production for local consumption and to express their expectations for York-Benimaru.

To offer not only fresh but also safe and reliable vegetables

Ohtaka (O): As a growing numbers of supermarkets carry locally produced vegetables, the idea of local production for local consumption has been attracting a lot of attention. Some restaurants and fast food stores have also started publicizing their use of local vegetables. But locally harvested vegetables are not necessarily synonymous with safe and reliable ones, are they?

Hashimoto (H): Locally produced vegetables are surely fresh, but not always safe and reliable. In this regard, I can proudly say that our vegetables are safe and reliable. We comply with the Positive List System*1 and other regulations on residual pesticides, and maintain detailed records of pesticide use history. Besides, our products meet the quality standards of York-Benimaru, which are more stringent than legal or regulatory requirements.

O: Thank you. A combination of such persistent efforts by farmers—“producers”—and strict quality management by us—“sellers”—makes locally produced vegetables quality products with freshness, safety and reliability. Of course, another quality, good taste, is also important.

Kouno (K): Since we started working with York-Benimaru, our awareness of the quality of our crops has dramatically improved. In the beginning, we struggled to attain the quality and volume levels required by your

sourcing representatives. Then at your request, we started using a fish-derived soil improvement agent, *Mukudai*, and organic compost. A couple of years later, our production started to stabilize both in terms of quality and quantity, and we have become more confident about the taste of our products.

O: *Mukudai* is said to increase soil nutrition and thus make the soil less susceptible to disease and insect damage, and more healthy and fertile. Does your hands-on experience agree with this?

Yoshida (Y): Yes. *Mukudai* has solved the dilemma I faced. My honest feeling as a producer was that chemical fertilizers were necessary for stable, mass production of vegetables. But at the same time, I knew relying too much on chemical fertilizers may cause adverse effects of continuous cropping*2 and runs counter to increasing consumers needs for organic farming. But using *Mukudai* has enabled me to reduce fertilizer usage and produce

*1 Positive List System

A system effective on May 29, 2006, to regulate residual chemicals in food, prohibiting in principle any levels of residual agricultural pesticides, veterinary pharmaceuticals contained in food (agricultural, livestock and fishery products, including processed items) and specifying the names and maximum limits of permissible residual chemicals.

*2 Adverse effects of continuous cropping

Damages to crops, such as poor growth and illness, caused by repetitive replanting of the same type of crops in the same soil



a greater volume of crops. It has also improved the taste of my products by highlighting their natural tastes and removing bitter properties. Many mothers said to me, “My kids say your vegetables are yummy.”

Other benefits of local production for local consumption: energizing local economies and reducing environmental impacts

O: Another reason why we focus on local produce, such as “*Mukkun-no-Oyasai*”, vegetables grown with *Mukudai*, and “Products with the Place of Origin Visible” is that we would like to give back to communities in which we operate by supporting farmers there. Can I hear your candid opinion about to what extent our local-production-for-local-consumption campaigns have been helpful to increase vibrancy in local agriculture?

K: Very helpful. As your buyers give us advice about what kinds of products are expected by customers and what products sell well, we feel very assured and confident in our business.

Thanks to the campaigns and advice, my group has been able to achieve reasonable profit levels, despite the facts that we can grow vegetables for only half the year because the farmlands are located at high altitude and that most our members are aged—68 years old on average.

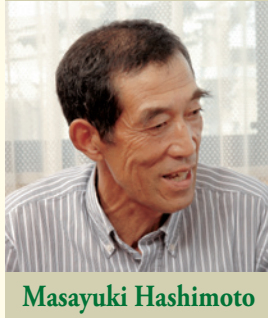
Y: Your program is also helpful in motivating us to grow good vegetables and continue in the agriculture business. I am surrounded by a number of aged colleagues who happily say, “I go to the York-Benimaru store every day to see vegetables that I grew” (laugh). Such pleasure will lead us to recognize pride and responsibility as agricultural growers.

O: For our customers, making the farmers who grew their products visible is connected to the products’ safety and reliability. For farmers, being able to see consumers’ happy faces keeps them motivated, I suppose.

Farmers in Fukushima Pref., growing *Mukkun-no-Oyasai* vegetables



Tetsuya Kouno



Masayuki Hashimoto



Seiji Yoshida

H: Selling reasonable volumes of our product within the local areas has allowed us to reduce transportation costs, which were a big burden before. This is another important advantage.

O: Stores of York-Benimaru are concentrated in Fukushima, Miyagi, Yamagata, Tochigi and Ibaraki prefectures. Such store location arrangements enable us to manage logistics efficiently, giving us a cost advantage. So does locally grown produce. In addition, promotion of locally grown products leads to reduction of environmental impacts, such as CO₂ emissions, because buying local food does not entail long distance transportation.



Zenko Ohtaka
President and COO

Building collaborative relationships and addressing various issues together

O: In closing, could I hear your expectations for York-Benimaru?

Y: It’s not an expectation exactly but I would like you to think together with us about how to deal with a bumper crop and a bad crop.

K: We do have a fresh memory of the excessive production of cabbages in December 2006. The prices of cabbages were plummeted due to the glut, and thousands of tonnes of cabbages were dumped. Our *Mukkun-no-Oyasai* cabbages were also priced much lower. It was really tough.

O: It really was. While vegetable production cannot be immune to price fluctuations, we must diligently seek solutions to secure farmers’ profit in the time of a bumper crop or a bad crop.

H: We growers are responsible for producing vegetables of choice. In return, we hope retailers, like York-Benimaru, will try even harder to find a way to make vegetables that we grow with a lot of care to be enjoyed by a greater number of customers.

Y: We really appreciate the staff of York-Benimaru, who visit our farms often, carefully listen to us and provide farming or merchandise planning advice. We would be even happier if we would be able to share ideas on sales approaches with them, as we are very interested in how our vegetables should be sold to end-customers.

O: I see. Let us work together to build such a relationship that growers like yourselves and retailers like us exchange ideas and comments with each other, to increase customers satisfaction.



Responsibilities to Customers

To ensure product safety and quality

Ensuring product traceability and developing reliable products

Amid growing public concerns over the safety of imported goods, products—especially perishables—which are clear about their origins and producers have been in higher demand. In response, we at York-Benimaru are developing traceability systems, which enable us to keep track of entire processes from production to processing, distribution and sales, and disclosing relevant product information on our website and product labels. To increase customers' confidence in food products, we are expanding our fruit and vegetable offerings that are grown with minimal use of chemical fertilizers and pesticides.

Offering information on product origins and producers on our website

On the corporate website of York-Benimaru, we have set up a section of “Origin-Visible Products at York-Benimaru” to provide selected fresh food items' information, such as place of origin, characteristics, production processes and producers. Further details can be accessed through the links to producers' websites, where available. Viewers can also trace the production history of a product they bought, simply by entering the production number printed on the product labels. Shoppers of our beef products can also check the cattle type and date of birth by entering individual identification numbers shown on the product label.

During FY 2006, the section had a monthly average of 1,016 hits. To maintain and increase the traffic level, we will continue to make timely updates and further improve the site content.



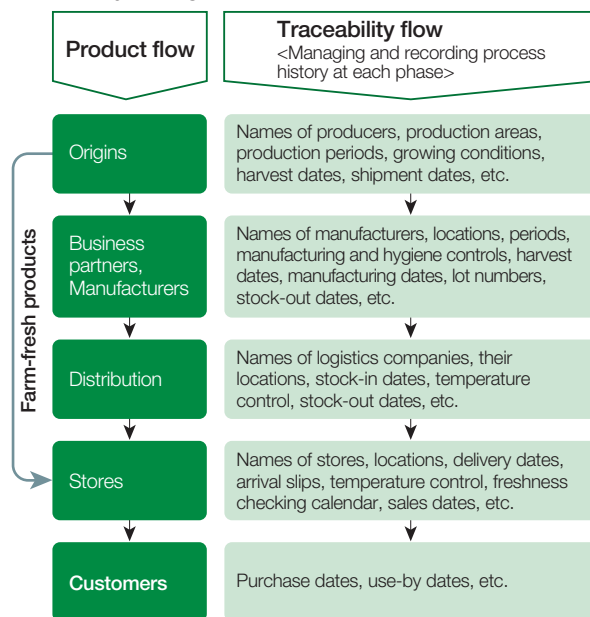
“Origin-Visible Products at York-Benimaru” website

Disclosing product information, such as producer names and agricultural environment, on sales floors

York-Benimaru is earnestly working to ensure product traceability. In cooperation with our business partners, including producers, we collect and manage product origins, cultivation environment and other relevant information. In our store, we place explanatory panels that articulate product names (e.g. “*Kuroge-Wagyu* Japanese beef, *Date-Dori* chicken, and *Katsu-Fime* red sea bream caught off Ehime Pref.), origins and characteristics near the products so that customers can obtain background information before purchase. For vegetables, names of growers are also displayed.

We will be making a greater number of our products fully traceable to ensure customers' shopping with confidence.

Traceability management at York-Benimaru



Kuroge-Wagyu Japanese beef section



Product labels include the URL to check production history

Continual improvement of product labeling through inspections from customers' standpoint

Product labeling is an important reference source for customers' product choices. It has been attracting greater customers' attention in the wake of frequent labeling frauds in recent years.

York-Benimaru launched the Labeling Improvement Project in May 2002, to ensure accurate product information delivery to our customers. Led by the team members consisting of the sales division director and the managerial members of relevant departments, we have been striving to ensure easy-to-understand, accurate product labeling.

We will continue to review and improve our labeling practices, and develop a system that supports the optimal labeling.



Inspection at the sales floor



Origin information is displayed even about unpackaged products

Expanding items of "Mukkun Series," fresh produce grown without agrochemicals to the extent possible

Wising to deliver reliable food to customers, York-Benimaru offers "Mukkun Series" fruit and vegetables grown with only minimal use of chemical fertilizers and pesticides. Some 30 *Mukkun* items, such as burdock, potatoes and bananas, are available in our stores.

Mukkun products are grown with a soil improvement agent called *Mukudai*. This soil enhancer is considered to help improve the balance of soil constituents and materialize potential fertility of the soil, resulting in good growth and yield, and little disease or insect damage.

Mukkun products were rolled out in FY 2003 by the Food Business Division and the Produce Department. As the initial launch gained great popularity from customers, we have been bolstering the supply of *Mukkun* products since FY 2005, offering a greater number of items in

larger quantities. We have also established the *Mukkun* Series certification systems in place for products that meet required standards on cultivation history, pesticides and chemical substance levels, and so on.

In FY 2006, *Mukkun* Series expanded in areas other than fruit and vegetables, both in terms of the number of items and the supply volume. *Mukkun* fruit and vegetables also grew to take up 6.2% of our overall sales in fruit and vegetables within the year. We are aiming at a target of 8.9% in FY 2007.



Section of *Mukkun* vegetables

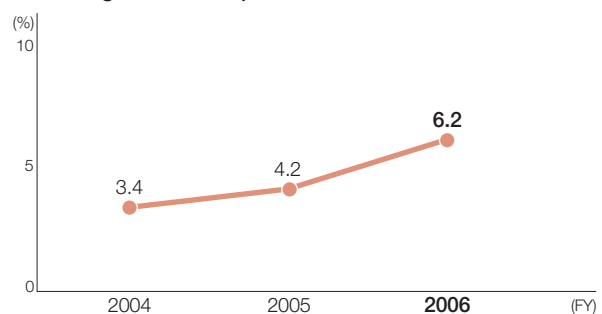


Section of prepared food using *Mukkun* vegetables



Label for *Mukkun-no-Oyasai* vegetables

Percentage of *Mukkun* products





Rigorous hygiene control

Maintaining store cleanliness and conducting thorough sanitation inspections

Our confidence in the merchandise we offer to customers is underpinned by excellent product quality and strict hygiene control both on sales floors and in backrooms. Therefore, we at York-Benimaru are all committed to the maintenance of clean store environments.

Hygiene Control Rules are set up by floor section to maintain cleanliness and tidiness of our stores

To ensure all employees understand and share the importance of hygiene control, each floor section of York-Benimaru stores has its Hygiene Control Rules which reflect section-specific characteristics. By following these rules, our store staff clean and tidy up their respective floors every day to maintain overall cleanliness and tidiness of stores.



Backroom maintaining merchandise

Thorough sanitation inspections of cooking and processing staff to prevent food poisoning

To keep York-Benimaru stores food poisoning free, all staff members of our fresh produce departments are required to take stool tests each month. In addition, employees who prepare food must fill out "Health Condition Self-Assessment Sheets" before they start the day, to prevent food poisoning viruses from being carried into processing areas. Food processing employees who are considered ill by their supervisors are not allowed to prepare food on that day.

Products cooked or processed within our store facilities are subject to monthly sampling inspections. During summer season, during which food is susceptible to poisoning, we tighten our virus detection process by undertaking hand checks of cooking and food processing staff on a random basis.



Inspecting hands and fingers of food processing personnel

Creating a safe and comfortable store

Prevention of in-store accidents and response to customers' voices

York-Benimaru strives to create safe and comfortable shopping experiences for customers. To this end, we are focusing on safety management of our stores, development of mechanisms to solicit active feedback from customers and incorporate it into our store operations, and improvement of overall customer service skills.

Preventative measures taken by all stores to eliminate accident risks from store facilities

If an accident occurs in a York-Benimaru store, our Store Operation Department or General Affairs Department takes care of the accident in response to a report from the store. But given growing public concerns over food products and diversifying causes of in-store accidents, the store manager and other management staff in the store have been increasingly expected to play greater roles in appropriately responding to the accident occurrence and accurately answering customers' related inquiries.

The headquarters of York-Benimaru thus begun collecting information and conducting case study analyses each month from October 2006, with regard to the nature of accidents which occurred during the month, how they were addressed, and what kind of problem solving procedures were taken. The collected information has been shared with all store management to draw their attention and ultimately prevent similar accidents.

Despite these measures, several car accidents happened in our parking lots from March to May 2007, caused by equipment defects.

In response, we instructed all stores to inspect their store facilities, and detect and rectify risk potentials in June 2007. The results of self-inspections and rectifying plans were documented to be distributed to all stores. In addition to increasing store-level precautionary awareness through such documents, we have intensified our crisis management systems implemented under the leadership of store managers. As a result, only nine accidents occurred during June and July 2007, a decrease of seven cases from the same period last year.

Aiming at zero accidents caused by facilities defects, our facilities design team and all York-Benimaru stores will continue to share relevant information and work closely to improve safety aspects of our store facilities.

Active solicitation of customer feedback for even better store operations

York-Benimaru has established the Customer Service Department to receive feedback, requests, complaints, and inquires from customers. What we learn through the toll-free calls from customers is communicated to all divisions in the headquarters and all our stores, so as to be incorporated into our merchandise development, product assortment, and floor arrangement, as well as service and store facilities improvement.

We have also set up “Customers’ Voice” feedback boxes in all stores to listen to customers’ daily observations on our stores. Our store staff read and discuss comments received and reply to these customers’ voices.

Taking our customer services to higher levels through the “Friendly Service” program

York-Benimaru believes that in order to please and satisfy customers who visit our stores, every member of the stores must be bright, cheerful and motivated, as well as considerate and customer-oriented. Based on this belief, the Friendly Service program has been in place since 1999, aiming at continual improvement of our customer services.

We initially targeted to achieve One-Star level, mastering basic manners in customer service, such as appropriate greeting and wording, and smiling.

About 95% or 11,000 store employees had achieved One-Star level by FY2006. We received 841 comments from customers who praised our services, up from 805 in the previous year.

Moving one step ahead, we are targeting Two-Stars practice level in FY 2007. To lead by example, our managerial members are taking the initiative to demonstrate appropriate and professional behavior in various occasions, including at the time of restocking the shelves, responding to complaints, and performing food sampling demos.



Almost all store staff have achieved One-Star level

Coexistence and co-prosperity with business partners

Collaborating with farmers and the JA agricultural cooperatives to grow premium brand vegetables

Toward mutual growth and development, York-Benimaru has been communicating and collaborating closely with business partners, including local farmers, the JA agricultural cooperatives and other suppliers to build good working relationships.

Support for local farmers who grow regional brand vegetables

Plummeting production of *Nunobiki Daikon* radishes was a major problem for farmers in Koriyama, Fukushima. Yields of this well-known regional brand vegetable had been declining sharply, due to aging growers and the crop injury and poor growth caused by continuous cropping—growing a single type of crop in the same soil over many years. Exacerbated by depressed market prices, production of *Nunobiki Daikon* in 2006 was significantly scaled back from 10 years before: the farmland acreage was reduced to one third; sales diminished to one fifth; and the number of farms who grew this brand of radishes decreased from 90 to 19.

Having heard about this plight from the JA Koriyama Konan-Nishi Branch, York-Benimaru suggested growing these radishes by adopting a new farming technique that uses *Mukudai* soil improvement agent (p.77) under contracts with us. We decided to purchase all harvested radishes in accordance with the contract, to support financial stability of local producers.

In fall 2006, experimental growing of *Nunobiki Daikon* with *Mukudai* was started, yielding good results. In FY 2007, the pilot cultivation is being undertaken by 15 farms on a larger scale. Resulting radishes are planned to be sold in our stores, mainly in the form of pickles.

Eventually, we would like to sell this quality vegetable in wider areas by utilizing the nationwide network of Seven & i Group and contribute to increasing popularity of local brand vegetables.



Nunobiki Daikon: these sweet, soft and fine textured radishes are grown in Nunobiki Plateau, located between Konan-Machi and Tenei-Mura, Fukushima.



Responsibilities to Local Communities

Supporting cultural and educational development in local communities

Nurturing young people of future generations and contributing to local development

Under the philosophy that “it is people that hold the key to the development of business and society,” we established the York-Benimaru Foundation in April 1985. Since then, the foundation has been engaged in various activities to support healthy development of future generations primarily in Fukushima prefecture, in which York-Benimaru is based.

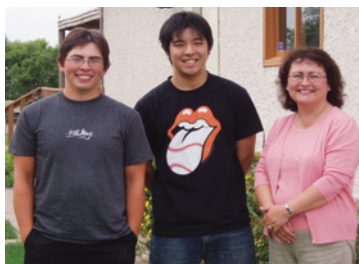
Nurturing a global mind and nutritional knowledge among young people

International exchange programs, such as high school students’ short stay in Canada

As a part of its local adolescent development programs, the York-Benimaru Foundation sends high school students in Fukushima to Manitoba Province, Canada from 1985. Each year, a group of some 20 students who are recommended by high schools in Fukushima spend four weeks in Canada—the first week is to learn language and the remaining three weeks are spent with host families, experiencing local life in Canada.

In FY 2006, 20 students participated in the program, resulting in 506 alumni in total since the inception.

Beginning in 1989, the foundation also invites children of host families in Manitoba to Japan, where



A Japanese participant and his host family (The USA-Canada International Exchange Program)



A Canadian participant and her host family (The International Exchange Program for Manitoban Students)

they then stay with their host families in Fukushima. This is another major activity of the foundation’s international exchange programs.

Organizing lectures on dietary education

In FY 2003, the York-Benimaru Foundation conducted a survey on food and health of 10,390 high school students in Fukushima. The survey revealed unhealthy eating patterns prevailing among young people—22% respondents said they sometimes skip breakfast; and many said they do not like vegetables. These results gave us a fresh reminder of the importance of food education, i.e., teaching children how to develop and maintain good health through wholesome diet.

In response, the foundation has held annual seminars on food education every February since FY 2004. Each year, about 150 home economics teachers of junior high schools and high schools in Fukushima participate in the event.

The latest lecture was delivered in February in 2007, titled “Schools can be changed by the improvement of food and lessons.” Guest speaker Mitsugu Otsuka, chairman of the board of education in Ueda City, Nagano, talked about the importance of appropriate diet in terms of the significant influence on children’s physical and mental health and development.



Lecture by Mitsugu Otsuka on proper diet



Participants listening to the lecture



Responsibilities to Employees

Hiring and promoting diversified employees

Offering various human resource programs to support female workers

Support from people who grew up and live in communities in which we are located is vital for our successful store operations. By having local people in our team who know the communities well, we are well-positioned to provide services that meet customers' needs and increase customer satisfaction. This recognition has driven York-Benimaru to develop personnel systems that accommodate various lifestyles of the local residents who work with us as part-timers. We also focus on facilitating the promotion of more women to managerial positions.

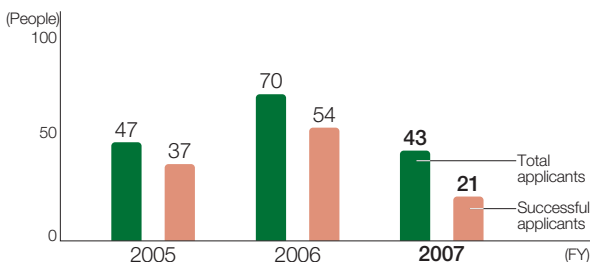
Flexible response to varied and changing lifestyles of part-timers

At York-Benimaru, there are three employment categories of store employees—1) “Partner Helper Employees” who work in specific stores to which they can commute from their homes; 2) “Expert Employees” who may be relocated within designated areas; and 3) “National Employees” who are able to work in any store throughout Japan—so that each employee can select their working style, depending on their needs and preferences. Among the three categories, National Employees are regular, full-time workers.

Since FY 1996, employees can take promotional examinations, which are conducted three times a year (Partner Helpers to Experts) or twice a year (Experts to Nationals) if their lifestyles or work preference change. In FY 2006, 54 out of 70 applicants were successfully promoted.

As part of our supportive programs to maintain and improve the motivation of employees, our part-time employees have interviews with their supervisors twice a year to discuss their work-related requests and goals. As a result of the meetings, some part-timers may be able to attend our “Management School” training program for potential managers.

Numbers of total and successful applicants for promotional examination

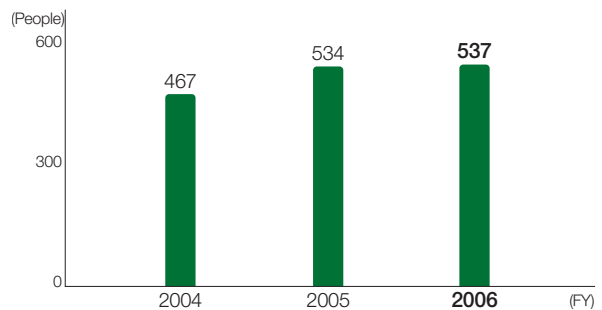


Active promotion of female workers to managerial positions

York-Benimaru has been working to increase the number of female workers in managerial positions. We hope that by having employees living in neighboring areas play active roles in store operations, we will be able to create stores that meet local needs.

Women accounted for about 30% of leadership positions at York-Benimaru as of July 2007, including two store managers, three deputy store managers, 132 general managers, 413 divisional managers, and seven sourcing representatives at the headquarters.

The number of female managerial employees



Supporting employees' parenting and nursing care under group-wide programs

At York-Benimaru, a great number of women are playing important roles, among whom many wish to work in balance with their parenting or nursing care responsibilities. To support these employees, we keep them informed about our group-wide Re-Challenge Plan programs, which include the Leave Plan that allows employees to take parental leave for up to two years and nursing care leave for up to one year, and the Shorter-Hours Plan that allows employees to reduce working hours by up to four hours.

During FY 2006, six regular employees and 32 part-time employees used these programs. These supportive plans are available for both men and women.

Users of parenting and nursing leave programs

	FY 2004	FY 2005	FY 2006
Parenting	17	46	38
Nursing care	(15)	(17)	(32)

Note: Numbers in parentheses represent part-timers



Responsibilities to the Environment

Global warming prevention

Improvement in energy-efficiency of our stores to reduce CO₂ emissions

To reduce CO₂ emissions arising from energy consumption, York-Benimaru has been working to curtail electricity, gas and heavy oil consumption. We have also been focusing on our water saving and other resource conservation initiatives and asking for customers' participation.

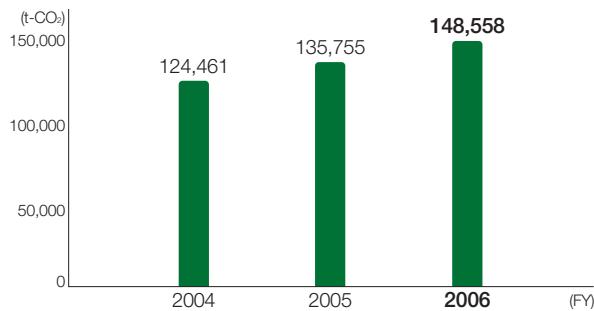
Curbing CO₂ emissions by reducing energy use

York-Benimaru strives to reduce electricity consumption in our stores by installing energy-efficient equipment, using so-called insulated "night covers" for refrigerated or freezer product display cases, and ensuring to turn off unnecessary light.

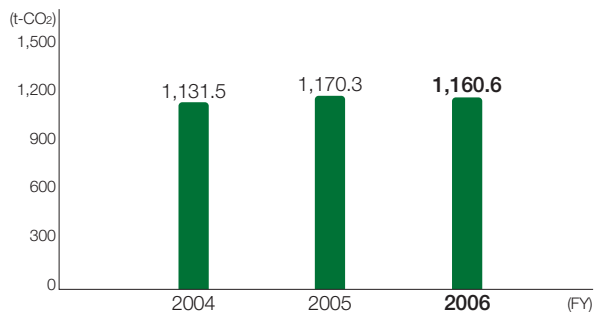
In some stores, we used heavy oil—having high environmental impact—as fuel for air-conditioning equipment, but in FY 2001 we began replacing them with new equipment that uses gas or electricity which has lower global warming potentials.

Our CO₂ emissions per store in FY 2006 were 1,160 tonnes, a 0.8% reduction from the previous year.

CO₂ emissions



CO₂ emissions per store



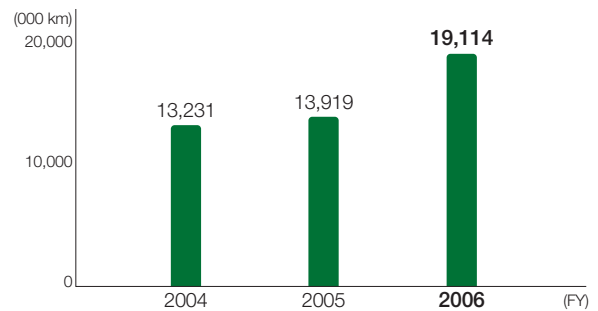
Streamlining logistics to further reduce CO₂ emissions

York-Benimaru has been working to improve the efficiency of logistics operations to reduce CO₂ emissions generated in the course of distribution.

As a part of these efforts, we established new distribution centers in Koriyama in November 2005 and in Sendai in April 2006. Having the new distribution hubs has allowed us to decrease the number of delivery trucks and the total distance required to deliver products to each store.

In FY 2006, we centralized our delivery operations. We begun delivering not only perishable food items, but frozen food (previously delivered by contract transporters) and products for subsidiaries (previously transported separately) in our own vehicles. As a result, total travel distance for our product delivery during the year increased 37.3% from a year earlier.

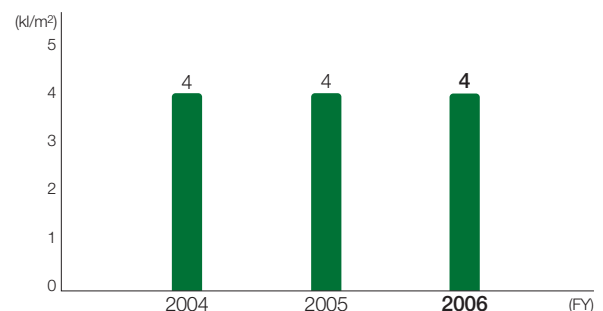
Total travel distance due to product delivery



Adopting inverter-equipped water pumps to prevent wasteful use of water resources

York-Benimaru strives to conserve finite water resources through wide-ranging efforts, from avoiding excessive use of water at restrooms to installing new equipment that helps prevent increased water usage. We have installed inverter-equipped water pumps that enable us to equalize pressure levels of water supply in advance so as to prevent unnecessary water consumption due to excessive water pressure levels.

Water consumption per floor unit



Reduction in packaging material consumption

Collaboration with customers to achieve resource-efficient containers and packaging

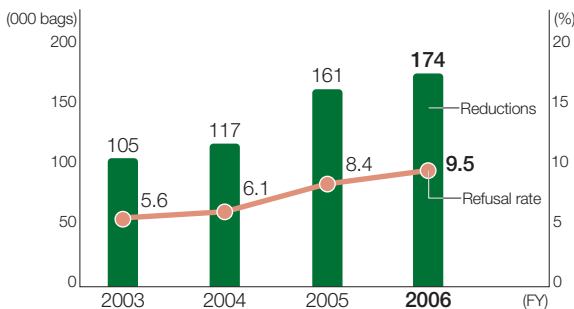
To ensure effective use of resources and help reduce household waste, we are working with our customers to reduce plastic shopping bag usage and to make our plastic bags thinner. We are also focusing on reducing food tray consumption and practicing simplified gift-wrapping.

Implementing various measures to reduce shopping bag consumption

Plastic shopping bags provided at York-Benimaru have become 10% thinner since October 1999. We also encourage customers to use their own bags, rather than store-supplied bags. In our stores, we sell “My Bag” and “My Basket” products, and raise customers’ awareness through poster displays and in-store announcements. Furthermore, aiming at effective reduction of plastic bag consumption, we conducted a pilot program for paid-for plastic bags in York-Benimaru Yamatomachi Store in Sendai, Miyagi, which recorded a relatively high shopping bag refusal rate, 12.1% in FY 2006. This experiment, selling a large size bag at five yen, was carried out for the three months from June to August 2007 under an agreement with Sendai City.

During that period, the average refusal rate reached 76.9%, exceeding the 60% initial target. Together with other elements, such as store traffic and reduction levels of shopping bags during the period, we will consider future steps, including resumption and continuation, and improvement of this paid-for shopping bag initiative.

Refusal rate (average of all stores) and number of reduced shopping bags per store



“Eco Stamp Cards” rewarding one stamp for each refusal of shopping bag. Collection of 15 stamps is converted to a 100-yen-value coupon. Through this program, 22.376 million shopping bags were saved during FY 2006.

Recycling activities

Food waste recycling at all stores

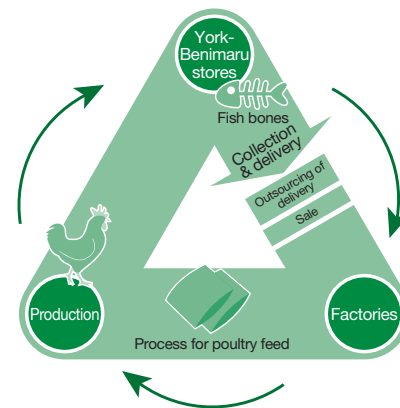
In compliance with the Food Recycling Law, we have strived to reduce and recycle food waste. We have also focused on collection and recycling of milk cartons, food trays and other containers and packaging materials.

Recycling of food waste generated from in-store processing facilities

In the course of daily store operations, we generate various kinds of food waste, including inedible parts of fish, fruit and vegetables from the kitchens; employees’ leftovers; and unsold food products. We sent bony parts of fish, constituting about 20% of the overall raw refuse, to our contract vendors to make poultry feed. The resulting feed is used in our contract hen farms, which raise our private-label *Kenyo-Ran* eggs sold in all York-Benimaru stores.

In FY2004, York-Benimaru achieved a 20.1% food waste recycling rate, meeting the required rate of 20.0% or more under the Food Recycling Law (effective in May 2001). Since then, we have been constantly recycling food waste at higher than statutorily required levels.

An example of food recycling flow (inedible parts of fish)



Weight of waste disposed and recycled per store

