

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Approach to Material Issues

The Seven & i Group operates around 20,000 primarily retail stores throughout Japan, and deals with numerous products. We believe that reducing the energy consumption and waste material generated by the Group's business activities will make a significant contribution toward realizing a sustainable society.

At the same time, such efforts are also of great value to the Seven & i Group as they will additionally help to reduce waste, product and raw material costs, together with energy costs. We have therefore positioned elimination of waste in products, raw materials, and energy throughout the entire value chain one of our most material issues, and we are taking measures to address it.

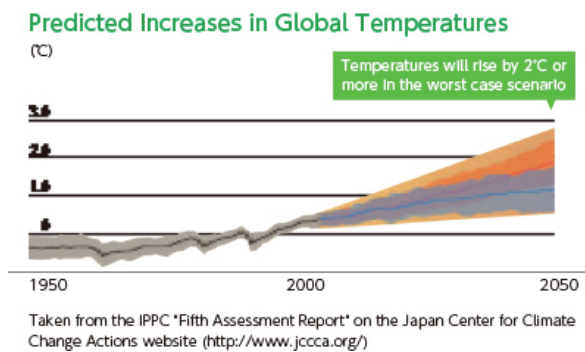
■ Relevant Policies

- ▶ Environmental Guidelines / Environmental Rules
- ▶ Seven & i Holdings Environmental Declaration / Fundamental Polices Relating to Measures to Contribute to the Prevention of Global Warming
- ▶ Business Partner Action Guidelines

Background to Material Issues

Climate Change

Environmental issues are a global concern. Manifestations of climate change, such as rising sea levels, erratic weather, and damage to primary industries, pose serious threats to future generations. An Intergovernmental Panel on Climate Change (IPCC) report states that global warming is "beyond doubt," and if current trends continue, the worst case is that temperatures will rise by 2° C or more by 2050, with CO₂ emissions considered to be the major cause.



Food Waste

In 2014, the global amount of food aid reached approximately 3.2 million tons. The increase in the global population and abnormal weather have given rise to food shortages with one in nine people now estimated to suffer from chronic hunger. By comparison, over 17 million tons of food is wasted every year in Japan. Of this, 6.32 million tons is food loss—food that is likely to be still edible, such as half-eaten food or food that has passed its expiry date.



Promotional Framework for Material Issues

In response to this material issue, the CSR Management Committee, led by the president, and its subordinate Environmental Subcommittee, work together with the Group companies and related departments to promote initiatives to reduce CO₂ emissions and make effective use of limited resources through business activities. These activities are supervised by the Seven and i Holdings executive officer in charge of Corporate Communication.

Contribution to SDGs

In addressing these material issues, Seven & i Holdings contributes to achieving goals 7, 12, and 13 of the Sustainable Development Goals (SDGs) by reducing CO₂ emissions and waste of food products and so forth.



Seven & i Holdings' Initiatives

Environmental Management

In addition to establishing a system of environmental management, Seven & i Holdings is striving to attain a proper grasp of its environmental impact through third-party audits of CO₂ emissions.

[> More](#)

Initiatives to Realize a Low-Carbon Society

Seven & i Holdings has set CO₂ emissions reduction targets and is promoting energy conservation initiatives, aiming at the realization of a low-carbon society with significantly reduced CO₂ emissions, which are a major cause of global warming.

[> More](#)

Reducing Environmental Impact in the Supply Chain

Seven & i Holdings is focusing on initiatives to reduce its own environmental impact as well as working together with its business partners to reduce environmental impact across the entire supply chain.

[> More](#)

Promoting Food Recycling

Seven & i Holdings is promoting the initiatives with the important theme of reduction and recycling of food waste.

[> More](#)

Effective Use of Resources

Seven & i Holdings is not only working to reduce waste emissions associated with store operations, but is also working with cooperation from customers and business partners to reduce container and packaging materials used for supplying products, and to reduce and recycle container and packaging materials after customers have used them.

[> More](#)

Introduction of Environmentally-Friendly Packaging

Seven & i Holdings is introducing eco-friendly product containers and packaging that use recycled materials or materials that have a low environmental impact, such as biodegradable materials.

[> More](#)

Internal and External Communication

Seven & i Holdings is working to raise the awareness of Group employees by providing them with environmental education and other initiatives. At the same time, it is emphasizing communication with customers, external environmental organizations and so forth.

[> More](#)

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Environmental Management

To fully implement its initiatives to reduce its environmental impact, Seven & i Holdings is establishing a system of environmental management and striving to attain a proper grasp of its environmental impact through third-party audits of CO₂ emissions.



ISO 14001 Acquisition

Seven & i Holdings aims to reduce its environmental impact. To this end, we are promoting acquisition of the international standard ISO 14001, and we conduct annual internal audits at the operating companies that have the certification. Sogo & Seibu became the first in the department store sector to acquire ISO 14001 certification in 1999, and has maintained it continuously at all business sites. Furthermore, SEJ acquired the certification at the end of February 2015 for its offices and directly managed stores throughout Japan. Seven & i Food Systems also acquired the certification in February 2015, and IY Foods in February 2016. The sales ratio of the operating companies that have obtained ISO 14001 certification is approximately 51% of the Group's net sales.

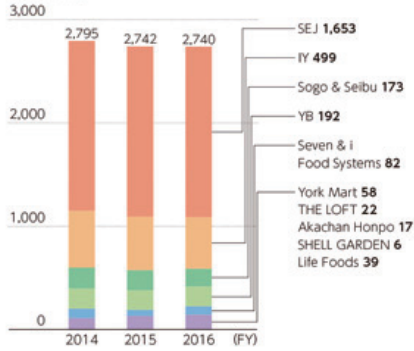
Third-Party Audit of CO₂ Emissions

To correctly assess and verify the initiatives taken to reduce environmental impact, Seven & i Holdings has undertaken third-party audits of CO₂ emissions from store operations at the 11 main Group operating companies*¹ every fiscal year. The sales of the 11 audited companies account for about 95% of the Group's total. The CO₂ emissions associated with store operations in the fiscal year ended February 28, 2017 were 122,946 tons for Scope 1, and 236,539 tons for Scope 2. Moreover, in the fiscal year ended February 28, 2018, we are also receiving third-party verification of our data for the Category 1 emissions of SEJ, which accounted for about 44% (9,137,077 tons) of the Scope 3*² emissions for the fiscal year ended February 28, 2017, thereby helping to improve the accuracy and reliability of the quantitative data internally and externally.

- *1. Eleven companies included: SEJ, IY, Sogo & Seibu, YB, York Mart, Seven & i Food Systems, Akachan Honpo, THE LOFT, SHELL GARDEN, Life Foods, and 7-Eleven, Inc. The data for the fiscal year ended February 28, 2012 comes from 5 companies, the data for the fiscal year ended February 28, 2013 from 10 companies, including 7-Eleven, Inc. in the U.S., and the data for the fiscal year ended February 28, 2017 from 11 companies including Life Foods.
- *2. Scope 3: CO₂ emissions other than those from the company, emitted from its procurement of raw materials and products, transportation, and product use, together with CO₂ emissions from waste disposal processes

CO₂ Emissions*

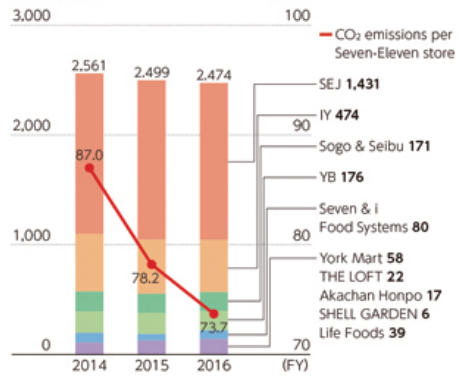
(1,000 t-CO₂)



* CO₂ emissions from store operations plus CO₂ emissions caused by the use of energy for logistics and Head Office activities. For calculation methods, please see the data posted on the website.
From the fiscal year ended February 28, 2017, we have added the CO₂ emissions derived from the use of energy by the Head Office, stores and factories of Life Foods.

CO₂ Emissions Resulting from Store Operations*

(1,000 t-CO₂)



* For calculation conditions, please see the data posted on the website.
From the fiscal year ended February 28, 2017, we have added the CO₂ emissions from the stores and factory operations of Life Foods.



Third-Party Verification Report

Third-Party Verification Report

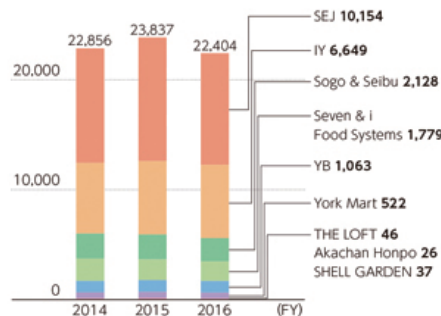
Management of Water

At each store of the Seven & i Group, in addition to the daily efforts made to conserve water, water-conserving faucets and energy-saving flushing toilets are also being introduced. Furthermore, through utilizing rainwater and so forth, we are working to reduce the volumes of water used.

Water Usage Resulting from Store Operations

(1,000 m³)

30,000



Management of CFCs

At Seven & i Holdings stores, devices using CFCs are replaced with ones using CFC alternatives during remodeling and so forth. Moreover, in compliance with the Act on the Protection of the Ozone Layer Through the Control of Specified Substances and Other Measures, which was implemented in April 2015, devices undergo regular inspections and leakage assessments required by the government. Devices using CFCs are disposed of by professional companies in compliance with the law, and stores receive collection certificates from these contractors as proof of appropriate disposal.

Substitute CFCs include HCFC (hydro chlorofluorocarbon), production of which is to be banned in advanced countries by 2020. As this will require a changeover to another type of substitute, we also plan to further promote the introduction of non-CFC devices in freezing and refrigeration devices used at our stores. At SEJ, refrigeration devices that utilize CO₂ refrigerants have been introduced at 146 stores (as of February 28, 2017), and we are trialing them at 5 IY stores.

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Initiatives for Realizing a Low-Carbon Society

Seven & i Holdings is taking steps to reduce CO₂, the main cause of global warming, and to realize a low-carbon society with dramatically reduced CO₂ emissions. We have set reduction targets for CO₂ emissions and are promoting energy saving initiatives.



CO₂ Reduction Targets for CO₂ Emissions

Seven & i Holdings is increasing store numbers as it expands business. In the fiscal year ended February 28, 2014, the Group set a CO₂ emission reduction target that represents a 10% reduction from the projected CO₂ emissions in the fiscal year ending February 28, 2018, under the same level of environmental measures set for the nine Japanese operating companies*¹ in the fiscal year ended February 29, 2012*².

※1. Included companies: SEJ, IY, Sogo & Seibu, YB, York Mart, Seven & i Food Systems, Akachan Honpo, THE LOFT, and SHELL GARDEN

※2. Calculated based on emissions coefficients for the fiscal year ended March 31, 2011, provided in the Act on Promotion of Global Warming Countermeasures.

▶ [Details of CO₂ emissions amount data can be found here](#)

Promoting Introduction of Energy-Saving Equipment at Stores

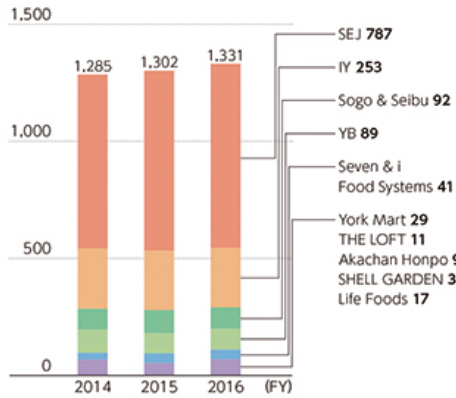
About 90% of CO₂ emitted by Seven & i Group companies is attributable to the use of energy for in-store lighting, store signboards, and air conditioning, which are all indispensable for the operation of its stores. Therefore, we aim to control our environmental impact increase proportionately to the increase in store numbers and size and the enhancement of products and services by installing energy reducing equipment such as LED illumination and solar panels when we open new stores or refurbish existing ones.

For example, at 7-Eleven stores, we are promoting environmentally friendly store creation by converting all types of lighting to LED, including store signage, sales area lighting, and sign poles. In 2014, we introduced new specification LED lighting that can further reduce electricity usage by approximately 50%. In addition, we have made progress with installing solar panels, which are now installed at 7,809 stores (as of February 28, 2017).

At IY as well, to reduce the load on the environment from store operations, LED lighting has been installed at almost all stores, and solar panels have been installed at 13 stores (as of February 28, 2017).

Total Energy Usage

(Thousand kiloliter of heavy oil equivalent)

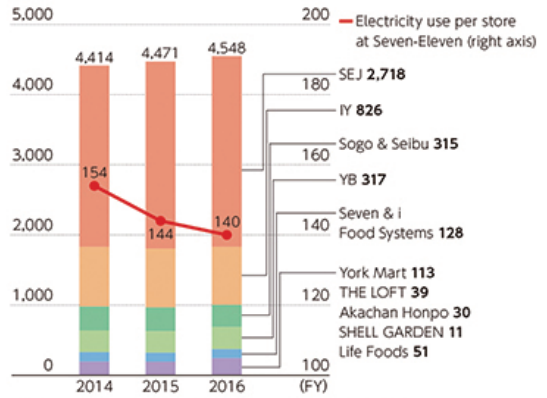


*Life Foods was included in the fiscal year ended February 28, 2017

Electricity consumption in store operations

(GWh)

(MWh)



*Life Foods was included in the fiscal year ended February 28, 2017



LED lights



Solar panels

Main investments in environmental equipment - cost and effect (FY2017)[※]

Environmental investment (¥ million)	Environmental expenses (¥ million)	Environmental expenses (¥ million)	CO ₂ reduction effect (Ton)
4,504	118	389	45,160

※Totals for nine companies: SEJ, IY, Sogo & Seibu, YB, York Mart, Seven & i Food Systems, Akachan Honpo, THE LOFT, and SHELL GARDEN

Smart Sensor Installation

Some 7-Eleven stores have had smart sensors installed. A smart sensor is installed on the store's electricity distribution board, enabling the volume of electricity used by equipment in the store to be monitored in real time. This helps to save energy by enabling staff to visualize which equipment in the store is using electricity, how much is being used, and when, so that they can identify issues with equipment use.

Stores with Hydrogen Stations

SEJ has signed a comprehensive agreement with Iwatani Corporation regarding the installation of hydrogen stations together with convenience stores. In March 2017, the companies opened a store with a hydrogen station in Sendai, Miyagi Prefecture, bringing the total number of hydrogen-station stores to three with the existing stores in Ikegami, Ota-ku, Tokyo Metropolis and Kariya City, Aichi Prefecture.

Looking ahead, we will install pure hydrogen fuel cells at the 7-Eleven stores with hydrogen stations and conduct a trial test on the environmental impact reduction to verify the potential for the use of fuel cells in stores. The project also aims to promote the creation of "close-by, convenient stores" that are closely tied to local communities, while creating sites that can serve as social infrastructure able to provide products, services, and clean energy at a single point.



7-Eleven store with hydrogen station at Ota-ku Ikegami 8-chome

Installation of Electric Vehicle Chargers

Seven & i Holdings and NEC Corporation have installed 2,500 chargers for electric vehicles (EVs) and plug-in hybrid vehicles (PHVs) as of February 28, 2017 in parking lots at 48 stores in Japan, including IY, Ario, and Sogo & Seibu department stores to provide a fee-based charging service. Payment for the service is made with a charging card issued by Nippon Charge Service LLC, a joint venture established by four Japanese automakers, as well as credit cards.

This project is the largest scale introduction of EV and PHV chargers ever attempted in Japan. The initiative aims to increase the convenience of the commercial facilities and establish a pattern for using EVs and PHVs of charging them while shopping. It also aims to contribute to the realization of a low-carbon society by promoting the spread of environmentally friendly, next-generation cars.



Electric Vehicle Charger

Climate Change Risks, and Measures for Adaptation and Mitigation

Seven & i Holdings is affected by various risks related to climate change. These include regulatory risk from tighter regulations in Japan and overseas, physical risk from the occurrence of major disasters, and judgment risk, in which changes in consumer purchasing behavior due to the climate and response to weather fluctuations become the standards for evaluating companies. In particular, the impact from changes in temperature and the occurrence of major natural disasters extends beyond damage to store equipment and distribution networks, restrictions or halts to trading, and sales opportunity loss; it can also affect Group companies' product suppliers and raw material prices. Climate change is therefore a risk factor for all aspects of operations, from product development and production to distribution, store operations, and product lineups. Seven & i Holdings therefore recognizes that quickly building and implementing a business model that can cope with weather and climate change is important for maintaining growth.

Our enduring concern around weather and temperature change is reflected in our daily ordering activities and sales floor formation. In product development and lineups as well, we strive to provide products that meet customers' needs by establishing a hypothesis based on weather changes over several months. At the same time, we will respond carefully to changes in customers' purchasing behavior driven by abnormal weather and temperature changes driven by climate change.

The "Seven Farm" environmental recycling-oriented agriculture initiative of IY buys the entire quantity of harvested produce, including non-standard items. This enables us to procure and sell vegetables steadily regardless of market trends. In this way, we are also addressing the aspect of stable product procurement. These Seven Farms are located in 12 places throughout Japan, covering approximately 200 ha in total. (As of February 28, 2017).

In addition, Seven & i Holdings is establishing systems to prepare for disasters associated with sudden weather phenomena, such as the numerous incidents of heavy rain and landslides that have occurred recently in Japan. For example, we have distributed booklets to regular employees summarizing how to respond in an emergency, and we have also been holding regular simulation drills using teleconferencing systems and so forth. Furthermore, Seven & i Holdings is constructing 7VIEW (Seven Visual Information Emergency Web), a system that enables provision, sharing, and joint use of disaster information. The system gathers together information from within the Group and through cooperation with business partners.

Measures to mitigate climate change include various initiatives related to reducing our environmental impact, such as energy conservation and use of renewable energy at stores, along with forest maintenance and related activities throughout Japan.

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Reducing Environmental Impact in the Supply Chain

Seven & i Holdings is focusing on reducing its own environmental impact as well as working together with its business partners to reduce environmental impact across the entire supply chain. For example, we are promoting various initiatives such as working together with original product manufacturing plants and delivery service providers and others to save energy at factories and introduce eco-friendly vehicles.



Scope 3_{※1} Calculation

Seven & i Holdings is working to reduce CO₂ emissions and evaluate its environmental impact at every stage from the supply chain through to sales and consumption, as stated in its Fundamental Policies Relating to Measures to Contribute to the Prevention of Global Warming. To this end, we have calculated the CO₂ emissions ("Scope 3") throughout the entire supply chain following the "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain Ver. 2.1." of the Ministry of the Environment. For the fiscal year ended February 28, 2017 we calculated emissions for 10 major Group companies_{※2}. The results showed that Scope 3 emissions accounted for almost 90% of the Group's overall emissions, and of these, around 80% originated in the raw materials procurement process. We will analyze this calculation result and use it to achieve further reductions of CO₂ emissions across the entire supply chain.

※1. "Scope 3": CO₂ emissions other than those from the company, emitted from its procurement of raw materials and products, transportation, and product use, together with CO₂ emissions from waste disposal processes

※2. SEJ, IY, Sogo & Seibu, YB, York Mart, Seven & i Food Systems, Seven Bank, Akachan Honpo, THE LOFT, and SHELL GARDEN

Breakdown of Greenhouse Gas Emissions throughout the Supply Chain in the Fiscal Year Ended February 28, 2017 (Totals for 10 companies)

Category	Composition ratio	
	Scope 1	Scope 2
Scope 1	0.5%	
Scope 2	11.3%	
Scope 3 Categories 1-15 (total)	88.2%	100.0%
Category 1 (Purchased goods and services)		85.1%
Category 2 (Capital goods)		3.5%
Category 3 (Fuel-and-energy-related activities not included in Scope 1 or 2)		1.0%
Category 4 (Upstream transportation and distribution)		1.6%
Category 5 (Waste generated in operations)		0.4%
Category 6 (Business travel)		0.1%
Category 7 (Employee commuting)		0.2%
Category 8 (Upstream leased assets)		0.01%
Category 9 (Downstream transportation and distribution)		0.2%
Category 10 (Processing of sold products)		-
Category 11 (Use of sold products)		0.5%

Category 12 (End of life treatment of sold products)		6.2%
Category 13 (Downstream leased assets)		1.3%
Category 14 (Franchises)		–
Category 15 (Investments)		–
Total of Scopes 1, 2 and 3	100.0%	

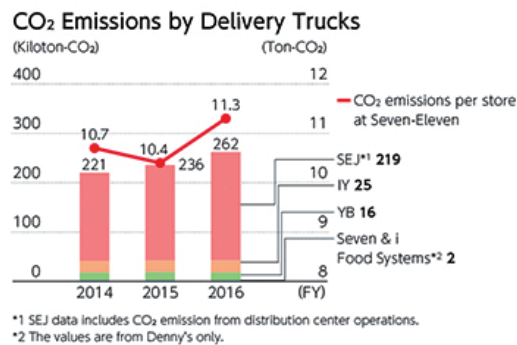
Environmental Consideration in Leased Vehicles

At SEJ, Operation Field Consultants, who support franchised store management, use leased vehicles to visit franchised stores. Since the fiscal year ended February 28, 2017, we have been phasing in hybrid vehicles for these leased vehicles. In the fiscal year ending February 28, 2018, we plan to replace about 1,200 of our leased vehicles with hybrid models, with an anticipated CO₂ emission saving of around 1,680 tons.

Reducing CO₂ Emissions from Deliveries

Seven & i Holdings is asking its partners who deliver products to stores to cooperate with efforts to introduce eco-friendly vehicles, improve fuel efficiency, and reduce store delivery frequencies. Furthermore, progress is also being made in fitting trucks with drive-data terminals that record driving status. Data collected from the terminals is used to provide driver instruction and eco-driving seminars.

CO₂ Emissions by Delivery Trucks

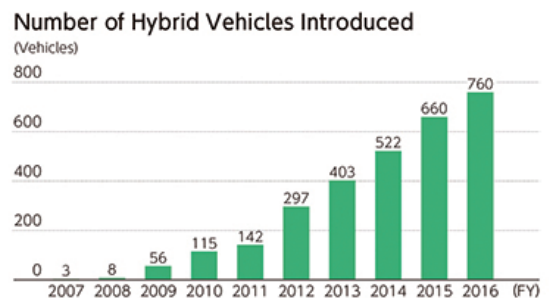


Introduction of Eco-Friendly Vehicles

We are replacing delivery vehicles with hybrid trucks at SEJ. These are capable of recuperating energy generated during deceleration and then using it as secondary power to drive motors when pulling away and accelerating. Through this technology, we hope to realize fuel-efficiency improvements and reduced CO₂ emissions, etc. There are 5,703 delivery vehicles in the fleet, as of May 31, 2017, and hybrid trucks account for 760 of these. We plan to replace 20% of the total fleet with eco-friendly trucks by 2020.



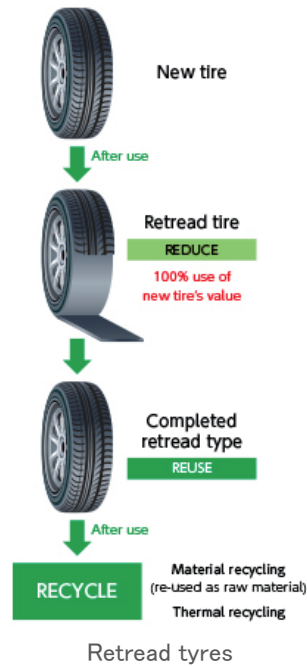
Hybrid Trucks



Promoting Introduction of Eco-Friendly Tires

SEJ is promoting the introduction of eco-friendly tires with low rolling resistance for delivery vehicles. As of May 31, 2017, we have installed eco-friendly tires on 5,652 delivery vehicles, representing approximately 99% of the total fleet. Moreover, SEJ has also introduced retread tires to 9,449 vehicles*1., as of May 31, 2017. These tires are made from tires that have finished their service life by removing a certain amount of the rubber surface that contacts the road and applying new rubber and tread. In this way, they can be re-used as rear tires for delivery vehicles. SEJ will promote the use of retread tires to contribute to resource conservation and waste reduction by reusing them.

*1. Tires may be removed and refitted several times for each vehicle, so the number is the total number of vehicles.



Introduction of Energy-Saving Equipment at Distribution Centers

SEJ is promoting efforts to reduce wasted power usage at its distribution centers by introducing “demand controllers” that monitor the electricity usage of each unit of equipment and apply controls to the equipment in use to ensure that the usage does not exceed a certain range. As of May 31, 2017, the controllers have been introduced at 71 of SEJ’s 151 distribution centers.

Promoting Environmental Information Management at Manufacturing Plants

SEJ has its original daily products manufactured by several contract manufacturers. These manufacturers have organized the Nihon Delica Foods Association, which reports on the CO₂ emissions, waste emissions, and the food recycle rate associated with plant operations. We work to ascertain environmental information shared by our contract manufacturers and hold study seminars in conjunction with the Environment Countermeasures Committee of the Nihon Delica Foods Association, where we share environmental measures such as energy-saving with each manufacturer in an effort to reduce energy use at their plants.

Business Partner Action Guidelines and CSR Audit

To ensure that it meets its social responsibilities on matters such as human rights, labor issues and the environment, Seven & i Holdings formulated the Business Partner Action Guidelines and asks business partners to understand and implement them. The guidelines cover compliance with environmental laws and regulations, as well as consideration for climate change, biodiversity, and sustainable procurement.

Since the fiscal year ended February 28, 2013, we have had CSR audits conducted by third-party inspections organizations at the manufacturing plants of our private brand suppliers in developing countries. The CSR audits include inspections of environmental aspects, such as compliance with environmental laws and regulations, management of effluent and chemical substances, and promotion of energy-saving and environmental protection activities.

➤ [Further details about the Business Partner Action Guidelines can be found here](#)

➤ [Further details about CSR audits of business partners can be found here](#)

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

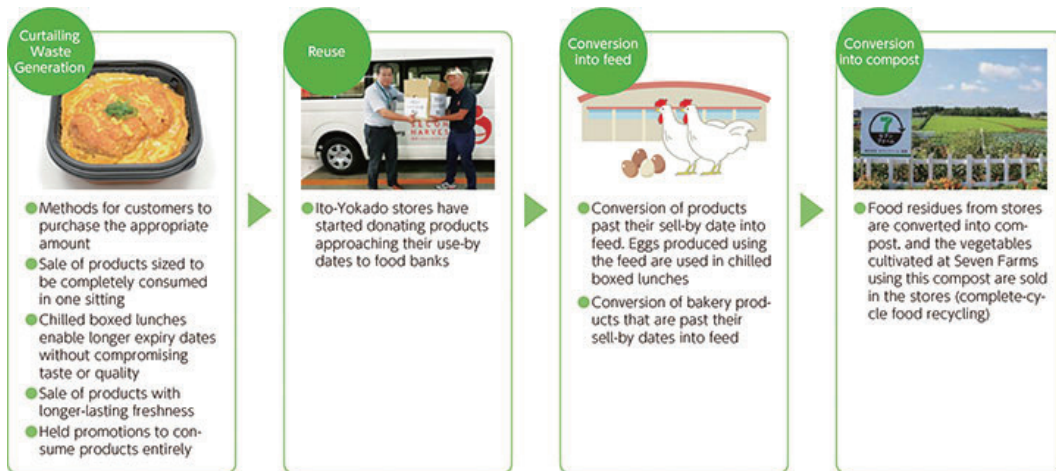
Promoting Food Recycling

At Seven & i Holdings, food products account for a large portion of net sales. With this in mind, we have been advancing measures based on the key themes of reducing food waste and promoting recycling.

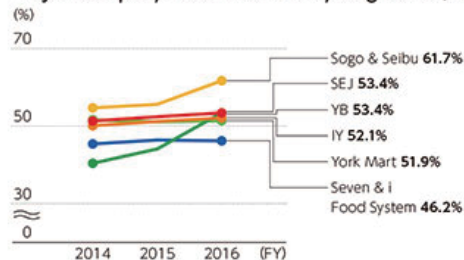


Our Approach to Food Waste

Our priorities for reducing food waste are to curtail the generation of waste, promote the reuse of waste, convert waste into feed and fertilizer and recover heat. The Seven & i Group is currently conducting initiatives centered on converting waste into feed and fertilizer. For example, IY has been engaged in “recycling-oriented agriculture” since 2008. Under this system, food residue generated by IY stores is composted and used by Seven Farms to grow vegetables. These vegetables are then sold at IY stores. Looking ahead, we will continue to establish these recycling systems in each region, with a view to enhancing the recycling rate. We are also taking steps to curtail the generation of waste, including innovating sales methods and developing products with longer-lasting freshness. Looking ahead, we will continue to advance innovative initiatives to prevent the generation of food waste, such as by developing new products and services. Another crucial priority is to promote the reuse of waste. We will strengthen our hand in this area by considering the use of food banks and other measures.



Major Company Food-Waste Recycling Rates (FY2017)



Reducing Food Waste

In order to reduce food waste, the Seven & i Group has been innovating its sales methods, products and other aspects of business in various ways. For example, IY has introduced sales methods such as selling individual loose items and selling by weight, enabling customers to purchase products only in the amounts they need. In addition, SEJ has developed chilled boxed lunches that have longer expiry dates than conventional products, without compromising taste or quality. This has been achieved by revising ingredients, manufacturing processes, and temperature control methods. SEJ is also working to reduce food waste by developing products with longer-lasting freshness in the categories of bread and sozai prepared dishes.

In other areas, Seven & i Food Systems has been implementing measures to reduce food leftovers at Denny's restaurants, such as providing menus offering dishes with smaller servings that can be finished comfortably without leftovers, supplying take-home boxes for any leftovers, and holding a campaign in collaboration with municipalities to encourage people to enjoy eating everything on their plate.

Installing Systems to Treat Garbage

At IY, a "biodegradable garbage processor" system that breaks down garbage using microorganisms was introduced in October of 2011 and has been installed in 24 stores as of the end of February 2017. Through the power of microorganisms, the devices break down into water and CO₂ garbage that is ill-suited to recycling (such as highly fibrous substances, etc.). This process results in reduced CO₂ emissions compared to incineration processing, and it offers an effective reduction of waste volumes.



Garbage processor

Converting Food Waste into Feed and Fertilizer

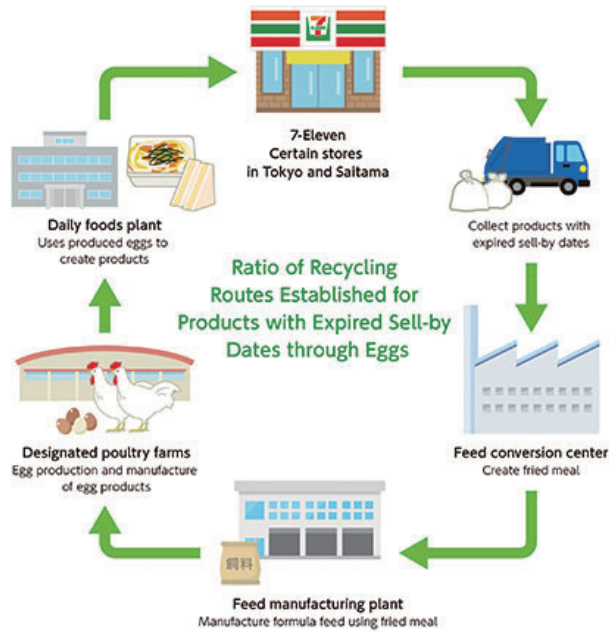
SEJ has been promoting "Eco Distribution^{*1}" since 1994 as a system for appropriate processing and recycling of waste. Under this system, we work to recycle food products that have passed their sell-by dates into feed and fertilizer. The system is operating in 27 prefectures in Japan. In the fiscal year ended February 28, 2017, the combined recycling rate for products that had passed their sell-by dates and discarded food oil was 53.4%.

Certain 7-Eleven stores in Tokyo and Saitama Prefecture have established routes within their supply chains for recycling products with expired sell-by dates discarded from stores into recyclable resources. The expired products are collected from the stores and converted into fried meal, which is used to manufacture formulated feed^{*2}. The formulated feed is fed to chickens at designated poultry farms and the eggs produced are used as a raw material in boxed lunches.

*1 Eco Distribution: 7-Eleven's original waste recycling system.

A recommended waste disposal provider for franchisees in each region collects all of the waste from 7-Eleven stores for appropriate processing and recycling.

*2 The products with expired sell-by dates that are used to manufacture formulated feed are recognized as safe raw materials in Japan because they have been licensed by the Ministry of Agriculture, Forestry and Fisheries for use as feed. The feed manufacturers manufacture and sell feed that complies with the BSE Guidelines issued by the Ministry of Agriculture, Forestry and Fisheries.



▶ More details on 7-Eleven initiatives can be found here (Japanese only)

Recycling-Oriented Farms (Seven Farms)

In August 2008, with the aim of enhancing the recycling rate and revitalizing local agriculture, IY established “Seven Farm Tomisato” as an agricultural production corporation in Tomisato City, Chiba Prefecture, thereby becoming the first player in the retail sector to engage in “recycling-oriented agriculture.”

“Recycling-oriented agriculture” is a system for composting food residues (garbage) generated by IY stores and using it at Seven Farms. The produce that is grown at the farms is then harvested and sold at the stores from which the food residues were generated. In January 2017, the 12th agricultural production corporation Seven Farm in Japan, was established in Ota City, Gunma Prefecture.

Seven Farms Outline



Seven Farm

▶ More details on Seven Farm can be found here (Japanese only)

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Effective Use of Resources

Depletion of resources such as oil has become an issue. Seven & i Holdings is working to reduce waste emissions associated with store operations, as well as working with customers and business partners to reduce container and packaging materials used for supplying products and to recycle them after they are used by customers.



Reducing Waste Resulting from Products

IY is working to curtail the generation of waste and to promote reuse and recycling with a view to reducing waste emissions. For example, in product deliveries, we recommend the use of reusable containers and the use of hangers for delivery of apparel as a way of cutting down on the use of packaging and cardboard. At stores, we promote understanding of recycling, and store employees are encouraged to rigorously sort waste for recycling purposes.



Reusable containers for store deliveries

Reuse of Fixtures and Building Materials from Closed Stores

When 7-Eleven stores are to be rebuilt or closed, rather than disposing of the product shelving, fixtures, chiller cases, and lights, they are reused at other stores. In the fiscal year ended February 28, 2017, 49,409 items of store equipment were recovered and reused. Furthermore, reusable steel frames and recyclable sashes are used in construction of stores to reduce the amount of waste produced during store demolition.

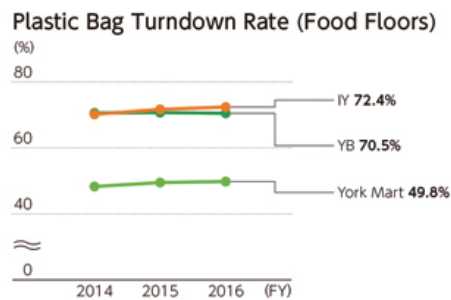


Innovating Sales Methods to Reduce Containers and Packaging

At IY, YB, and York Mart, we have devised sales methods for fresh food and delicatessen items that reduce the use of containers and packaging, such as selling by weight or selling individual loose items. In our delicatessen sales areas, we are increasingly using paper bags rather than plastic containers for selling items such as croquettes and fried chicken. In other areas, some fresh meat sales areas have adopted the method of packing meat for sale in plastic bags without a polystyrene tray.

Reducing the Use of Disposable Plastic Bags

The Seven & i Group promotes the reduced use of disposable plastic bags by asking customers whether they need a bag at the register, displaying posters and POP signs, and holding events to encourage customers to bring their own shopping bags when shopping at stores. Moreover, IY has discontinued the free distribution of plastic bags on the food floors of all its stores and YB has followed suit at around 90% of its stores. SEJ is working to introduce biomass polyethylene shopping bags.



Resource Recovery at Stores

The Seven & i Group is promoting an important initiative to recover and recycle empty containers and other materials from its products. Every Group company cooperates with customers and local governments to recover resources such as bottles, cans, polystyrene, milk cartons, and PET bottles at stores in accordance with local waste disposal sorting rules. Recently, some stores of the Group have also been cooperating with local governments to recover small electrical appliances, which have been drawing attention as "urban mines." For example, IY's Kasai Store hosted the event "Creating Products from an Urban Mine - Medal Project for Everyone" held by the Ministry of the Environment in February 2017. Currently, 10 stores have a permanent recycling box for small home appliances (as of February 2017), and are working to increase awareness among local residents and to collect materials.

Installing Automatic PET Bottle Collection Machines

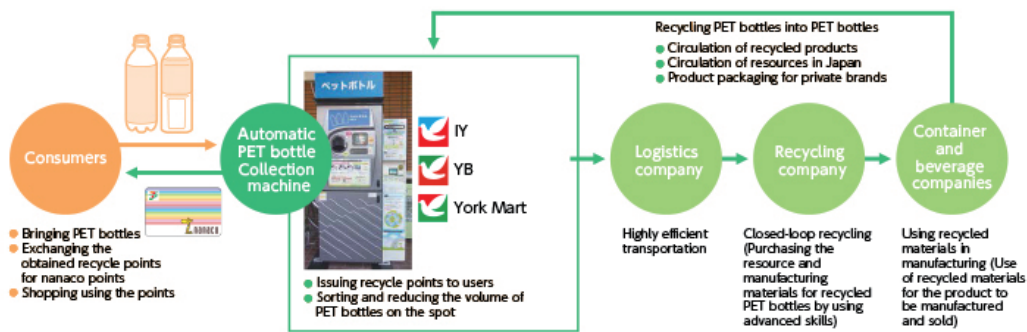
IY, YB, and York Mart have had automatic PET bottle collection machines installed at stores since 2012. Because PET bottles inserted into the machines undergo an automatic process of foreign-matter removal and volume-reduction (by either compression or crushing), large volumes of bottles for recycling can be sent to recycling plants on each occasion, which reduces the delivery frequency from stores. Moreover, by utilizing Seven & i Holdings logistics routes, more efficient transportation is possible and the volume of CO₂ emissions resulting from the operations can be reduced.

Some of the collected PET bottles are made into new PET bottles for the domestic market. This “closed-loop recycling” system of recycling PET bottles into new PET bottles is the first attempt by a major retail chain in Japan to be implemented on such a large scale. As of the end of February 2017, collection machines have been installed in 364 stores across the three companies, and approximately 5,952 tons of PET bottles have been collected.

We are promoting an initiative to recycle material from PET bottles recovered at stores and use it in packaging for Seven Premium private brand products. Moreover, we have printed a note explaining the process from recovery to recycling on the product packaging.

In December 2015, a 7-Eleven store in Koto-ku, Tokyo, became the first convenience store to install an automatic PET bottle collection machine as part of a trial demonstration by the Ministry of the Environment.

PET Bottle Recycling System Using an Automatic Collection Machine



Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Introduction of Environmentally-Friendly Packaging

Seven & i Holdings is introducing packaging made using materials that have a low environmental impact and recycled materials.



Environmentally-Friendly Seven Premium

With its private brand Seven Premium, the Group seeks to promote the values of “taste,” “quality,” and “safety and reliability,” while at the same time developing products that are environmentally-friendly. So far, the Group has used environmentally considerate packaging such as recycled PET or forest thinning materials in 150 Seven Premium products. In the fiscal year ending February 28, 2018, the Group aims to introduce eco-friendly packaging for 740 products, mainly through the use of plant-based ink, expanding the initiative to all products by the end of the fiscal year ending February 29, 2020.

Change to Recyclable Packaging

In July 2015, we changed the paper cartons used for Seven Premium alcohol products from the previous aluminum carton material to a non-aluminum carton material. This change enables the cartons to be recycled as paper. Moreover, the volume of CO₂ emissions per carton from the raw material procurement and manufacturing process is around 12% lower compared with the aluminum cartons. Furthermore, the CO₂ reduction effect from this initiative is projected to be 170 tons per year, the equivalent of the CO₂ absorbed by approximately 12,000 cedar trees.



The identification mark also changed from the Paper Mark to the Paper Carton Mark

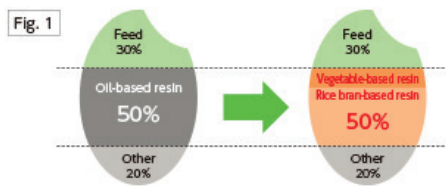
Use of Plant Based Ink

In April 2016, SEJ introduced rice ink for printing the packaging of rice balls sold at its stores. Rice ink is made from rice bran oil, a non-edible part of the plant extracted from rice bran. This ink reduces the company's annual CO₂ emissions by around 60 tons compared with conventional oil-based inks and is therefore expected to help reduce environmental impact. Moreover, the packaging is also contributing to our efforts to promote local production for local consumption by using domestically produced rice bran oil, which is one of the raw materials.

In December 2016, SEJ changed to plant-based packaging film and ink for its original bakery products. Compared with the previous oil-based packaging, this is expected to reduce the company's annual CO₂ emissions by approximately 108 tons.

The Group also started using plant-based ink for all of its Seven Premium brand bakery products in May 2017 and plans to use the ink more extensively going forward.

About Rice Ink



The resin in this ink has been changed from an oil-based to a vegetable-based resin derived from rice bran, which comprises around 50% of the ink coating film.



Rice ink is made from the rice bran produced at a rice mill when polishing rice, which is the main raw material for SEJ's products.

Use of Forest Thinning Materials

Certain Seven Premium cup soups and yoghurt drinks have containers made with Seven Forest thinning materials. Japan has a large number of unmaintained man-made forests that have been left unattended. With many such forests currently not fulfilling their potential as carbon sinks, use of forest thinning materials can contribute to the creation of healthy forests and prevention of global warming.

Forest thinning materials are also being phased in for use in the outer sleeve section of the hot cups used for SEVEN CAFÉ, which is sold mainly at 7-Eleven stores throughout Japan.



Products that use forest thinning materials



A SEVEN CAFÉ cup and the Forest Thinning Material Mark

▶ [See here for further information about Seven Forest \(Japanese Only\)](#) 📄

Introduction of Recycled Materials

IY is introducing recycled trays manufactured by suppliers that have received Eco Mark certification. In the fiscal year ended February 28, 2017, approximately 800 types of recycled tray were introduced (an increase of 5% year on year by weight). The introduction of recycled trays reduced annual CO₂ emissions by approximately 3,082 tons.

Moreover, in packaging for lifestyle household goods such as Seven Premium Refillable Body Soap, the Group has adopted recycled materials such as PET bottles, some of which are recovered at Group stores.



Recycled tray



Packaging made from recycled PET bottle material

Introduction of Biodegradable and Biomass Materials

In the fiscal year ended February 29, 2016, SEJ replaced the original Salad Cup Container sold in the chilled cases of its stores with containers that use environmental PET made from recycled or biomass PET rather than oil-based PET. The CO₂ emission reduction resulting from the change for that fiscal year was 1,790 tons. IY will also use bioplastics that make partial use of plant-based oil materials for the containers in its cut fruit and boxed lunches.



Example of Salad Cup Container using environmentally-friendly PET

Change to Eco Materials for Product Labels

The Seven & i Group private brand Seven Premium Select Fresh Eggs package label includes CO₂-adsorbing material. By using this CO₂ adsorbent, consisting of nanovesicle capsules that capture the carbon emitted during combustion as ash, CO₂ emissions can be reduced by around 20% compared with ordinary labels.



Example of product labels using CO₂ absorbing agents

Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

Internal and External Communication

Seven & i Holdings is working to raise the awareness of Group employees by providing them with environmental education and other initiatives. At the same time, it is emphasizing communication with customers, external environmental organizations and so forth.



Promoting Environmental Education of Employees and Taking the Certification Test for Environmental Specialists

Seven & i Holdings regularly holds training for new recruits and newly appointed corporate officers in line with the characteristics of each Group company. The aim is to instill basic knowledge and facilitate their understanding of environmental matters. In the fiscal year ending February 28, 2018, the Group has held e-learning for all Group employees, timed to coincide with Environment Month (June).

Since the fiscal year ended February 28, 2015, the Group has been encouraging employees to pass the Certification Test for Environmental Specialists (Eco Test) as a training tool for systematically acquiring a broad knowledge about increasingly diverse environmental problems. Each company supports test takers by subsidizing test fees, holding study sessions, and so forth. In the fiscal year ended February 28, 2017, 1,255 people took the test, with 983 of them passing (2,364 cumulative test passers since the fiscal year ended February 28, 2015). The Group is continuing to promote environmental education, aiming to achieve 12,000 test passers Groupwide by 2020.

Holding Environmental Events

Seven & i Holdings holds environmental events both within and outside the Company to provide opportunities to raise the environmental awareness of employees. For example, Group employees and 7-Eleven franchisees regularly participate in volunteer activities organized by the Seven-Eleven Foundation. Major activities include events such as forest care operations ranging from tree planting to tree thinning and undergrowth cutting at "Seven Forests" in 17 locations throughout Japan; marine afforestation initiatives to increase eelgrass, which purifies water and reduces CO₂ in Tokyo Bay, thereby enriching the bay's marine environment; and cleanup activities on Mt. Fuji. In the fiscal year ended February 28, 2017, a total of 1,571 people took part in such events, comprising both Group employees and personnel from SEJ franchised stores.

Furthermore, in the fiscal year ended February 28, 2017, Seven & i Holdings held environmental study sessions using the Takao Forest and Nature School. York Mart teamed up with its labor union to hold a study tour on the environment for employees and their families.

[> For more details about "Seven Forest" \(Japanese Only\)](#)

[> For more details about the Tokyo Bay UMI Project \(Japanese Only\)](#)

Support for NPOs and Other Environmental Organizations

Seven & i Holdings continues to make donations to various environmental organizations such as the Keidanren Nature Conservation Fund, which promotes wider awareness of biodiversity and supports the nature protection projects of environmental and wildlife preservation group WWF Japan and various NGOs in and outside of Japan.

In addition, SEJ has been conducting environmentally themed social contribution activities together with franchised stores through the Seven-Eleven Foundation since 1993. Based on contributions*1 from customers collected through collection boxes placed at the counters of 7-Eleven stores, along with donations from SEJ and other funds, the Seven-Eleven Foundation engages in environmental citizenship activity support projects, natural environment protection and conservation projects, publicity projects, and disaster recovery assistance projects. One of the major pillars of the environmental citizenship activities*2 is the funding of NPOs conducting regional environmental activities. The foundation has been calling for applications from NPOs each year since 2001, with the goal of seeing regional donations used to support regional environmental activities. Over the past 15 years in total, the foundation has provided approximately ¥1,857.34 million in funding for 2,947 activities.

The Seven-Eleven Foundation operates the Kusu Furusato Nature School located in Kokonoe Town, Kusu District, Oita Prefecture and the Takao Forest Nature School in Hachioji City, Tokyo based on the principle of "Learning from nature: how to promote coexistence and mutually beneficial relationships between people and nature and the natural environment and local communities." The Kujuu Furusato Nature School is engaged in projects to protect and preserve the nature of Kujuu and to create towns where the crested ibis can also live. The school's efforts to promote creation of rice fields that coexist with nature and where living things can thrive has been designated as a project in coordination with the Japan Committee for the United Nations Decade of Biodiversity. The Takao Forest Nature School is a collaborative project with the Tokyo metropolitan government, operating in a forest of approximately 26.5 ha owned by Tokyo Metropolis. The school's programs include bird watching, volunteer experiences in the forest, flora observation, and craft work.

*1. Storefront donations collected in the fiscal year ended February 28, 2017 amounted to ¥441,234,051. The total amount of storefront donations collected since the fiscal year ended February 28, 1995 is ¥6,617,039,244

*2. Assistance for environmental NPOs through public support in the fiscal year ended February 28, 2017 (including recipients of ongoing support): 304 support projects; ¥182,454,549 provided in total



Collection box placed on counters in stores



Kujuu Furusato Nature School

Responding to Opinions and Requests

We receive and respond to opinions and requests relating to the environment from customers and civic groups at the customer service offices at each Group company and at the CSR Department of Seven & i Holdings. In 2014, when we identified the material issues that Seven & i Holdings should address, we incorporated the opinions of stakeholders including customers, business partners, shareholders and other investors, as well as those of CSR experts.

▶ [For more details about the selection process for material issues](#)

Policy Recommendations

Seven & i Holdings makes policy recommendations during the drafting of laws and operational rules by participating as necessary in meetings organized by government organizations, central government ministries and agencies, and industry groups, as well as in other forums.

For example, in the fiscal year ended February 28, 2017, Seven & i Holdings participated in the Small Electric Appliances Investigation Committee hosted by the Ministry of the Environment. We provided opinions on initiatives for promoting awareness of small electric appliance recycling from a retail business perspective. In conjunction, Group company IY held an awareness-raising event and small electric appliance collection drive for head office employees, among other initiatives.