

Overseas Initiatives

Business Operations in North America

Seven & i Holdings operates convenience stores in North America.

7-Eleven, Inc.



Net sales : ¥2,735,199 million (Total store sales)
Number of stores : 8,707

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SEVEN-ELEVEN HAWAII, INC



Net sales : ¥29,370 million
Number of stores : 63

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* Exchange rate \$1 = ¥108.78

* Number of stores as of December 31, 2016

Initiatives in China

Seven & i Holdings operates convenience stores and superstores in China.

Convenience Store Business

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SEVEN-ELEVEN (BEIJING)



Net sales: ¥20,871 million
Number of stores: 219
Established: January 2004

SEVEN-ELEVEN (TIANJIN)



Net sales: ¥4,551 million
Number of stores: 82
Established: November 2012

SEVEN-ELEVEN (CHENGDU)



Net sales: ¥3,435 million
Number of stores: 67
Established: December 2010

Superstore Business

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Chengdu Ito-Yokado Co., Ltd.



Net sales: ¥67,276 million
Number of stores: 6
Established: December 1996

Hua Tang Yokado Commercial Co., Ltd.



Net sales: ¥15,869 million
Number of stores: 2
Established: September 1997

- * Exchange rate of CNY1 = ¥16.42
- * Net sales does not include value added tax
- * Number of stores as of December 31, 2016

Reducing Environmental Impact

Reducing environmental impact is a priority issue for 7-Eleven, Inc. The company is undertaking various initiatives to increase energy efficiency and use environmentally friendly containers. In 2016, 7-Eleven, Inc. initiated a collaboration with Conservation International (CI), a well-known environmental NPO. 7-Eleven, Inc. has also formulated targets to reduce environmental impacts related to stores and containers.

【Targets】

- (1) Reduce CO₂ emissions at stores by 20% compared with the 2015 level by 2025
- (2) Reduce CO₂ emissions from containers and packaging by 20% compared with the 2015 level by 2025



Collaboration with External Organizations

In the course of formulating these targets, 7-Eleven, Inc. has joined forces with CI and begun participating in the Business & Sustainability Council, where corporate leaders select measures to achieve both business performance and a lower environmental impact. Apart from this, the company has joined the Retail Industry Leaders Association, and is participating in the Retail Sustainability Initiative, an educational forum for major retail companies in the U.S. who are members of this association. These forums provide the opportunity for members to get to know cutting-edge initiatives, and share insights into the outlook for the future and the activities of their peer companies in the industry. They also provide a collaborative platform for members and their industry peers to achieve sustainability targets.

Promoting Energy Saving

7-Eleven, Inc. has introduced LED lighting and an energy management system (EMS) in stores, along with installing high-performance heating, ventilation, and air conditioning (HVAC) equipment, to reduce electricity consumption at stores. Introducing EMS has enabled the company to monitor, control, and optimize the performance of HVAC and refrigeration equipment, which significantly contributes to energy consumption. It also enables remote control of the equipment.

Real-time data obtained from the EMS is analyzed to reduce energy consumption and manage costs. Through these measures, 7-Eleven, Inc. has reduced electricity consumption by approximately 21% over the past 7 years.

In 2016, 7-Eleven, Inc. continued to introduce EMS. Currently, more than 5,900 stores have installed the EMS, and there has been an average annualized reduction in electricity consumption of 16,323 kWh per store. Furthermore, LED lighting has been installed at around 5,980 stores as of December 31, 2016.

Improving Awareness of Climate Change

Climate change is a global issue facing people around the world. In order to increase interest in this issue among its employees and franchisees, 7-Eleven, Inc. presented the impacts of climate change at a nationwide conference held in 2016. In addition, 7-Eleven, Inc. held a campaign in which it handed out pedometers to all conference attendees and pledged to donate \$1 to CI for every 500 steps taken per person. A total of 16.5 million steps were recorded through this event, equating to approximately 8,000 miles (approximately 13,000 km). The campaign raised funds of around \$33,000. These funds will be put to use in CI's initiatives to communicate the importance of climate change mitigation measures to the general public.

Global Campaign to Fight Climate Change

As a global convenience store chain operator, 7-Eleven has implemented a campaign to mitigate the effects of climate change in 10 countries around the world. The campaign was held mainly around July 11 (“7/11”), in keeping with the “Seven-Eleven” name, and was spearheaded by Seven & i Holdings Co., Ltd. It was implemented by Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Seven-Eleven companies in China, and seven companies licensed by 7-Eleven, Inc. to operate Seven-Eleven stores in certain designated areas. During the campaign, each participating company strove to fight climate change by undertaking energy-efficiency initiatives, working to reduce plastic shopping bag usage, advancing collaboration with NGOs, and taking action to stimulate the interest of employees and customers.



Use of Environmentally Friendly Containers and Packaging

7-Eleven, Inc. is making a concerted effort to use environmentally friendly containers and packaging. Many of its containers are made of paper and other materials with a low environmental impact. 7-Eleven, Inc. also strives to reduce the use of raw materials by selecting the right size and type of materials while ensuring product quality and safety.

Examples of Initiatives in 2016

Recyclable Hot Coffee Cups

7-Eleven, Inc. has introduced a new coffee cup that keeps coffee hot without having to apply a cup sleeve (a paperboard sleeve that fits around a cup to insulate the drinker's hands from hot coffee). Unlike conventional disposable coffee cups, this new cup can be recycled because it is made of polypropylene plastic.



Paper Bags Made of 100% Recycled Materials

7-Eleven, Inc. has developed new paper shopping bags for stores in municipalities that prohibit merchants from giving customers plastic shopping bags. The new paper shopping bags are made of 100% recycled materials and can be recycled after use. The words “Reduce Reuse Recycle” are printed on the side of the bags to help foster environmental awareness among customers.



PET Bottles Made of Recycled Materials

7-Eleven, Inc. has begun sales of PURE-brand mineral water under its 7-Select line of private-brand products. Recycled plastic accounts for 15% of the materials used to make the PET bottles for this product. The PET bottles can also be recycled after use.



Number of 7-Eleven, Inc. Stores and Environmental Data Associated with Store Operations

	2014	2015	2016	2017 Target
Number of stores	8,297	8,500	8,707	9,895
Electricity consumption* ¹ (GWh)	2,161	2,142	2,154	2,527
CO ₂ emissions* ^{1,2} (1,000 t-CO ₂)	1,040	948	922	1,080
Water usage* ¹ (1,000 m ³)	9,084	8,878	9,040	12,415
Shopping bag usage (t)	3,231	2,969	2,625	2,980

*1. Calculations are based on estimated electricity consumption for stores where data was not available.

*2. Audited by a third party

Sales of Sustainably Sourced Coffee

In 2016, 7-Eleven Inc. launched an exclusive Rainforest Alliance Certified Nicaragua single-origin coffee as a high-quality, environmentally friendly product. The Rain Forest Alliance is an international nonprofit organization that seeks to conserve biodiversity and ensure sustainable livelihoods. Carrying the Rainforest Alliance Certified seal means 7 Eleven stores' coffee is sourced from coffee-growers whose farms are required to meet strict standards designed to protect the environment, conserve wildlife and promote the well-being of local communities. 7-Eleven Inc. will continue to promote sustainably sourced coffee.

Coexisting with Local Communities (U.S.)

7-Eleven, Inc. aims to uphold its responsibilities as a good corporate citizen and contribute to local communities where it has opened stores. The Head Office and franchisees work together to promote social contribution activities. The main fields for these activities are support for youth development and military personnel.

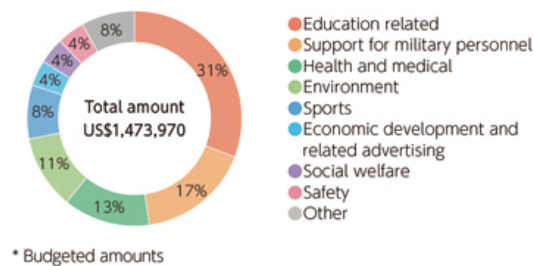
In the fiscal year ended December 31, 2016, 7-Eleven, Inc. provided assistance to over 2,000 organizations totaling more than US\$3.97 million in monetary terms through donation drives and provision of supplies implemented by customers, franchisees, employees, and Head Office. Moreover, 7-Eleven Inc. has set the following targets to strengthen its support for communities:

【Targets】

Aim to allocate approximately 1% of net income to social contribution activities every year, from 2017



Budgeted cash donations in the U.S. by 7-Eleven, Inc. (2016)



Support for Youth Development

When called to stop by the police, young people may refuse to respond to questions or try to run away, making the problem worse. Building trust between young people and the police helps to reduce crime by minors and improves their future and that of the community.

To improve the relationship between the police and youth, 7-Eleven, Inc. has been implementing "Operation Chill," which involves distributing coupons for free Slurpee carbonated drinks to the police. The police use the vouchers to "ticket" youngsters who are caught doing good deeds. In 2016, 7-Eleven, Inc. provided over 1.28 million coupons to approximately 940 police organizations. Over 15 million coupons have been distributed since the program started in 1995. The logo for this program was redesigned in 2016 to mark the 21st year of these activities. The phrase "Encouraging Positive Behavior" is printed on the logo to communicate the purpose of this campaign.



Support for Children's Education

Based on an appreciation of the importance of education, 7-Eleven, Inc. implements "Project A-Game" as a joint support program by franchisees and Head Office to enable children to experience worthwhile activities.

Store owners apply to Head Office for a grant to support local schools or youth sports organizations that are in need. Grants are jointly funded by local franchisees and the Head Office, and are used to provide financial assistance to enable children to continue enjoying school. This system enables franchisees to provide financial assistance to their local neighborhoods.

In the fiscal year ended December 31, 2016, funds of around US\$650,000 were donated to 1,100 recipients, and were used to support sports teams and extra-curricular activities. Since the start of the project in 2012, funds of around US\$1,575,000 have been donated to 2,850 recipients.



Support for Pediatric Cancer Hospital

7-Eleven, Inc. has implemented a campaign to enhance public awareness and support for St. Jude Children's Research Hospital, a research and treatment center for pediatric cancer.

This hospital conducts research into treatment for children suffering from pediatric cancer and other serious diseases. The hospital pays for treatment, travel, housing and food expenses without billing families so that the families can focus solely on the recovery of their children. 7-Eleven, Inc. supports the policy of St. Jude Children's Research Hospital and donated 11 cents for every large-size Slurpee, a frozen beverage, sold from November 9, 2016 to January 3 the following year, in order to save children fighting pediatric cancer. Through this campaign, 7-Eleven, Inc. donated US\$200,000 to St. Jude's.



Relief from Hunger

Poverty is a serious social problem in the U.S. According to the U.S. Department of Agriculture, 42.2 million Americans struggle to put enough food on the table to meet their daily needs. Among the underfed are 6.4 million children. Given that a well-balanced diet of nutritious fresh foods is particularly important for children and their health, there is strong demand for fresh foods at food bank organizations.

In 2016, 7-Eleven, Inc. implemented a campaign based on customer participation to support Feeding America, a prominent food bank organization. Under this campaign, for every \$1 donated by a customer, 7-Eleven, Inc. would provide two bananas and a donation of 10 cents to Feeding America.

Moreover, 7-Eleven, Inc. handed donation acceptance cards to customers taking part in the program, and displayed the signed cards in stores during the campaign period. During the campaign period from November 29 to December 31, 7-Eleven, Inc. collected donations of around 985,000 bananas and approximately \$49,000 from customers. This campaign is designed to provide relief from hunger during the year-end holidays, an important time for Americans. The bananas and funds were donated to 22 member organizations of Feeding America in areas served by 7-Eleven stores.



Nurturing Female Leaders

7-Eleven, Inc. is making a concerted effort to develop female leaders within the company.

Over half of 7-Eleven, Inc.'s personnel are women, and boosting the capabilities of female employees is also essential to ensure competitiveness from the customer's perspective. In the fiscal year ended December 31, 2016, the company continued to develop female leaders through participation in two well-known organizations. As a result, three female executives of 7-Eleven, Inc. received awards in their respective fields from Convenience Store News, a publisher of information about the convenience retail industry.



Memberships

- Network of Executive Women (NEW)

The mission of NEW is to help advance women in the consumer products manufacturing and retail industry through education, leadership and business skills development. Fifty of 7-Eleven, Inc.'s women in management positions participate in NEW programs to help them grow as professionals by, for example, networking with leaders working at industry peers. They are also able to access a host of benefits and resources, including sharing best practices, developing their leadership skills, and participating for free in learning programs.

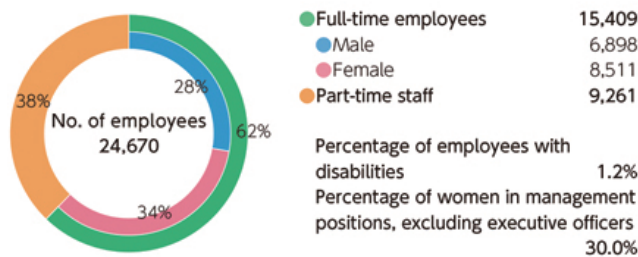
- The Women's Foodservice Forum (WFF)

WFF is the foodservice industry's premier leadership development organization advancing women in the industry. Approximately 20 7-Eleven, Inc. female leaders participate in regional conferences, where they are able to gain access to highly effective and educational leadership programs and events, as well as networking opportunities. These opportunities enable them to gain the competence and strategic connections needed to step up their careers in the foodservice industry.

Awards conferred by Convenience Store News in 2016

Category	Award recipients	Reasons for award
Top Women in Convenience Award 2016, Women of the Year Category	Nancy Smith, SVP, Merchandising, Fresh Food & Beverages	For her role in leading her company to success and her impact on the convenience store industry as a whole
Top Women in Convenience Award 2016, Senior-Level Leader Category	Ena Williams, SVP, International	For her strategic execution capabilities and proactive business transformation skills
Convenience Foodservice Executives of the Year Award	Kelly Buckley, Vice President, Fresh Food Innovation	For her advancement of 7-Eleven, Inc.'s overall fresh food strategy and development of innovative products

Personnel data in the U.S. and Canada (as of December 31, 2016)



Expanding Healthier Food Options

In response to growing health consciousness among consumers, 7-Eleven, Inc. has been devoting effort to developing a range of well-balanced and nutritious food and beverage products that can be enjoyed while on the go.

7-Eleven, Inc. offers daily products such as delicatessen items, salads with low-fat dressings, sandwiches, yoghurt parfaits with fruit and granola, fruits, and boiled eggs.

Snacking, or the dietary practice of eating simple foods in one's spare time between meals, has recently been catching on in the U.S. With this in mind, 7-Eleven, Inc. has expanded its food offerings with the introduction of 7-Select GO! Smart. These products have been developed for customers looking for better-for-you options while on the go and include great-tasting snacks and beverages, such as sprouted chips and coconut water. Products are formulated to deliver health benefits to customers and have prominent callouts on the packaging to aid customers in selecting the product that best fits their lifestyle.



SEVEN-ELEVEN HAWAII

In March 2016, SEVEN-ELEVEN HAWAII added “Our Promise” to its set of company values in order to support its direction as a chain of “close-by, convenient stores,” to shape its corporate culture, and to further solidify its values. “Our Promise” is comprised of the following three specific values.

1. Bring a smile to the faces of customers, vendor partners, and employees
2. Work together as a team to achieve goals
3. Strive for greater heights

To promote “Our Promise,” the company started a program for recognizing exceptional employees. All employees are encouraged to nominate people they think are practicing the three values. The selected people are given a badge and a bonus and are introduced in the company newsletter and on its website.

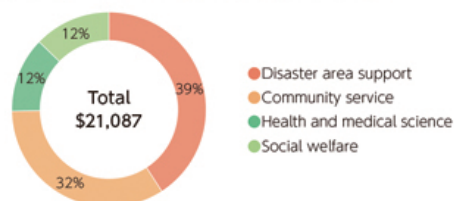
These values define SEVEN-ELEVEN HAWAII as a business for the community, for partners and for employees. The practice of Our Promise then becomes the cornerstone for the words and actions of employees.



Thriving with Local Communities

As a good corporate citizen, SEVEN-ELEVEN HAWAII supports activities and NPOs involved with children, education, public welfare and health. In 2016, an equivalent of approximately \$40,000 in support was carried out for 58 organizations through fundraising, donations of goods, and volunteer activities on the part of SEVEN-ELEVEN HAWAII customers, member stores, employees and the company.

Amount of cash donations by SEVEN-ELEVEN HAWAII (FY2016)

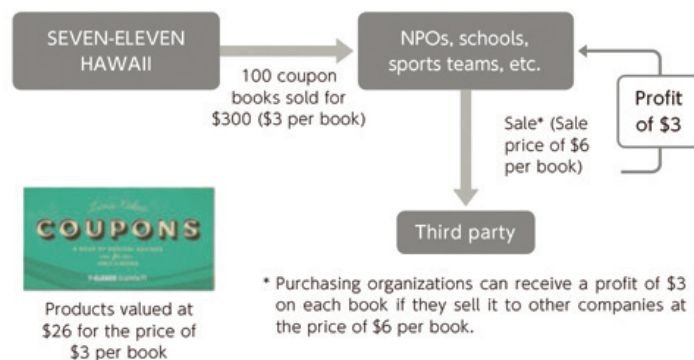


Social Contribution through the Sale of Coupon Books

Since 2001, SEVEN-ELEVEN HAWAII has sold Lima Kokua (Helping Hands) Coupon Books to schools, sports teams, and other non-profit organizations. The organizations that purchased these coupon books, which can be used in all Hawaii stores, earn a profit by selling them to third parties. Over 65 organizations have used the system each year, and SEVEN-ELEVEN HAWAII has supported the activities of these organizations through the sale of the coupon books. In 2016, 35 organizations used the system. Many of these were repeat orders, showing that the books have been popular.



Lima Kokua Coupon Book System



Support for Sports Events

SEVEN-ELEVEN HAWAII held an event for children during the 2016 Christmas season. The company had children ages 5 to 12 write letters to Santa Claus telling him what they wanted and the letters were collected at all stores from November 28 to December 9. The letters collected at the stores were compiled at the headquarters, and after a selection committee reviewed all the letters, it selected those that were exemplary from the standpoint of virtue and morality. Thirty-three children were then presented with the presents they had wanted.

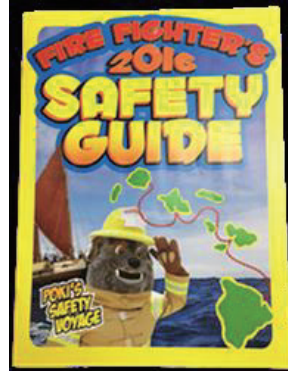
Three of the children appeared on a Hawaiian television program that features local people and events, where their letters were introduced along with their parents. The program host, presented the children with their Christmas presents on behalf of Santa and SEVEN-ELEVEN HAWAII. Of the three, there was a young philanthropist, a 10-year-old boy who had asked for a \$1,000 donation to the Laulima Giving Program, a local charity that helps families.

The event brought great joy to the winning children and their families, and especially to underprivileged families. SEVEN-ELEVEN HAWAII plans to hold the event next year as well.



Safety Measures for Local Communities

SEVEN-ELEVEN HAWAII is involved with helping the Honolulu Fire Department distribute safety guidebooks that it issues each year. The guidebooks contain information on fire safety measures for the home and are distributed to elementary school students. In 2016, the guidebooks were passed out at schools from October 9 to October 15, which is Fire Prevention Week. Teachers, parents and the children look at the guidebooks together and are encouraged to sign the last page. As a program incentive, coupons from local companies are included inside. SEVEN-ELEVEN HAWAII provided a buy one, get one free Slurpee ticket. On average, 500 of the tickets are used each month. SEVEN-ELEVEN HAWAII intends to continue helping to save lives through this activity.



Reducing Environmental Impact

SEVEN-ELEVEN HAWAII has been working on an initiative labeled the Energy Smart Program to reduce energy consumption since 2012. Under the program, SEVEN-ELEVEN HAWAII has carried out many kinds of initiatives. By 2015, we had established a standard temperature to be set on all store air conditioning systems, which consume the largest amount of energy, along with installing energy-efficient fan motors in the vaults and freezers and changing vault lighting to LED. To raise energy conservation awareness among employees, the company has provided them with environmental education.

As an extension of the Energy Smart Program, in 2016 all seven stores in the Hawaiian capital of Hilo worked to reduce energy consumption. At the stores, excess heat from condensers had been lowering air conditioning efficiency and putting an additional load on refrigerated display cases, Slurpee machines and other equipment. This caused unnecessary electricity consumption and necessitated repeated repairs to the equipment. To solve the problem, remote condensers were installed on the store rooftops. This prevented the heat from entering the stores and allowed for a pleasant temperature inside. Monthly electricity consumption at the seven stores was reduced on average by 592 KWh compared to the previous year (11% reduction).

As a result of this initiative, electricity consumption at all stores in 2016 was reduced by 2% compared to the previous year.





Number of SEVEN-ELEVEN HAWAII Stores and Environmental Data Associated with Store Operations

	2012	2013	2014	2015	2016
Number of stores	59	59	60	63	63
Electricity consumption (MWh)	18,079	17,848	18,246	18,399	18,097
Water consumption(thousand m ³)	–	48	44	46	46

Chinese Convenience Store Business

Providing Safe and Reliable Products

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



Quality Management Measures at Plants

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

We have strengthened quality management at dedicated plants producing only the Group's products by incorporating international food safety management systems and measures implemented at plants in Japan.

Beijing Wang-Yang Foods and JEANAVICE factories, which are dedicated plants of SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN), obtained the "SC" food production license for chilled foods in February 2012, earlier than peer companies in the industry. "SC" is a regulatory requirement related to food production in China. Food manufacturers must acquire the "SC" license by switching from the existing "QS" food quality and safety license by October 2018.

At the JEANAVICE Factory, Chinese plant managers and quality control managers attend the HACCP*¹ inspections for daily food processing plants that are implemented annually by Seven-Eleven Japan. Moreover, the manager of the quality assurance department has obtained qualification as an internal inspector for FSSC 2200*². At the Beijing Wang-Yang Foods Factory, measures are being implemented to obtain the HACCP 20002 qualification within 2017, with the aim of further enhancing the level of quality control.

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

*² A food safety management system certification

Healthy Food Choices

In response to an increase in health-conscious customers, the three companies are working to develop products containing abundant vegetables and boxed lunches featuring many different ingredients. In 2016, SEVEN-ELEVEN (BEIJING) renewed its boxed lunches based on the concept of "Abundant vegetables, low calories and healthy." Concurrently, the company started displaying the calorie content of boxed lunches. All three companies sell entrée items prepared in stores. In 2016, SEVEN-ELEVEN (TIANJIN) and SEVEN-ELEVEN (CHENGDU) switched containers for entrée items prepared in stores from those that can hold two items to containers that can hold three items. SEVEN-ELEVEN (BEIJING) provides customers with the option of choosing between containers that can hold two items and those that can hold three items.

Trans-fatty acids, which are said to increase the risk of heart disease, were successfully reduced to zero in the room-temperature bread products of SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN).

Improving Customer Satisfaction

The three companies are working to collect customer feedback in order to improve products and services from the standpoint of customers. Feedback obtained from customers is communicated to departments and stores on a daily basis. In addition, stores conduct customer surveys annually in order to grasp changes in customer needs and reflect them in products. In 2016, SEVEN-ELEVEN (TIANJIN) received customer survey responses from 624 people, while SEVEN-ELEVEN (CHENGDU) received responses from 2,225 people. This customer feedback was put to good use in developing and improving products.

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



At a presentation of Store Owner Awards by SEVEN-ELEVEN (BEIJING)

Thriving with Local Communities

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



Support for Children by SEVEN-ELEVEN (CHENGDU)

Since 2013, SEVEN-ELEVEN (CHENGDU) has provided support for Benevolence House, a home for children with mental disabilities. In 2016, five employees visited the facility to participate in a Christmas event and a birthday party. The employees provided entertainment, along with delivering presents to the residents and a donation of air purifiers to the facility from the company. In recognition of its continuous support activities for Benevolence House, SEVEN-ELEVEN (CHENGDU) was presented with a Certificate of Appreciation from Benevolence House in March 2016.

In addition to support for Benevolence House, SEVEN-ELEVEN (CHENGDU) also carried out other support measures for children. In order to assist children in impoverished farming areas, the company conducted a campaign to collect clothing and books from Head Office employees from December 2015 to January 2016. The company collected 52 articles of clothing and 36 books, donating them to children living in Nata Township, Baiyü County in Garzê Tibetan Autonomous Prefecture.

In recognition of the sustained social contribution activities undertaken by SEVEN-ELEVEN (CHENGDU), the company received the Annual Social Contribution Award from the Chengdu Retailers Association in April 2016.

Amount of donations to Benevolence House from SEVEN-ELEVEN (CHENGDU)

2014	2015	2016
1,990 yuan	800 yuan	1,937 yuan



A visit to Benevolence House



Certificate of Appreciation from Benevolence House

Creating Fulfilling Workplaces

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



Supporting development of employee abilities

Operations Field Consultants (OFC) play an important role in connecting the Head Office with franchise store owners. They serve as store management consultants that provide multifaceted advice to franchise stores on overall management, including ordering, product lineups, and employee training. OFC candidates first gain store experience at training stores and learn the fundamentals of store management, which include the Four Basic Principles; unit control; employing, training, assigning and evaluating staff; and management indicators. After the candidates become OFCs, additional training is conducted to hone their job skills. For example, at meetings of all OFCs held each week, company policies are shared and training is conducted on how to communicate efficiently with franchise stores and other issues.



Systems to Raise Employee Motivation

The initiatives described below are implemented to provide opportunities to raise the motivation of employees and to resolve issues they may face in the workplace. In addition, SEVEN-ELEVEN (TIANJIN) and SEVEN-ELEVEN (CHENGDU) have instituted internal hiring programs that allow employees to apply for desired positions. They are selected on the basis of interviews between the applicants and the relevant Head Office divisions, the Human Resources Department, and so forth. In 2016, three people at each company were appointed to new positions through these programs. Although SEVEN-ELEVEN (BEIJING) has not instituted a formal internal hiring program, the company grasps the desired positions of employees when conducting interviews with candidates and through other means. When the relevant departments have openings according to operational and personnel assignment needs, the company compares these conditions with the information on file for each employee, and then interviews candidates and transfers personnel that satisfy the required conditions.

Examples of opportunities to resolve issues faced by employees and to obtain feedback from them

- Operate a contact desk so that employees can consult with the company on issues
- Interviews with employees by personnel departments
- Interviews with new employees by supervisors
- Organize employee get-togethers to promote closer interaction and socializing among employees
- Questionnaires for employees
- Share information about role models among employees by conferring awards upon talented employees



Fair Evaluation and Remuneration

The three companies have adopted an employee evaluation system that combines monthly interview evaluations and yearly evaluations. Monthly interviews are conducted between employees and their direct supervisors to discuss the rate of progress toward their performance goals. After self-assessments are carried out by each employee, yearly interviews and evaluations are then conducted by the direct supervisor and a secondary, higher-level supervisor. Monthly evaluations are based on company, divisional and individual performance.

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

Reducing Overtime

Barring special circumstances, employees of the three companies leave their workplaces at the appointed times when their shifts end. If overtime is deemed to be necessary, employees must seek permission from their supervisors in advance. Procedures call for supervisors to manage the daily and monthly overtime hours of employees in order to prevent employees from doing unnecessary overtime.

Promoting the Advancement of Women

In China, the labor contract laws have been designed to provide male and female employees with generous leave related to childbirth and childcare. Moreover, men and women are treated equally, and it is common practice for women to continue working after marriage. This legal system and practice of appointing managers based on ability work together to promote the appointment of women to managerial positions. In 2012, the first Chinese woman chairman was appointed at SEVEN-ELEVEN (TIANJIN). In 2013, a female vice general manager was appointed at SEVEN-ELEVEN (BEIJING), followed by another in 2014 at SEVEN-ELEVEN (CHENGDU). Appointments continued in 2016, and women currently occupy approximately half of the non-executive managerial positions at the three companies.

Employment of People with Disabilities

In China, the statutory employment rate for people with disabilities is 1.7%. In collaboration with the Tianjin Association of Persons with Disabilities*, each company actively recruits people with disabilities. Creating workplace environments where people with disabilities find it easy to work is a key priority. To this end, the companies discuss workplace issues with employees with disabilities and provide the necessary training based on those discussions.

*An organization that promotes the social participation and autonomy of people with disabilities and provides education and training, while protecting the rights and interests of people with disabilities.

Employee-Related Data (As of December 31, 2016)

	SEVEN-ELEVEN (BEIJING)	SEVEN-ELEVEN (TIANJIN)	SEVEN-ELEVEN (CHENGDU)
Full-time employees (Male and female)	603 (332•271)	228 (100•128)	310 (145•165)
Part-time staff	1,097	640	476
Number of employees	1,700	868	798
Ratio of employees with disabilities	2.0%	2.6%	3.1%
Ratio of women in management positions, excluding executives	55.2%	45.0%	57.0%

Reducing Environmental Impact

The Chinese government has been putting great emphasis on climate change issues. In 2012, the Beijing government initiated a pilot project for an emissions credit trading scheme. Under this scheme, companies that emit more CO₂ emissions than their allotted emissions limit must purchase CO₂ emissions credits on the market in the amount of the excess emissions. The three companies are implementing measures to reduce electricity consumption, including installing LED lighting and other energy-efficient equipment, and installing curtains to prevent cool air from flowing out of walk-in refrigerators (photo on the right), along with raising the environmental awareness of employees.

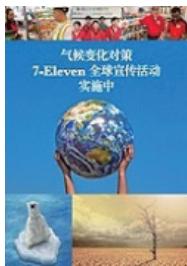


Energy Conservation Measures at Stores

As part of the 7-Eleven Global Campaign to Fight Climate Change*, the three companies implemented the following initiatives in 2016:

- (1) Study seminars for employees on the causes and effects of climate change and on electricity conservation measures at stores were held in June
- (2) Posters on the 7 Rules of Electricity Conservation were displayed in backrooms of stores in the week spanning July 11 (7/11), and the electricity conservation measures studied as part of item (1) above were executed in stores.

At SEVEN-ELEVEN (BEIJING) and SEVEN-ELEVEN (TIANJIN), electricity consumption increased in 2016 due to an increase in microwave ovens and other equipment in stores, in addition to an increase in the number of stores. In response, the two companies plan to implement various electricity conservation measures in 2017. For example, SEVEN-ELEVEN (BEIJING) plans to clean filters at all stores, along with rigorously enforcing air conditioner temperature settings. Meanwhile, SEVEN-ELEVEN (TIANJIN) plans to convert all lighting in franchised stores and the lighting in all heated display cases to LED lights.



Store Environmental Data

SEVEN-ELEVEN (BEIJING)

	2013	2014	2015	2016
Number of stores	150	175	187	219
Electricity consumption (MWh)	19,648	19,366	18,122	24,856
Water usage (1,000 m ³)	69	73	75	96

SEVEN-ELEVEN (TIANJIN)

	2013	2014	2015	2016
Number of stores	56	60	70	82
Electricity consumption (MWh)	8,472	6,164	5,278	7,027
Water usage (1,000 m ³)	21	20	18	24

SEVEN-ELEVEN (CHENGDU)

	2014	2015	2016
Number of stores	66	60	67
Electricity consumption (MWh)	7,319	7,746	6,031
Water usage (1,000 m ³)	28	24	18

Environmental Measures at Dedicated Plants

In order to avoid wasting resources, efforts are being made at the Beijing Wang–Yang Foods and JEANAVICE factories, both of which are dedicated plants of SEVEN–ELEVEN (BEIJING) and SEVEN–ELEVEN (TIANJIN), to utilize unneeded food materials generated by each plant. The Beijing Wang–Yang Foods Factory reuses unneeded food as feedstock for a pig farm, whereas the JEANAVICE Factory has a nursery collect residual bread under contract. Both plants use wastewater treatment facilities that clean water to the same or higher standard than government standards to ensure that polluted water is not discharged. The JEANAVICE Factory has wrapped insulation materials around the exterior of its boiler. Doing so has increased the combustion efficiency of the boiler. As a result, natural gas consumption in 2016 was reduced by approximately 20% compared with the previous year.

Chinese Superstore Operations

Promotion of CSR Activities

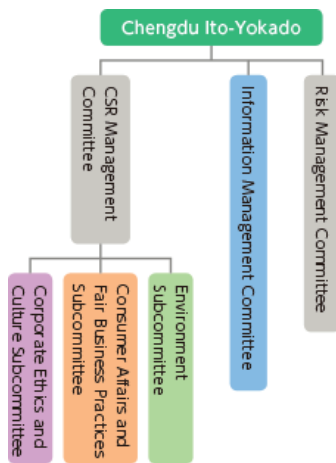


CSR Promotion Structure

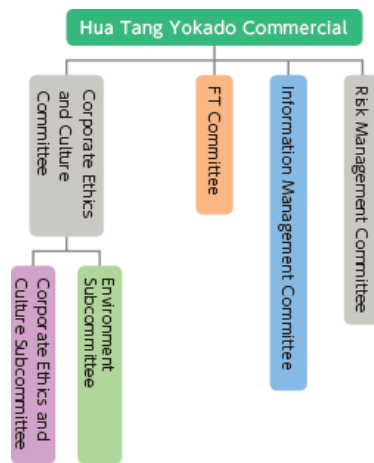
In recent years, public demand for companies to take a progressive stance on CSR has been rising sharply in China. Under the policies of the Chinese government, CSR implementation guidelines and assessment benchmarks have been formulated, and CSR assessment rankings have been published. Since 2013, Chengdu Ito-Yokado and Hua Tang Yokado Commercial have been taking steps to create structures for promoting CSR more comprehensively and holding committee meetings.

The Corporate Culture and Ethics Subcommittee of Chengdu Ito-Yokado established a correspondence course that enables employees to acquire operational knowledge and technical awareness to ensure correct corporate behavior. Hua Tang Yokado Commercial’s Corporate Culture and Ethics Subcommittee works to ensure that all employees are aware of the Corporate Creed and Corporate Action Guidelines. The subcommittee worked to ensure that when employees’ contracts were cancelled due to store closures, the contract cancellations were mutually agreed, keeping in mind the importance of dealing sincerely with people. The Environmental Subcommittees at both Chengdu Ito-Yokado and Hua Tang Yokado Commercial aim to save electricity and water, and have advanced discussions towards energy-conscious store operations. The Consumer Affairs and Fair Business Practices Subcommittee works to promote provision of safe and reliable products and services, which helps to make them even better.

CSR Promotion Structure of Chengdu Ito-Yokado



CSR Promotion Structure of Hua Tang Yokado Commercial



Publication of CSR Reports

In July 2016, Chengdu Ito-Yokado published its first CSR Report, covering its social and environmental activities. In the course of preparing the report, the company referred to the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0) developed by the Chinese Academy of Social Sciences and the international Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI). There is a comparison table for the two guidelines at the back of the report. The CSR report for the fiscal year ended February 28, 2017 was published in August 2017, with plans to distribute it to attendees at the Sichuan Province CSR reporting meeting and at meetings for the general public.



Promise to Customers



Quality and Freshness Management

Amid a rise in public interest in safety and reliability of food, we provide products using quality and freshness management expertise developed in Japan. Sales staff, product departments and quality management divisions receive education on safety laws and regulations, production and processing standards, hygiene standards, and other aspects. Around 710 employees of Chengdu Ito-Yokado and Hua Tang Yokado Commercial have been made aware of safety and quality management. Chengdu Ito-Yokado employees each receive a copy of the “Standard Operation Manual” to establish a unified standard for production and processes. While improving quality on one hand, a representative from Head Office regularly visits stores to check that they are providing products that meet our standards. Annual third-party audits are also conducted. We also visit our business partners farms and factories regularly to see that they are meeting our standards for facilities and equipment, hygiene and production management, inspection systems, individual hygiene, and legal and regulatory CSR. In the fiscal year ended February 28, 2017, Chengdu Ito-Yokado audited its business partners 64 times, and Hua Tang Yokado Commercial audited its business partners 6 times.

Provision of Traceability Information

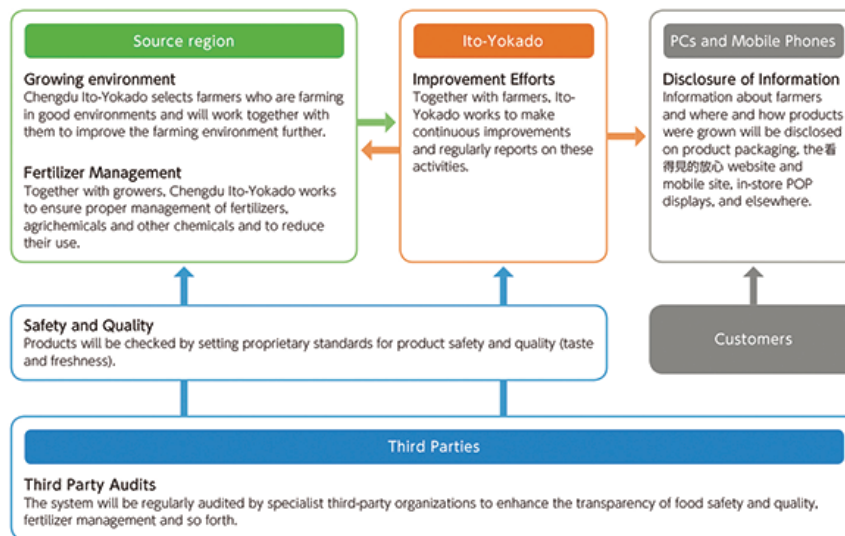
In the fiscal year ended February 28, 2014, Chengdu Ito-Yokado launched sales of “看得見的放心” food products, which are based on the same concept as the Fresh Foods with Traceability products launched in Japan. Consumers can scan a QR code on these products to confirm on a dedicated website who the farmers are and where and how the products were grown. In the fiscal year ending February 28, 2017, the 看得見的放心 product range was increased further to around 110 lines. These products have proven popular with customers who have a particularly strong interest in food safety and reliability, including customers with children and expectant mothers.

In the fiscal year ended February 28, 2015, Hua Tang Yokado Commercial started selling organic foods in cooperation with farmers by establishing rigorous food safety management systems and drawing up annual cultivation plans. Furthermore, the company also provides “放心肉項目” meat products, for which customers are able to use consoles installed in sales areas to confirm the meat producer. This system was set up based on instructions from the Beijing Municipal Commission of Commerce. The safe meat project further strengthened traceability in the fiscal year ended February 28, 2017 with the introduction of a third-party supervision system for quality management by local authorities.



Development of看得見的放心

看得見的放心 System



Quality Supervision System and Meetings with Customers

Since the fiscal year ended 28, 2009, Chengdu Ito-Yokado appointed 10 customers at each store to act as a quality supervision officers to help improve its products and stores from the perspective of the customers who actually shop there. The quality supervision officers meet at each store once a quarter to give their opinions, and are encouraged to make proposals on matters that they have noticed at any time. The opinions of the quality supervision officers led to the introduction of China's popular WeChat Pay and Alipay smartphone app payment systems. Customers have been able to use these since September 2016.

In addition to quality supervision officers, we asked for cooperation from 80 customers and received 219 opinions. Based on these, we reviewed product volumes and took other steps to provide even better products.

Other efforts included making home visits to 600 customers living in our stores' neighborhoods to ask their opinions. In March, June, and September we conducted customer satisfaction surveys, asking for opinions from 6,000 customers.

Chengdu Ito-Yokado and Hua Tang Yokado Commercial also collect opinions via the Internet, telephones, opinion boxes, and in-store conversations. In the fiscal year ended February 28, 2017, Chengdu Ito-Yokado received 10,401 opinions and Hua Tang Yokado Commercial received 69,293 thanks to proactive efforts by store employees to create a system for gathering opinions. We value customers opinions and we are establishing systems to create stores that reflect their wishes.

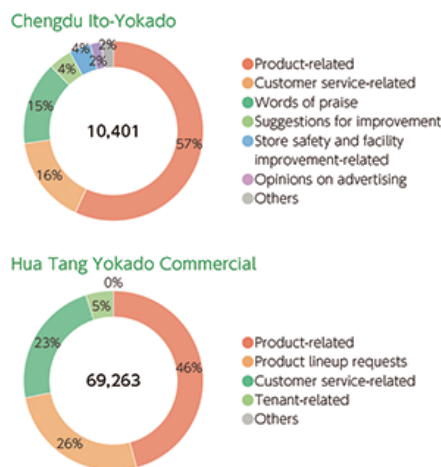


Salmon tasting event at the 双楠 store



Sandwich tasting event at the 锦华 store

Breakdown of Customer Feedback



Promise to the Local Community



Donations

Chengdu Ito–Yokado is involved in providing educational support and in supporting households in poverty, among others. The company makes annual donations to Sichuan University, and as of 2016 it has made 19 donations that have supported 530 students. In the fiscal year ended February 28, 2017, the company donated ¥330,000 to Japanese language students of Sichuan University and ¥1,200,000 to 30 outstanding students. Moreover, prior to Children’s Day, the company donated ¥160,000 to each of six Ito Friendship Elementary Schools to assist with activity expenses for Children’s Day. The company also held summer camp events over two days and one night in which children enjoyed the experience of managing a store for a day and visiting a museum.

This year, the company donated breakfast to 蒲江成雅友愛 Elementary Schools Friendship Elementary School to help foster the habit of eating breakfast among the many local elementary school students who do not eat breakfast. The donation was intended to assist the development of the children and included supplies such as milk, eggs, and jam, as well as cash, with a total value of ¥1,060,000.

In other efforts, the stores make seasonal visits to local households experiencing poverty, people with disabilities, and elderly people living alone, giving them presents of living essentials. In the fiscal year ended February 28, 2017 the company donated a total of ¥6.11 million through these social contribution activities.

※*CNY 1 = ¥16.76



Donations for Outstanding Students



Participants in the summer camp event

Volunteer Activities

Chengdu Ito–Yokado visited local households experiencing poverty and elderly people living alone to give them presents of living essentials on the Spring Festival, the Dragon Boat Festival, the Mid–Autumn Festival, and the Double Ninth Festival. We also designate the third week of every month as Environmental Protection Week, during which employees at every store clean up the areas around the stores.

Hua Tang Yokado Commercial conducts cleanup activities every day, with employees striving to lead neighborhood beautification efforts.



Promise to Employees



Store Management by Local Employees

Since opening our first stores in China, we have been actively appointing local employees with the aim of developing stores that are deeply tied to local communities. At Chengdu Ito-Yokado and Hua Tang Yokado Commercial, Chinese store managers have been appointed. The ratio of Chinese employees in management positions, excluding executives, is close to 90%, with 86.3% at Chengdu Ito-Yokado and 88.6% at Hua Tang Yokado Commercial.

In addition, we have been making progress on the appointment of women in China. The ratio of women in management positions, excluding executives, was 54.7% at Chengdu Ito-Yokado, with female store managers at two out of the six stores, and 57.1% at Hua Tang Yokado Commercial, with a female store manager at one of its two stores.

Employee Data (As of December 31, 2016)

	Chengdu Ito-Yokado	Hua Tang Yokado Commercial
No. of employees	3,520	426
Part-time employees	269	6
Full-time employee turnover (%)	24.0%	4.9%
Ratio of Chinese employees in management positions (%)	86.3%	88.6%
Ratio of women in management positions (%)	54.7%	57.1%
Number of employees with disabilities	56	13

Human Resources Development

Training programs have been enhanced to boost the motivation of local employees and enable them to demonstrate their abilities to the fullest. At Chengdu Ito-Yokado, we developed correspondence programs for enhancing employees' primary qualification capabilities and their workplace operation skills in 2016. These courses have been developed to nurture human resources with "three capabilities" (the ability to move forward, the ability to think things through thoroughly, and the ability to work as part of a team). The programs are provided to all store employees, including management. This has enabled them to acquire operational knowledge and skills by correspondence.

Furthermore, practical skills training sessions are open for all employees to observe if they wish, even if they are not undertaking training, and they are able to learn directly from the lecturer. We also hold an operational skills contest and award the winners to encourage employees to improve through friendly competition. At Hua Tang Yokado Commercial, awards are presented for employee of the month each month, as well as for department of the month to motivate employees. Furthermore, five employees from each store are commended and awarded as "service stars" for providing service at or above a certain standard. The recipients may be full time, part time, or tenant sore employees.



Operation skills contest (Chengdu Ito-Yokado)

CSR Education

Chengdu Ito–Yokado invites lecturers with knowledge about CSR to workshops for identifying corporate social responsibility and issues to be addressed moving forward.

Hua Tang Yokado Commercial analyzes customer feedback to identify issues and decides on a course of action through general management meetings and meetings for reflecting on issues, mainly with store management and the Head Office Product Division. Making reference to the Corporate Creed and the corporate code of conduct, we continue striving to ensure that employees remain aware of these issues and observe conduct guidelines to uphold the public’s trust in the company.

Self–Recommendation System

In the fiscal year ended February 29, 2016, Chengdu Ito–Yokado began operating a Self–Recommendation System as a show of respect for the autonomy of employees and to provide an outlet for their motivation. The system is for employees who have worked for the company for at least one year, and allows them to put themselves forward as candidates for the jobs they seek. Applicants who pass assessments are assigned to their desired workplace after a training period. In the fiscal year ended February 28, 2017, 59 people were assigned to their desired workplace out of 29 applicants.

Promise Regarding the Environment



Initiatives to Reduce Greenhouse Gas Emissions

Concern over air pollution and other environmental problems is growing in China, and with the progress on the Paris Agreement, the government is also strengthening regulations. Chengdu Ito–Yokado and Hua Tang Yokado Commercial are working to reduce their environmental impact through measures such as installing energy–efficient equipment. Under an agreement with the city of Chengdu, Chengdu Ito–Yokado was required to reduce energy consumption by 780 standard coal tons in the fiscal year ended February 28, 2017, and achieved the target with a reduction of 902 standard coal tons. New stores were fitted with the latest, highly efficient refrigeration systems, and we invested in energy saving equipment. In the back rooms, we strove to avoid wasting energy, and worked to save water through measure such allowing items to defrost naturally rather than using running water. At Hua Tang Yokado Commercial, we established an energy–saving target with the city of Beijing, aiming to reduce energy usage by 356.2 standard coal tons in the fiscal year ended February 28, 2017. We reduced energy usage by 921.9 standard coal tons, meeting the target. We also participated in an assessment of our execution on promises related to CO₂ emissions credits and target transactions. In 2016, our CO₂ emissions target was 16,384 tons, against which our actual emissions were 13,204 tons, achieving the target. Hua Tang Yokado Commercial works to reduce its environmental load by concentrating products centrally before sorting them for each store and delivering them. By continuously operating this scheme, the company contributes to reducing CO₂ emissions by reducing the number of delivery vehicles, easing urban traffic congestion, and preventing noise and atmospheric pollution.

Chengdu Ito–Yokado

	2014	2015	2016
Number of stores	6	6	6
Energy consumption (standard coal tons)	9,503	9,886	8,984
Electricity consumption (MWh)	75,197	78,582	83,110
Gas usage (1,000 m ³)	198	200	620
Water usage (1,000m ³)	808	747	828

Hua Tang Yokado Commercial

	2014	2015	2016
Number of stores	6	5	2
Energy consumption (standard coal tons)	7,465	4,340	3,418
Electricity consumption (MWh)	41,738	24,765	19,255
Gas usage (1,000m ³)	812	448	4,489
Water usage (1,000m ³)	309	177	130

Award History (FY2017)

Chengdu Ito-Yokado and Hua Tang Yokado Commercial received the following awards in the fiscal year ended February 28, 2017, in recognition of its various initiatives.

Chengdu Ito-Yokado	“Sichuan Top 10 Economic Leaders” award (Chairman Tomohiro Saegusa)	Huaxi City Daily
	“2016 Sichuan Industry Leaders Top 10”	Huaxi City Daily
	“Fiscal 2016 Sichuan Innovative Manager” award (Chairman Tomohiro Saegusa)	Chengdu Economic Daily
	“National Fashion Tri-Cities Fashion Industrial Zone Commerce and Industry Leader” award	Toutiao
	Fiscal 2016 Retailer Best 10: Award for Contribution to Differentiated Experience-Based Sales Areas and Areas that Facilitate Purchasing Annual Public Benefit Contribution Award	Chengdu Retailers’ Association
	Chinese Commercial Brand Best 10	China Retailer’s Association China Business Herald
	“Chengdu City May Day Award”	Chengdu City General Labor Union
	“2015-2016 China Retail Person of the Fiscal Year Special Prize” (Chairman Tomohiro Saegusa)	China Retail Federation
	Fiscal 2016 Tax Payment Grand Prize	Wuhou District CPC Committee of Chengdu, Wuhou District People’s Government of Chengdu
	“Closest to Consumers” Award (Jinhua Store)	Chengdu Business Council
	017 Chengdu Chinese New Year Shopping Season Award: Most Suited to Chengdu, Most Stylish, Most Suited to New Year, Closest to Consumers, Sales Floor with the Most Product Explanations	Chengdu Business Council
	2Fiscal 2016 “Top 10 Tax Payments by Modern Commercial Trading Field”	State Taxation Bureau of Wuhou District
	Shopping Fair “Favorite Sales Area” (High-tech Store)	Chengdu Business Council
	2016 Contribution Prize	Sichuan Trade Council
Model Store for Safe and Reliable Consumption (Jianshe Road Store)	Chengdu Administration for Industry and Commerce	
Hua Tang Yokado Commercial	2016 Leading Companies with Safest Production Systems	Chaoyang District Xiaoguan Subdistrict