



Special Feature 2

ADDRESSING SOCIAL ISSUES THROUGH OUR CORE BUSINESSES

For more than 30 years, the Seven & i Group has followed the Group slogan of “Responding to Change while Strengthening Fundamentals.” We have been the first to identify changes in society and in customer needs, and we have continued to create new business opportunities and to record steady growth. One example is how SEJ responded to social changes, such as trends toward a declining birthrate, an aging population, and an increase in the number of working women. SEJ redefined its purpose with the “close-by, convenient” concept and once again recorded substantial growth.

However, society continually undergoes change. In addition, the Group’s business fields are expanding and the social issues that need to be addressed are diversifying. Accordingly, in 2014 to respond more proactively to changes in society and to the issues resulting from those changes, we engaged in dialogue with stakeholders and identified five material issues (Materiality) for the Group to address. We believe that resolving these issues is also significant from the viewpoint of creating shared value (CSV), which refers to the generation of value for both society and the Company.

This special feature introduces the five material issues and some of our responses to each of those issues. It also outlines our vision of aiming for sustained growth by working to resolve social issues through our core businesses.

Process of Identifying the Five Material Issues



In 2016, the Group established the Social Value Creation Subcommittee under the CSR Management Committee. We are taking a more-aggressive approach to addressing the material issues and CSV. For further information, please see the CSR section of the Company’s website. <https://www.7andi.com/en/csr/index.html>

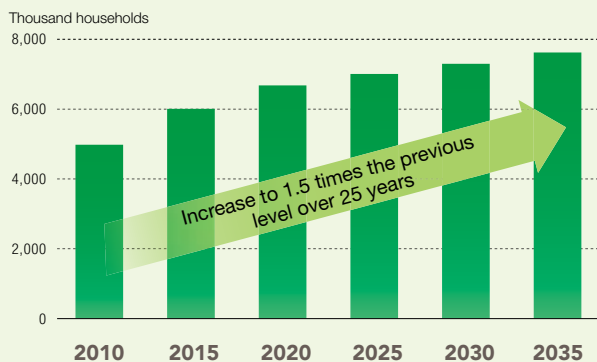


Providing Social Infrastructure for an Aging Society and Declining Population

Changes in Society

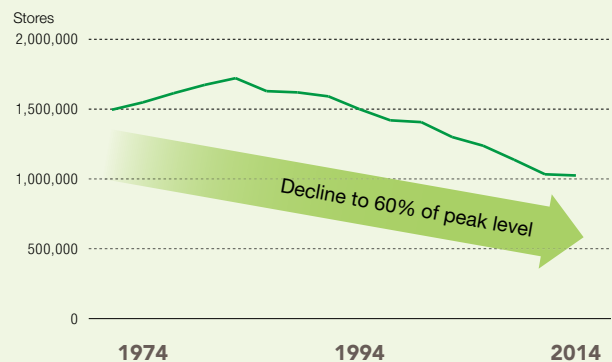
Due to the aging society and a decline in the number of people per household, the number of seniors living alone in Japan is increasing, and by 2035 the number of people 65 and older who are living alone is expected to increase to 1.5 times the level in 2010. Moreover, the number of people who have little time for shopping and housework is also increasing, centered on working women and two-income households. In addition, the number of social infrastructure bases, such as retail shops and facilities for government and bank services, has declined in comparison with 30 years ago.

Number of Seniors Aged 65 and Older Living Alone



Source: Projections for the future number of households in Japan (January 2013), National Institute of Population and Social Security Research

Number of Retail Stores



Source: METI, Census of Commerce (July 2014)

The Seven & i Group's Response

In addition to SEJ's "close-by, convenient" network of stores, the Group is also focusing on the Omni-Channel Strategy, under which products ordered on *omni7* are delivered, and Ito-Yokado's *Net Supermarket*. In addition, we are strengthening product development, such as *sozai* prepared dishes that are appropriate for single-person households, and creating a new market by addressing the needs of customers who have difficulty making time for housework.

■ Shopping Support

Centered on *omni7*, the Group's integrated portal site, we are advancing the Omni-Channel Strategy, which merges real-store and Internet-based services. For example, we are implementing initiatives to help people who are not familiar with the Internet to shop using e-commerce. To that end, sales staff use tablet devices to place orders when they visit the homes of seniors to ask what they would like to purchase. Under the Omni-Channel Strategy, products from Group department stores and specialty stores are provided through 7-Eleven stores around Japan. This strategy is fostering significant change in products, the ways those products are sold, and the shopping styles of customers.

With Ito-Yokado's *Net Supermarket*, products ordered through a PC or smartphone are delivered during a specified time period. As of the end of May 2016, *Net Supermarket* was available at 147 stores around the country. *Net Supermarket* handles not only food and household goods but also certain pharmaceuticals. We are also providing detailed services, such as discounts on delivery fees for customers who present a maternity notebook. Since the full-scale launch of *Net Supermarket* in the fiscal year ended February 29, 2008, the

number of members and sales have recorded steady growth.

Furthermore, SEJ offers *Seven Anshin Delivery*, a mobile sales service that uses light trucks to provide products in regions in which daily shopping is inconvenient. As of the end of May 2016, this service was available at 35 stores in 19 prefectures, and further expansion is under consideration.

■ Reducing Housework

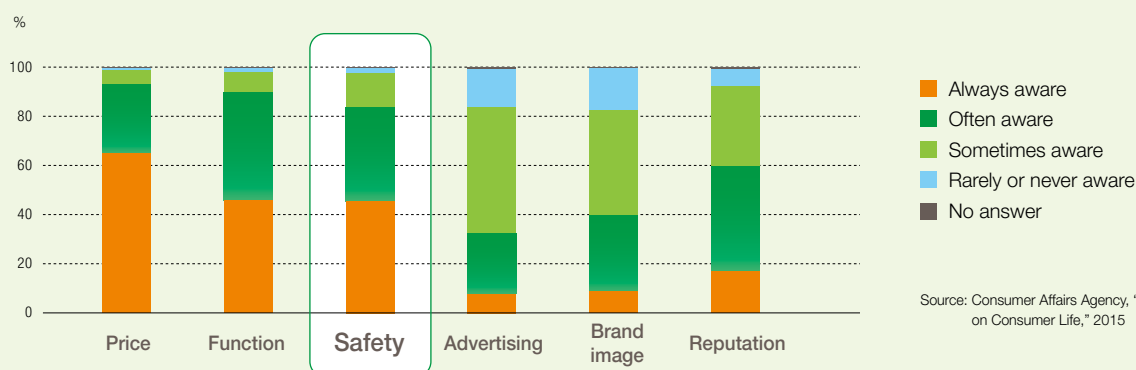
In response to the various needs of customers to reduce housework, we continue to develop individual meal, small volume, and simple products under the *Seven Premium* private brand. In addition, SEJ provides the *Seven-Meal* delivery service, which provides customers with nutritionally balanced meals supervised by a managing dietician. As of the end of May 2016, the number of stores offering *Seven-Meal* delivery service had increased to approximately 14,200. Moreover, in accordance with agreements with certain municipalities, local stores also check on the safety of seniors when delivering their meals. In the future, we will work to further increase points of contact with customers, including services for companies.

Material Issue 2 Providing Safety and Reliability through Products and Stores

Changes in Society

Interest in the safety and security of food and other products is increasing. A survey conducted by the Consumer Affairs Agency found that the percentage of respondents who were aware of “safety” when selecting products had increased to more than 80%, substantially more than the percentages for “advertising” and “brand image.” In particular, many customers are increasingly concerned about the area where food products were produced.

Viewpoint and Extent When Selecting Products and Services



The Seven & i Group's Response

We are responding to the trust shown by stakeholders by taking steps to enable the provision of safe, secure products at all times. To that end, we have established thorough quality management systems and take special steps to secure traceability for food products. In addition, we actively disclose information on these initiatives.

■ Establishment of Quality Management Systems

In developing *Seven Premium* private-brand products, people in charge of product development and people in charge of quality management regularly meet and work to share issues and problem areas. For food, SEJ has established 140 check items based on the HACCP (Hazard Analysis and Critical Control Point) method,* and food products are certified by the Nihon Delica Foods Association (NDF). In addition, at Seven & i Food Systems, the QC Office that serves as the hygiene management division has acquired the ISO 9001 international standard, and Seven & i Food Systems is working to implement thorough employee education.

* A food hygiene management method under which hazards at the food production and processing stages are analyzed and critical control points for the prevention of hazards are continuously monitored.

■ Food Traceability

At SEJ, information for all manufacturers, suppliers, and dedicated plants is registered in a database and linked with store point-of-sales data so that it is possible to thoroughly manage product information from the raw materials production site to the store. This method simplifies the confirmation of the presence of

additives or allergens in raw materials and products. In addition, this method leads to reductions in waste by controlling excessive production at plants. Ito-Yokado also offers *Foods with Traceability* private-brand products, for which the distribution history is disclosed. Furthermore, various tests are conducted, including agricultural chemical residue tests as well as soil, feed, and water quality tests, and third-party confirmation is obtained before the products are sold. As a result, these products have earned a wide range of high evaluations.



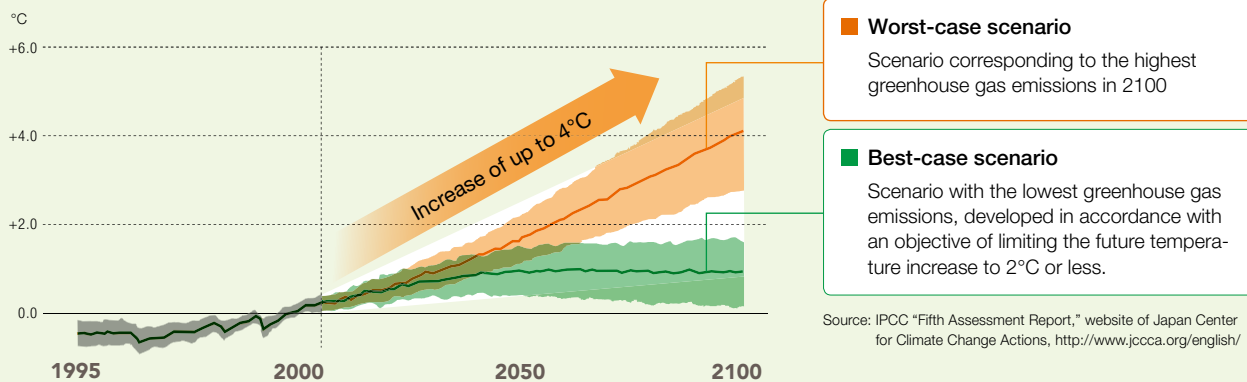
Foods with Traceability

Non-Wasteful Usage of Products, Ingredients and Energy

Changes in Society

The risk of climate change is increasing on a global scale. Under the worst-case scenario, the global mean surface temperature is forecast to increase by about 4°C by 2100. Initiatives to control emissions of CO₂, which are considered to be a major cause of warming, have now become a significant issue for companies. Another serious problem is food waste. Of food waste generated by corporate activities in Japan, half-eaten food or food that has passed its expiry date has reached approximately 3.3 million tons. Japan's so-called food loss, which is the total of corporate food waste and household food waste, is equivalent to about two times the global amount of food aid.

Projected Temperature Change by 2100



The Seven & i Group's Response

Through initiatives to control CO₂ emissions and recycle food and other resources, we are working to utilize energy and resources with no waste and to reduce costs. We are implementing sustainable business activities that are in harmony with the natural environment.

Controlling CO₂ Emissions

The Group has set a reduction target for the CO₂ emissions of the nine Japanese operating companies. In the fiscal year ended February 29, 2012, we estimated the CO₂ emissions of these companies in the fiscal year ending February 28, 2018. The target represents a 10% reduction from this estimate. We are working to reduce CO₂ emissions by introducing the latest energy-saving equipment and renewable energies.

For example, at SEJ, as of the end of February 2016, the conversion to LED lighting had been made for store signage at 15,893 stores, sign poles at 14,746 stores, and interior lighting at 16,848 stores, and solar panels had been installed at 7,571 stores. Moreover, Ito-Yokado has converted to LED lighting at all of its stores. Through these types of initiatives, in the fiscal year ended February 29, 2016, the nine Japanese operating companies achieved CO₂ emissions reductions of 36,000 tons and energy cost savings of ¥1.3 billion.

Promoting Recycling

Ito-Yokado operates recycling-oriented farms (Seven Farms) at 11 locations in Japan, including Tomisato City, Chiba Prefecture.

This involves composting vegetable scraps and other food residue generated at stores for use at Seven Farms. The produce that is grown at the farms is then harvested and sold at the stores. This is the first initiative of this type in Japan's retail industry.

In addition, Ito-Yokado, York-Benimaru, and York Mart have led the industry in the implementation of closed-loop recycling of PET bottles. PET bottles inserted into the automatic collection machines at stores are compressed/crushed. As a result, large quantities can be transported to plants, thereby reducing the number of deliveries from stores. Some of the PET bottles are made into new containers or used in *Seven Premium* household products and other products.



Seven Farms

Material Issue 4

Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

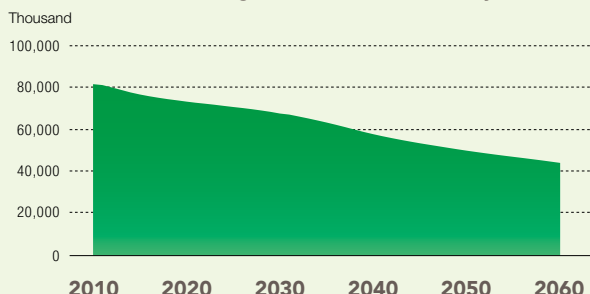
Changes in Society

Due to the advancing trends toward fewer children per family and an aging population, the domestic productive-aged population has declined to a serious extent, falling below 80 million people in 2013, with forecasts for a further decline to less than 70 million in 2027.

Furthermore, the ratio of women in management among private-sector companies in Japan is relatively low by international standards at 11.3%* (2014). An important issue for companies is their ability to establish workplaces where women can play an active role for many years and to secure excellent human resources.

* Data from Statistics Bureau, Ministry of Internal Affairs and Communications (2015)

Domestic Productive-Aged Population (15 to 64 years old)



Source: 2010 national census, Statistics Bureau, Ministry of Internal Affairs and Communications

The Seven & i Group's Response

From the viewpoint of utilizing diverse human resources, we are working to increase competitiveness by leveraging the viewpoints of women, who account for a large percentage of customers, in such areas as store initiatives and merchandising. To that end, we established the Diversity Promotion Project and established specific targets. On that basis, we are implementing a variety of initiatives.

► For information about specific initiatives, please refer to the Human Resources and Corporate Culture section on pages 42 and 43.

Material Issue 5

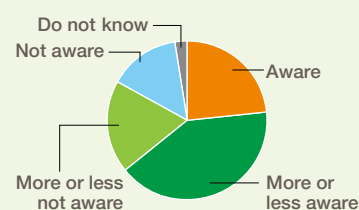
Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

Changes in Society

Consideration for environmental problems and for human rights issues in developing countries is indispensable for securing raw materials in a stable manner. Furthermore, in recent years the importance of addressing ethical consumption and ethical investing has increased. According to Cabinet Office research, about two-thirds of consumers want to select products and services with awareness of social issues. According to other research, the scale of sustainable investment, which reflects consideration for ESG (environment, society, governance), has expanded to 1.6 times the previous level, from \$13.3 trillion worldwide in 2012 to \$21.4 trillion in 2014.*

* Global Sustainable Investment Review (GSIR) 2014

Do you select products and services with an awareness of social issues?



Source: Public opinion survey regarding the advancement of consumer administration, FY2015, Cabinet Office

The Seven & i Group's Response

We are working to strengthen supply chain management, to roll out ethical products, such as organic and fair trade products, and to develop products that reflect consideration for the environment.

■ Fulfilling Social Responsibilities through the Supply Chain

We ask business partners to understand and strictly follow the Business Partner Action Guidelines, which were formulated in 2007. We continually implement CSR audits related to the status of compliance with the guidelines. If unacceptable items are found, the business partner is required to promptly submit a corrective action plan (CAP) and take action to improve the items.

■ Sustainable Raw Material Procurement

In 2014, we formulated the Basic Policy on Sustainable Procurement, and we have worked to promote this policy. In this way, we are aiming for the realization of a sustainable society. We are taking aggressive steps to effectively utilize resources. For example, some of the packaging materials for *Seven Premium* products use forest thinning materials from the Seven & i Forest Project, which implements forest conservation activities together with Seven-Eleven Japan Memorial Foundation.