



Seven-Eleven Japan Co., Ltd.
8-8 Nibancho, Chiyoda-ku, Tokyo 102-8455, Japan
Phone +81-3-6238-3711
Fax +81-3-3261-2435
URL <http://www.sej.co.jp/>
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Seven-Eleven Japan Sustainability Report 2004

Seven-Eleven Japan, ever responding to the expectations of society

Seven-Eleven Japan Sustainability Report 2004

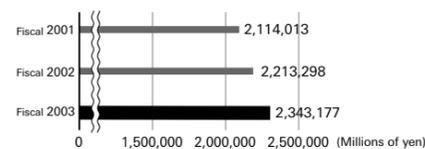


Company Profile (as of February 29, 2004)

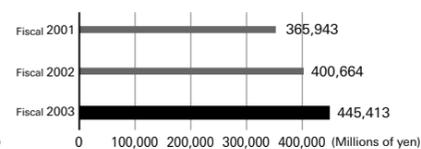
Name	Seven-Eleven Japan Co., Ltd.
Representatives	Toshifumi Suzuki, Chairman and Chief Executive Officer Toshiro Yamaguchi, President and Chief Operating Officer
Founded	November 20, 1973
Capital	17.2 billion yen
Employees	4,665
Business	Operation of convenience stores in Japan by franchise system
Parent company	Ito-Yokado Co., Ltd.
Consolidated subsidiaries	SEVEN-ELEVEN (HAWAII), INC. SEVEN-ELEVEN (BEIJING) CO., LTD. 7dream.com Seven-Meal Service Co., Ltd. SE CAPITAL CORPORATION
Equity affiliates	7-Eleven, Inc., IYBank Co., Ltd., and 6 others

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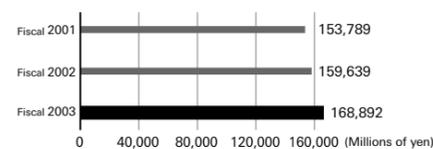
▶ Total Store Sales (Nonconsolidated)



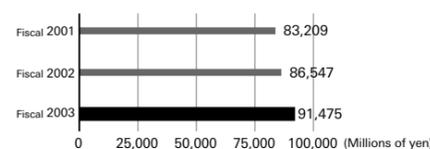
▶ Operating Income (Nonconsolidated)



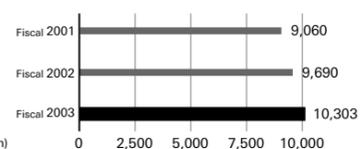
▶ Ordinary Income (Nonconsolidated)



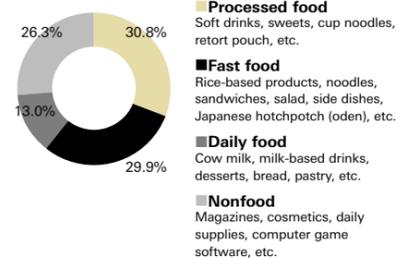
▶ Net Income (Nonconsolidated)



▶ Total Number of Stores in Japan



▶ Sales by Product Category



*For details on the financial picture, please visit the Seven-Eleven Japan website at <http://www.sej.co.jp/english> and click on Investor Relations, then Financial Results.

Report Objectives

Seven-Eleven Japan develops its convenience stores through franchising. Most of its daily operations, including raw materials procurement, merchandise production and delivery, product sales, and in-store services, are conducted through a comprehensive network of franchisees and cooperating companies. Our progress and success working with local communities and the environment would not be possible without the understanding and cooperation of these people.

Given the above, this report reaffirms and expands on our basic approach and progress, focusing on 3 phases:

- (1) Basic concepts
- (2) Action and focus close-ups
- (3) Ongoing commitments

Summary

◎ Applicability

This report focuses on the business activities of Seven-Eleven Japan Co., Ltd. (nonconsolidated) and its franchisees. It also covers action with cooperating companies, since environmental considerations exist in all aspects of convenience store activities, from manufacture and delivery to sales and consumption.

◎ Period Covered by This Report

Fiscal 2004
Unless specified otherwise, the year 2004 indicated the fiscal year (March 1, 2003, to February 29, 2004). Only important events following March 2004 are included.

◎ References

Japanese Ministry of the Environment
"Environmental Report Guideline" Global Reporting Initiative (GRI) "Sustainability Reporting Guideline 2002"
*GRI "Sustainability Reporting Guideline 2002" Planned by GRI, a group established in 1997, the guideline on reporting sustainability includes social, economic, and environmental sustainability.

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The Reason Why, We are Right Here For You

We are here for you, feeling what you feel.
We are providing a place just for you
so you can feel free to visit
whenever you want.

We, Are Seven-Eleven Japan

Our work sites differ from in the field to plants, distribution centers, and stores — but we all share the same sentiments.

We are ever willing to respond to the expectations of customers.

Each of us has a role to play, since convenience stores are visited by some 10 million customers a day — that adds up to 3,600 million a year! Some of us provide in-store services directly to customers, and others work indirectly to serve you on farms, in production plants, and in product delivery.

Wherever we are, we are all working together.



Eco distributor employee



Building constructor employee



Akishima Bulk Item Delivery Center employee



Fujinomiya Miyahara Store owner and wife



Sakura operation field counselor



Yachimata Recycling Center employee



Yotsukaido Utsukushigaoka Store JIT employee



General Administrative Department employee



Yotsukaido Utsukushigaoka Store part-timer



Shinagawa East One Tower Store owner and wife

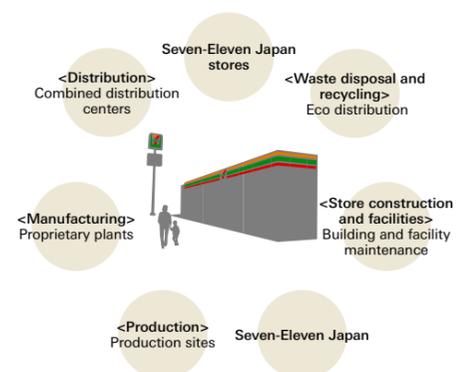


Warabeya Nichiyu Sagamihara Plant employee



Yachimata Recycling Center employee

We, Are Seven-Eleven Japan



Warabeya Nichiyu Sagamihara Plant employee



Akishima Bulk Item Delivery Center employee



Fujinomiya Miyahara Store manager



Chiba recruit field counselor

Staying an Honest Company

Ever since our founding, we have run our business under the corporation motto of “relating sincerely with the people who support us.” These include our customers, our cooperating companies, our shareholders, local community residents, and our employees. And we are promoting our environmental management based on a healthy, sound business structure, concentrating managerial resources on our core business, behaving sincerely as a corporate citizen, and reducing the environmental load.

The Ito-Yokado Group (IY Group) firmly believes that managerial sincerity, transparency, and accountability, is what the society expect most. Therefore we are continuously improving our economic, social, and environmental performance, and positively disclosing these activities to realize sustainable growth.

To realize sincerity, we must analyze potential business risks, maintain effective management, and clarify accountability. In line with these approaches, the IY Group revised its Corporate Action Guidelines in 2001 and, based on this, we are continuously educating all employees the social responsibility as a corporate citizen.

All business enterprises, including ours, are severely scrutinized by the public. As a member of the IY Group, Seven-Eleven Japan provides positive information disclosure through activities such as this report. We value and welcome communication with our customers, our cooperating companies, our shareholders, and local community residents. Our efforts will continue to enhance corporate value even more. Thank you for your ongoing support.



Chairman and CEO

Toshimi Suzuki

Responding to the Expectations of Society

We are proud to mark fiscal 2003 as our 30th anniversary in convenience store business through franchising, featuring over 10,000 stores. And we have recently opened a new store in Beijing, China. We have reached this milestone by conscientiously observing our corporate motto of “relating sincerely with the people who support us.” These include our customers, our cooperating companies, our shareholders, local community residents, and our employees.

Seven-Eleven Japan, through its ideal of customer-oriented retailing, pursues joint business with its franchisees, each of whom is an independent proprietor. Daily food manufacturers, affiliated with the Nihon Delica Foods Association, which supplies exclusive products and services to franchisees, and combined distribution centers, which distribute these products and services, are also independent proprietors. Based on independence, we are all strategically allied by sharing the same philosophy and information. Since the first Environmental Report, published in 2001, we have promoted environmental management and disclosed information on the total scope of Seven-Eleven Japan business, including production and delivery, sales, and consumption by our franchisees and cooperating companies. This year’s report focuses on our corporate concepts and attitudes in fulfilling these efforts.

Society’s interest in enterprises has become increasingly diversified, and now includes everything from profit performance to corporate activities and corporate responsibilities in society, such as compliance, human rights, employment, corporate governance, and environmental conservation. Seven-Eleven Japan set up a Corporate Ethics Committee in fiscal 2004 to pursue the sustainability of corporate activities in developing our franchises. We will continue serving as a sustainable enterprise by assertively ensuring managerial sincerity, transparency, and accountability. To realize this, we will implement social responsibility, compliance, and corporate accountability based on specialization unique to franchising, and increasing economic, social, and environmental performance.

We will continuously search for the social responsibility report best for us as a corporation engaged in the convenience store business under a franchise system together with our franchisees. Through these efforts and by listening attentively to advice from people and responding to them sincerely, we hope to grow into a corporation genuinely wanted by society and to contribute toward realizing a sustainable society. We ask for your ongoing support and cooperation.



President and COO

Toshira Yamaguchi

MERCHANDISING



Supplying items with safety,
authenticity, and value

DISTRIBUTION



Delivering items streamlined
and efficiently

**STORE CONSTRUCTION
AND FACILITIES**



Focusing on environmental
concerns and obtaining
customer support

**WASTE DISPOSAL AND
RECYCLING**

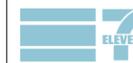


Targeting a recycling-oriented
society



**LIVING IN HARMONY WITH
LOCAL COMMUNITIES**

Advancing as a member of
the local community



FRANCHISING

Working together for
mutual harmony and
benefit through franchising

Our Social and Environmental Activities Evolve from Our Fondness for Convenience Store Business

The social and environmental activities of Seven-Eleven Japan can be viewed from the 6 aspects of merchandising, distribution, store construction and facilities, waste disposal and recycling, living in harmony with local communities, and franchising.

Our fondness for convenience store business behind these 6 aspects. We promote social and environmental activities to respond to the expectations of society.



Seven-Eleven Japan's Merchandising

To meet needs for deliciousness and reasonable price, and to respond to customers' concern for food safety, we have introduced thorough quality control. Through such actions, we are implementing our policy as Seven-Eleven Japan, maintaining our responsibility as a food supplier.



Supplying items worthy of customer expectations

In 1974, when Seven-Eleven Japan opened its first store, many small-to-medium-sized retail stores were suffering from intensive competition from large stores, leading to the negative expectation that small convenience stores had no future. But based on our belief that small stores would succeed if managed efficiently, we opened our first and other stores based on modernizing and revitalizing small-to-medium-sized retailers, and coexistence and coprosperity.

Originally, the convenience store concept was introduced to Japan from the United States, but store development and merchandise selection are managed based on concepts unique to Japan. For example, a major Seven-Eleven seller in the U.S. at that time was frozen hamburgers, which were heated to eat at stores. But realizing that simply introducing fast food as it is would not work, we started selling familiar rice balls and box lunches — Japan's equivalent of Western fast food.

At the start, traditional concepts held that rice balls were something made at home, not sold. Although we only sold 5 or 6 a day, we continued sales, convinced that whatever was truly tasty and good quality and reasonably priced would sell.

Pursuing top quality control beyond conventional standards

At that time, manufacturers of rice-based products, mostly small-to-medium-sized retailers, did not always produce satisfactory results in terms of sanitation. To provide our

customers with top quality, Seven-Eleven Japan consulted these manufacturers and set up the Nihon Delica Foods Association (NDF) with them in 1979. The Association's objective was to have competitive manufacturers working together for coexistence and coprosperity by averting potential risks and improving overall quality. This significantly improved quality control of each company. These efforts have been expanded to product development and joint purchase of materials, increasing overall quality.

In addition to the above, the member manufacturers of the NDF Association, to eliminate differences in quality control between Association members, constructed plants exclusively for Seven-Eleven Japan. This enabled us to implement unified quality control and ensure high overall quality control.

Responding to customers' diverse needs concerning food

Efforts in quality control through NDF and in procuring quality materials through joint purchase eventually enabled us to remove all preservatives and artificial coloring agents from rice-based products, sandwiches, and side-dishes. Starting in the late 1990s, we became aware of increasing customer concern about food safety, and added this to our approach based on our belief that our response to customers should go beyond taste and price toward product safety. As a proprietor engaged in supplying food, Seven-Eleven Japan thus takes thorough-going measures against potential risks to safe, tasty, worthwhile new items.

Seven-Eleven Japan's Picture

The Future of Merchandising

The procurement of some raw materials has largely depended on imports. But with requirements for food constantly changing, we are now reviewing raw material procurement to ensure safer, higher quality products. We are discussing shifting from imports to domestic products, because they can be obtained nearby and fresh, they eliminate the potential risks of imports, and they contribute to the local community through local production and local consumption. Imports, however, have unrivaled advantages in production quantity and cost, so we will continue to review these issues while strengthening relations with domestic production sites and increasing trade with them.



Close-Up Recipe Master and NDF HACCP Ensuring Food Safety

To develop food that franchisees can sell with confidence and customers can purchase without worry — one of our biggest duties — Seven-Eleven Japan targets sales safety and security through our efforts such as Recipe Masters and NDF HACCP.

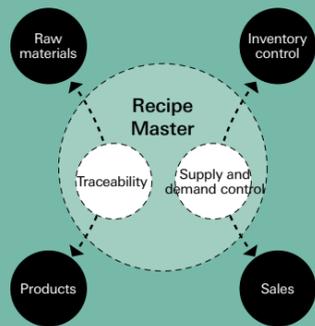
Not a Single Exception. Being Responsible for Every Single One of 1,000 Million Rice Balls

Seven-Eleven Japan sold 1,000 million rice balls in fiscal 2003 — that means we manufactured roughly 2,740,000 a day. As the numbers of plants and items increased, quality becomes an increasingly important challenge. Problem with even 1 single rice ball could cause problems for the customer who buys it — which is why we do not

From Where, Did This Slice of Grilled Salmon Come?



▶ Recipe Master



The Recipe Master controls material supply and demand based on information on product orders and on product improvement and selection

allow 1 single exception in quality. Seven-Eleven Japan therefore maintains detailed control to ensure merchandise with confidence and accountability.

Following Up Raw Materials Purchase Routes

Sometimes in the past, we have found that products manufactured based on identical standards varied in taste among plants. This raised the question of why differences occurred when they were made from the same materials from the same region and according to the same recipe. At first assuming the cause to be the manufacturing method, we reexamined this. Different attempts to improve the problem did not eliminate the difference in taste, however. After checking for differences in manufacturing and finding them not to be the problem, we took a new look at raw materials. We then found that differences in transport and storage could cause differences in taste even among food from the same production site, region,



NDF and Seven-Eleven Japan staffers visit a production site

and rank. The problem was thus inconsistencies in distribution routes and raw material history. In other words, although we had promoted joint purchase of raw materials through NDF and were confident in their quality, they had such inconsistencies in the distribution route that raw material histories could not even be checked — an unacceptable situation. The route must be traced back to the production area to ensure standardization.

Starting in 1999, we began improving procurement channels for dressed meat to trace methods in animal raising and production and establish a system ensuring uniform raw materials management. We set this up to secure quality materials and transport them to plants without compromising quality.

Our Recipe Master also provided links in distribution control of raw materials and merchandise by detailing each raw material used at a plant, its quantity, and its merchandise. Salmon used in rice balls, for example, is farmed in Chile, purchased at Rio Negro, and transported to plants via a preset NDF frozen material distribution



route. Problems in raw materials are thus accurately traced and quickly identified, enabling prompt corrective action.

The Recipe Master also enables accurate inventory control for raw materials. Linking raw materials and merchandise, we adjust inventories to sales conditions. When salmon rice ball sales expand, we estimate the number of days the current inventory will meet order demand and therefore how much material must be expanded or reduced. This ensures freshness by eliminating excessive inventory and storage.

Thorough-Going Management at Every Plant

In addition to raw materials, plant quality control has also improved. In the wake of an E. coli O-157 epidemic in Japan in 1996, we implemented stricter study of HACCP, setting up the voluntary standard NDF HACCP accreditation of plants involved in rice-based production in cooperation with an external inspection organization, since the Japanese Ministry of Health, Labor and Welfare had no such standard. Such accreditation enabled individual plants to set specific quality control goals that help eliminate the possibility of further such epidemics.

We will keep on working positively to prove safe, secure merchandise to give our customers safe, tasty food.



Sanitation is classified at a plant using different floor and apron colors

Efforts to Supply Safe, Secure Merchandise

Seven-Eleven Japan serves customers through total management control from material procurement and manufacturing to in-store sales, responding to customer needs for safe, secure, quality products. This involves packaging, containers, and sales promotion.

Eliminating Preservatives and Artificial Coloring Agents while Maintaining Safety and Taste

Reducing Food Additives

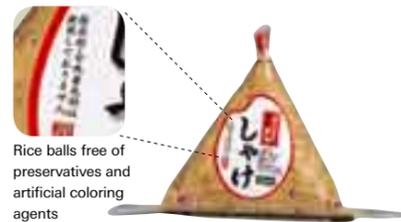
In 2001, we began selling box lunches, sandwiches, side-dishes, and cooked noodles completely free of preservatives and artificial coloring agents. This was realized through the efforts of our cooperating companies, effective total management of the flow from material procurement to production, delivery, and sales, and maintaining safety and taste. *1)

In 1999, we introduced baking of our oven-fresh bread that eliminated

yeast and emulsifying agents from bread dough. *2) We are now working to eliminate preservatives and artificial coloring agents completely.

Removing Preservatives and Artificial Coloring Agents from Molded Confections

We want to provide children with the safest sweets. Based on this concept and working with confectioners and IY Group companies, Seven-Eleven Japan began selling 7 health-friendly sweets free of preservatives and artificial coloring agents.

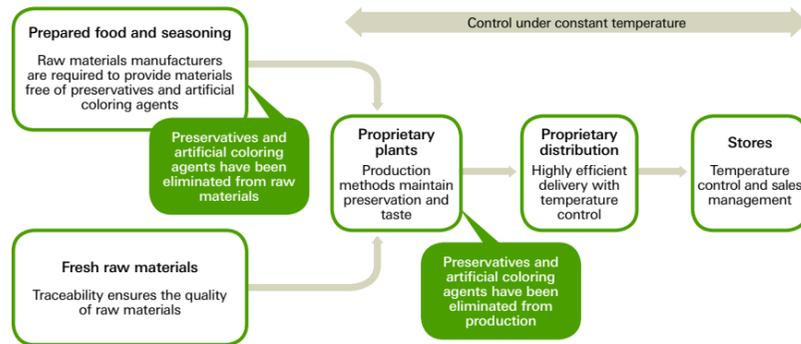


Rice balls free of preservatives and artificial coloring agents



Molded confections free of preservatives and artificial coloring agents

Removing preservatives and artificial coloring agents



Packaging and Container Materials Checks

Packaging and Container Material Quality and Concepts

In joint purchasing by NDE, packaging and containers for our original fast-food items are checked for conformity to the Food Sanitation Law and Japanese Ministry of Health, Labor and Welfare regulations on application criteria such as strength and heat resistance.

Through recipe masters, we clearly identify detailed use of all packaging and containers, even that for individual rice balls and box lunches.

Eliminating Endocrine Disruptors

We check potential effects of endocrine disruptors to ensure that no suspicious chemicals or chlorine-based plastics are used. Wrapping for rice-based products uses only nonpolyvinyl chloride (polyethylene) materials.



Non-PVC materials are used for our original merchandise

Taking Measures Against Food Risks Based on Customer Views

Pesticide Residue and Animal-Treatment Drugs

Restrictions on pesticides and animal-treatment drugs vary with the country, so we limit raw materials to those with completely traceable farm and cultivation histories and those conforming to Seven-Eleven Japan standards. Prior to actual import, materials are checked on site for quality and verification of reports and examinations conducted in Japan. The same checking also applies to domestically procured raw materials. Some vegetables may come, however, from sources other than contracted farmers.

Genetically Modified Agricultural Products

Seven-Eleven Japan recognizes customer concern about the safety of genetically modified agricultural products, avoiding using or selling food involving genetically modified agricultural products. Our original tofu uses soybeans that have not been genetically modified.

Clear, Appropriate Data Indications No Ambiguous Expressions

Merchandise Indications and Expressions

In connection with not only merchandise but also sales promotion tools, we strictly prohibit the use of merchandise and sales promotion language that could mislead customers. Seven-Eleven Japan indication guidelines are based on clear, appropriate language for

indicating quality, size, and production sites.

Example of Seven-Eleven Japan indication guidelines

Expression	Indication Rules
Produced in ○○	Raw materials are controlled from production sites to plants
In season	Domestically produced and fresh (not applicable to frozen food)
Surprising, plenty, generous quantity, large	Larger than Seven-Eleven Japan's ordinary items or 20% or larger than average comparable products marketed

Labeling of Merchandise

Labels providing merchandising information are easy to see and read and conform to JAS and Food Sanitation Law regulations. Indications on allergens include items subject to voluntary indication, and the identification of a container is shown on the label or on the container.

Items subject to allergen indication

Items subject to mandatory indication	wheat, buckwheat, eggs, milk, peanuts
Items subject to voluntary indication	abalone, cuttlefish, salmon caviar, shrimp, oranges, crab, kiwi fruit, beef, walnuts, salmon, chub mackerel, soybeans, chickens, pork, matsutake mushrooms, peaches, yams, apples, gelatin

Reviewing Sales Promotion Standards Based on Effective Resource Use

Changing Paper Sales Promotion Standards

Starting in June 2003, paper sales promotion, such as summer gift catalogs and Christmas advertisement leaflets, are being made from 100% recycled paper. Ink used for printing has been changed to environmentally friendly soybean oil ink.

The thickness of paper used for catalogs and leaflets is being reviewed to reduce material. We estimate that, by using paper 5% thinner than that now used, we could reduce paper by 12 kg per store per year.



Environmentally-friendly paper and ink

Changing Materials for Plastic Sales Promotion Items

Since December 1999, we have been using polypropylene and PET for plastic sales promotion such as POP, instead of vinyl chloride. We are also promoting a shift to paper whenever possible.

Reducing Loss and Waste by Delivering Only Necessary Amounts

Changing the Number of Catalogs

Instead of delivering the same number of catalogs to all stores, we now distribute amounts based on sales and are shifting to case-by-case store requests.

*1 Voluntary Seven-Eleven Japan standards on food additives
Voluntary standards on food additives specified in New Item Handling Standards for original fast food items require strict conformity.

① Preservatives and artificial coloring agents are eliminated.
② No unauthorized additives are used.
③ Additives conform to food additives criteria.
④ Food additives subject to IY Group voluntary restriction are eliminated.

*2 Removal of yeast and emulsifying agents
• Yeast: Food additives added to accelerate yeast fermentation
• Emulsifying agents: Food additives used to prevent bread deterioration and maintain freshness

These are included in some doughnut and cake materials and toppings.

Seven-Eleven Japan's Distribution

Seven-Eleven Japan is working to maintain distribution systems suitable for individual merchandise and to supply worthwhile items in a timely manner.

We believe that focusing on areas where stores are to be opened based on our area-dominance strategy and on the promotion of combined distribution in streamlining distribution further improves the resolution of environmental issues and social problems.



Seven-Eleven Japan's Picture The Future of Distribution

We expect products to change with changes in customer needs, but the basic issue remains how to deliver products speedily and efficiently from production sites and plants to customers while maintaining top quality. We believe that our efforts on this issue are related to reducing environmental load concerning distribution. The environmental load will be significantly decreased by developing hybrid and fuel-cell-powered vehicles. Seven-Eleven Japan, while actively introducing such new technologies, will continue pursuing measures to realistically and efficiently deliver products to customers.



Effects of area-dominance strategy

Although Seven-Eleven Japan stores currently number over 10,000, it has limited its area to 32 prefectures based on an area-dominance strategy followed since its founding.

Under this strategy, stores are opened based on specific regions to raise regional name recognition, increase customers, and improve distribution efficiency essential to retailing. To meet customer needs, products must be delivered just in time and only when needed. Store concentration based on our area-dominance strategy ensures efficient distribution routes, and thus makes just in time delivery possible.

Combined distribution to meet customer needs

In Seven-Eleven Japan's early days, merchandise was delivered in line with commercial practices of that time, meaning that up to 70 vehicles might visit a store in 1 day — significantly affecting traffic around stores. Because units of order were also much larger, stores had to maintain larger inventories to ensure a good assortment.

Unnecessary inventory, however, may cause loss in product freshness and needless waste due to changes in need. But these problems were regarded as inevitable at the time.

Therefore, Seven-Eleven Japan introduced combined distribution in which items from different manufacturers are combined at a center and collectively distributed to stores in small deliveries. This, together with the area-dominance strategy, resulted in systematic ordering and delivery of assortments meeting customer needs.

Changing with customer needs

We also promoted distribution linked with merchandising by improving temperature-based delivery and by using environment-friendly vehicles meeting the latest pollution emission control.

Based on the concept of changing with customer needs, we have introduced changes in which, for example, rice balls and box lunches are made and delivered 3 times a day and beer is delivered chilled from plants.

Ideal retail distribution should provide merchandise just in time to customers when they need it and in necessary amount and quality. Our efforts are related to streamlining and improved efficiency, and this has helped reduce the number of delivery vehicles and miles driven, in turn reducing exhaust gas and driver work time through improved efficiency, thereby increasing environmental protection.



Close-Up

Delivering Temperature-Independent Items in Bulk Increasing Payload Efficiency

Combined distribution is based on delivering products by category. This did not, however, cover temperature-independent items such as processed foods and unchilled liquor. Seven-Eleven Japan responded by updating temperature-independent distribution.

► Increased payload efficiency through bulk delivery

Separate delivery

Sweets

Weight: 34%
Volume: 83%

General merchandise

Weight: 40%
Volume: 60%

Processed food

Weight: 90%
Volume: 46%

Liquor

Weight: 73%
Volume: 40%

Bulk delivery

Weight: 90% Volume: 64%



► Examples of delivery in temperature-independent distribution

Mon, Wed, and Fri	Tue, Thu, and Sat	Sun
Soft drinks Regular and low-malt beer	Soft drinks Regular and low-malt beer	Soft drinks Regular and low-malt beer
Liquor (excluding regular and low-malt beer)	Liquor (excluding regular and low-malt beer)	
General merchandise	Sweets	
Processed food		

Bulk delivery of temperature-independent items improves payload efficiency by mixed categories such as soft drinks and sweets

By Combining Heavy and Light Items, We Reduced Vehicle Traffic!

Reexamining Combined Distribution

Seven-Eleven Japan introduced combined distribution in which items in the same category but from different manufacturers are delivered in the same vehicle.

Combined distribution, however, also concerned temperature-independent items consisting of multiple categories such as processed foods and sweets. Although falling within the temperature-independent category, they were being transported based on a combined distribution center established for each category.

The idea of joint transport could not be realized easily because trade and delivery differed significantly among categories. In our constant pursuit of streamlining and improved distribution efficiency, the issue was one Seven-Eleven Japan had to improve.

Soft drinks, one item of the temperature-independent



By February 2004, domestic temperature-independent bulk delivery centers numbered 17. By the first half of 2005, centers are expected to be located nationwide

category, are significant in sales proceeds and amounts that sensitively depend on the weather. When temperatures rise, soft drink sales shoot up. Delivering only 3 times a week as with other processed foods caused stock shortages when temperatures rose sharply. Stores thus requested that deliveries be increased to 6 times a week.



The Akishima Center handles 4 categories—3,600 items

Store Response to Seven-Eleven Japan in Innovative Change

In 1998, relaxed liquor regulations increased the number of liquor distribution centers in response to the

start of liquor sales at convenience stores. This in turn triggered combining liquor and processed food centers, combining delivery of general merchandises and sweets at the same temperature. In November 2000, Seven-Eleven Japan began bulk delivery of temperature-independent items.

Some confusion was expected due to inexperience, but we firmly believed that the new system was able to respond to customer needs and that evening out work among stores would help reduce franchisee works and improve distribution efficiency.

Combining Small Heavy Items with Large Light Items

The key to bulk delivery lies in increased payload efficiency. Soft drinks, for example, are heavy but relatively small in volume, exceeding delivery vehicle load capacity while leaving empty space. Sweets, however, weigh little but fill vehicle volume quickly. By combining goods from different categories, we could increase load efficiency while reducing the number of delivery vehicles.

It was decided to deliver soft drinks and beer, having large consumption, daily or 7 times a week. Stores reported that operations ran more smoothly without stock being excessive, and temperature-dependent drinks delivered every day facilitated order planning. Work was also easier due to less varied delivery depending on the day of the week.

We will continue to improve distribution that excels in standardization and improved efficiency in delivery and to improve the response to customer needs and work efficiency at stores.



Loading temperature-independent items in bulk

Efforts to Improve Distribution Efficiency

To provide customers with worthwhile items, Seven-Eleven Japan works to realize efficient, environmentally friendly distribution. As a member of the local community, Seven-Eleven Japan makes effort to remain environmentally conscious in all delivery work. Based on this policy, our goal is to continue to improve distribution efficiency.

Targeting Streamlined, Highly Efficient Distribution Based on Total Optimization

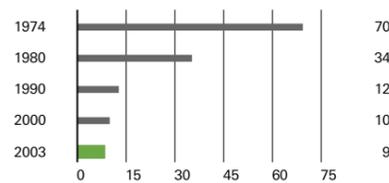
Distribution Management

To deliver merchandise under optimum conditions, we are implementing total optimization distribution controlling distribution from cooperating plants to stores.

Distribution from manufacturers to combined distribution centers is centralized by standardizing route carriers. Between combined distribution centers and stores, delivery vehicles are put to exclusive use. The entire course from manufacturers to stores is thus totally controlled.

Center operation meetings and delivery vehicle supervisor training are held jointly for combined distribution centers and transport companies managing exclusive delivery vehicles. Regular visits to centers by Distribution Control Headquarters staff disseminate Seven-Eleven's distribution concepts.

► Changes in numbers of delivery vehicles per store per day



* The number of delivery vehicles varies with regional and seasonal conditions. The above figures show averages for regions in which concentration has progressed

Combined Delivery Reducing Environmental Load

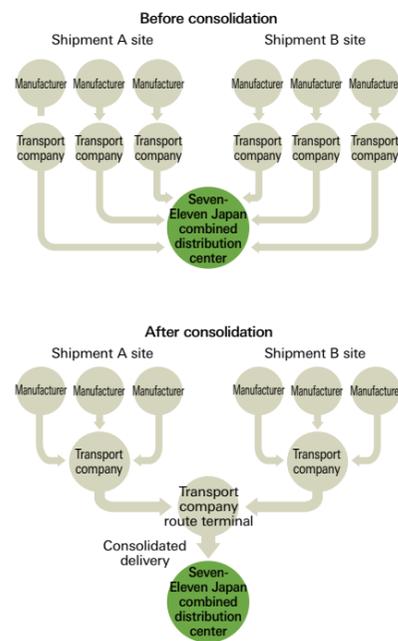
Under Seven-Eleven Japan's unique combined distribution system, merchandise from multiple cooperating companies is divided by temperature at 293 combined distribution centers nationwide and delivered collectively in 3,799 exclusive delivery vehicles nationwide. This makes it possible for efficient delivery routes and systematic delivery, to realize highly streamlined, efficient distribution, which, in turn, reduces fuel consumption and noise around stores.

Consolidated, Standardized Route Transport Between Manufacturers and Combined Distribution Centers

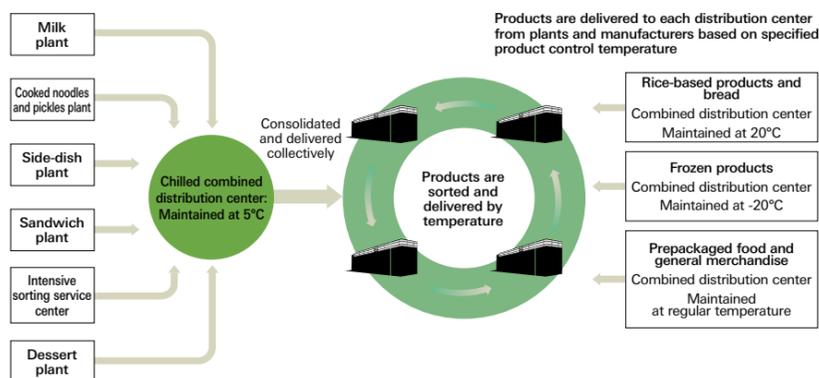
Team Logistics

For merchandise to be delivered under optimal conditions, streamlining and efficiency must be ensured between the manufacturer and combined distribution center. To do so, we have consolidated and standardized route transport. With the manufacturers and the transport company, these efforts, called team logistics, improve the efficiency of team distribution, as in team merchandising in manufacturing.

► Consolidation of route transport



► Seven-Eleven Japan combined distribution



Using Objective Data from In-car Terminals to Eliminate Racing and Idling

Operation Control by In-Car Terminals

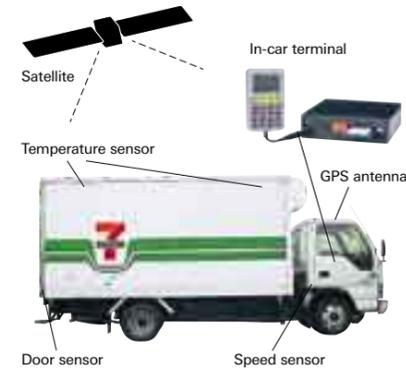
Starting in 2001, in-car terminals were introduced into all exclusive delivery vehicles to monitor and manage individual driving conditions. Based on data from these terminals, unconscious jackrabbit starts and excessive speed by drivers for example are reported to improve operation. Compared to previous performance, delivery vehicle fuel consumption improved 103.9% in fiscal 2002, and 101.4% in fiscal 2003.

Temperature and door sensors are also used to control the temperature of delivered goods.

Daily Safety Reports

Onboard terminal data is output as daily safety reports on which operating conditions such as delivery distance, maximum speed, and potential problems such as jackrabbit starts and unnecessary idling. Based on this data, combined distribution centers advise drivers and optimize delivery distance and road traffic conditions.

► Operation control through in-car terminals



► Fuel consumption improvement by in-car terminals

	Feb. 2003	Feb. 2004	Year on year
Fuel consumption (km/liter)	5.82	5.90	101.4%

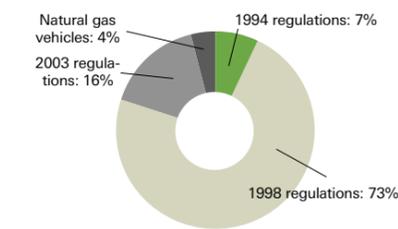
Introducing Voluntary Management Standards and Environment-Oriented Vehicles

Managing Exclusive Delivery Vehicles and Reducing Environmental Loads

Transport companies are encouraged to join in delivery vehicle lease contracts to introduce vehicles meeting the latest emission regulations.

Working with operating companies entrusted with delivery, we set up voluntary management standards stipulating a service life of less than 6 years, a travel distance of less than 500,000 km, and monthly preventive maintenance checks applied to all exclusive delivery vehicles.

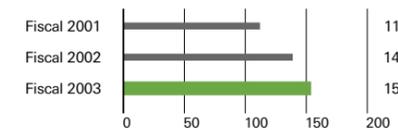
► Exclusive delivery vehicle compliance with emission regulations



Expanded Introduction of Natural Gas Vehicles

Natural gas vehicles are now being introduced for exclusive delivery because they emit less nitrogen oxide (NOx), carbon monoxide (CO), and hydrocarbons (HC) and do not emit sulfur oxide (SOx). Their adoption is somewhat limited, however, by lower availability of gas stations.

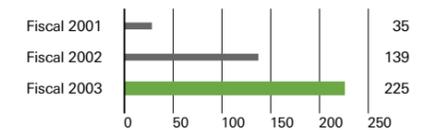
► Number of natural gas vehicles introduced



Nonidling Freezer Vehicles

Starting in 1997, nonidling has been implemented for exclusive delivery vehicles. Freezer vehicles cannot implement this, however, due to refrigerator operation. Nonidling freezer vehicles were first introduced on a trial basis in 2000, then when they were found to have no adverse effects on product quality and were confirmed to reduce fuel consumption, full-scale use started in 2001.

► Number of nonidling freezer vehicles introduced



Ongoing Environmental Measures Though the Introduction of Delivery Improvements Such as Low-Noise Carts

Changing Cart, Container, and Tray Standards

Low-noise carts were introduced in 1999 to reduce noise emission during delivery. Payload efficiency has been improved through standardized trays and folding containers and their recycling.

► Environment-oriented apparatuses

Low-noise carts
Distribution centers use low-noise carts, although climatic winter conditions exclude Hokkaido centers

Standardized folding containers
Standardized folding containers carrying processed food and liquor have been used and recycled since 1999

Standardized trays
Standardized delivery trays of plastic carry box lunches and side-dishes have been used and recycled since 1993



Seven-Eleven Japan's Store Construction and Facilities

While developing our products and services to meet the constantly changing needs of customers, we are working to create customer-friendly stores through ingenious store plans and energy-saving facilities/devices.



Seven-Eleven Japan's Picture The Future of Store Construction and Facilities

Even while minimizing energy consumption, we are creating stores that provide products and services satisfying customers and inviting them to drop in even casually. Our target is to create stores that suit the daily lives of customers. Such stores provide customers with a day's energy in the morning, respond immediately to their needs at noon, and soothe a day's fatigue in the evening. We target stores that are convenient and provide customers with a place where they can enjoy Seven-Eleven Japan's merchandise and services, including considerations for light, sound, and atmosphere.



Providing products and services under optimal conditions

Products and services take precedence in sales. The goal of store construction is to create a “space” in which customers can avail themselves of such products and services under the best conditions.

The variety of in-store facilities available today in Japan was not even imaginable when Seven-Eleven Japan launched its first convenience stores. Since the start, Seven-Eleven Japan has worked with manufacturers to pioneer the facilities taken for granted available in stores nationwide today.

Improving ease of purchase, ease of use, and energy saving

In pioneering in-store facilities/devices to Seven-Eleven Japan specifications, we focus on ease of purchase for customers and ease of use for employees. These include soft-drink display cases to supply cold drinks without running out of stock, regular-temperature display cases for maintaining rice ball and box lunch quality and tastiness, and large ice-cream display cases where customers can easily find and pick out specific items. To respond continuously to customer needs, convenience stores are constantly offering new products and services. With these in mind, we work to develop and improve display cases and store design to create situations ensuring customers to find and purchase what they need quickly and easily.

Energy-saving facilities/devices are also important for Seven-Eleven Japan because Seven-Eleven Japan and franchisees share the payment of electricity bills. We are working to address this issue and make each of our stores a comfortable “space” friendly to the environment and the local community. By doing this, we expect the support of customers.

Daily maintenance approach after introduction of facilities

Failing to maintain facilities/devices — however optimum the “space” — may make things unpleasant for customers and increase electricity consumption.

This is why our stores implement strict cleaning of air conditioner filters, and temperature checks. Seven-Eleven Japan also developed a Building and Facility Maintenance System and has promoted these among franchisees. Under this system, buildings and facilities/devices are inspected four times a year to prevent potentially serious failures and resource waste. Maintaining buildings and facilities/devices in optimal condition minimizes the environmental load at stores.

Customer needs change with the times, so we are constantly innovating to create attractive stores with appropriate illumination, a pleasant atmosphere, good visibility, and minimal extra steps. By considering the overall store environment, we want customers to feel that it is easy to find and select items at Seven-Eleven Japan stores.



Close-Up
User-Friendly
Store Facilities

Seven-Eleven Japan stores may all look alike at first glance, but, in fact, each of the 10,000 stores nationwide works individually to improve safety and comfort harmonizing with the location and locale.

Store Construction and Facilities *Close-Up

Something Has Changed,

at this
Seven-Eleven Store!

To Gain Maximum Customer Support

Seven-Eleven Japan designs its stores to provide the full benefits of products and services.

In the past, we responded to customer needs by extending store hours until midnight and enriching product assortments, in line with our slogan at that time — “I’m glad it’s open.” Stores were therefore designed and constructed to meet such needs.

Over time, convenience stores have become a community base

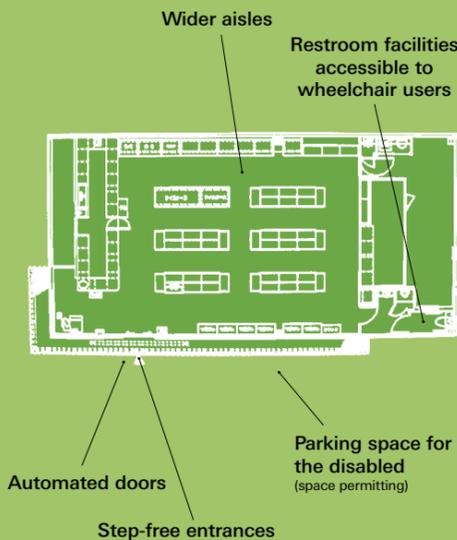
indispensable for paying electricity bills, ATM banking, collecting packages for door-to-door delivery, and other services. This means we must become more aware of our roles in the community. We must be sure that we make stores that are truly suitable as community bases, and ensure usability and user-friendliness as well as paying attention



Persons in charge at Seven-Eleven Japan meet often with builders to discuss in detail ways to improve stores



▶ Key efforts



Not all stores can implement all of these due to local limitations, but we introduce them wherever possible

Making Shopping a Pleasure

Out of numerous discussions, we came up with 3 strategies to improve accessibility, make merchandise more visible, and make shopping more pleasant.

First, we introduced automated doors to improve access for the physically challenged and those carrying infants. Our staffers open doors for them when needed and assist them in finding the items they want. But automated doors alone have done much to make the store environment more customer-friendly.

Second, we widened aisles from the standard 1 meter, which was insufficient for wheelchair users and prevented customers from accessing lower shelves sufficiently. Our wider 1.2 meter aisles meet both of these needs.

Third, we are working on enlarging restrooms and installing handrails wherever space permits to make use easier for older or physically challenged customers.



In line with the Osaka Promotion of Barrier-Free Society Ordinance, Braille blocks were laid at the store



A narrower restroom sink is easier to use for people with disability

Even a Small Step Means Moving Ahead

Such issues as the above invariably arise whenever we open a new store or renovate an existing one. The ideal store would have lots of space, but space limitations can be daunting. Renovating an existing store in line with newly set standards meant an additional 20% of store space was needed. This may not always be possible in stores located on the ground floors of apartment houses or inside hotels — a growing urban trend.

Whatever the problems, we will continue working with franchisees to create customer-friendly stores.

to merchandises and services. Now that our stores are being visited by older customers than ever before, we must admit that the idea that stores are pleasant for everyone may not yet have been realized.

Our challenge then became the creation of greater user friendliness going beyond conventional store concepts.

Store Construction and Facilities *Close-Up

Efforts in Store Construction and Facilities

In-store equipment at Seven-Eleven Japan facilities undergo daily checking and maintenance under our Building and Facility Maintenance to ensure that no more electricity than necessary power is consumed due to aging or mechanical failure. We place top priority on using resources effectively by discussing how to dismantle old stores and introduce reusable ones.

Continuously Maximizing Store Conditions and Minimizing Environmental Emissions

Building and Facility Maintenance

Even the best energy-saving facilities and devices are useless unless every electricity-saving effort is made and buildings and facilities are efficiently maintained. Building maintenance significantly influences facilities and device operation. Seven-Eleven Japan has established Building and Facility Maintenance by Building Diagnosis for store inspection and evaluation and Facility Maintenance for facilities and devices, and encourages franchisees to implement them by conducting total store maintenance, regular inspections, and improved management.

Building and Facility Maintenance

Facilities and device provider
Facilities and Device Maintenance

We conduct regular checks, adjustment, and repairs and respond to emergencies 24 hours a day, 7 days a week

Construction company
Building Diagnosis

Traveling auditors visit stores to give advice on maintenance and management. They also check, diagnose, adjust, and repair small problems



Saving Energy While Meeting Customer Needs

Energy Saving of Facilities and Devices

Newly introduced in-store equipment models emphasize energy saving. Energy-saving inverters are introduced at new and renovated stores. We are promoting energy saving by encouraging the use of insulated panel construction to ensure top insulation in stores. The requirements of new hot and cold display cases and ATMs, however, increased power consumption per store in FY2003 over the previous year.



Soft-drink display case inverter

Energy Saving at Stores

Facilities and devices requiring temperature control are checked twice a day and undergo regular filter cleaning and other maintenance to minimize energy loss due to poor maintenance.

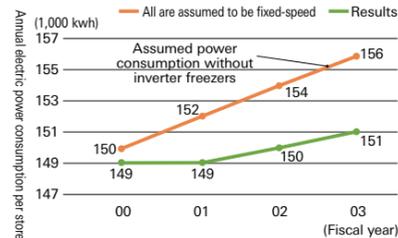


Temperature check

Examples of energy saving facilities and devices

Soft-drink display cases	Inverter-scroll freezers introduced
Open display cases for rice-based and chilled products	Inverter-stabilizer introduced for lighting equipment Inverter-scroll freezers introduced
Lighting equipment	Continuous dimmers and energy-saving fluorescent lamps installed
Air conditioners	Inverter freezers introduced
Power saving devices for lamps and air conditioners	Devices integrating energy-saving functions for lamps and power introduced
Outer wall and roofing materials	Insulated panels introduced

Energy saving by introducing inverter freezers



Introductory Testing of Natural Refrigerant Replacing Fluorocarbons

Moving Toward

Nonfluorocarbon Stores

Stores often use fluorocarbon as the refrigerant for refrigerator-freezers and air conditioners. Since the production of chlorofluorocarbons (CFCs) was banned under the Law Concerning the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures hydrofluorocarbons (HFC/HCFCs) are used. Due to the large global warming potential of HFCs, however, Seven-Eleven Japan is working to totally reduce the environmental load by using natural refrigerants. We are now testing the introduction of refrigerator-freezers that use natural

refrigerants made from ammonia and hydrocarbon. Once we have verified noise and refrigerant leakage considerations, we expect to move toward actual introduction.

CFC consumption per store

CFC	Consumption	Major equipment
R-22 (HCFC)	44.1kg	Walk-in, chilled, and other display cases
R-509 (mixed media of HCFC and FC)	2.0kg	Ice cream case

HCFC: hydrofluorocarbon FC: fluorocarbon

Reusing and Recycling In-Store Facilities and Devices Collected by Seven-Eleven Japan

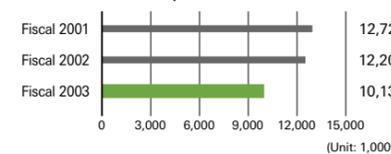
Reuse and Recycling of Rental Facilities

Seven-Eleven Japan leases facilities and devices — merchandise display racks for soft drinks, sales equipment such as microwave ovens, and IT devices such as computers — to franchisees. Once collected from stores, these facilities and devices are reused and recycled whenever possible. During fiscal 2002, can warmer components phased out when hot and cold display cases were introduced are being reused to warm PET bottles. Large facilities such as soft-drink display cases are maintained as new ones and reused when possible. In fiscal 2003, reusing 10,139 facilities and devices contributed to effective resource use, cutting costs equivalent to 2,290 million yen.



Rental facilities are maintained to ensure that they operate as when new

Number of rental facilities reused and recycled



Minimizing Resources from Dismantled Stores through Reusable Stores

Working Toward Store Reuse

When stores are closed due to changes in local conditions, for example, reducing construction waste and using resources effectively when facilities are dismantled become major environmental issues. Seven-Eleven Japan works on constructing reusable stores by introducing steel frame beams and other reusable materials.



General construction
 × Results likely depend on by worker skill
 × Insulation effects may be uneven
 × Different materials and work processes required



Insulation panel construction
 ○ Results not likely to depend on worker skill
 ○ Insulation effects are uniform
 ○ Material delivered and construction completed efficiently
 ○ Materials recycled after removal

Combining Distribution and Simple Packaging are also Applied to Building Materials and In-Store Equipment

Environmentally Friendly Store Construction

We are reducing the number of delivery vehicles by combined distribution of interior materials and small in-store equipment such as microwave ovens when stores are built. (Combined distribution of

interior materials is performed at 328 stores and small facilities and devices at all stores.) Insulation panels are delivered packaged simply.



Insulation panels in ordinary packaging
 × Packing materials consumed: 680 m² (per standard store)



Insulated panels in simple packaging
 ○ Packing materials consumed: 115 m² (per standard store)
 Introduction was enabled because insulated panels conformed to Seven-Eleven Japan specifications, delivery routes from plants to stores were defined, and control was implemented

Septic Tank Problems and Measures

Japan's semigovernmental broadcasting system NHK reported that 30% of all combined septic tanks at convenience stores in a certain region lacking a sewage system (Fukuoka Prefecture in the Jan. 5, 2004, report) had high BOD and were in poor repair. Installation standards for such tanks vary with the prefecture, so capacity is determined through individual consultations with authorities when store construction permits are applied for. In districts with administrative directives, we are installing septic tanks with a capacity for more than 30 persons. Tests are now ongoing in some regions to increase septic tank functions.

Septic tank maintenance and inspection are considered almost as important as installation, so we are operating stores by minimizing the environmental load in cooperation with authorities and by introducing sewage tank cleaning companies to franchisees.

Seven-Eleven Japan's Waste Disposal and Recycling

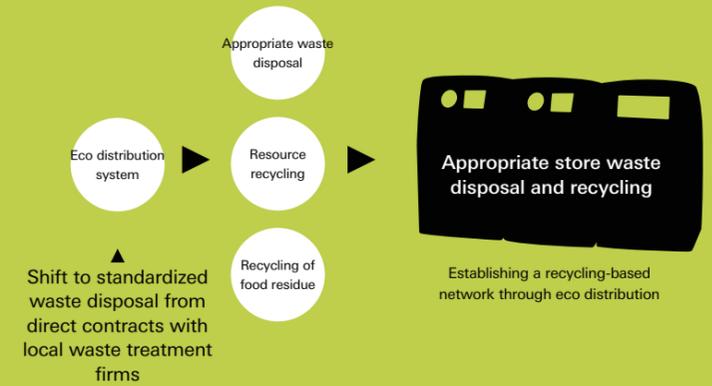
Seven-Eleven Japan stores discharge varied waste such as that in trash containers and unsold box lunches. To take responsibility for waste disposal and recycling and to use resources more effectively, we have established a recycling-based network and are focusing on waste disposal and recycling.



Seven-Eleven Japan's Picture The Future of Waste Disposal and Recycling

Seven-Eleven Japan is moving toward the next stage of recycling, which involves establishing a recycling-based network.

Our longstanding commitment to use items as resources that have passed their sell-by dates and food residue from proprietary plants without burning as waste has finally been realized this year. Feed materials and compost from recycling are sent to farmers, who use them to grow healthy vegetables and farm animals. We are hoping that these end up again in Seven-Eleven Japan stores as products. We are establishing a recycling-based network that helps expand the use of domestic materials in this way.



Waste disposal was being handled at the store level

Waste produced by stores includes items that have passed their sell-by dates, corrugated cardboard used in product delivery, and trash from trash containers in stores. Until the early 1990s, these were managed by individual franchisees, who usually had contracts with local waste treatment firms. This meant that actual contract conditions varied greatly in rate, time of collection, etc., and made it almost impossible to check that waste was being disposed of and recycled appropriately.

Seven-Eleven Japan therefore standardized waste disposal to ensure appropriate disposal and facilitated recycling — the start of its eco distribution system.

Eco distribution concept as a social responsibility

Seven-Eleven Japan's eco distribution network recommends waste treatment firms in each region for collecting waste from local stores for effective and appropriate disposal and recycling. Standardizing waste disposal for each store has enabled appropriate waste disposal and recycling desired by the society. It is Seven-Eleven Japan's responsibility to society to positively work on waste issues inseparable from our primary responsibility in responding to customers' needs.

From eco distribution to a recycling-based network

But introducing eco distribution presented a great challenge. Direct contract regulations established under the Waste Disposal and Public Cleansing Law covering waste collection and disposal state that contracts are to be made by individual business operators. This was to prevent waste disposal problems by clarifying responsibility for waste discharge organizations.

Introducing such measures while following regulations thus involved trial and error, much time, and extensive discussions with authorities. We never doubted, however, that we were responsible to society for decreasing waste problems and that we could build an efficient system conforming to the law.

Eco distribution thus was implemented in 1994 in cooperation with authorities. In the decade since, the system has been gradually expanded and has brought advances in appropriate disposal and waste reduction.

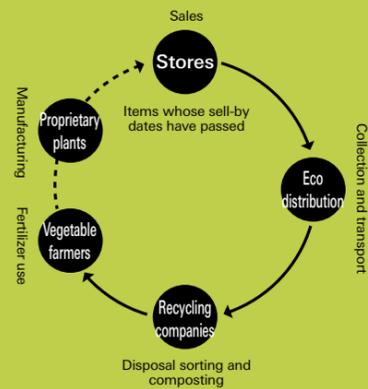
In March 2003, we began recycling food that had passed its sell-by date in Tokyo's 23 wards based on innovations in eco distribution — a new step toward our projected recycling-based network. This could not have been done by Seven-Eleven Japan alone, however. It has, instead, been a joint effort by stores, waste disposal companies, recycling enterprises, commercial farms, and Seven-Eleven Japan. This, is also a part of the joint business Seven-Eleven Japan has been advocating.



Close-Up Recycling System Targeting the Food Cycle

Individual Seven-Eleven Japan stores are independent proprietors linked via franchising. Franchisees and Seven-Eleven Japan thus have been working together to establish a network called the Food Cycle.

► Recycling-based network beginning with stores



Some 16 kg of items that have passed their sell-by date discharged each day from stores are recycled in the recycling-based network

Recycling items that have passed their sell-by date

Considerations for Resource Waste Lead to Establishing the Food Cycle

The Food Recycling Law that went into effect in 2001 stipulated that food-related proprietors must hold down and recycle or reduce food waste by 20% by 2006. Food waste at Seven-Eleven Japan is discharged by proprietary plants that manufacture fast food items such as box lunches and by stores. Enacting the law gave a big boost for launching food recycling, which cannot be done by food-related proprietors alone. Recycling requires the cooperation of those discharging waste, those recycling it, and those who use items produced from recycled materials.

Turning Waste into Resources, But Doubling Cost — What Franchisees Said Was...

After much trial and error, we started recycling food (composted) that had passed its sell-by date using the eco distribution network in Tokyo's 23 wards in March 2003.

The eco distribution network involves 3 processes — separating packaging and containers from contents at the source, collecting them 6 days a week using refrigerator cars, and using special containers rather than garbage sacks. This differed greatly from the conventional process at the time and cost



Collecting items that have passed their sell-by date

It's Not Waste — It's a Resource!

Reclaiming Items Passing Their Sell-by Date

twice as much, so we worried about possible impact on franchisees. Some had already mentioned worries about cost, the lack of store space for special containers. Others voiced support for the innovation. Once everyone understood that items that had passed their sell-by date were resources rather than waste, most franchisees approved of implementing the system. At first, franchisees faced problems such as incomplete fermentation of the waste and difficulties in making compost, but eventually these problems were solved.

Despite some problems and false starts, compost produced by recycling started being used by farmers for spring produce.

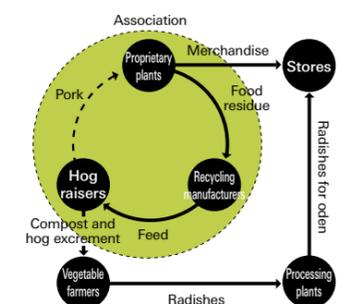
We are already working on more ways to improve the quality of compost and studying items past their sell-by date (such as bread and milk) for animal feed. We eventually hope that raw materials produced by this system will be made into merchandise sold and circulated in our stores.

New Food Cycle from Plants — Recycling Starting in Kyushu

Our NDF-affiliated proprietary plants also began targeting a recycle-based network. Our NDF-affiliated proprietary plants kept food residue cool to preserve it better for recycling, which cattle farmers evaluated highly, and further efforts were made to use the resulting feed, which has higher added value than compost and which would otherwise have to be imported. Proprietary plants, waste treatment companies, and hog raisers jointly set up the Kyushu Food Plant Recycle Business Corporate Association, built a facility for recycling, and are working toward sustainable production.

Progress continues toward completing the recycling-based network so that, for example, food residue from plants is made into swine feed and swine excrement into compost, which is then used at radish farms for producing oden (Japanese hotchpotch) for Seven-Eleven Japan franchisees.

► Recycling-based network at food plants in Kyushu



Proprietary plants, waste treatment companies, and hog raisers jointly set up a recycling association



Efforts in Waste Disposal and Recycling

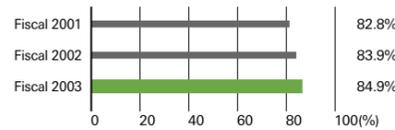
Seven-Eleven Japan realizes disposal and recycling of waste through eco distribution, collectively treating waste from stores. Based on eco distribution, we have started a recycling-based network that goes beyond the store level and targets a recycling-oriented society.

Establishing Eco distribution to Promote Appropriate Waste Disposal

The Eco distribution System and the Situation of its Implementation

We recommend regional waste treatment companies, check that waste is disposed of appropriately, and plan and implement recycling under eco distribution. Retail System Service Co., Ltd., which takes charge of these waste-related services, organizes waste treatment companies and recommends the system for efficient waste recovery and treatment to Seven-Eleven Japan stores nationwide. By the end of February 2004, 6,930 stores — 84.9% of all stores in eco distribution target areas — had joined the system. In fiscal 2003, eco distribution started in additional 53 towns and cities, mainly in Aichi Prefecture.

► Eco distribution affiliation



► Eco distribution affiliated stores (as of end of Feb. 2004)

Stores	Stores affiliated	Stores not included	Rate of affiliation
10,303	6,930	2,143	84.9%

* Stores not included: Stores located outside eco distribution target areas

City-by-City Separation Table Targeting Regional Treatment

Treating Store Waste

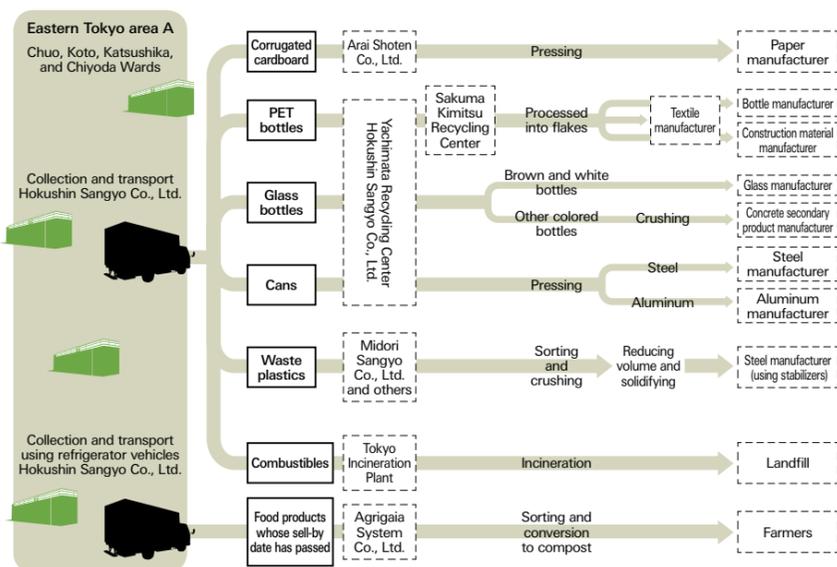
Each franchisee bears a discharger's responsibility under the Waste Disposal and Public Cleansing Law for items that have passed their sell-by date and waste from in-store trash containers discharged by. Each store conducts disposal based on sorting instructions before discharge, waste

based on municipal instructions, and works with an eco distribution waste treatment company. Under eco distribution, regional sorting criteria are set and treatment is done jointly by stores and waste treatment companies. We also distribute a Seven-Eleven Japan waste sorting manual to stores to enhance awareness among employees regarding waste sorting.

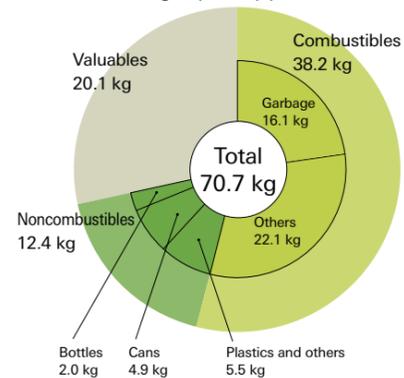


Seven-Eleven Japan waste sorting manual prepared by the Eco distribution Promotion Committee

► Example of eco distribution in eastern Tokyo



► Waste discharged per day per store



* Data includes mean values for 1,101 Tokyo stores
* Valuables include corrugated cardboard and newspapers

Proprietary Plants Working on Regionally Based Waste Reduction and Recycling

Efforts in Waste Disposal at Proprietary Plants

Waste materials discharged by Seven-Eleven Japan's proprietary plants include food, paper, and oil, treated by waste treatment companies contracted to each plant. To discuss reduction of waste and responses to the Food Recycling Law, the NDF project on environmental measures was set up to share information on estimation of discharge and food recycling methods. As in food recycling in Kyushu, each plant adapts recycling suitable to its own region.

► Food waste discharged by proprietary plants

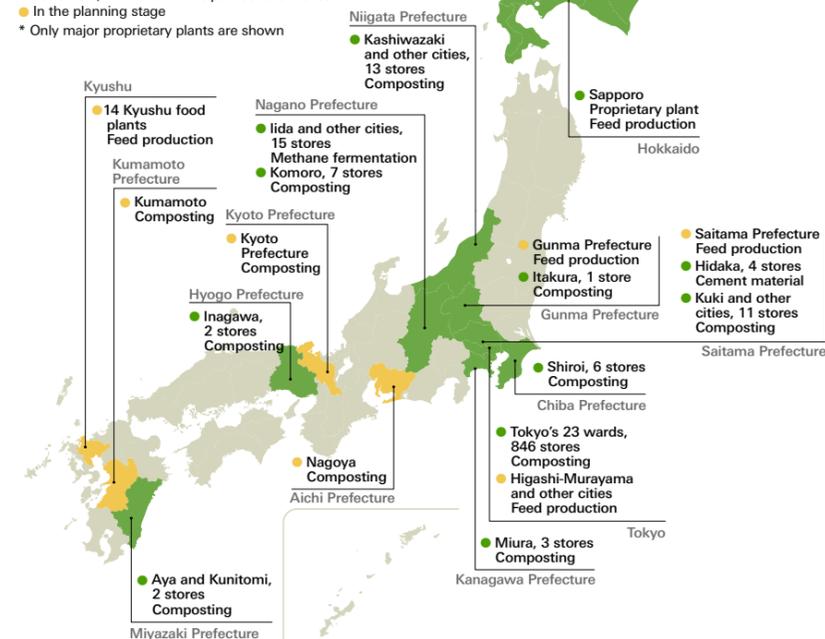
Amount of discharge per day per plant	Value
	1.3 ton

* Discharge from 1 plant per day is the mean value for 150 plants whose food waste could be measured precisely

► Plans and achievements in food recycling as of end of Feb. 2004

Achievements for fiscal 2003 and before	
Stores	910 (8.8%)
Proprietary plants	74 (37.6%)

● In operation. Eco distribution leads efforts for cities including Kashiwazaki, Shiroy, and Kuki and Tokyo's 23 wards. For others, individual municipalities take the lead
● In the planning stage
* Only major proprietary plants are shown



Targeting a Recycle-Oriented Society through Efficient Legal Implementation

Observance of Food Recycling Law

Seven-Eleven Japan franchisees, proprietary plants, and Headquarters operating company stores are subject to the Food Recycling Law. Given that stores are located nationwide, that legal implementation must be checked, and that relations between product distribution in food recycling and Seven-Eleven Japan must be worked systematically to effectively implement food recycling. Based on this concept, Seven-Eleven Japan has enabled efficient legal implementation through its franchising chain. The system already operates at stores in Tokyo's 23 wards, and expansion to part of Tama and Kumamoto is under

discussion. At proprietary plants, the system already operates in Sapporo and is expected to start in Kyushu in fiscal 2004. It is also under discussion for Gunma and Kyoto Prefectures.

New Employee Uniforms 100% Recyclable

Uniform Recycling

Material for store employee uniforms was changed in October 2000 and is now 100% recyclable with the Ecolog Label. The same material was adopted when uniforms were changed commemorating the company's 30th anniversary. Old uniforms were collected and recyclable ones were recycled into polyester material by a professional manufacturer.



Uniforms with Ecolog Label are collected, recovered, and reused as long as material remains recyclable



In commemoration of the company's 30th anniversary, new uniforms were introduced between October and December 2003

► Total uniforms collected

Total	Value
	170,926

Seven-Eleven Japan, Living in Harmony with Local Communities

We evaluate the environment together with local residents and conduct philanthropy in environmental issues the way a responsible corporate citizen would. To realize this motto, which is advocated in Environmental Policies, we are working on creating stores that are trusted and counted on by local communities.



Seven-Eleven Japan's Picture The Future of Harmonious Living with Local Communities

Believing that franchisees can deepen ties with local communities, each store works to live in harmony as a member of the local community and as a neighborhood store. This enables franchisees to become prosperous. Each of us is therefore working to determine what is needed in daily activities and to respond to these needs.

By having our stores take an active part in environmental philanthropy under Seven-Eleven Midorino Kikin (Green Fund), we hope to continue working on activities rooted in local communities through cooperation among stores.



As a company engaged in sales

Seven-Eleven Japan sales focus on ready-to-eat food such as rice balls and box lunches, so containers and shopping bags tend to be thrown away and become local waste. To prevent this, Seven-Eleven Japan employees ask customers purchasing a single item whether they would prefer tape instead of a bag. Employees also keep store vicinities neat and clean.

We work to prevent underage sales of liquor and cigarettes by clearly labeling sales areas and checking purchaser age at cash registers. "X-rated" magazines are clearly labeled and monitored to prevent browsing or purchase by underage customers.

We consider it our duty as a member of the local community to care for the environment and contribute to a sound upbringing of younger customers.

Serving as a safe and secure community base

In addition to providing products and services, convenience stores are open 24 hours a day, 365 days a year, making them ideal as bases able to serve the general public in case of emergencies by supporting such services

as Children Dial 110 and Silver Dial 110. To respond to such expectations, we are conducting trials in Safety Station activities.

We also work in the case of disasters to make available store resources such as manufacturing and distribution under the "24 (hours a day) / 7 (days a week)" system supporting stores. Food and basic goods are thus made available in times of disaster and delivered to people who need them.

Creating stores supported by local communities

Franchisees and Seven-Eleven Japan cooperate in creating stores supported by local communities.

Merchandise targets local needs by supplying services and raw materials, such as food seasonings, appropriate to the store locale.

Seven-Eleven Japan Environmental Policies stipulate cooperation with local communities and philanthropy. We work to develop and offer products and services best suited to community practices and customer lifestyles at the store level. By doing so, we believe our stores will become truly supported by communities.

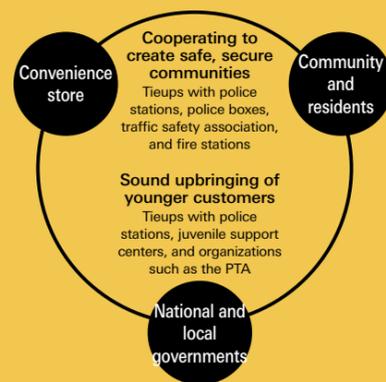


Close-Up

Providing Safety Stations That Provide Help in Times of Need

Our stores, playing a role as a community base for safety and security, actively serve as 24 (hour-a-day) /7 (day-a-week) Safety Stations. We also strengthen other customer-friendly services.

▶ Store/Community tieups



In addition to cooperating in sound upbringing of younger customers, our stores take part in voluntary crime prevention, emergency notifications, and aid to women, children, and the elderly in distress

▶ Trial activities implementation areas

Stage 1	Stage 2	Stage 3
Mar. 2003- May 2003	Nov. 2003- Jan. 2004	Jul. 2004- Sep. 2004
Kawasaki Saga Prefecture	6 Tokyo wards Setagaya Ward Shibuya Ward Meguro Ward Shinjuku Ward Nakano Ward Suginami Ward Yokohama Kawasaki Fukuoka Prefecture Saga Prefecture	Sapporo Tokyo Yokohama Kawasaki Shizuoka Prefecture Aichi Prefecture Gifu Prefecture* Nara Prefecture Kyoto Prefecture Osaka Prefecture Hyogo Prefecture Fukuoka Prefecture Saga Prefecture

In connection with "Safety Station" activities, we have implemented trial activities at 3 different stages
* Gifu Prefecture, although one of the target areas, has no Seven-Eleven Japan stores



Being a "Community Light"

cities. In trial activities, stores actively work with local governments, police stations, and other organizations to cooperate in crime prevention patrols, for example. A convenience store cannot fill the role of a police station, but it can serve as a member of the local neighborhood by, for example, helping locate a lost child. Through promoting Safety Station activities, we contribute to a safe community.

Based on the idea that community safety reflects store safety, we are also reviewing voluntary crime prevention at the store level.

Strengthening Friendly Services

In addition to friendly greetings, we want customers to recognize our stores as customer-friendly. Friendly service is our sincere response to customer support, which is one of Seven-Eleven Japan's 4 Basic Principles.

Through activities such as the above, franchisees have cultivated their awareness of the importance of contributing to the local community. Safety Station activities occur only through cooperation with franchisees and employees. Seven-Eleven Japan hears opinions of franchisee support for these activities as a natural responsibility of every store, and trial efforts are now being evaluated for measures to be introduced to stores nationwide.

Offering More Than Products Alone

In 2000, a request for cooperation in "Safety Station" activities was made by the National Police Agency to convenience stores affiliated with the Japan Franchise Association (JFA). Although some stores already conducted activities such as Children Dial 110 and Silver Dial 110 voluntarily, responding to this JFA request, Seven-Eleven Japan started encouraging franchisees to cooperate more actively.

The JFA's request for cooperation was made in the expectation that 24/7 convenience stores could best serve as community bases for safety and security. We view this as a natural outcome of our social responsibility as a company engaged in sales.

Everyone has probably experienced a feeling of relief when seeing the lights of a roadside store after walking in

the dark, or dropping into a store and being given friendly directions in an unfamiliar area. These small comforts are becoming part of the services convenience stores can offer.

Community Safety Maintained Between Police Stations and Convenience Stores

JFA affiliates have been implementing 3 trial stages of Safety Station activities. Stage 1 involves activities started in March 2003 in Saga Prefecture and Kawasaki. Stage 2 started in November 2003 in 6 Tokyo wards and 2 cities in 2 prefectures. Stage 3 started in July 2004 in Tokyo, 9 prefectures, and 3



Contract for a regional cooperative project concluded with the Wakayama Prefectural Government



Safety Station poster

Living in Harmony with Local Communities

Seven-Eleven Japan stores concentrate on providing products appropriate to the locale and community. Through Safety Station and other social activities enhancing communication with customers, stores emphasize harmony with local communities.

Stores Where a Visit Is Always a Pleasure

Communication with Customers

Seven-Eleven Japan, like any other service provider, encounters complaints and problems at times. We take the comments and requests of customers into serious consideration through our Customer Relations Department, taking information provided into account and working to improve the situation.

In addition to telephone calls and letters, we have been receiving comments through our website since October 2001. We are therefore receiving more comments than ever before.

During fiscal 2003, we received 247 compliments on pleasant greetings and behavior by staff who aid those with disabilities, assist the elderly, and generally make Seven-Eleven business a pleasure for customers. We feed back these comments to franchisees through the Seven-Eleven Japan Family magazine. This also encourages store personnel to improve their own services constructively and positively.

Providing Products and Services Enhancing Customer Convenience

Locale-Oriented Products

Seven-Eleven Japan develops products focusing on regionally unique local

taste. Working with local companies, we help commercialize local specialties, materials, and seasonings. Examples include Sanriku red caviar rice balls and regional rice wine and shochu.

Services Emphasizing Community Infrastructure

Regional merchandise includes locally designed shopping bags, refuse disposal tickets, and chlorofluorocarbon coupons (for discarding cars).

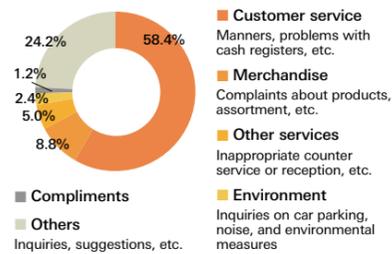
During fiscal 2003, our payment services enabled customers to pay 166,990,000 bills amounting to 1,390,400,000,000 yen. We are also working to enable them to pay old age pension and national health insurance premiums. IY Bank, started in 2001, is expanding its links with affiliated banks to improve customer convenience.

In the capital region, the Seven Meal Service provides meal deliveries to the elderly and others.

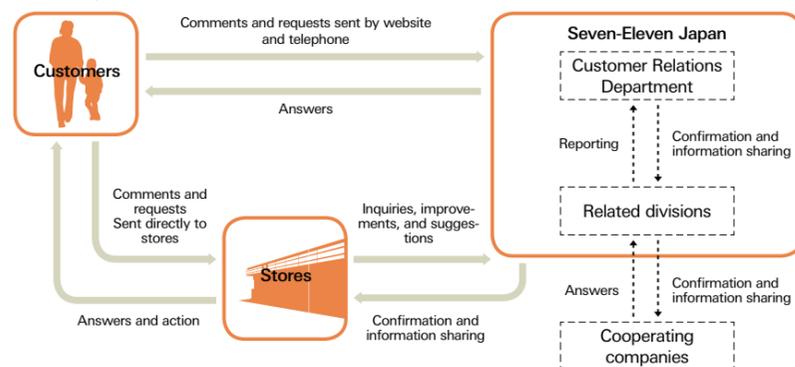
Comments received from customers



Details



Our responses to customer comments and requests



IY Bank ATM

Expanding Twice-Annual Cleanups

Seven-Eleven Japan Day: Nationwide Cleanups

Since a franchisee's suggestion in 1999, franchisees nationwide and Seven-Eleven Japan have cooperated in conducting Seven-Eleven Day: Nationwide Cleanups in July and November. In 2003 alone, participants numbered 48,734. The response to these is overwhelmingly positive from franchisees. In fact, this has led to the start of new activities such as community and neighborhood cleanups.



Ninth Adachi Ward Cleanup

Improving Customers Comfort

Cooperating in Osaka's Ordinance Promoting a Barrier-Free Society

In response to Osaka's Ordinance Promoting a Barrier-Free Society enacted in April 2003, our Osaka stores have started renovations to make them barrier-free. As of June 2004, some 16 stores have been accredited with ordinance conformance increasing access to the elderly and those with disabilities through enlarged aisles, restroom handrails, Braille blocks, etc.



Certificate of ordinance conformance

Building Customer Trust and Support

Supporting Philanthropy in the Community

Our continuous support of philanthropy in the community extends to 6 fields — the environment, culture

and art, social welfare, sports events, education, and local community service. Franchisees and Seven-Eleven Japan staff members participate and cooperate positively, enhancing communication as members of the community and encouraging the wide possible participation.

environment

culture and art

social and welfare

sports

education

Earth-Friendly Essay and Report Contest

To promote awareness of daily environmental protection, Seven-Eleven Japan has supported an Earth-Friendly Essay and Report Contest every year since 1991 under sponsorship of the Yomiuri Shimbun. Seven-Eleven Japan has served as a cosponsor since the first contest and with the Seven-Eleven Midorino Kikin (Green Fund) since the fifth contest. Fiscal 2003 applications: 24,634 entrants



Broadway Musical Peter Pan

Peter Pan, a long-running musical enjoyed by people of all ages, has been staged continuously for over 20 years since it debuted in Japan in 1981. Since 1998, Seven-Eleven Japan has conducted a Seven-Eleven Fantasy Special project accepting applications for the Peter Pan character at each store and invited the contribution of paintings on children's dreams and hopes by outstanding painters at the Peter Pan Children's Art Show. Children from welfare facilities are invited to performances escorted by employee volunteers. Fiscal 2003 Invitations extended: 26,847



24-Hour TV Program "Love Saves the Earth"

The 24-hour charity raising campaign "Love Saves the Earth," sponsored by the Nippon Television Network Corporation, targets viewers and private companies, shopping malls, schools, and local communities. Joining in this community effort, our stores have been served as collection sites, accepting donations at stores during the event each August since its 6th airing.



As part of the 24-hour TV program since 1998, we have worked in charity events with local TV stations. For the 2003 campaign, we teamed up with Sapporo Television Broadcasting and, with local franchisees and Headquarters staff, supported the Aozora Gakkyu Challenge Eki-den for Koyodai Elementary School in Chitose, Hokkaido. Fiscal 2003 Total collected by Seven-Eleven Japan stores: 71,458,812 yen

All-Japan Club Pingpong Championship

We have supported the All-Japan Club Pingpong Championship for over 20 years since 1984 by offering the Seven-Eleven Cup. The championship fosters and promotes pingpong clubs so that people of all ages can enjoy this popular activity. Fiscal 2003 Participating teams/persons: 388 /2,267

Nagano Olympic Commemorative Marathon

In commemoration of the Winter Olympic Games held in Nagano, the Nagano Olympic Commemorative Marathon has been held since 1999 to promote local sports and culture. Seven-Eleven Japan has served as a major sponsor since the marathon's inception. Fiscal 2003 Finishers: 4,026

Student City Shops

Student City is a project undertaken by Shinagawa Ward for fifth grade elementary school students in the ward since 2003. In it, a city is created on the school grounds every Saturday for children to take part in economic activities. Seven-Eleven Japan opens a simulated store as one of their neighborhood stores, preparing a store manual for children explaining how its stores are operated. Children who take part learn the basics of social and economic systems, awareness as citizens, social responsibility, etc., by actually running a store by themselves.



Seven-Eleven Midorino Kikin (Green Fund)

Fiscal2003 track record
Total donations raised by stores: 242,816,567 yen

The Seven-Eleven Midorino Kikin (Green Fund), based on customers' donations collected at Seven-Eleven Japan stores and contributions and donations from Seven-Eleven Japan Headquarters, has supported environmental protection and conservation activities and volunteer citizens groups conducting environmental preservation activities throughout Japan.

Supporting Environmental NPOs

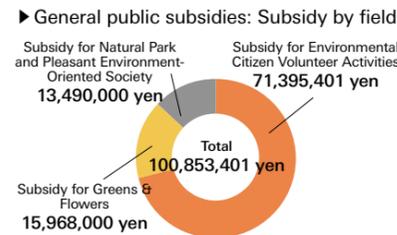
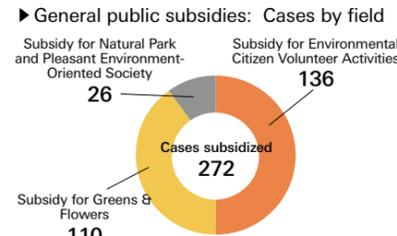
We conduct such activities wide-ranging support for environmental nonprofit organizations (NPOs), establishing a network for local environmental NPOs and sponsoring overseas training for environmental volunteer leaders.

Subsidizing NPO Activities

Donations collected at Seven-Eleven Japan stores are delivered to support environmental citizen volunteer groups. Subsidies for Environmental Citizen Volunteer Activities and others in fiscal 2003 totaled 100,850,000 yen distributed to 272 groups.



NPO Enasan Midorino kai (Gifu Prefecture)



Supporting Environmental Volunteer Leaders

Overseas training programs are conducted for leaders in environmental NPO activities to give them a chance to learn organizational operation and know-how from overseas environmental NPOs. In fiscal 2003, 2 training courses — one in New Zealand in August and

one in Australia in February — were conducted for 9 participants.

After returning from overseas training, participants hold an environmental volunteer leaders meeting to achieve the systems and exchange information on fund raising and building skills.



Training in Australia

Supporting Local Volunteer Networks

We support local conferences for building networks, exchanging information and technology, and promoting mutual assistance among local environmental NPOs. In Hokkaido, we have student volunteer support linking university students and environmental NPOs.

Local Environment Beautification Project

Seven-Eleven's Midorino Kikin (Green Fund) supports citizens working to build litter-free communities and beautify Japan with greenery and flowers, donating equipment such as work gloves and refuse bags to local cleaning events that give everyone a chance to take part in environmental preservation first-hand.



Cleanup Kamakura 2004 (Kanagawa Prefecture)

Supporting Local Cleanups

We have donated cleaning equipment to 14 events including, for example, the

Country Big Operation, participated by 76,000 scouts, and Lake Biwa Day Shiga Prefecture Cleanup.

Flowerbeds

Starting from 1997, we have taken part in flower planting for Sapporo Odori Koen flowerbeds. To support Hiroshima's building of a community filled with flowers and greenery, we sponsor partner flowerbeds at 4 places in the city.

Preserving the Natural Environment

The Seven-Eleven Midorino Kikin (Green Fund) has, since its founding, worked on environmental problems in the Mt. Fuji area, Japan's biggest (literally) environmental issue. In other areas, it has been working on preserving the natural environment so that the next generation may inherit a more beautiful Japan.

Tackling Environmental Problems Around Mt. Fuji

Some 176 employees from Seven-Eleven Japan took part in this year's sixth Mt. Fuji Cleanup Project, focusing on the Aokigahara Ocean of Trees, photographing dumped waste with camera cellphones and collecting data on precise locations analyzed by GPS. Some 12 organizations and 1 person were subsidized under the Mt. Fuji

Environmental Conservation Support Plan Subsidy. Working with the Fujisan (Mt. Fuji) Club, we conduct environmental activities in the Mt. Fuji area. Some 350 people took part in the Mt. Fuji Day 2004 International Symposium sponsored by the Fujisan Club, where NPOs and NGOs working on mountain environment issues in and outside Japan gathered to discuss measures for environmental issues and activities.



Mr. Fuji Cleanup Project

Preserving of Kiritappu Wetland National Trust

Under a partnership agreement with the NPO Kiritappu Wetland Trust, we have been working to preserve the Kiritappu Wetland,

designated under the Ramsar Convention, to protect waterfowl and wetlands. In 2003, we had an abandoned house dismantled, a wetland restoration survey conducted, board-walks improved, and conducted environmental lessons.



Kiritappu wetland (designated under the Ramsar Convention)

Protecting the Nikko Cedar Tree Avenue

Nikko's cedar trees are exposed to serious damage due to aging and automobile exhaust, with up to 100 trees dying every year. Work is supported by the Seven-Eleven Midorino Kikin (Green Fund) and the Nikko Cedar Avenue Conservation Foundation. In fiscal 2003, a 1.3 km section of the Reiheishi Highway in Imaichi was revitalized by building a wooden fence to protect cedar trees.

PR

The Seven-Eleven Midorino Kikin (Green Fund) disseminates information on environmental problems and NPO activities in Japan through extensive public relations activities. TV programs we sponsored, such as BS Asahi's Toward a Leafy Future and Megaport Broadcasting's We Love the Earth, emphasized the importance of nature.

National Forest Marathon in Hokkaido and Fukuoka

We cosponsor forest marathons held

in the Oku-Jozankei national forest near Sapporo, Hokkaido and in the Wakasugiyama national forest in Kasuya in Fukuoka Prefecture. In fiscal 2003, 1,700 people took part, enjoying the ecosports — marathons and walking. Part of participation fees goes to help preserve these forests.

Earth-Friendly Essay and Report Contest

In fiscal 2003, citing the theme Things We Can Do Now to Save the Earth, we invited opinions and suggestions from the public on environmental protection,

reports on activities, and the contribution of posters. Some 24,634 works were received from 10 different countries by people from 6 to 98 years of age.

Charity Concerts at Japan Parks Urban Green Fairs Nationwide

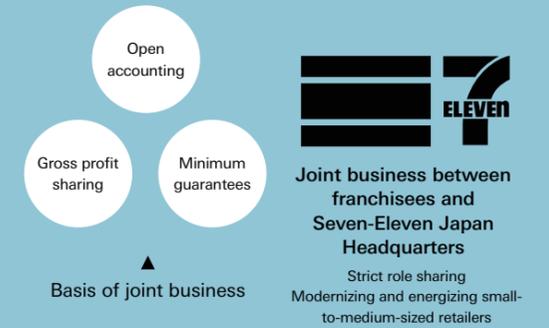
Japan Parks and Urban Green Fair in Oita, the 2003 Green and Flavor Dream Festa, was held under the joint auspices of the Urban Green Space Development Foundation — the concert's seventh year. Some 320 people with disabilities took part with their families in workshops in Oita Prefecture.

Seven-Eleven Midorino Kikin (Green Fund) Overview

■ Name	Seven-Eleven Midorino Kikin (Green Fund)	■ Funds	Donations from customers through stores and contributions and donations from Seven-Eleven Japan Headquarters
■ Promotion organization	Seven-Eleven Midorino Kikin Committee	■ Founded	November 20, 1993
■ Committee members	Representatives of franchisees and of Seven-Eleven Japan Headquarters	■ Started	March 1, 1994
■ Objective	Contributing socially to the environment	■ Website	http://www.7midori.org
■ Details	Supporting environmental NPOs, beautifying the local environment, preserving the natural environment		

Seven-Eleven Japan's Franchising

Seven-Eleven Japan runs its convenience store business through joint business between franchisees and Seven-Eleven Japan Headquarters. Participants work on an equal and independent footing in assigned roles.



A franchise store system having over 10,000 stores

In 1973, Seven-Eleven Japan launched Japan's first full-fledged convenience store through franchising in an era of high-speed economic growth during which general merchandising retailers reached their peak. Many small-to-medium-sized retailers faced difficulties securing personnel in competition with megastores and local shopping streets were in decline. Such circumstances branded the start of convenience stores as wrong-headed and premature. But we at Seven-Eleven Japan believed this business would work once the structural problems of small-to-medium-sized retailers were facing could be solved and store operation was made efficient. This was the start of convenience stores in Japan.

The concept of convenience stores and franchising was poorly understood at the time and recruit field counselors (RFCs) responsible for recruiting franchisees had their work cut out for them concluding contracts.

Joint business through role sharing between franchisees and Seven-Eleven Japan

Seven-Eleven Japan's franchising business emerged based on modernizing and energizing small-to-medium-sized retailers through coexistence and coprosperity. Franchisees and Seven-Eleven Japan developed convenience stores as joint business starting on an equal

and independent footing. The joint business' 3 pillars are (1) fixed-rate gross profit sharing between franchisees and Seven-Eleven Japan Headquarters, (2) open accounting for payment and financing enabling businesses to be started with small funding and managed stably, and (3) minimum guarantees ensuring franchisees a certain annual gross profit.

Under Seven-Eleven Japan's franchise system, franchisees are supported by Seven-Eleven Japan Headquarters so they can devote themselves to store management and sales as independent proprietors.

Based on mutual trust

Founding a joint business requires a foundation of trust. One distinctive way Seven-Eleven Japan supports franchisees is through management consultation by operation field counselors (OFCs). OFCs visit stores at least twice a week to pass on information and provide advice on store management. OFCs report comments and requests from customers and franchisees, reflecting these in system improvements and product development.

Without franchisees, worthwhile products and services could not be provided to customers. Seven-Eleven Japan works to enhance communication and understanding among franchisees to provide ever better products and services.



Seven-Eleven Japan's Picture The Future of Franchising

Seven-Eleven Japan stores numbered some 10,000 nationwide at the end of August, 2003 – a figure that simply indicates past results. The important fact underlying this figure is the support of individual customers and the trust between franchisees and Seven-Eleven Japan Headquarters.

Responding to the changing times, we will continue developing our business based on the views of customers while focusing on sales growth and gross profit margins of stores increasing the income and profits of individual franchisees.

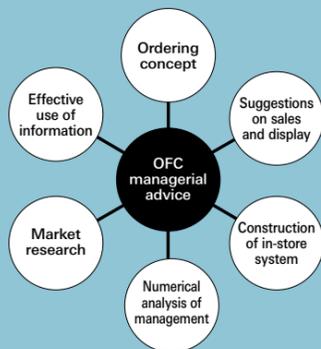


Close-Up

Franchisee Backup System Supporting Store Operation

This year marks the 31st anniversary of Seven-Eleven Japan's first store. Seven-Eleven Japan now involves some 10,000 franchisees nationwide.

► OFC managerial advice



OFCs work to improve sales and profits of franchisees

One OFC is assigned to 7 to 8 stores and visits each store at least twice a week

All for Our Customers

At Seven-Eleven Japan, stores are operated as a joint business in which franchisees and Seven-Eleven Japan Headquarters each have assigned roles. Franchisees run their stores as independent proprietors. Seven-Eleven Japan provides backup ensuring stable management and growth.

It is essential that retailers continuously consider what customers want and work to provide the required products and services to ensure customer satisfaction. This is possible only when franchisees and Seven-Eleven Japan work together.

OFC Support for Franchisees

As indicated above, Seven-Eleven Japan OFCs serve as store management consultants linking franchisees and Seven-Eleven Japan Headquarters. Direct communication between OFCs and franchisees is ensured through direct visits.

Proceeding Together



The idea that Seven-Eleven Japan personnel visit franchisees primarily to check sales is a fallacy. When an item is out of stock, for example, OFC personnel analyze why and work out measures with franchisees to remedy the situation, e.g., determining whether too few products were ordered, if special conditions existed, or if sales of an item have been evaluated properly.

It is also important that the OFC observe customer behavior as this is affected by the store environment. If rice dumplings are selling well and the number of elderly customers is increasing, for example, an OFC may suggest that the franchisee increase the number and variety of products appealing to the elderly.

If certain items continue to run out or if stores remain unresponsive to certain changes, sales may be adversely affected and customers disappointed, causing them to go elsewhere. To prevent this, OFCs offer advice enabling franchisees to work better with the community and ensure steady business.

Person-to-Person Business Requires Communication

Communication with franchisees is not limited to that with the OFC.

One example involves franchisee get-togethers held annually since 1980. On the day before, directors visit franchisees to grasp the local situation and potential

changes. At the get-together, policies for Seven-Eleven Japan and cooperating companies are explained and case studies shared, followed by a party for exchanging views and opinions. Through such opportunities, division directors deepen communication with franchisees, enabling them to reflect franchisee concerns in policymaking.

In addition to the above, we facilitate communication through visits by Franchisee Relations Department staffers and a franchisee suggestion system.

These efforts ensure that the number of franchisees renewing contracts

when a 15-year franchise contract expires accounts for over 90% continuing partnerships with Seven-Eleven Japan. This is why we continue to emphasize mutual confidence and trust reflecting the voices of franchisees.



Offering advice on management by checking data together with franchisees



Product exhibition

Our Efforts in Franchising

Seven-Eleven Japan and franchisees pursue distinctive roles in promoting the convenience store business. Seven-Eleven Japan would not succeed without partnership.

Franchisees and Seven-Eleven Japan on an Equal Footing

Role of Seven-Eleven Japan Headquarters in Franchising

For Seven-Eleven Japan, franchisees and Seven-Eleven Japan Headquarters work as a joint business based on mutual confidence and trust, both following individual roles on an equal and independent footing.

For Seven-Eleven Japan Headquarters to fulfill its role, OFCs assigned to franchisees visit stores at least twice a week and offer advice on general store management. In cooperation with manufacturers and cooperating companies, we work in team merchandising to develop products meeting customer needs and develop optimizing distribution so products reach stores in a timely manner. We also provide information on sales trend, display innovations, etc.

Seven-Eleven Japan further

supports franchisee management by bearing 80% of advertising and publicity expenses and utilities costs.

Efficient Operation by Maximizing the Franchising Concept

Law Implementation Concept

Seven-Eleven Japan has established support policies such as eco distribution, conformity to the Food Recycling Law, and chlorofluorocarbon control to help franchisees meet their social responsibilities.

A typical example involves the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging enacted in 2000, which stipulates imposing a heavy burden in franchisee clerical work. Seven-Eleven Japan, having found that order placement for packaging materials such as shopping bags was fully systematized and that packaging materials were recommended based on a quality control check, petitioned

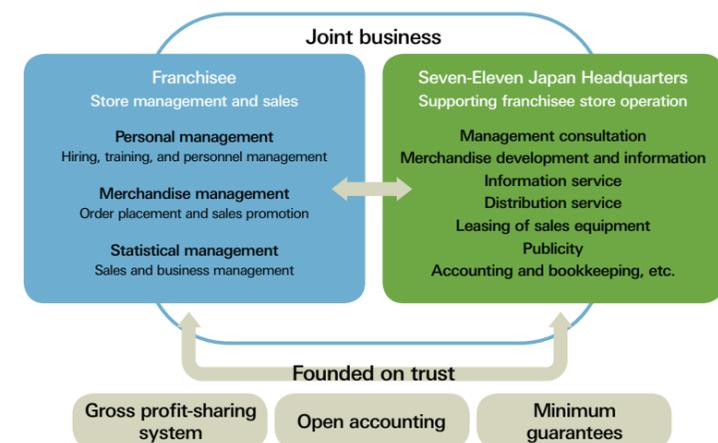
Advantages of aggregated handling of the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging

Stores	Conventional process
	<ul style="list-style-type: none"> ● Cost required for clerical procedures — postal charges, money transfer charge, etc. ● Annually required clerical work
Seven-Eleven Japan Headquarters	Aggregated handling
	<ul style="list-style-type: none"> ● Asking Seven-Eleven Japan Headquarters for aggregated handling
Seven-Eleven Japan Headquarters	Conventional process
	<ul style="list-style-type: none"> ● Instructing franchisees how to implement the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging ● Accounting and payment for Seven-Eleven Japan Headquarters alone
Seven-Eleven Japan Headquarters	Aggregated handling
	<ul style="list-style-type: none"> ● Consolidate clerical work by standardizing data from all stores ● Ensuring accurate data reflection and high implementation

authorities for possible implementation of the law within franchising. In the discussion, aggregated handling by Seven-Eleven Japan was approved as highly effective legally and facilitating work required for implementing the law, which is now in operation.

Taking advantage of the social functions franchising provides, Seven-Eleven Japan is working on reducing the social cost for efficient operation of a store and implementing laws.

Seven-Eleven Japan franchising



Services and systems supporting franchisees

- OFC management consultation
- Developing quality worthwhile products meeting customer needs
- Providing merchandise information on sales trends, display innovations, etc.
- Providing computer systems to ensure accurate order placement
- Providing distribution that delivers merchandise in a timely manner
- Leasing sales equipment, computers, etc.
- Advertising expenses for sales promotion borne by Seven-Eleven Japan Headquarters
- Accounting and bookkeeping for store operation
- Actual inventory for inventory control
- 80% of utilities costs borne by Seven-Eleven Japan Headquarters
- Minimum guarantee ensuring annual gross profits
- Franchisees' Mutual Aid System for franchisees and employees

Cultivating Employees Taking the Customer Viewpoint

Franchisee and Franchisee Employee Training

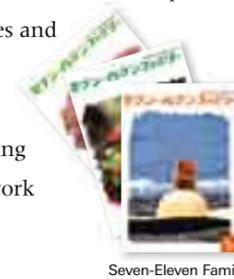
Hiring, training, and personnel management of franchisee employees are undertaken by franchisees, with Seven-Eleven Japan providing support through training videos and preparing franchisee and employee training. In connection with employee training, we provide support so franchisees and employees jointly work on improving stores through training of time-zone managers in stores to improve actual managerial figures of stores.

*Persons taking franchisee training courses
975 stores and 1,680 persons
Persons taking employee training courses
266 stores and 275 persons

Sharing Information between Franchisees and Seven-Eleven Japan Headquarters

To promote sharing of information among franchisees, employees, and Seven-Eleven Japan, we have held regional product exhibits twice a year since 1976. By investigating potential products and services and checking regionally suitable assortments, we check and confirm store assortments and services. Based on the Comprehensive Environment Corner set up in 1998 — now known as the Social Environment Corner — we confirm social responsibilities exercised by stores.

We also publish the bimonthly magazine Seven-Eleven Family to link franchisees and Seven-Eleven Japan Headquarters, sharing outstanding work examples and disseminating



Seven-Eleven Family

information on merchandise guides and the environment.

Support Facilitating Franchisee Store Operation

Franchisee Support

A single franchisee employs 20 to 30 people, starting with the franchisee and spouse. To ensure long-term operation, Seven-Eleven Japan established a Franchisees' Mutual Aid System and encourages franchisees to participate. This covers compensation and insurance for franchisees and their spouses in emergencies and condolence money to employees. We have also prepared consolation money for work-related accidents affecting regular, part-time, and just-in-time employees during commuting or work. Taking advantage of the merit of scale that chain stores possess, we have succeeded in winning group coverage at a low premium.

Pamphlets explaining these systems are distributed to franchisees.

We have set up an aid system in which stores are run on behalf of a franchisee unavailable due to ceremonial functions or illness.

Seven-Eleven Japan Franchisees' Mutual Aid System

	Condolence money	Consolation money	Installment saving	Consolation money for work-related employee accidents
Franchisees	●	●	●	—
Spouses	●	●	—	—
Employees	●	—	●	●
Part-and just-in-time employees	—	—	—	●

Pamphlets on Franchisees' Mutual Aid System ensuring franchisee security



Preparation for Unexpected Loss

To prepare for unpredictable risks in operation including, for example, store damage due to fire, car collision, etc., we are introducing insurance for franchisees. In addition to that provided by insurance companies, we have developed original insurances to meet franchisee needs. Product damage insurance for electrical power failures due to natural disasters recommended since 2000 covers a certain amount of merchandise cost due to damage caused by power failures in natural disasters. Such insurance is subsequently introduced and recommended as needed.

Seven-Eleven Japan Guarantees Annual Total Income Up to a Preset Amount

Minimum Guarantees

Before concluding contracts, Seven-Eleven Japan closely investigates the target area and 135 items including the condition of the locale, the number of households, and population density, which are analyzed and carefully examined to ensure that prospective franchisees enjoy some degree of corporate security. If annual income does not reach the level set for the franchisee, we guarantee a preset annual gross profit.

Franchisee Stockholding

To enhance partnerships between franchisees and Seven-Eleven Japan, we implemented franchisee stockholding in 1979 which franchisees are encouraged to participate in.

Business Activity and Management of Seven-Eleven Japan to Realize a Sustainable Society

Seven-Eleven Japan targets becoming a company of high integrity that is trusted by customers, cooperating companies, shareholders, local communities, and employees. We also target responding to people's trust through our business activities. Based on 3 principles of sustainability — economic, environmental, and social — we are reassessing our business activities to fulfill our social responsibility.



IY Group Company Policy

To our customers, we pledge...Integrity and service.
 To our shareholders, business associates and community,
 we pledge...Integrity and cooperation.
 To our employees, we pledge...Integrity and respect.

Management Philosophy

Modernizing and energizing
 small-to-medium-sized retailers
 Coexistence and coprosperity

Business Activity and Management

Administrative Action and Corporate Governance

The objective of enhancing corporate governance is to increase long-term corporate value in light of sustainability. Based on this philosophy, we are working to improve business administration and operation implementation, thereby improving managerial transparency and soundness.

Convenience Stores Pursuing Constant Readiness for Change

Basic Principles of Operation

Under the management philosophy of coexistence and coprosperity with small-to-medium-sized retailers, Seven-Eleven Japan is working to modernize and energize small-to-medium-sized retailers.

In realizing this management philosophy, we are working to efficiently solve management issues. To respond to ever-changing customer needs, we are innovating in all fields, from manufacturing and distribution to data networking and store operation, under the slogan "Constant readiness for change in the environment and the application of basics."

As one specific measure, we are comprehensively improving store management from ordering and inventory control to in-store service, further increasing franchisees' profits. We are also working to develop differentiated brand-unique products focusing on originality and locality and assortments.

We are continuously working to improve corporate value, creating community-oriented stores that respond to customers' needs and applying our basic principles of valuing quality over quantity and implementation and speed under the company policy of being a company of high integrity.

Establishing a Corporate Structure Ensuring Increased Managerial Transparency and Soundness

Corporate Governance

To reflect our basic principles in operation implementation, Seven-Eleven Japan has, since its founding, used weekly cycle management in which weekly meetings are held to decide and convey management policies. This ensures that decisions are communicated directly and without delay by top management. This practice has ensured the maintenance and expansion of profits for us and our cooperating companies, the observance of social norms and laws, and the establishment of corporate

values and ethics.

To speed up decision-making and implementation, we introduced an executive officer system headed by the chairman and chief executive officer (CEO) and the president and chief operating officer (COO) in May 2003. By clarifying the scope of responsibility and targets for each executive officer in the pursuit of their duties, we have separated business administration and supervision from operation implementation. To clarify management responsibilities, we have shortened directors' terms of office from 2 years to 1, and by adopting auditing, have implemented independent auditing.

Franchisees and Seven-Eleven Japan conduct convenience stores as joint business in which each has its own roles implemented on an equal and independent footing. To ensure franchisee trust, without which our business could not exist, we focus on internal control maintaining transparency, fairness, and equality among franchisees.

Compliance and Promotion

Based on IYG Corporate Action Guidelines, we established compliance fulfilling our social responsibilities.

Establishing Corporate Ethics Committee to Strengthen Compliance

Corporate Ethics Committee

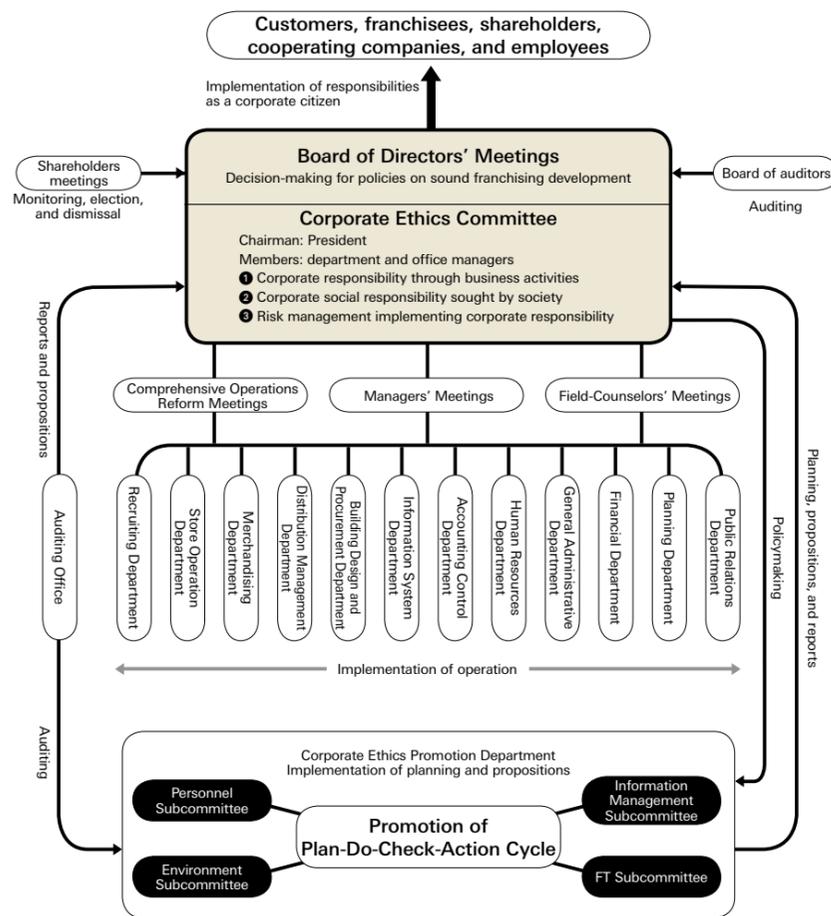
Since fiscal 2003, Seven-Eleven Japan has maintained discussions and studies of the ideal franchising structure and measures for fulfilling our responsibilities as a corporate citizen. In March 2004, we organized a Corporate Ethics Committee chaired by the president and chief operating officer (COO). Under this committee, we set up a Corporate Ethics Promotion Department and implemented subcommittee activities involving personnel, the environment, information management, and fair trade. Through these activities, we are strengthening compliance and raising employee awareness of compliance and ethical issues.

Seven-Eleven Japan Code of Conduct

In 1978, Seven-Eleven Japan set up a Seven-Eleven Japan Code of Conduct, and is distributing copies to all employees. We continuously work to ensure that every employee fully understands our basic philosophy and puts compliance activities into daily practice.

The Code of Conduct will now be reviewed and deficiencies alleviated based on IYG Corporate Action Guidelines set up in 1993 and revised in 2001.

▶ Structural chart of corporate ethics committee



Distributed annually to incoming employees to ensure their awareness

Guidelines for Convenience Stores in Protecting and Using Personal Data

In April 2004, the Japan Franchise Association formulated Guidelines for Convenience Stores in Protecting and Using Personal Data, providing voluntary rules promoting appropriate protection and use of personal data handled by franchise headquarters and franchisees. Based on these rules, Seven-Eleven Japan is improving and enhancing the information management structure.



IY Group Corporate Action Guidelines

Preamble

The Company's mission is to provide customers with valuable products and services and to create new wealth and employment opportunities by conducting management with respect for business ethics. All the management and staff of the IY Group view pleasing the customer as their highest responsibility, and all are engaged in the pursuit of this mission. To this end, we have established a sound management structure. We meet our social responsibilities, employing business practices in conformity with laws, regulations and social norms and with respect for human rights, the dignity of everyone with whom we are associated and the diverse values of international society. We conduct business based on these policies and in compliance with the following regulations:

Basic Policy with our Regulated Items

The First Principle:

Respect for Business Ethics and Compliance with Regulations

In operating our business, our corporate actions are devoted to following management ethics, compliance with laws, ordinances, rules and social precepts, and to fulfilling our responsibilities to society.

Article 1: Business Activities

1. Relationship with Customers/Sales Activities

IYG (IY Group) complies with laws, ordinances and rules related to sale activities. Our sales activities are carried out fairly based on management ethics and social precepts. In addition, we put ourselves in the customer's shoes, in order to supply them with superior products and services that they will be pleased with.

2. Relationship with Business Associates/Business Activities

IYG complies with laws, ordinances and rules related to products and services that are for sales, and also those pertaining to the procurement of raw materials, materials and services. Moreover, we ensure standards for quality, price and delivery time for necessary product materials, based on fair trade rules.

3. Relationship with Shareholders

IYG maximizes its shareholders value to earn the trust of its shareholders.

4. Promotion of Fairness

IYG complies with laws, ordinances and rules to prevent monopolistic practices and to secure fair trade from the standpoint of sales and trade activities.

Article 2: Social Responsibility

1. Respect for Human Rights and the Dignity of Human Beings

We observe the human rights and respect the individual rights of all those connected with IYG, such as our customers, business associates, the local community, society and employees. Furthermore, we do not allow for discrimination or harassment. We also do not exonerate the failure to notice such actions.

2. Employment and Workplace Environment

Our employment, transfer and promotion of employees are conducted based on fair and impartial standards with not discrimination. Each and every one of our employees is given a sufficient chance to expand their abilities at the work place. We respect all of our employees. We work to secure a work environment where there is no discrimination or harassment. It is our objective to nurture an energetic business environment. We strive to give our employees freedom of mind and spirit. In addition, we endeavor to create a work environment that is comfortable, safe and clean. We do not use child labor.

3. Environmental Management

In carrying out its business activities, IYG strives to effectively use resources, recycle, conserve energy, reduce waste, mitigate loss and prevent environmental pollution. We also aim to create harmony with the natural environment. Through these efforts, we contribute to creating a society which is both abundant and healthy. We aggressively support actions to conserve the natural environment on a global level.

4. Relationship with the Community

IYG cooperates with the local community and society. In maintaining a favorable relationship, we are able to fulfill our role as a member of the local community and society at large. From a social and public perspective, we offer support through financial donation. We stand up to anti-social forces and do not bend to threat.

5. Information Management

IYG recognizes the important of information in this advanced computerized society and take careful heed to the management of information. Not only do we comply with law and regulations on corporate disclosure but we also are active in reporting a wide variety of information to investors which we believe may be important in consideration of social and economic precepts and corporate governance. Moreover, we strive to heighten the transparency of our management and business activities and fulfill our accountability. Regarding information such as intellectual properties and knowhow, we comply with laws, ordinances and rules, respect the right of third parties, and protect our proprietary assets.

(The terms used in the above Guidelines summary are the same as in the original.)

The following subcommittees work on activities conforming to Corporate Ethics Committee policies.

Fair Trade Subcommittee

The Fair Trade Subcommittee pursues 3 policies to deliver better products to customers at fair prices:

- 1 Providing customers with correct product information
 - 2 Maintaining fair trade with cooperating companies
 - 3 Promoting awareness among franchisees on legal compliance
- In-house training promotes enhanced compliance with laws on fair trade such as antitrust and subcontracting laws to improve adherence to contracts. In-house training and education for franchisees promote enhanced compliance with other laws to provide customers with accurate product information.

Information Management Subcommittee

The Information Management Subcommittee works to use information technology effectively and establish management of information security based on the overall Seven-Eleven Japan and cooperating company network. The amount of personal data dealt with by franchisees and Seven-Eleven Japan is increasing due to new operations such as taking care of bill payment, handling of gift products, and electronic commerce (EC). Based on the Law Concerning the Protection of Personal Information expected to go into effect in April 2005, employees engaged in work and information management are trained in the use of appropriate information handling and franchisees are trained accordingly.

Personnel Subcommittee

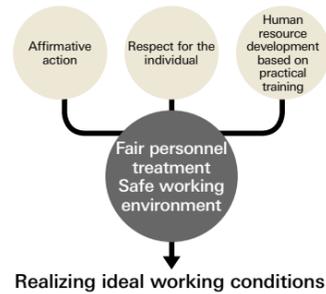
The Personnel Subcommittee enhances employee education and training to ensure a working environment ensuring respect for human rights and ideal working conditions. The Seven-Eleven Japan Code of Conduct is being reviewed and revised to protect caller privacy through improved Helpline contact and setup of systems to solve problems before they occur. OFCs assigned to management consultation for franchisees are trained to respond appropriately to franchisee problems in the work environment.

Environment Subcommittee

The Environment Subcommittee promotes environmental activities expected by society and consumers while checking compliance with laws and regulations, offering environmental support and advice for the entire Seven-Eleven Japan chain, including cooperating companies and franchisees. Working with individual departments, the subcommittee standardizes employee education on environmental awareness, provides appropriate environmental information, and promotes environmental education so employees can conduct their duties while remaining environmentally aware.

Working on Relationships with Employees

We work to create a pleasant workplace where employees can work within changes in lifestyle by focusing on initiative and independence.



Creating a Pleasant Workplace Encouraging Mutual Respect

Eliminating Human Rights Violations and Implementing Affirmative Action

We believe in corporate development through a corporate culture that respects human rights, creates job satisfaction, and encourages harmony with the local community through local recognition. We therefore train new employees positively based on this philosophy. In fiscal 2003 alone, we conducted 27 such days of training for 740 new employees.

We also conducted PR to increase companywide awareness of human rights by distributing in-house pamphlets on human rights and setting up human rights consultation.

Employing the Physically Challenged

We target a working environment in which employees can express their innate strengths and abilities regardless of age, gender, and disability. In 1994, Ito-Yokado and 2 other IY Group companies jointly invested with Kitami, Hokkaido, in Terre Verte Co., Ltd., to provide concrete opportunities for physically challenged employees. Some 16 such employees currently cultivate Chinese mushrooms (shiitake) and engage in printing activities.

Introducing Personnel Evaluation Prioritizing Individual Employee Intent

Self-Checking

Based on our belief that corporate competitive strength lies in personnel, we are implementing personnel practices that maximize individual employee talents and strengths through integrated evaluation, education, and allocation playing a significant role in implementing a performance-based operation.

Self-checking plays a central role, with employees evaluating their own work performance and behavior 3 times a year. Based on these results, individual employee has interviews with their supervisors. Final evaluations are determined through these interviews to ensure transparency and fairness. These evaluations also help clarify strengths and weaknesses, significantly encouraging the effective cultivation of human resources.

Introduction of Management Candidacies

A candidacy system has been introduced to support highly motivated employees eager to improve business operations and organization unbiased by conventional corporate thinking and concepts. Employees working for us for 2 or more consecutive years are eligible for job

categories they hope to be assigned, including management posts. Our objective is to encourage employees to develop their abilities at higher levels and to cultivate human resources so that individual employees work on goals and duties in self-fulfilling ways to realize a vibrant organization.

In fiscal 2003, 89 people applied for positions and 28 were assigned to work and positions they had desired.

Recruiting Women

Since our founding, we have focused on a performance — and merit-based organization.

Our system ensures that those who perform well are evaluated equitably, free of gender and other discrimination in employment, salary, promotion, and retirement age. Many women employees have thus been appointed to high positions, including board membership and senior management.

► Employees structure (as of Feb. 15, 2004)

	Male	Female	Total or average
Employees	3,550	1,128	4,678
Change over preceding fiscal year	+210	+93	+303
Average age	33 years and 7 months	27 years and 1 month	32 years
Average years of service	8 years	4 years and 10 months	7 years and 3 months

► Board members and management structure (as of Feb. 15, 2004)

	Male	Female	Total
Board members	24	1	25
Managers	349	30	379
Total	373	31	404

Offering Employee Support

Rechallenge Plan

Among the many types of support created in response to changes in employee lifestyles, the Rechallenge Plan enables employees to work while balancing child and nursing care.

Specifically, leaves of absence and short-term employment plans are implemented that make it easier for employees to engage in childbearing and care and nursing of the ill and elderly. A maximum of 2 years is provided for childcare and a maximum of 1 year for nursing case, both of which exceeding legal standards. In fiscal 2003 alone, 20 employees took leaves allowed under this system.

Under a similar reemployment plan, motivated employees who quit to engage in full-time for childcare or nursing care are given priority in hiring.

► Rechallenge Plan overview

Purpose		Childbearing, childcare, and nursing care
System	Contents	
Reemployment	Priority in hiring	
Short-time employment	Working hours can be shortened until children start attending elementary school	
Leaves of absence	Employees can return to full-time employment after a maximum of 2 years of leave for childcare or after a maximum of 1 year of leave for nursing care	

► Number of employees taking advantage of the Rechallenge Plan

	1999	2000	2001	2002	2003
Childcare	18	8	18	12	19
Nursing care	0	1	1	1	1

Offering Education and Training for Career Development Based on Practical Experience

Career Planning and Self-Development Support

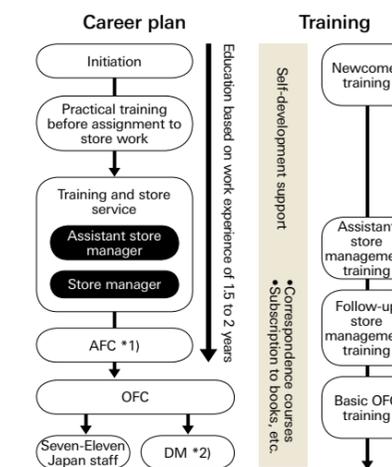
Operation Field Counselors (OFCs), a major Seven-Eleven Japan's job category, provide franchisees with advice on store operation. OFCs need to gain the trust of franchisees and be able to increase store sales and profits. We thus prioritize human resource cultivation focusing on on-the-job training (OJT) based on work experience. For 2 to 3 years after being hired, OFCs are trained in store operation know-how, merchandise knowledge, and management techniques through experience at individual stores.

In addition to practical training, they receive classroom training (as newcomers, assistant store managers, etc.) and correspondence courses supporting self-development.



Basic OFC training

► Employee career plan and training



*1) AFC: Assistant Field Counselor
Training period before serving as OFC

*2) DM: District Manager
Responsible for district to which OFC is assigned

Pursuing Goals Based on Prescriptive Social Norms and Corporate Ethics

Response to Labor Laws

To establish a compliance-oriented corporate climate and meet social responsibilities by conforming to prescriptive social norms and corporate ethics and observing laws and regulations, we set up the Corporate Ethics Committee in March 2004 for improving employee awareness through issuing specific action guidelines.

In addition to ensuring that labor laws are observed, the Personnel Subcommittee founded under the Corporate Ethics Committee focuses on creating employee-oriented workplaces by promoting human rights and personal data management.

Workshops on labor laws are held and attendance at seminars on labor regulations and management necessary especially for store management is a must for anybody hoping to become a store manager. In fiscal 2003, 420 employees attended these workshops.

Promotion of Employee Safety and Health

In all business activities, we place top priority on employee safety and mental and physical health, including health monitoring by industrial physicians and Heart Consultation over the phone provided by professional IY Group counselors.

Through the Health and Safety Committee, we are working to create an employee-oriented work environment.

Environmental Management System

Based on environmental policies set by the interdivisional Environmental Measure Project, Seven-Eleven Japan conducts specific environmental measures. To reduce environmental load in convenience store operations, environmental activities are conducted jointly with franchisees and affiliates.

Environmental Management

To reduce environmental load in convenience store operations, Seven-Eleven Japan set up an interdivisional Environmental Measure Project in 1991 and is promoting environmental measures. The project decides specific environmental policies conducted by each department.

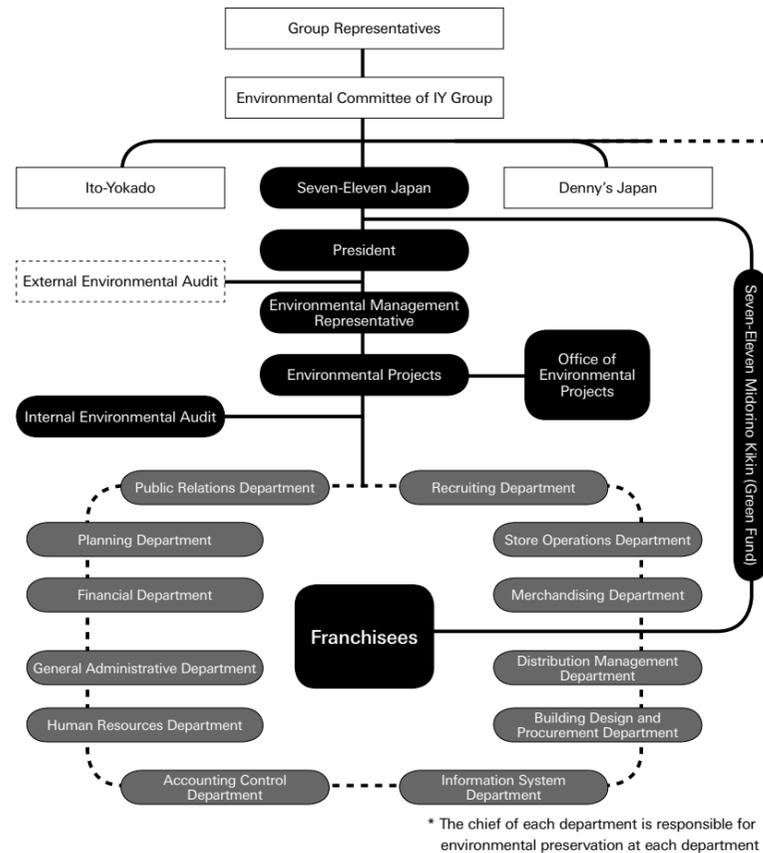
The Corporate Ethics Committee set up in March 2004 to improve compliance with social responsibility followed Environmental Measure Project activities, now continued in section meetings.

Through its Environmental Committee, the overall IY Group determines group-wide environmental principles and promotes intelligence sharing.

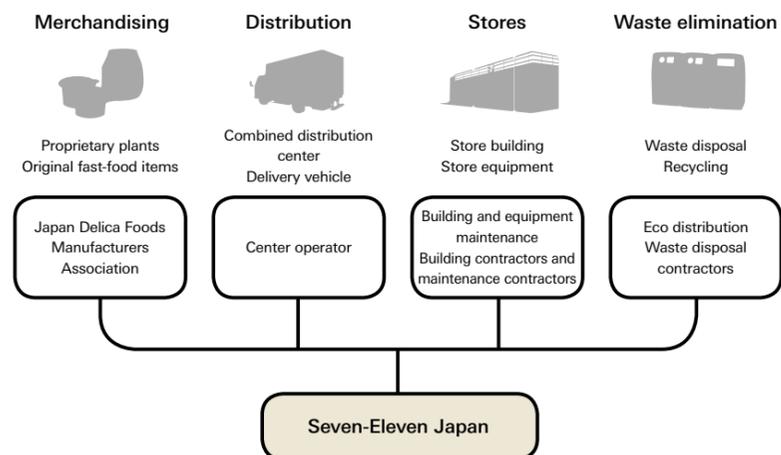
Environmental Management for Seven-Eleven Japan and Cooperating Companies

Manufacturing plants for Seven-Eleven Japan's original merchandise, distribution centers delivering these merchandise, and contractors building and maintaining stores are all independent proprietors. Seven-Eleven Japan works with them to promote environmental measures that decrease environmental load in manufacturing, distribution, sales, and consumption. Environmental issues are handled jointly with manufacturing plants through NDF's Environmental Measure Project Meetings and with distribution centers through Center Operation Meetings.

► Environmental management system



► Environmental management for Seven-Eleven Japan and cooperating companies



Seven-Eleven Japan: Environmental Policies and Environmental Code of Ethics

Based on IY Group Environmental Guidelines and the IY Group Code of Ethics for Environment stipulated in 1994 by the IY Group Environmental Committee, Seven-Eleven Japan established Seven-Eleven Environmental Policies and the Environmental Code of Ethics as basic policies on environmental issues.

These guidelines stipulate responsibility in business activities, relations with customers and local communities, responsibility and awareness of franchisees and employees, and establishment of environmental objectives.

Based on Environmental Guidelines and the Code of Ethics, everyone at Seven-Eleven Japan works to implement informed environmental considerations.

Seven-Eleven Japan Environmental Policies

- 1. Business Responsibilities**
We fulfill our corporate responsibilities by protecting the environment, reducing waste, using resources effectively, recycling, saving energy, and preventing pollution.
- 2. Cooperation with Customers and Disclosure of Information**
We listen to our customers in protecting the environment. We inspect and document the results of these activities and provide full public disclosure.
- 3. Cooperation with Local Communities and Philanthropy**
We evaluate the environment together with local residents and conduct philanthropy in environmental issues the way a responsible corporate citizen would.
- 4. Responsibilities and Self-Awareness of Franchisees and Employees**
Based on environmental guidelines, we consider environmental issues from the standpoint of individuals within the company and local society, and act on this basis.
- 5. Setting and Reviewing of Environmental Targets**
We work to improve our efforts annually, observe environmental laws and regulations, set an independent target for all corporate fields, and review targets annually.

Seven-Eleven Japan Environmental Code of Ethics

1. Responsibility in Business Activities

Responsibilities in Environmental Impact of Products

Article 1. Production and procurement reflecting concern for safety of the environment
We will work to produce and procure products with less environmental load by evaluating safety, product volume, and environmental impact at product production and procurement.

Article 2. Suggesting products reflecting environmental concern
We will sell environmentally-oriented products worthy of customer support and suggest environmentally-oriented lifestyles.

Reduction of loss in all business operations.

Article 3. Reducing loss, conserving energy in store operations, and using resources effectively
We will work to reduce loss in all business operations and saving energy and resources by promoting energy-saving store operation reducing electricity and water consumption.

Article 4. Conserving resources in customer services
Reexamining product packaging and sales and service provisions, we will work to save resources, e.g., by introducing simplified packaging.

Disposing of waste and promoting recycling.

Article 5. Taking responsibility for waste reduction and disposal
We will schedule waste for reduction, tracking the entire process to final disposal and systematically recycling of waste to create resources.

Article 6. Promoting and developing recycling
By developing recycling and routes to realize highly efficient and effective recycling, we are promoting a recycling-oriented society. We will promote the use of recycled materials in business.

Care for store environments

Article 7. Maintaining a clean environment in stores and surroundings
We will promote cleaning of stores and their surroundings to create clean, comfortable environments.

Article 8. Stressing concern for the environment in distribution activities
We will work to reduce environmental load generated during merchandise distribution.

2. Cooperation with Cooperating Companies on Environmental Issues

Article 9. Cooperation with cooperating companies
We will gather data on environmental load generated in all business operations and, with the cooperation of cooperating companies, will reduce this load.

3. Cooperation with Communities and Customers, and Philanthropy

Article 10. Cooperating with customers and local communities
We will conduct philanthropy in cooperation with local communities and customers.

Article 11. Conducting community environmental activities
We will conduct ongoing social activities in the environmental field.

Article 12. Sharing information
We will encourage customers to cooperate in our efforts and regularly report progress.

4. Responsibility and Awareness of Franchisees and Employees

Article 13. Encouraging awareness through franchisee and employee education
We will make franchisees through sales activities and employees through their work become aware of their responsibility for the environment. Education promoting awareness will be conducted to increase franchisee and employee awareness.

5. Organization and Environment Audits

Article 14. Creating and implementing efforts
To implement environmental effort based on the Environmental Code of Ethics, we appoint a Director for Environmental Affairs and personnel in charge of implementing detailed activities, goals, etc., will be set annually.

Article 15. Environment Audits
Environmental auditors will conduct environment audits annually to evaluate efforts.

Article 16. Participation in IY Group Environmental Committee activities
We will participate in the IY Group-wide IY Group Environmental Committee working to advance Group-wide environmental efforts.

Environmental Targets

By providing safe quality products and services and through cooperation with local communities and society, Seven-Eleven Japan is working to continue fulfilling social responsibilities. Based on a philosophy of pursuing absolutes, we are working with our franchisees and cooperating companies to reduce the environmental load at each stage of manufacturing, distribution, sales, and consumption.

► Fiscal 2003 Environmental Targets and Track Record and Fiscal 2004 Environmental Targets

Field	Basic Policy	Fiscal 2003 Targets	Fiscal 2003 Track Record	Fiscal 2004 Targets
Merchandising and related fields	As a food supplier, we pursue total safety from the acquisition of ingredients and packaging materials to manufacturing and sales, thus providing customers with safe, appealing products. We work to develop environmentally friendly general merchandise and disclose merchandise information appropriately.	<ol style="list-style-type: none"> Eliminating preservatives and artificial coloring agents from original bread and other oven-fresh products Expanding the use of rice requiring no washing at rice-based product plants Improving accuracy in checking ingredient histories Reexamining self-imposed regulations on food additives (more strictly and precisely) 	<ol style="list-style-type: none"> Eliminating preservatives and artificial coloring agents at bread plants Introduced at 11 plants for rice-based products, bringing the total to 33 plants, or 49%. This policy has also started to be used at 18 side-dish plants for doria rice gratin manufacturing Verification by Jointly Purchased NDF Ingredients Standards reexamined to attain 100% control of jointly purchased NDF ingredients. Ingredients and merchandise are linked through the Recipe masters Checking actual use such as conditions and volumes 	<ol style="list-style-type: none"> Confirming nonmixing of ingredients and supplying original oven-fresh bread products free of preservatives and artificial coloring agents Expanding the use of rice requiring no washing Improving accuracy in ingredient history checking <ul style="list-style-type: none"> Improving accuracy of ingredients standards Improving accuracy in recipe masters Discussing the use of environmentally friendly containers <ul style="list-style-type: none"> Discussing the use of containers made of recyclable resources such as paper and pulp Reducing the environmental load in sales promotion <ul style="list-style-type: none"> Conducting tests for changing plastic POP now used for temperature-regulated containers to paper containers Promoting the shift to recyclable materials and reuse of sales promotion materials Promoting NDF HACCP <ul style="list-style-type: none"> Conducting accreditation at 80 plants Starting accreditation for instant noodles Preparing accreditation criteria for pickles
Distribution and related fields	To deliver safe, appealing food products to customers, we are reducing environmental loads associated with delivery based on individual merchandise and focusing on streamlined distribution to improve payload efficiency and shorten delivery time and distance.	<ol style="list-style-type: none"> Reducing fuel costs by operation control Promoting freezer vehicles eliminating idling Introducing vehicles using natural gas Completing the change to combined-distribution drivers' uniforms to recyclable uniforms 	<ol style="list-style-type: none"> Fuel cost improved to 5.90 km/liter — up 101.4% over the preceding year Number of vehicles increased by 86 to 225 Number of vehicles increased by 10 to 153 Change of uniforms of all drivers completed 	<ol style="list-style-type: none"> Completing nationwide introduction of bulk delivery of nontemperature-controlled items such as processed food, sweets, general merchandise, and liquor Improving accuracy in collecting environmental load data in distribution Continuing reduction in fuel cost based on operation control by in-car terminals Conducting research on and discussing trial introduction of next-generation environmentally friendly vehicles
Building and facilities and related fields	As convenient stores serving the local community, we serve customers by providing a pleasant atmosphere and reducing environmental loads associated with daily operation such as electricity and water loads and in-store construction and demolition.	<ol style="list-style-type: none"> Discussing and conducting tests on energy-saving devices Increasing the number of stores participating in fluorescent lamp recycling Collecting used insulation panels and implementing recyclable facilities Discussing natural refrigerants other than CFCs for freezers 	<ol style="list-style-type: none"> Kerosene generators introduced at 2 Hokkaido stores whose performance is now being studied Participating stores: 5,586 — up 119.9% over the preceding year — collecting and recycling 369,000 lamps Verification of technical recycling. Currently under discussion for actual implementation Testing started for freezers using natural refrigerants 	<ol style="list-style-type: none"> Reducing the environmental load in construction-related distribution <ul style="list-style-type: none"> Continuing combined distribution of interior construction materials in areas currently in operation Expanding combined collection of facilities when stores are closed Recycling <ul style="list-style-type: none"> Increasing the number of stores participating in fluorescent lamp recycling. Targeting introduction to all stores Continuing recycling of glass and resin board shelves for box lunch and side dish display cases Launching recycling of heat insulation panels Reuse <ul style="list-style-type: none"> Investigating reuse by adopting steel HDJ and panel work Continuing the reuse of leased equipment Minimizing waste <ul style="list-style-type: none"> Minimizing waste by promoting heat insulation panel use Reducing packaging materials used in gondola displays and counters by 50% Discussing energy-saving measures and feasibility of distribution power generation <ul style="list-style-type: none"> Continuing the introduction of inverter freezers Air conditioners: 893, refrigerator-freezers: 1,057 Investigating kerosene power generator use Working to solve global environmental issues <ul style="list-style-type: none"> Continuing abolition and destruction of CFCs Continuing tests of natural refrigerants other than CFCs (CO₂ and ammonia) for freezers.
Waste disposal and related fields	We are reducing garbage and waste and separating combustibles and noncombustibles, observing regulations such as the Disposal and Public Cleansing Law and encouraging efficient disposal and recycling.	<ol style="list-style-type: none"> Using Seven-Eleven Japan's waste sorting manuals at each store Expanding eco distribution areas (Osaka) Establishing recycling models for food residue at proprietary plants in Kyushu Promoting recycling of unused food resources and reducing CO₂ emission from combustible waste at stores by 5% per store 	<ol style="list-style-type: none"> Manual distributed to all stores, DMs, and OFCs, and awareness encouraged in waste sorting Efforts focusing on Osaka Kyushu Food Plant Recycle Business Corporate Association founded to play central recycling role Unused food resources now recycled at 910 stores nationwide centering on Tokyo's 23 wards. CO₂ emission from combustible waste reduced by 4% 	<ol style="list-style-type: none"> Expanding eco distribution areas to include Hokkaido and new areas Launching recycling by the Kyushu Food Plant Recycle Business Corporate Association Promoting recycling of unused food residue at stores <ul style="list-style-type: none"> Discussing recycling at 10 cities and towns, including <ul style="list-style-type: none"> Nagoya Higashi Murayama Kumamoto and others
Green procurement and related fields	We are working to implement green procurement by fully discussing necessity before purchase, avoiding purchasing unnecessary goods, considering quality and cost and environment, and selecting goods with the lowest possible environmental load.	<ol style="list-style-type: none"> Increasing the green procurement ratio Introducing triple A (super low-emission gas) vehicles for sales Discussing recycling of legally retained documentation no longer required to be retained 	<ol style="list-style-type: none"> Green procurement: money ratio 40.2% — 100.2% of the preceding year. Quantity ratio 36.2% — 126.1% of the preceding year 621 vehicles introduced to bring total to 1,775. Ratio to all vehicles: 62.6% Recycling for legally retained documentation in the Tokyo metropolitan area completed. 357t of documents recycled 	<ol style="list-style-type: none"> Attaining a green procurement ratio exceeding 50% both monetarily and quantitatively Attaining a ratio of triple A vehicles to all vehicles exceeding 95% Expanding recycling to legally retained documentation to outside the Tokyo metropolitan area
Environmental awareness training, effective communication, and related fields	To be successful, environmental conservation and philanthropy must be made a regular part of everyday activities. This requires full understanding of the need for environmental conservation, which is why we are working on environmental awareness programs.	<ol style="list-style-type: none"> Reviewing communication based on environmental reports Disseminating environmental information through the Seven-Eleven Family bulletin and merchandise exhibitions Continuing environmental education as part of IY Group activities 	<ol style="list-style-type: none"> Environmental reports distributed to all franchisees after being made easier to understand Environmental information distributed through the "Environmental Communication" column in the Seven-Eleven Family bulletin and spring and autumn merchandise exhibitions Regular IY Group Environmental Committee meetings were held (once) 	<ol style="list-style-type: none"> Preparation of supplementary data for social and environmental reports promoting information dissemination Disseminating information through the Seven-Eleven Family bulletin and merchandise exhibitions Participating regularly in IY Group Environmental Committee meetings

Environmental Load in Business Activities

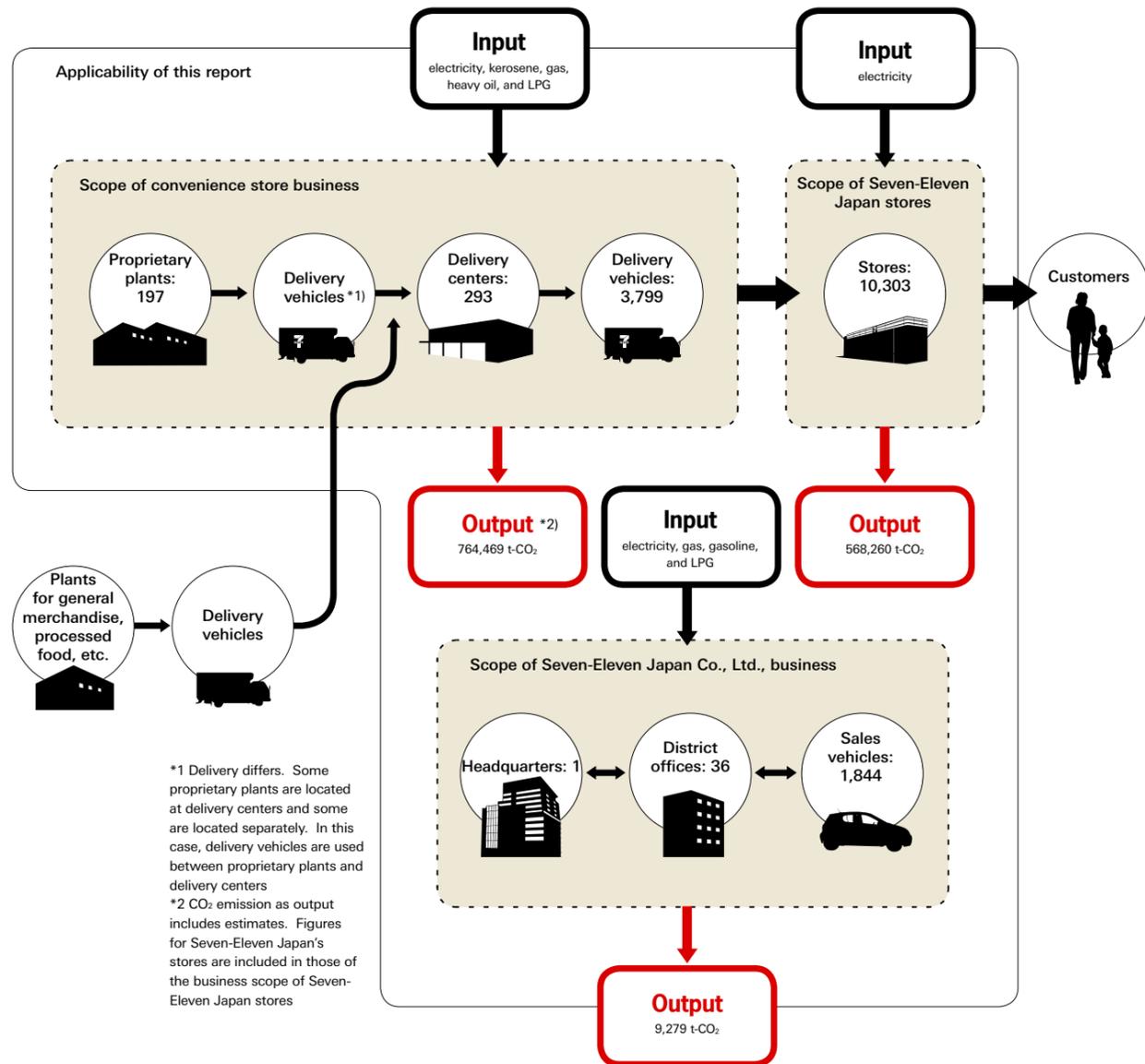
Daily activities at Seven-Eleven Japan involve such diverse businesses as franchisees operating stores, proprietary plants manufacturing products, and distribution centers transporting products.

We accurately grasp different situations to promote environmental measures applicable to overall business activities.

Emission of Carbon Dioxide (CO₂) Associated with Business Activities

Seven-Eleven Japan has been working with business operators to accurately identify environmental loads in operations starting at the CO₂ level to reduce the overall environmental load in business. Situations differ with individual operators due to business description, location, etc. Some figures are therefore based on estimates.

Through continuing this effort, we expect to gain a better quantitative understanding to reduce CO₂ emission.

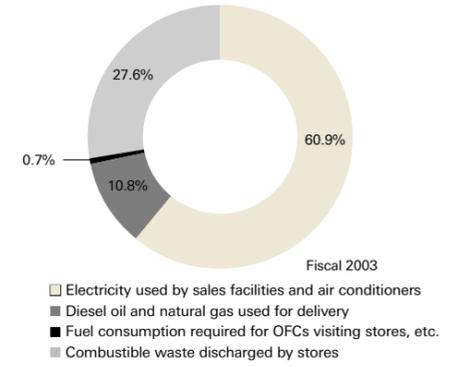


Environmental Load Indicators

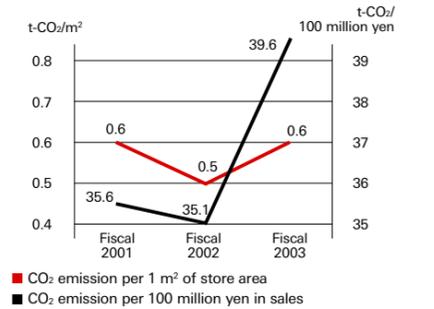
Environmental loads of retailers differ with store size, operating hours, etc. To objectively express environmental loads, Seven-Eleven Japan converts total environmental loads to CO₂. We disclose the relationship between total environmental loads and added value of business scale and business activities as environmental load indicators using the discharge of CO₂ per unit.

Expanding stores is essential for continuing business activities. Store sales facilities change with merchandising policies in response to customer needs. Seven-Eleven Japan promotes store construction using heat insulation panels, energy saving in new sales facilities, etc., so store expansion and merchandising policy changes do not increase environmental loads. In distribution, we are working to reduce environmental loads by promoting block delivery of nontemperature-controlled items, etc.

► Constituent ratio of CO₂ emission per store



► CO₂ emission per store area and sales



► CO₂ emission

CO ₂ generation	CO ₂ emission (t-CO ₂)*1)		Over the previous fiscal year
	Fiscal 2002	Fiscal 2003	
1. Electricity for sales facilities and air conditioners	56.7	57.1	100.7%
2. Diesel oil and natural gas used for merchandise delivery *2)	9.0	10.1	112.2%
3. Fuel used by OFCs, etc., visiting stores	0.7	0.7	100.0%
4. Combustible waste and garbage, etc., discharged by stores *3)	17.4	25.9	148.9%
Annual total CO₂ emission per store	83.8	93.8	111.9%
Average store area per store	152.7	154.7	101.3%
Annual CO₂ emission per square meter (t-CO₂/m²) *4)	0.5	0.6	120.0%
Average annual sales per store (million yen) *5)	239.0	237.0	-
(Average daily sales recorded by all stores) (1,000 yen)	(656.0)	(647.0)	(98.6%)
CO₂ emission per sales of 100 million yen (t-CO₂/100 million yen)	35.1	39.6	112.8%

	Calories	CO ₂ emission coefficient
Electricity	-	0.378 kgCO ₂ /kWh
Gas *6)	41.1 MJ/Nm ³	0.0513 kgCO ₂ /MJ
Diesel oil	38.2 MJ/L	0.0687 kgCO ₂ /MJ
Gasoline	34.6 MJ/L	0.0671 kgCO ₂ /MJ
Combustible waste (plastic waste)	-	2.68 kgCO ₂ /kg
Garbage	-	0.78 kgCO ₂ /kg

*1 Emission coefficients are based on Guideline for Calculating GHGs Emission by Private Companies (Draft) issued by the Ministry of the Environment (MOE) of Japan. For garbage alone, coefficients from trial calculation in the MOE's Environmental Housekeeping Book are used in part

*2 Up to fiscal 2002, diesel oil consumption was estimated and calculated from delivery distance and mileage of delivery vehicles. Starting in fiscal 2003, it is calculated from diesel oil and natural gas actually used

*3 Combustible waste discharged from stores is calculated divided into garbage and other combustible waste. Other combustible waste uses the coefficient for plastic waste

*4 Starting in fiscal 2004, emission per 1 m² of store area are used, compared to per 1 m² of sales floor for the last fiscal year and before

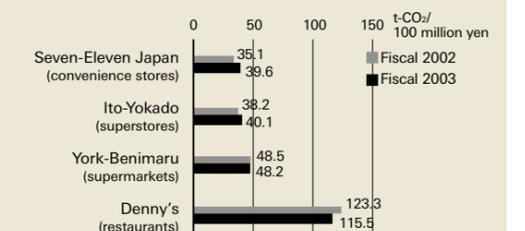
*5 Calculated from average daily sales recorded by all stores, including new stores

*6 For natural gas vehicles used for delivery, the coefficient of gas is used for calculation

IY Group

The IY Group verifies environmental activities using an integrated indicator. The total environmental load for data aggregation is converted to CO₂ so environmental loads from all annual business is expressed objectively.

► CO₂ emission per IY Group sales of 100 million yen



*Denny's, which engages in the restaurant business, specializes in cooking, so its emission differs significantly from group companies focusing on retailing

Environmental Accounting

Since reducing environmental loads depends on reviewing and improving business efficiency, it is difficult for Seven-Eleven Japan to clearly separate cost and effect related to the environment from normal business activities.

For some specific efforts, cost and effect are too difficult to be expressed quantitatively.

We plan to objectively verify and evaluate efforts to reduce environmental loads and their effect reflecting evaluation results in future business activities, going beyond simple quantitative expression.

Scope of application:
Totalled from manufacturing and delivery to sales and consumption associated with convenience stores including Seven-Eleven Japan Co., Ltd. (nonconsolidated), franchisees, and cooperating companies such as proprietary plants and combined distribution centers.

Effects:
Where the effect can be clearly grasped from physical data, numerical data is given. Other items are defined qualitatively.

Environment preservation cost:
Costs for franchisees and Seven-Eleven Japan are mentioned when applicable.

▶ Environmental accounting for fiscal 2003 (Target: March 1, 2003, through February 29, 2004)

Classification	Efforts in environmental load reduction and philanthropy	Effects of efforts	Related pages	Environmental preservation cost		
				Investment	Cost (thousand yen)	
Merchandising	Supplying customers with safe, tasty merchandise	<ul style="list-style-type: none"> ① Adopting Jointly Purchased NDF Ingredients Standards, checking the accuracy of the ingredient history has been improved and possible risks caused by ingredients have been reduced ② Reducing loss is promoted by improving supply and demand control accuracy ③ Improving quality control at plants results in higher quality products 	<ul style="list-style-type: none"> ① P13,14 ② P13,14 ③ P13,14 	Included in normal merchandise development cost		
	Reducing environmental load associated with manufacturing and sale of merchandise	<ul style="list-style-type: none"> ① Introducing rice requiring no washing at 11 plants for rice-based products, for a total of 33 plants. Starting to be used at 18 side-dish plants for doria rice gratin manufacturing ② Reducing shopping bag thickness an average of 6% for all sizes ③ Using reclaimed paper for all paper catalogs and leaflets. Reducing paper thickness and changing to soy ink ④ Changing catalog distribution 	<ul style="list-style-type: none"> ① P16 ② P16 ③ P16 ④ P16 			
Distribution	Reducing environmental loads associated with delivery	<ul style="list-style-type: none"> ① Delivery efficiency has been increased, numbering 9 delivery vehicles per day per store and reducing environmental loads associated with delivery ② Environmental loads have been reduced by reducing fuel consumption to 5.90 km/liter-101.4% over the preceding year ③ Environmental loads associated with delivery have been reduced <ul style="list-style-type: none"> • Introduction of nonidling freezer vehicles has reduced exhaust gas emission and fuel consumption • Introduction of natural gas vehicles has reduced exhaust gas emission ④ Promotion of energy-saving through recycling 	<ul style="list-style-type: none"> ① P19,20 ② P22 ③ P22 ④ P22 	Included in normal vehicle cost and management cost		
Stores	Reducing environmental loads associated with store sales	<ul style="list-style-type: none"> ① Promoting introduction of inverter-controlled freezers <ul style="list-style-type: none"> • Air conditioners: 895, for a total of 4,213 • Refrigerator-freezers: 1,124, for a total of 6,923 ② Conducting introductory tests of kerosene power generators at 2 stores ③ Withdrawing 2,290 units of CFC equipment ④ Constructing 514 stores using heat insulation panels 	<ul style="list-style-type: none"> ① Environmental loads have been reduced through energy saving of 15% for power systems ② Effects of kerosene power generators are still being verified ③ Ozone layer protection has been promoted through appropriate disposal of CFCs of 19.7t ④ Environmental loads have been reduced through introduction of heat insulation panels with high energy saving 	<ul style="list-style-type: none"> ① P27 ③ P27 ④ P28 	Included in normal store construction facilities and disposal cost	
	Reducing environmental loads associated with store construction and in-store equipment	<ul style="list-style-type: none"> ① Implementing combined distribution of interior construction materials for 328 stores ② Implementing combined distribution of facilities for all stores ③ 5,586 stores recycling fluorescent lamps ④ Continuing recycling of used glass and resin boards for box lunch and side dish display cases ⑤ Adopting reusable steel work HDJ in constructing 450 stores and sashes in 380 stores ⑥ Reusing 10,139 units of rental equipment ⑦ Implementing delivery of heat insulation panels in simple packaging for 514 stores 	<ul style="list-style-type: none"> ① Environmental loads associated with delivery of interior materials reduced ② Environmental loads associated with delivery of facilities reduced ③ Waste reduction and resource saving promoted through recycling of 111t (369,000 lamps) ④ Waste reduction and resource saving promoted ⑤ Construction waste otherwise generated reduced by use of reusable construction ⑥ Resource saving by reuse of rental equipment promoted ⑦ Waste reduced through reduction of packaging material by 290,000 m² 	<ul style="list-style-type: none"> ① P28 ② P28 ③ P28 ⑤ P28 ⑥ P28 ⑦ P28 		
	Reducing environmental loads associated with waste	<ul style="list-style-type: none"> ① Increasing number of eco distribution stores by 524, for a total of 6,930 ② Conforming to the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging, implementing recycling of 5,308t of plastics and 46t of paper 	<ul style="list-style-type: none"> ① Appropriate disposal of waste and waste reduction by recycling promoted ② Observance of the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging and waste reduction promoted 	<ul style="list-style-type: none"> ① P33 ② P47 	—	3,364,392
Philanthropy	Social responsibilities and philanthropy	<ul style="list-style-type: none"> ① Supporting philanthropy <ul style="list-style-type: none"> • Supporting environmental preservation activities • Supporting social welfare activities • Supporting sports activities • Supporting culture and art activities • Supporting education activities • Supporting community activities ② Cooperating in Safety Station activity and promoting prevention of liquor and cigarette sales to the underaged ③ Implementing Seven-Eleven Day Nationwide Cleanup involving 49,000 people ④ Making donations under matching funds to Seven-Eleven Midorino Kikin 	<ul style="list-style-type: none"> ① Harmonious coexistence with local communities promoted through philanthropy <ul style="list-style-type: none"> • Environmental awareness and natural environment preservation promoted • Philanthropy in local communities promoted • Sports in local communities promoted • Culture and art promoted • Education promoted • Community activities promoted ② Cooperation in creating safe, secure communities and environments for sound upbringing of younger people ③ Some 107t of litter collected ④ Activities of Seven-Eleven Midorino Kikin supported 	<ul style="list-style-type: none"> ① P40 ② P37,38 ③ P40 ④ P41,42 	—	362,362
Franchisees and Seven-Eleven Japan	Backing up franchisees	<ul style="list-style-type: none"> ① Recommending Franchisees' Mutual Aid ② Offering accident insurance ③ Providing information via videos at merchandise exhibitions and distributing Seven-Eleven Family bulletin 	<ul style="list-style-type: none"> ① Backing franchisees and employees working at stores ② Backing through insurance to deal franchisee risks ③ Improving awareness and environmental education through information sharing between franchisees and Seven-Eleven Japan 	<ul style="list-style-type: none"> ① P48 ② P48 ③ P48 	—	1,389
	Efforts at Seven-Eleven Japan	<ul style="list-style-type: none"> ① Issuing environmental reports and posting them on a webpage ② Implementing environmental evaluation ③ Implementing employee education through OJT ④ Collecting and recycling confidential documents: 83.3t from Seven-Eleven Japan and 189kg at average per store ⑤ Changing 621 sales vehicles to environmentally friendly vehicles ⑥ Marking green procurement of 100.2% monetarily over the preceding year and 126.1% quantitatively over the preceding year ⑦ Recycling 357t of documents no longer requiring legal storage 	<ul style="list-style-type: none"> ① Information disclosed positively based on Seven-Eleven Japan's Environmental Guidelines ② Disclosed information in environmental reports audited and reliability ensured ③ Environmental awareness promoted through practical education ④ Confidential documents recycled instead of incinerated, reducing the environmental load ⑤ Reducing exhaust gas emission and fuel consumption reducing the environmental load ⑥ Purchase of green products with lower environmental load reducing the environmental load ⑦ Recycling stored documents instead of incinerating them reducing the environmental load 	<ul style="list-style-type: none"> ② P63,64 ③ P54 ④ P34 ⑤ P57,58 ⑥ P57,58 ⑦ P57,58 	—	232,094

Independent Assurance

Seven-Eleven Japan is committed to disclosing and reporting its wide range of business activities, such as environmental issues and relations with local communities, in an accurate, understandable, and objective manner.

We have, therefore, implemented independent assurance on this report to ensure transparency and consistency of the information disclosed.

We will take the independent opinion and recommendations seriously and incorporate them into future business activities.

Independent Assurance Report

June 11, 2004

To Noritomo Banzai, Senior Managing Director
Seven-Eleven Japan Co., Ltd.

This is a translation of the independent assurance report of the Japanese version of the "Seven-Eleven Japan Sustainability Report 2004."

We, ChuoAoyama Sustainability Certification Co., Ltd., have been commissioned by Seven-Eleven Japan Co., Ltd. (hereafter "Seven-Eleven") to review the "Seven-Eleven Japan Sustainability Report 2004" (hereafter "the Report"). The preparation of the Report is the responsibility of Seven-Eleven.

Objective

The objective of this review is to express our independent opinion on the effectiveness of processes used to collect and report significant information included in the Report.

Basis of Opinion

Currently, there are no generally accepted international environmental and social reporting and assurance standards. Therefore, we have referred to emerging practices and guidance.

Summary of Procedures Performed

We conducted the following procedures in order to review the significant information included in the Report.

1. Environmental Management System

We obtained an understanding and assessed the organizational conditions, overall operations of and data items collected for the environmental management system.

2. Data Collection and Reporting Processes

We obtained an understanding of the methods used by Seven-Eleven to identify significant data and information included in the Report, and assessed when and how each data set was aggregated and reported.

3. Data included in the Report

We tested a sample of data from the Report to assess the consistency with and among supporting documents.

Our assessment procedures conducted at the headquarters include interviewing management and persons responsible for the preparation of the Report, analyzing data, inspecting relevant documents, and reconciling sample data to supporting documents.

Our Opinion

On the basis of the above work, we have reached the following opinion:

At the locations where our procedures were conducted, the processes used to collect and report significant information included in the Report are appropriate and effective.

ChuoAoyama Sustainability Certification Co., Ltd.
(ChuoAoyama PricewaterhouseCoopers Group)

Our Recommendations to Seven-Eleven

1. Social and Environmental Report of Seven-Eleven

Seven-Eleven, having changed the title of the report from "Environmental Report" to "Sustainability Report" this year, intends to provide a wider scope of information with regard to their activities than before, as a franchise business operator of convenience stores (hereafter "CVSs"). The contents of the Report include a variety of items such as environmental activities, supply of safe and secure merchandise, harmonization with local communities, and mutual prosperity with franchisees.

The Report focuses on providing readers with not only details of each specific activity, but also underlying philosophy and stance. From the information provided in the Report, we can sense that Seven-Eleven is trying to identify challenges that CVSs are faced with, and seeks ways to solve them.

The Report serves a useful resource for the readers to obtain an understanding of how Seven-Eleven views its social responsibility. We look forward to seeing further progress made in the Report through communications with the readers.

2. Establishment of Corporate Ethics Committee

Seven-Eleven established the Corporate Ethics Committee in March 2004.

The committee, reflecting the nature of franchise business, reviews Seven-Eleven's corporate activities in terms of business responsibility, social responsibility, and risk management. Based on the review result, four subcommittees, namely, Personnel, Environment, Information Management and Fair Trade subcommittees, collectively consider and identify corporate immediate top priorities.

Seven-Eleven breaks down types of stakeholders by nature of the relationship, not collectively regarding all the individuals and entities having an interaction with the company as "stakeholders." By doing so, they try to review each type of relationship from a CSR point of view, such as a coexistence and mutual prosperity relationship with franchisees and a relationship with employees, including operation

field counselors.

We look forward to active and comprehensive efforts being made in the area of equal opportunities and a helpline function.

3. Harmonization with Local Communities

The influence that CVSs have in society is significant. While they provide society with convenience, they also influence the environment surrounding youth through sale of liquor and/or cigarettes. Seven-Eleven is a leading company in the industry to actively take initiatives to improve the environment, and is committed to reviewing problems arising from CVS operations and contributing to local communities by making good use of the features of CVSs.

We recognize their efforts to expand the range of "Safety Station Activity." Such activity contributes to the local communities by helping to create a safer and more secure community.

In order to meet the diversification of customers, Seven-Eleven is making efforts to make its stores more user-friendly for a wide variety of customer groups, including the elderly.

Efforts made by Seven-Eleven's management are notable in terms of integration of environmental and business activities. Going forward, we look forward to seeing Seven-Eleven take their businesses, including CVS business, to the next step by trying to make the CVS business itself become a tool to fulfill a wide range of social responsibilities including contribution to local communities.

4. Information Collection System

Turning to the Sustainability Report, the information items expected to be included in the Report have expanded. Accordingly, divisions involved in the reporting activities have increased. A new system to collect information in a timely and prompt manner should be developed.

While stores being opened in China draw people's attention, the Report focuses on only domestic business development that covers Seven-Eleven (nonconsolidated), franchisees, and suppliers. We hope that Seven-Eleven develop an information collection system that enables them to collect the entire Seven-Eleven Group, and expand the scope of the reporting to the Group, including China and elsewhere.

In Conclusion

From 2000 to 2003, we have issued annual environmental reports focusing on environmental measures in manufacturing, delivery, sales, and consumption of our convenience store business. In addition to environmental issues, this Report discusses the relationship of Seven-Eleven Japan and its cooperating companies with the society, necessitating the change in title to Social and Environmental Report, including reports on harmonious coexistence with local communities.

We firmly believe that no convenience business can survive without a close relationship with local communities and environmental issues. To fulfill its responsibilities as a corporate citizen and in response to society's requests, we set up a Corporate Ethics Committee in March 2004 and have been working to strengthen and fulfill compliance and implement education for employees and franchisees.

We consider it necessary to review once again the activities of Seven-Eleven Japan and cooperating companies from the aspects of society's requests and expectations and to advance our efforts to the next stage. We will continue to provide customers with safe products by, for example, eliminating preservatives and artificial coloring agents. We will prevent the sales of liquor, cigarettes, and "X-rated" magazines to the underaged. We will also continue to provide stores and facilities, as our business "hardware," with environmental measures for energy saving and noise reduction. CFCs used as in-store refrigerants must be strictly controlled in view of global warming as well. Increased attention and safety measures against theft are essential for cash used at stores. Sufficient attention must be paid to securely handling personal data on customers involved in bill payment. Waste from stores must be sorted and recycled. In view of these many considerations, it is important that we expand eco distribution and Safety Stations.

Convenience store business is a joint business between franchisees and Seven-Eleven Japan, and their operation can succeed only in close cooperation with local communities and through sharing the same principles and goals — a business responsibility of Seven-Eleven Japan and its social responsibility to fully embrace the viewpoints needed to deal with these issues and to continue to respond to them together with franchisees.

We are determined to continue working with our franchisees and cooperating companies, and we ask for your ongoing support and cooperation in this effort.

August 2004

Senior Managing Director
Senior Executive Officer

Noritomo Banjai

Fiscal 2003 Activity Log

	New Undertakings of Seven-Eleven Japan	Efforts toward Sustainability
March	<ul style="list-style-type: none"> Started digital printing using multicopiers 	<ul style="list-style-type: none"> Started recycling of items past their sell-by date in 20 of Tokyo's 23 wards (Photo) Spring merchandise exhibition Implemented the first trial of Safety Station activities 
April		<ul style="list-style-type: none"> Started recycling of items past their sell-by date in Tokyo's remaining 3 wards
May	<ul style="list-style-type: none"> IY Bank started tie-ups with post office ATMs Offered donation and gifts to the Public Welfare Bureau of Beijing Municipal People's Government during the SARS outbreak 	<ul style="list-style-type: none"> Implemented thinner shopping bags
June	<ul style="list-style-type: none"> Started network printing using multicopiers Started nationwide sales of Tocho Oolong Tea, an original product provided with the Seven-Eleven Japan logo mark 	<ul style="list-style-type: none"> Issued Environmental Report 2003 Started distributing the Waste Sorting Manual to all stores Cooperated in the 13th Earth-Friendly Essay and Report Contest (June to September 2003) (photo) 
July	<ul style="list-style-type: none"> Expanded chilled beer through the use of nationwide chilled distribution Thanks offered for the 10,000th Seven-Eleven Japan store Started selling 30 items with the Seven-Eleven Japan logo 	<ul style="list-style-type: none"> Implemented the 9th Seven-Eleven Day Nationwide Cleanup Changed standards for paper sales promotion materials and started using recycled paper
August	<ul style="list-style-type: none"> Started the point card system (Hokkaido only) The number of stores reached 10,000 	<ul style="list-style-type: none"> Participated in the 26th 24-Hour TV Charity promotion Opened the first store involved in the Osaka's Ordinance Promoting a Barrier-Free Society
September	<ul style="list-style-type: none"> Exclusive sales of NEWS CD and original Johnny's goods 	<ul style="list-style-type: none"> Issued English-language Environmental Report
October	<ul style="list-style-type: none"> Started sales of imported wine via our original transport under controlled temperatures 	<ul style="list-style-type: none"> Implemented the 10th Seven-Eleven Day Nationwide Cleanup (schedule brought forward for Hokkaido only) Reviewed catalog distribution Autumn merchandise exhibition (photo) 
November		<ul style="list-style-type: none"> Implemented the 10th Seven-Eleven Day Nationwide Cleanup (photo) Implemented the second trial of Safety Station activity 
December	<ul style="list-style-type: none"> Entered into cooperation with Exxon Mobile in developing and operating combined stores Won the Nikkei MJ Advertising Awards (received outstanding performance award) Received the third Porter Prize Introduced new uniforms for Seven-Eleven Japan store staff 	<ul style="list-style-type: none"> Introduced new store uniforms and implemented their recycling (photo) 
January	<ul style="list-style-type: none"> Established a joint venture company, Seven-Eleven Beijing Co., Ltd. 	
February	<ul style="list-style-type: none"> Launched a new TV commercial, "What Is Seven for You?" 	