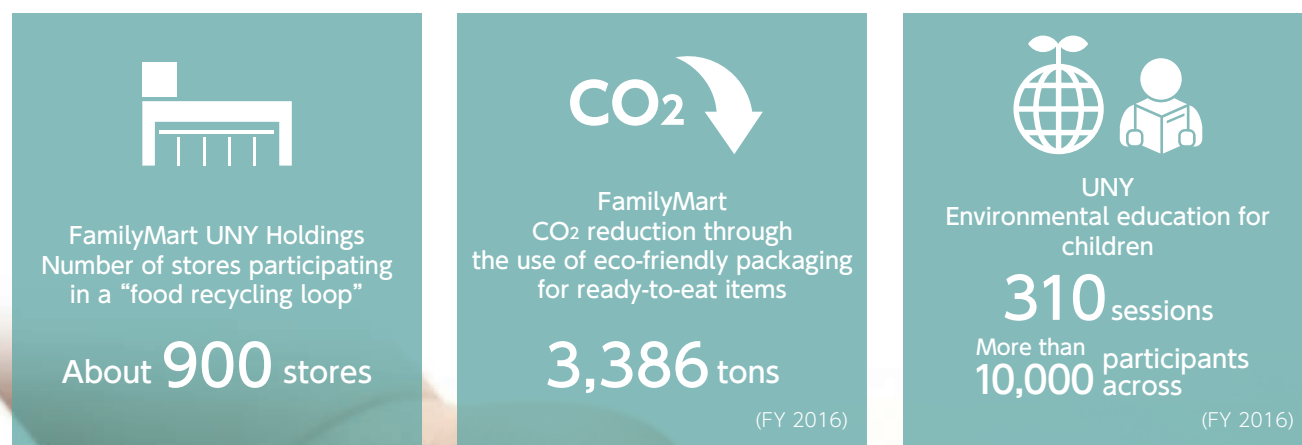


Material Issue 1

Environmental awareness

As a company in the business of handling a wide range of products satisfying food, clothing, and shelter needs, we undertake activities aimed at building a recycling-oriented society through our "food recycling loop" and other efforts to reduce waste. At the same time, we work to reduce our carbon footprint, especially at the stores that emit the most CO₂ through their business operations. Furthermore, we propose eco-friendly lifestyle solutions and solve environmental problems by listening closely to feedback from consumers, producers, and community members.



Construction of a recycling-oriented society

Eco-First Commitments

UNY

As an environmentally-advanced company working to bring about a sustainable society, UNY made the "Eco-First Commitments" with the Minister of the Environment in 2008 and is now working together with consumers, producers, and local governments to solve environmental problems. As part of the commitment up to fiscal year 2018, UNY is expanding the food recycling loop to all

of the stores, realizing a recycling, etc. achievement rate of 80%, and getting 85% of customers declining plastic shopping bags as a means to curb container and packaging waste. UNY also regularly discloses these progress and report to the Ministry of the Environment.

*About the Eco-First Commitments

An Eco-First Company is one that has made a commitment to the Minister of the Environment in environmental preservation, including countermeasures against global warming and waste reduction and recycling measures, and has been recognized by the minister as being engaged in "advanced, original, and industry-leading business activities" with respect to the environment. As of October 2017, 40 companies have been certified as Eco-First Companies.

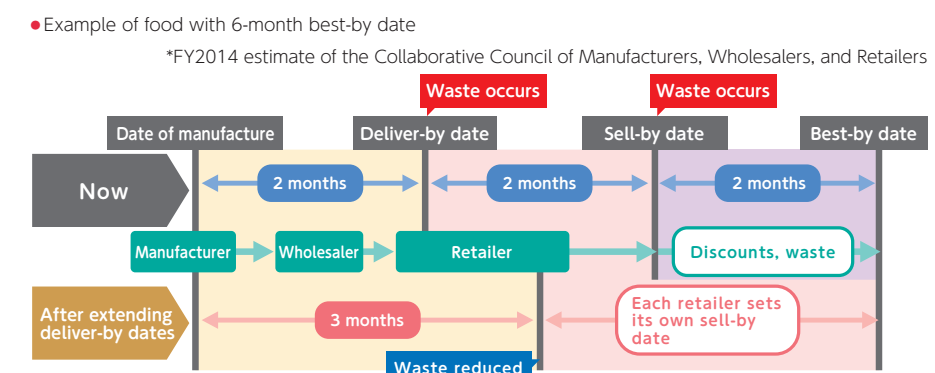


Eco-First logo

Efforts to reduce food waste

UNY

Food waste occurs when food that can still be eaten is thrown away in the process of being delivered or sold, or because its best-by date expires. In order to reduce this food waste, UNY is re-examining the "one-third rule" and working to get sales periods extended. The "one-third rule," which dictates three time limits (delivery, sales, and consumption) beginning from a food's date of manufacture, is common business practice throughout the food industry. Allowing retailers to set their own sell-by dates allows them to reduce product returns and waste when deliver-by and sell-by dates expire. This has put a spotlight on the rule as a means to reduce food waste throughout the industry.



FamilyMart

To cut down on waste at its stores, FamilyMart is working to improve the precision of its ordering system. This involves ensuring the proper number of products are ordered and managing product selection with regard to inventory levels, sales, weather, events, and other factors at each store. Such efforts help to reduce food waste for especially boxed lunches, rice balls, sandwiches, and other products with short shelf lives.

With our FamiDelica (currently "Mother's Kitchen") brand of original delicatessen items launched in the fall of 2016, we use "gas exchange packaging" that fills packages with carbon dioxide and nitrogen instead of oxygen, which causes food to spoil, to better suppress oxidation. Utilizing higher performance food packaging has allowed us to extend best-by date by three days without sacrificing the delicatessen item's freshness or flavor,

thereby reducing food waste. With the introduction of these new technologies, along with re-examination of our packaging and methods of selling products, we will continue to reduce food waste through a variety of approaches.



FamilyMart inventory management



Gas exchange packaged products (Mother's Kitchen)

Construction of a recycling-oriented society

Creating a “Food Recycling Loop”

UNY

As a means to achieve a recycling-oriented society while conducting business rooted in local communities, UNY is operating a “food recycling loop.” From producers to recyclers, we form partnerships with a range of businesses at every stage of the loop and work to recycle the food waste generated by our stores. The deployment of waste measurement systems at each store and exhaustive efforts to control and sort waste allowed UNY to achieve a food recycling rate of 63.6% in fiscal year 2016, a 2% improvement over the previous year.

Moreover, building a food recycling loop contributes to local recycling efforts and local production for local consumption, which brings producers and consumers together in each region. Recyclers turn leftover food collected at each store into feed or compost, and we use a system for keeping track of the producers that use those products. These efforts help to establish local recycling-oriented agricultural industries that provide safe and reliable agricultural and livestock products.



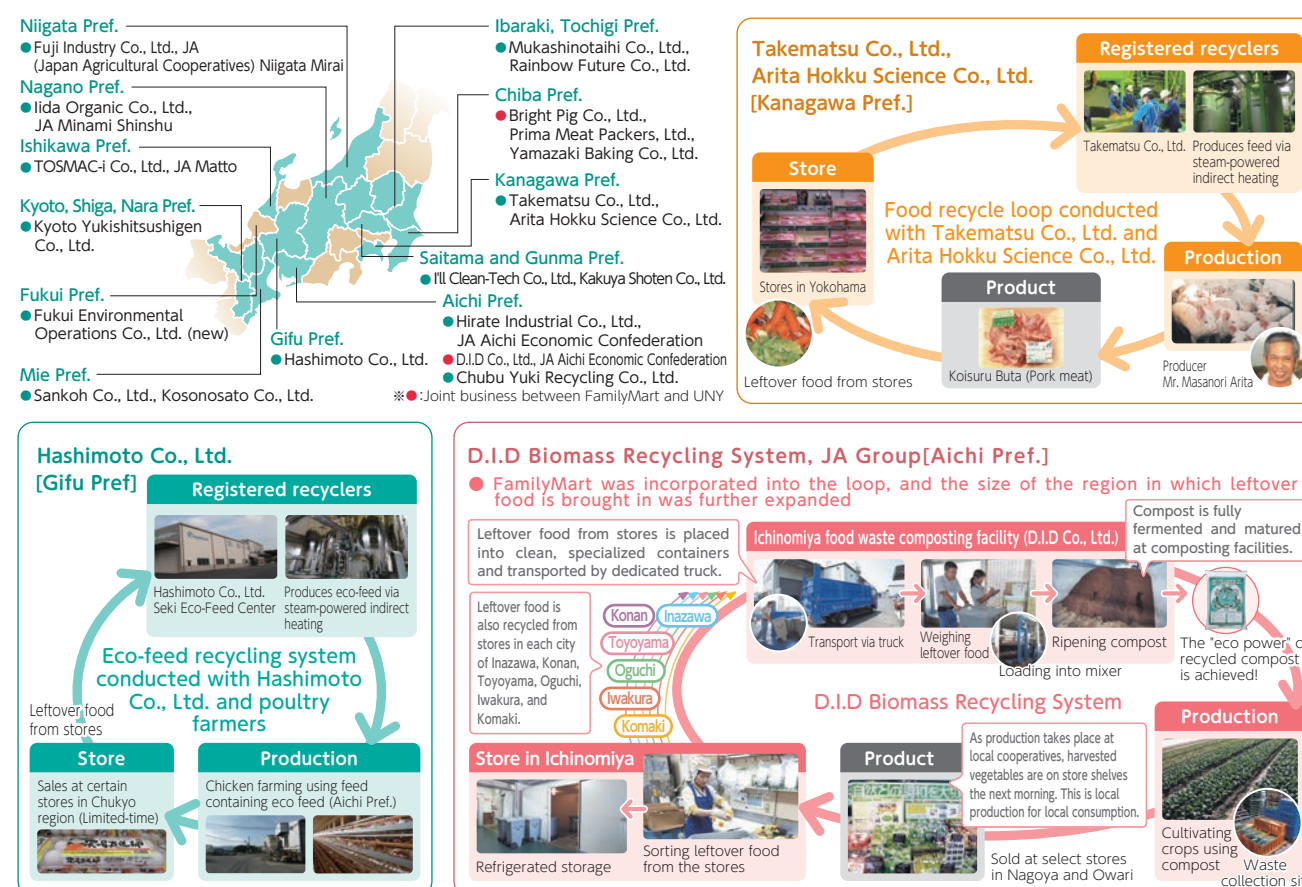
Promoting food recycling

UNY FamilyMart

In 2007, UNY became the first in the nation to have its Recycling Business Plan certified by the Minister of Agriculture, Forestry and Fisheries, Minister of the Environment, and Minister of Economy, Trade and Industry. Since then, through partnerships with local recyclers and producers, UNY has continuously managed “food recycling loops” while building new ones, and now operates 13

loops—more than any other company in Japan.

UNY now runs two loops together with FamilyMart. Going forward, the entire Group will carry out “food recycling loops” as it works to enhance managerial consolidation towards bringing about a recycling-based society.



FamilyMart

Under FamilyMart's Recycling Business Plan, since April 2008 FamilyMart has been collecting leftover food from stores in Tokyo's 23 wards and from contracted food producers, and has been recycling food to be used as liquid feed for pig farming. FamilyMart is also recycling leftover food into feed and compost in other regions, as well. As of August 2017, leftover food collections are being made from 3,650 stores around the country.

Waste cooking oil used for deep fryer products such as FAMICHIKI are collected by specialty contractors and turned into 100% recycled products that include ink, soap, and additives for poultry feed. Some is used by stores as medicated hand soap, achieving closed-loop recycling.



Comments from an Expert

FamilyMart and UNY will play a leading role in Group-wide efforts to reduce food waste in Japan

In fiscal year 2014, approximately 6.21 million tons of otherwise edible food such as uneaten or unsold food from restaurants and stores and uneaten food from homes was thrown away.

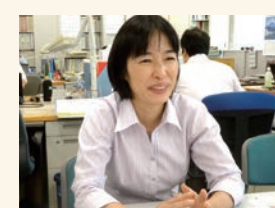
In response, food industry companies are actively engaged in recycling wasted food. These efforts include examining the use of new technologies to extend best-by dates and use-by dates and changing deliver-by dates by reevaluating industry practices.

Since receiving the first-ever certification in 2007 for its Recycling Business Plan in accordance with the Food Recycling Law, UNY has been particularly active in reducing and recycling food waste through efforts that include creating recycle loops in each prefecture where UNY develops stores. UNY's activities are some of the best in the nation, in terms of the number of recycle loops as well as the diversity and quality of recycling methods.

And with Mother's Kitchen, a private brand of delicatessen items, FamilyMart is also maintaining freshness and extending

best-by dates by using both airtight containers and oxygen reduction technologies. The Ministry of Agriculture, Forestry and Fisheries believes it is important for consumers to know about these kinds of efforts being made by companies, and details these efforts in Case Studies of Using High-Performance Container Packaging to Reduce Food Waste, compiled last year.

Going forward, by leveraging each of their assets, I expect FamilyMart and UNY playing a leading role in Group-wide efforts to reduce food waste in Japan.



Ryoko Kawai,
Head of Food Industry
Policy Office, Biomass Policy
Division, Food Industry
Affairs Bureau, Ministry of
Agriculture, Forestry and
Fisheries

Contribution to a low carbon society

Container packaging initiatives

UNY

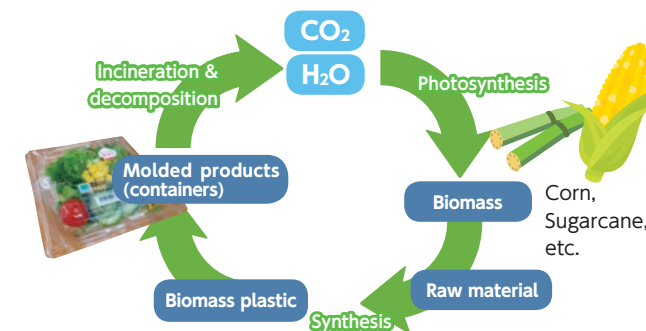
With the goal of achieving a lower carbon society, UNY is working to reduce CO₂ by innovating in the areas of product containers and packaging. Biomass plastic made from plant-derived materials can help reduce overall emissions. This is because the CO₂ absorbed when plants undergo photosynthesis is roughly the same as that emitted when containers are disposed of. This is known as achieving carbon neutrality.

FamilyMart

At FamilyMart stores, we used biomass plastic (PLA: Polylactic Acid) containers for three salad products in fiscal year 2016. As each container weighed 24.57 g, we achieved a roughly 1,846 tons CO₂ reduction for the year. We first used biomass plastics in 2007, and roughly 20% of all biomass containers shipped throughout the country are now used by FamilyMart. This makes FamilyMart the top user of biomass plastics in the retail sector.

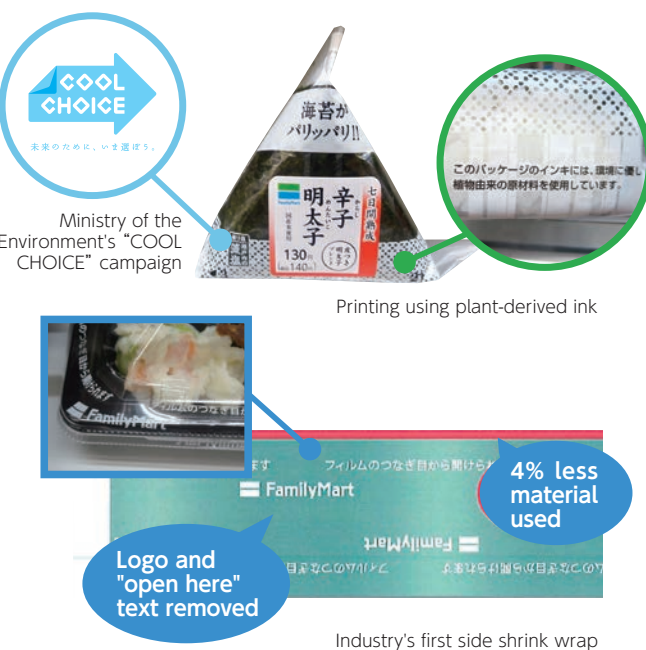
And for our boxed lunch products, in 2014 we did away with "full shrink wrap" that covered the entire container and began using "side shrink wrap," applying wrapping only to the opening tab and where the lid fits onto the container bottom.

Environmental cycling of biomass plastic (PLA: Polylactic Acid)



At UNY stores, biomass plastic has been used since 2006 for egg cartons and container packaging in produce sections. In addition, our paid plastic shopping bags also contain 25% biopolyethylene made from sugarcane waste material. Biopolyethylene achieves a 17% reduction in CO₂ emissions compared to petroleum products, making this an example of an effort towards carbon neutrality.

This reduced plastic material usage by 430 tons, achieving a 1,540 tons reduction in CO₂. In addition, we reduced CO₂ by an additional 100 tons a year by expanding the use of plant-derived ink, previously used only for printing on sandwich and other product wrapping, to printing on rice balls and hand-rolled sushi wrapping. We will continue to make improvements like these in order to further reduce our CO₂ footprint.



Bottle cap campaign efforts

UNY

We collect PET bottle caps using recycling boxes installed in UNY stores. As part of the "PET Bottle Cap Campaign," we sell collected PET bottle caps to companies specializing in recycled plastics and donate the proceeds to the NPO "Japan Committee, Vaccines for

the World's Children." Our goal is to achieve "upcycling," whereby we recycle used containers and packaging so that they can be made into high-quality products. Our recycled plastics are now being used to make automotive parts.

Reducing CO₂ in conjunction with customers

UNY

If our customers declined plastic shopping bags, 30.8 g of CO₂ would be reduced for each bag. UNY began efforts to reduce plastic shopping bag usage in 1989. It then began distributing reusable shopping bags in 2001 and conducting No Plastic Shopping Bag Campaigns in 2006. These are among the measures we have been active in taking to improve awareness among customers. We have also started to charge for plastic shopping bags at all stores, and in fiscal year 2016, 86.1% of customers refused plastic shopping bags. As a result, we cut CO₂ by 8,318 tons. This means that, in terms of bags used, we only used 20% the number used 10 years ago in fiscal year 2006.

Additionally, by donating to local governments the one yen per bag that customers are charged, we are supporting a range of environmental initiatives. (fiscal year 2016: ¥30,641,687)

As for containers and packaging for products that account for

approximately 55%* of all household waste, we have placed recycling boxes in each of our stores that have led to reducing household waste while at the same time recycling and curbing CO₂. As a result of efforts to sort and collect used containers and packaging such as milk cartons, aluminum cans, PET bottles, and food trays, recycled waste volume for fiscal year 2016 increased 5.3% year-over-year to 3,846 tons and CO₂ was reduced by 16,344 tons.

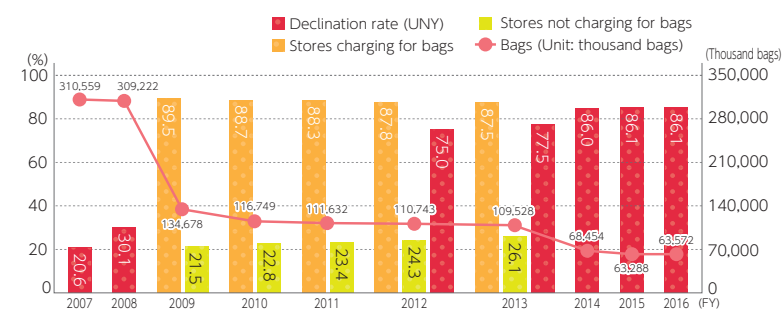
We are also taking measures to reduce the energy used and CO₂ emissions resulting from transporting products to recycling facilities in Japan. As one example of reducing unnecessary fuel consumption and cutting CO₂ emissions, we built a recycling center within our logistics center where we use freights that return to the center after delivering products to also transport collected products.

*54.7% of household waste consists of containers and packaging (based on volume; source: Ministry of the Environment, Fact Finding Survey on Usage and Emissions of Container and Packaging Waste)

Efforts to reduce plastic shopping bag usage



The changes of customers declining plastic shopping bag rate



Plastic shopping bag usage and amount paid to contractors under the Containers and Packaging Recycling Law

FY	Bags (Unit: thousand bags)	Weight (Unit: tons)	Amount paid (incl. tax)
2007	310,559	1,818	297.29 million yen
2008	309,222	1,851	279.78 million yen
2009	134,678	1,029	222.72 million yen
2010	116,749	964	66.55 million yen
2011	111,632	851	161.54 million yen
2012	110,743	839	148.68 million yen
2013	109,528	821	158.04 million yen
2014	68,454	616	161.04 million yen
2015	63,288	587	135.57 million yen
2016	63,572	573	124.89 million yen

*Amounts paid to the Japan Containers and Packaging Recycling Association in accordance with the Containers and Packaging Recycling Law

FamilyMart

Along with efforts to reduce plastic shopping bag usage by putting up posters and informing customers at the register, FamilyMart is reducing petroleum usage by using appropriately sized bags and making them thinner. These efforts saw FamilyMart achieve its target that customers declining plastic

shopping bag of 30.0% in fiscal year 2016. Regarding efforts to curb CO₂ emissions arising from the operation of its stores, in addition to providing training to staff at each of its stores, the company is gradually installing trash cans inside stores to properly sort waste and promote recycling.

UNY

The biodiversity that maintains our way of life

Our way of life is made possible by the bounties provided by nature and living things in all their various forms. As a retail company that provides customers with the blessings of biodiversity, UNY is working to build a system that will enable shopping to contribute to sustainable consumption and production.

We are grateful for how living things allow us to live our lives, and believe that conserving the natural environment and the things living within it when choosing foods is how we can contribute to better biodiversity.



Sales of products that protect biodiversity

Protecting nature translates into protecting living things, and selling foods and products based on this concept makes customers choose us. To expand the virtuous cycle from production to consumption, we offer products that protect biodiversity and work hard to increase consumer awareness about its importance.

FSC certification is granted by the FSC (Forest Stewardship Council), which runs an international forest certification system,

to forests and wood recognized as sustainable, as well as to products made from such wood. Under UNY's private label brand, we develop and sell FSC certified products such as toilet paper and elementary school workbooks. Customers purchasing products with the FSC certification logo indirectly help preserve forests and protect biodiversity. It is a means to contribute to society through shopping.

Organic cotton

Conventional cotton cultivation involves the use of numerous pesticides and insecticides. Organic cultivation, however, involve the use of neither; natural compost is used and leguminous plants are grown in the same areas in fields in order to impart nutrients to the soil. These practices enrich the land and protect the soil, where the greatest diversity of organisms on the planet make their habitat.



FSC certified toilet paper

Rather than recycled paper, this toilet paper is made from paper pulp that has FSC certification, which is given to wood and products verified to have been sourced from "properly managed forests." This toilet paper represents a dedication to the innate quality of paper pulp and comfort, while at the same time helping to preserve the natural environment.



FSC certified eco!on workbooks

The FSC certification logo is given to wood and products verified to have been sourced from "properly managed forests" as defined by the FSC (Forest Stewardship Council). Using paper stock marked with this logo, we created workbooks to be used by elementary school students. Customers who purchase products with the FSC logo send a message to children studying the environment that they can make a difference towards forest preservation.



FamilyMart

Efforts to achieve a society in harmony with nature

To protect the forests and woodlands provide us their invaluable blessings, we match a portion of the "FamilyMart Connecting Dreams Foundation Donation" collected at our stores and make donations to the National Land Afforestation Promotion Organization. We also help conduct "Forest Classes for kindergarteners" to interact with forests, "Kikigaki Koshien events

for high school students" to learn about forests, and "Hometown Forest Revitalization project" activities, where we work with community members to protect forests. Through these efforts, we strive to pass on Japan's rich lands to future generations while preserving biodiversity.



Forest Classes for kindergarteners



Kikigaki Koshien events for high school students



Hometown Forest Revitalization Project

Toward realization of a society that coexists in harmony

with nature

Efforts being made at environmentally-conscious stores

UNY

In building stores that contribute to bringing about a more sustainable society, we are putting in place equipment for, among other things, reducing and sorting waste, recycling, and saving energy, and are working with our customers to practice "shopping that is good for the world."

1 Recycling stations

We collect and recycle items disposed of after customers purchase them. This includes milk cartons, aluminum cans, trays, PET bottles, and biomass plastic egg cartons.



2 Waste-specific trash cans

Using trash cans set up in sections throughout our stores, we sort and collect burnable, non-burnable, and other kinds of trash.



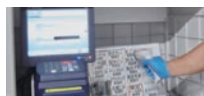
3 Disclosure of information

On posters and other materials, we provide information about and report on efforts UNY is making.



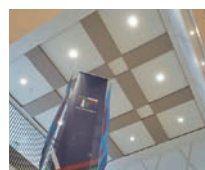
4 Waste weighing systems

By sorting and weighing the waste generated from each store section and tenant, the systems promote waste reduction and recycling.



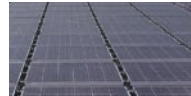
5 LED lighting

We use LED lighting both inside and outside our stores. This has led to greatly reduced power usage while curbing CO2 emissions.



6 Solar power generation

We have deployed solar panels on rooftops and outer walls. The solar power we generate is used to power the inside and outside of our stores. We are able to monitor the amount of power currently being generated.



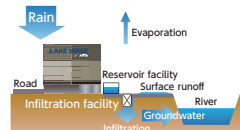
7 Wall greening

Our stores have installed green exterior walls. These combat the heat island effect and provide insulation, keeping building temperatures down and reducing air conditioning usage.



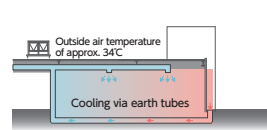
8 Stormwater infiltration facilities

These efforts have achieved a 25% reduction in the amount of rainwater running off of store premises. This preserves ground water, keeps streamflow constant under normal conditions, and prevents flooding.



9 Cooling & heating trenches

Air conditioning using geothermal heat. These systems bring fresh and cool air inside stores, reducing air conditioning power usage by approximately 1.8% and overall facility CO2 emissions by roughly 0.6%. Earth tubes in the summer

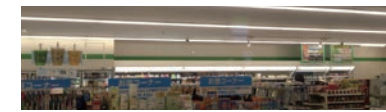


FamilyMart

With the goal of achieving a 10% reduction in energy consumption per sales unit (compared to 2010) by 2020 as a measure to address climate change, we are actively engaged in replacing current equipment with energy-saving appliances and are developing an energy-saving store model.

1 LED lighting system deployment inside stores

Along with the in-store deployment of LED lighting that provides high energy-saving performance, we are putting in state-of-the-art systems for controlling light brightness based on time of day and in-store zone. (8,473 stores as of February 28, 2017)



2 LED deployment for signboard lighting

Deploying LED lighting for facade signs and standing signs improved energy-saving performance by roughly 70% compared to fluorescent light-based signboards. (LED facade signboards: 6,810 stores as of February 28, 2017; LED general signboards: 2,742 stores as of February 28, 2017)

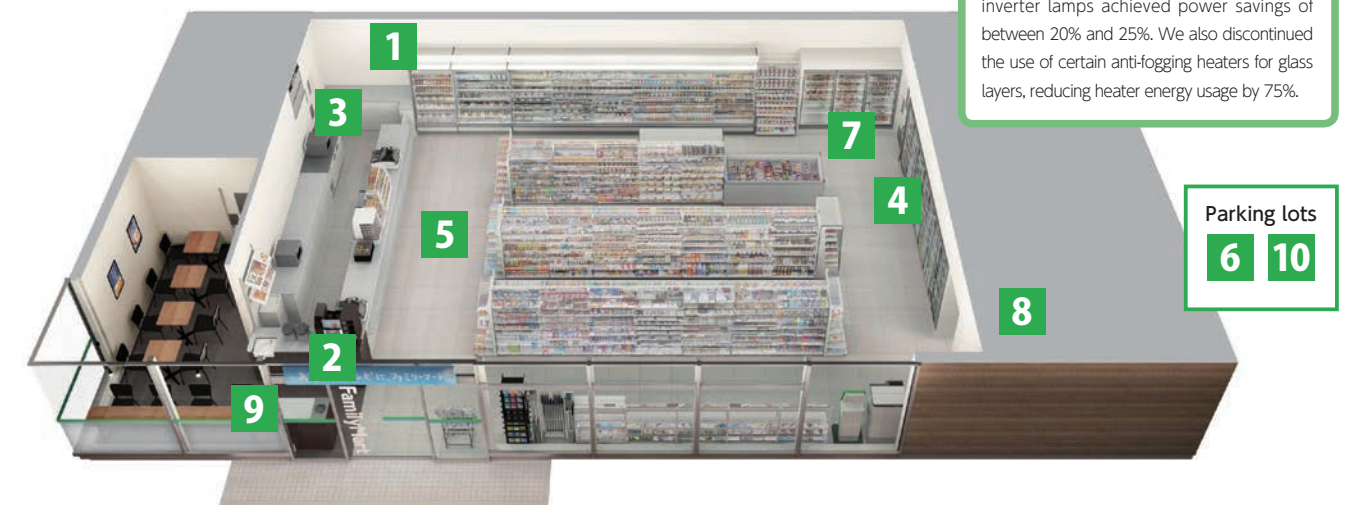


3 LED deployment for lighting inside microwaves

As standard lighting inside their microwaves, all stores use LED lamps that use zero power on standby. These models use approximately 80% less power than standard lighting inside microwaves.

4 Reducing walk-in refrigerator power usage

Replacing walk-in refrigerator lighting with inverter lamps achieved power savings of between 20% and 25%. We also discontinued the use of certain anti-fogging heaters for glass layers, reducing heater energy usage by 75%.



5 Reducing freezer and air conditioning system power usage and preserving the environment

Starting from January 2017, we have been accelerating energy saving by switching the refrigerant gas used in our freezers from R401A to R410A, which is more efficient in power usage. From May 2017, we also started switching the refrigerant gas used in our air conditioners to R32, a low global warming potential refrigerant, to better preserve the environment.

6 Installation of fast chargers for electric vehicles

We are installing fast chargers for electric vehicles to allow for the use of electric vehicles and PHVs without worrying about the battery to feel a sense of reassurance. (709 stores as of February 28, 2017)



7 Deployment of freezers and refrigerators equipped with CO2 refrigerant devices

We are now deploying freezers and refrigerators that use CO2 refrigerants, allowing for simultaneously reducing energy-derived CO2 and fluorocarbon emissions. (67 stores as of February 28, 2017)



8 Solar panel installation

As a measure to conduct our business activities and reduce our ecological footprint at the same time, we are equipping our stores with solar panels. (2,383 stores as of February 28, 2017)



9 Installation of trash cans inside stores

In fiscal year 2016 we began standardizing the process of installing trash cans inside stores as a means to reduce and recycle waste while complying with governmental waste sorting regulations.



10 Usage of LEDs for parking lot lighting

We are installing LED lighting in our parking lots. LEDs use 30% less power than conventional lighting. They also last four times longer. (4,196 stores as of February 28, 2017)



Promotion ESD (Education for Sustainable Development)

UNY

UNY offers a children's environmental education program for the children who will be responsible for realizing a sustainable society. Through activities that include studying stores, experiencing farm work, and exploring the natural environment, children learn about things such as the environment, social contribution, food problems, and the importance of life. The program incorporates the concept of ESD (Education for Sustainable Development) with the hope of nurturing children's ability to live among nature in all its beauty. With the incorporation of the ESD into the SDGs, which were adopted in 2015, we will seek to make even greater contributions to sustainable development.

As part of its focus on achieving a more sustainable society, UNY is working with community members, customers, business partners, and employees to "develop people, manufacturing, and communities" with an emphasis on achieving harmony between

the environment, the economy, and society. We are also engaged in building a new corporate function in the form of local community spaces at its stores for people to gather.

Furthermore, along with holding information exchange sessions and workshops for our business partners, waste treatment contractors, and recycling contractors, we provide the tenants in our stores with opportunities to learn about environmental conservation. The store tours that we conduct for consumer groups, public environmental lecture groups, and other outside organizations are garnering attention from many different people, including overseas visitors. As means of improving environmental awareness among our employees, we provide them with training at our stores and offices with regard to environmental policy and environmental conservation activities, and have added environment-related pages to their pocket guides, which contain an in-house newsletter and company regulations.



1 Visiting lectures for local communities

We are a member of the Environmental Partnership Organizing Club (EPOC), based out of the Chubu district. In addition to conducting interactive environmental lectures that make use of educational tools and facilities owned by member companies, we conduct a wide range of environmental awareness raising activities in conjunction with government agencies and other organizations. We hold visiting lectures themed on "environmentally-conscious shopping" at local elementary schools and children's centers as a means of providing environmental education together with community members.

2 Learning via the power of communities

As an environmental education initiative carried out in collaboration with organizations that include local NPOs and volunteers, UNY conducts the Course to develop volunteer leaders for Protecting the Environment through Shopping at Nagoya Open University of the Environment. This course is themed on "environmentally-conscious shopping" and develops people into volunteer leaders capable of clearly articulating this theme to the friends and family members close to them. Those who take the course go on to play active roles in events that include the Eco Expo, an environmental event that involves customer participation.

3 Eco store expeditions

Eco store expeditions use supermarkets as a vehicle to teach participants about the many efforts being made at environmentally-conscious stores from a variety of perspectives. In fiscal year 2016, 989 people participated in 97 expeditions. Store managers act as expedition team leaders to guide children through the stores and teach them about efforts being made to recycle as they do things like peek inside stores' recycling boxes and touch containers and packaging made from biomass plastic. In addition, through an eco handicrafts activity involving the use of the containers and packaging that become trash when thrown away, the children also learn about how UNY is working to reduce waste.

FamilyMart

FamilyMart conducts environmental education programs through support provided to those receiving "FamilyMart Connecting Dreams Foundation Donations" collected at FamilyMart stores, and organizes visiting lectures led by franchisees and employees.

Forest Classes for kindergarteners — Little Donguri and His Forest Friends

FamilyMart launched a nationwide touring program hosted by the National Land Afforestation Promotion Organization, a recipient of donations collected at FamilyMart stores. Launched in 2012 with visits to kindergarteners affected by the Great East Japan Earthquake, the program came about from a desire to teach preschoolers and kindergarteners about the abundant blessings that forests provide and the roles that forests play. Stores nearest the events take part in this strongly community-based program, and a total of more than 15,000 kindergarteners to date have participated. Through activities ranging from watching plays performed by people dressed up as animals to planting acorns and raising seedlings, children learn about the nature and importance of the various roles that forests play.

Visiting lectures

FamilyMart employees go to middle schools and high schools and conduct "visiting lectures" as instructors. In addition to providing lectures on convenience store business models, environmental measures, how to conduct sales as a means to help revitalize areas affected by the Great East Japan Earthquake, and other such lectures that utilize their specialized knowledge, the instructors teach students how to tackle issues through collaboration between convenience stores and local communities.

4 Communicating through collaboration

Working with related businesses, UNY provides a wide range of opportunities for community members to learn about the environment. One example is conducting tours of facilities that manufacture toilet paper made by recycling milk cartons collected from recycling boxes at UNY stores. Another is providing an education on the farms that harvest crops of eco vegetables grown using compost made from leftover food from UNY stores.

Kikigaki Koshien events for high school students

Since 2005, FamilyMart has provided support for the Network for Coexistence with Nature, a certified NPO and recipient of donations collected at FamilyMart stores. Every year, 100 high school students visit "experts" living near forests, sea waters, rivers, and mountains to learn from their wisdom and take notes on the skills they use and how they live. We also dispatch store employees who work as trainers and take part in direct interaction with high school students. The program has students take notes on and transmit the wisdom of experts and information about how they live. It also aims, by helping to pass on this wisdom to successive generations, to have students learn about the blessings and preciousness of forests, seas, and rivers and the livelihoods of people who coexist with nature.



Reconstruction support: Lecture on "Sales and Customer Service Guidelines" for seaweeds (held in Iwate Pref.)