

# Seiyu: Stories from Behind the Scenes

Seiyu Sustainability Report 2007 (Story Edition)

## **Our action targets**

All 50,000 associates will take positive actions for the global environment.

We will look for opportunities to reduce waste and boost efficiency in the company.

We will do what we can for the environment and for society.

**Welcome behind the scenes at Seiyu.**

The Seiyu that we usually show the world is the Seiyu that offers the food and products for everyday use, in quality and quantity to satisfy our customers.

In order to polish that image, every one of our 50,000 associates has identified action items and issues, and every day they are working to become even better.

This is because we would like to offer customers something even better, in a more timely way, and at even more attractive prices, while also considering the environment.

The main purpose of our *Sustainability Reports* in the past was to openly provide information.

There were limitations to what we could convey, however, regarding how our associates were tackling issues, how they were making improvements, and what processes led to the results achieved.

Nevertheless, we would like the world to know everything about this company called Seiyu, so we would like to talk openly about what goes on behind the scenes.

We have selected 15 stories from 2006 that present Seiyu as it is today, as well as key topics for sustainable society from among the many activities of our associates.

These are stories from behind the scenes that would otherwise have disappeared without the world noticing.

## Contents

### Product

- 5 It's easy to say a few words of encouragement.  
But for the people of Miyake Island, the words would mean nothing unless we earned their trust and really helped them to restore their livelihoods.
- 9 It's not enough just to have good-tasting rice.  
Our goal is to reduce the use of pesticides and artificial fertilizers, to offer customers rice they can enjoy, knowing it's safe and wholesome.
- 11 You can take your favorite cartoon character shopping with you, and everyone will tell you it's cute.  
And it also happens to be good for the environment.  
Who wouldn't want one of these bags?
- 12 The *Kankyo-Yusen* product line is very special for Seiyu, and it still has a strong customer base.  
The road ahead may have some challenges, but I hope we can revitalize this brand and make it even better than it was.

### Associates

- 13 The important thing is to help our associates with disabilities to grow so that they can be self-sufficient in 10 or 20 years.
- 17 I don't want to just chase after efficiency.  
I would like to create shops that can serve by being attentive to the physical condition and concerns of each and every customer.
- 18 I didn't even think about the word "volunteer."  
I just thought that if someone is in trouble we should help them.

## Energy

19

Nothing will be sustainable if it requires too much effort. We must also balance energy-savings and investment costs, and choose the best approach at each point in time.

23

It would be less work to simply pay the cost and install new equipment. Trying to save energy while using what we already have may be more difficult, but it's better in terms of cost savings, and also for the environment.

24

Simply selling this product helps the environment. By encouraging even one more customer to buy a compact fluorescent light, we can help to combat global warming.

## Waste

25

If more people would just do what they can, even the smallest thing, society and corporations would change dramatically. Eliminating disposable plastic shopping bags gives us a chance to try.

28

Thanks to everyone's cooperation, 44% of Seiyu customers now bring their own bags for shopping.

29

If store waste is separated and the amount of garbage disposal is reduced, store costs will also be reduced. Obviously, this is not just for the environment. It's also good for business.

30

We were able to continue even when people resisted. Why? Because four people are stronger than one.

31

Our aim is to switch from disposable to returnable shipping containers for produce. This effort is good not only for the environment, but also reduces operating costs.

33

Message from the Chief Executive Officer

35

As a retailer playing an intimate role in the daily lives of our customers, we are doing all that we can for the global environment and sustainable society—one step at a time.

37

Editor's Postscript





It was a scene of devastation,  
with dead trees left standing and  
volcanic ash covering the fields.

**It's easy to say a few words of encouragement.  
But for the people of Miyake Island, the words would mean nothing unless  
we earned their trust and really helped them to restore their livelihoods.**

*Yoshihiro Ito, Buyer, Produce Department, Merchandising Division*

It was 5 a.m. as the ship pulled into Miyake Harbor by starlight, six and a half hours from Takeshiba Wharf in Tokyo on Japan's main island. For Yoshihiro Ito, produce buyer, this day in November 2005 was the first time to set foot on Miyake Island. Only nine months had passed since the islanders started returning after a volcanic eruption forced them to evacuate from their island. Gases were still being released from the volcano. Warned to buy a gas mask before boarding the ship, Ito said he was nervous about going to the scene of a disaster. Traveling around the island, he could see scenes of dead trees still standing and fields covered with volcanic ash. The islanders were exhausted. They had only recently returned to the island, and the essentials of a normal life were still not yet in place. They had no energy to tackle something new. No matter how much enthusiasm he tried to convey when explaining the concept of Seiyu's *Local Produce* line, all he heard in reply was "You can say anything you want, but we have to face reality here." Undaunted, he continued to visit islanders in their homes and fields and explained his ideas. For the island to recover, it needed cash revenues. What he was searching for was not perfect-looking produce, but non-standard vegetables with excellent taste that until now no one could sell—items that were not yet being traded on the market. He could turn these into products. After three months, four producers came forward at last, despite some reluctance. They decided to start with *ashitaba*, a local leafy vegetable, as it is a robust plant and grows well on the island. But mountains of challenges had to be faced: reopening of fields for cultivation was not going well, there were no refrigerated containers on the island, and the ship's sailing would be

cancelled if the seas were rough. Together Seiyu and the local producers tackled each problem, but the headaches were not yet over. Ito recalls: "Housewives were not familiar with *ashitaba* for the dinner table. It was not enough just to display it in the store. We wondered if there was a way to attract more customer interest in this vegetable." He decided to drop the price from about 200 yen for a bunch of 150 grams to 97 yen for 75 grams. He also arranged to have recipe cards placed beside the product on display showing how to prepare *ashitaba* for meals. It was decided to start selling the product at three Seiyu stores. Their associates were very cooperative, not complaining even if some losses arose or deliveries were late. *Ashitaba* sales, which started with one single case, have now expanded to 40,000 bunches per month at 87 stores in the Kanto area (around Tokyo), and this has meant stable revenues for Miyake Island. "To this point, what we did was support the island's recovery. Our next challenge is to make this idea work under more competitive market conditions and firmly establish the brand," says Ito. He believes that in the long run, Seiyu's efforts will give a big boost to the people of Miyake Island.

● **Miyake Island Project:** A volcanic eruption in July 2000 disrupted life on Miyake Island, forcing all residents to evacuate their island for over four years. After the eruption, Seiyu promptly began to develop plans for a Miyake Island brand that could help support the recovery of local livelihoods. As soon as islanders began to return to their island in February 2005, Seiyu started to establish supply contracts directly with local producers. In the future, Seiyu plans to expand the selection from *ashitaba* leaves to various other items, including vegetables and marine products.

● **Produce buyers:** Seiyu's produce buyers are responsible to ensure the highest standards—from growing conditions to product quality—in order to deliver delicious products that customers can enjoy, assured of quality and safety. Buyers develop relationships with good producers in Japan and overseas and arrange direct contracts with them. This mandate for producers and buyers has resulted in Seiyu brands such as *Kanjuku-ya* and *Local Produce*.



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セルリー

JA信州諏訪



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**It's not enough just to have good-tasting rice.  
Our goal is to reduce the use of pesticides and artificial fertilizers,  
to offer customers rice they can enjoy, knowing it's safe and wholesome.**

*Hisashi Kikuta, Chief Buyer, Processed Food Department, Merchandising Division*

At minus 30 degrees outside, even your breath freezes. The towns of Bifuka and Shimokawa in northern Japan are buried under deep snow in the middle of the winter, and their average annual temperature is about 6 degrees Celsius. Between the cities of Wakkanai and Asahikawa lies the northern limit for rice cultivation in Japan, a nation of rice connoisseurs. But even so, *uruchimai* (nonglutinous rice) cannot be grown this far north. The only rice that can be grown here is *mochigome* (enriched sweet rice). "That's exactly the reason why we can grow one-hundred percent pure *mochigome* rice here, with no mixing of types," says Seiyu rice buyer, Hisashi Kikuta. The *hakucho-mochi* rice grown here is as white as snow, has just the right amount of stickiness for Japanese preferences, and tastes good even when cooled. It's perfect for *sekihan* (rice with red beans for festive occasions) and *okowa* (rice with various vegetables). One day, Kikuta was thinking about the opportunities: "There is no other growing area like this. Why not make this rice part of the Seiyu *Shoku-no-Sachi* brand?"

The basic criterion for rice in the *Shoku-no-Sachi* brand is that it be grown with fewer pesticides and artificial fertilizers than stipulated by local government standards. Fortunately, the cold climate means that there are fewer pests and diseases. Because fewer pesticides and herbicides are used, more effort is needed for weeding, which may be time consuming, but not difficult. On the other hand, reducing the amount of artificial fertilizers can often reduce the harvest by about 10 percent, and the rice grains might be smaller in size. Understandably, growers had some misgivings about this idea. Undaunted, Kikuta persisted, explaining that Seiyu was interested more nature's good taste than in the appearance of the product, and that Seiyu would not let them down for their efforts. The growers gradually got

the message that customers wanted fewer pesticides and artificial fertilizers, and that above all, they wanted good taste. Ultimately, all the growers embraced these ideas. But that was only the beginning of the story. In order to ensure high standards, the *Shoku-no-Sachi* brand requires careful documentation of growing operations, quality control procedures, and compliance with EurepGAP's global standards for food safety audits. "Because veteran growers had farmed for years using their own time-tested ways, some felt it quite a burden to start keeping detailed growing records and undergo audits." And to build a solid brand, it was necessary to boost the growers' skills and build awareness in the entire region. To accomplish this, Seiyu worked hard to raise awareness about food safety and security, with the cooperation of local farmers' cooperatives.

In November 2006, the first *Shoku-no-Sachi* "Hakucho-mochi" brand rice, grown with painstaking care in the northern reaches of Japan, was introduced in stores. Displayed nearby was also the *Great Value* product line's "Nanatsuboshi" ("Seven Stars") brand of rice, the first rice product that Kikuta brought to the market as a buyer. Now in its third year after introduction, the brand's popularity is climbing steadily. "Many people have the impression that rice from Hokkaido does not taste very good, so they're quite surprised when they taste this. It's outstanding." Listening to Kikuta, one senses that his passion for rice knows no limits.

● **Shoku-no-Sachi:** A Seiyu private brand that emphasizes food safety and good taste, produced on three principles: quality control right from producer to the store, transparency of crop growing and animal feeding management, and processing methods that make the most of the ingredients.

● **Great Value:** A Seiyu private brand of food and daily-use items that are well-priced and have the same product quality as national brands.



**You can take your favorite cartoon character shopping with you,  
and everyone will tell you it's cute.  
And it also happens to be good for the environment.  
Who wouldn't want one of these bags?**

*Rie Kotani, Buyer, Stationery/Toy Department, Merchandising Division*



"When will the bags with the 'Lilo & Stitch' design be in stock?" Once again, Rie Kotani's work day begins with a request called in from a store. Again it's for the "Cutico Bag," a product that many associates love to sell. In fact, still in her first year in the position of buyer, it was Kotani who came up with the idea for the product. Here's the story, in her own words. "I'm not the type to refuse a plastic bag at the checkout counter and instead use my own bag from home just to save the environment." But she doesn't want to be misunderstood. It's not that she doesn't care about the environment. She clearly knows what she's talking about. "It takes couple tablespoons of crude oil to make a plastic shopping bag," she says. It turns out that she has the consumer's perspective in mind. "People have their own uses for plastic bags, as garbage bags for kitchen waste, or for walking the dog, right?" To convince people to reduce their use of disposable bags there must be some clear incentive to carry their own reusable bag, she says. Something like cuteness and the fun factor. Something that will make people feel good when they take it to go shopping. "The perfect thing would be a bag that people carry around because they like it, and as a bonus, it's also good for the environment," says Kotani.

Actually, she was in charge of designing shopping bags in her previous position in Seiyu's Product Development Department. She tried to develop bags that would be fashionable, functional, and have some kind of appeal for the people who use them, but ran into some setbacks. When she was transferred to the Stationery and Toy Department, she realized that she would no longer be able to continue



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the work she had begun in designing bags, but fortunately, she later was given another chance. One day, when discussing merchandising of goods featuring popular characters, she had an inspiration: "Wouldn't it be great to have an eco-friendly bag for children?" Until then, everyone assumed that eco-bags were for housewives, and the main requirement was to appeal to a housewife's practical sense and uses for the bag. No one had thought of the idea of turning "eco" into something cute. "It would be fun to go shopping with your favorite character," she says. It may have been a great idea, but bag designing was no longer her responsibility. She hesitantly proposed the idea to her manager, who said, "Let's give it a try." That gave her a big boost. "This time, I wanted to go all the way from the idea to the product stage." When she was not sure what material or design to use, she went with her own sense. "My idea was to design these to be popular not only for children but also young female office workers." The result was a convenient bag that could carry everything from sportswear and lunch boxes to a six-pack of one's favorite drink (for Kotani, beer), in a design that was light, soil-proof, and with adequate width. As soon as it went on sale the bag was a big hit for housewives. "It was a fortunate miscalculation," she says. The Cutico Bag is now a hot product and hard to keep in stock. New products in this line will continue to be released in the future.

● **Cutico Bag:** An original-design eco-friendly bag by Seiyu. Three designs (Lilo & Stitch, Care Bears, and Moomin) sold out immediately after they went on sale on January 4, 2007. New characters, sizes and designs are constantly being added to the line.

**The *Kankyo-Yusen* product line is very special for Seiyu, and it still has a strong customer base.**

**The road ahead may have some challenges, but I hope we can revitalize this brand and make it even better than it was.**

*Kiyotaka Kurosu, Manager, Planning & Control Department, Merchandising Division*



Will it survive, or is it "the end of the line"? One of Seiyu's brands is at the crossroads today. *Kankyo-Yusen*, is a private brand in Japan that pioneered the concept of focusing on the environment and consumer desire for products that would not harm the planet. Kiyotaka Kurosu of the Merchandising Department happened to become the one who holds the key to the destiny of this brand, which has become a symbol of Seiyu's environmental efforts. *Kankyo-Yusen* first appeared on the market fifteen years ago, when the environment was not yet a major consideration in product development anywhere. It quickly attracted a strong customer following. In recent years, however, sales of the brand began to slump. The reasons why this happened are not a mystery. It's perceived as being too serious, not in style, oriented more for hard-core environmental types, and not fun to use. Kurosu says, "As is often the case with a market leader, it was left behind as time went by." Consumers have become more sophisticated in their environmental awareness, but there is still without a doubt demand for products that seriously address environmental concerns. But what approach will work best today? The best path forward was not clear, and the brand went off track.

Kurosu began holding weekly meetings to discuss "the new *Kankyo-Yusen*," and received many comments, like "There's a problem with the name, as it narrows the potential market. We should change it." But his basic sense about the brand did not waver. "The *Kankyo-Yusen* product line is very special for Seiyu. I'd like to see it live on somehow." In the process of gathering input, Kurosu became convinced that "we had a tendency to over-emphasize




the environmental aspects, and pay less attention to the actual performance of the product." For shampoo, this would be not only the gentleness on the hair, but also the lathering and sense while washing your hair, the feel of the hair after rinsing, the shine, and fragrance. In the case of food wrap, the cling and transparency are important. Kurosu believes that consumers should not be expected to use a product simply because it's good for the environment. He believes that unless Seiyu enhances the actual performance of the product, consumers may lose interest, and that the product must also be offered at an attractive price. He declared a return to basics in product planning, to "create products that we ourselves would like to use." His aim is a good balance between both environmental consideration and product performance, besides being products that are fun to use. This may be easy to say, but not so easy to achieve technically. Racing against time, he searches the Internet daily, investigates further when something promising arises, goes out to meet with companies, listens carefully and considers what he hears. This is a painstaking process, and a learning experience with trial and error.

The results of those efforts will be launched in stores in the latter half of 2007, as the new *Kankyo-Yusen* line. The name? The product features? The appeal for consumers? The world will know Kurosu's answers in the months ahead.

● **Kankyo-Yusen:** *Kankyo-Yusen* is a Seiyu private brand first launched in 1992, featuring products for everyday use. The main concepts behind the line are that products should (1) cause the lowest possible pollution of air, water, or soil during production and after disposal, (2) contain recycled materials and use resources efficiently, and (3) be gentle on the body and safe to use. The aim is for products that are both good for people and good for the environment.





The building entrances have sloped ramps, hallways have handrails and brail markers. Sixty-one of the 96 associates working here have a disability of some kind.

## The important thing is to help our associates with disabilities to grow so that they can be self-sufficient in 10 or 20 years.

*Kenji Namihira, Advertisement Department, Seiyu Service Co., Ltd*

Where do Seiyu's promotional flyers and other essential daily supplies for operations come from? From Seiyu Service, located in the town of Kawagoe, near Tokyo. Few people know it exists. This company is a special subsidiary of Seiyu that works quietly in the background, dealing with the myriad tasks that are critical for store operations, such as meat packaging, printing, uniform cleaning, mail sorting, shipping of essential supplies, and payroll calculations—essential tasks that often go unnoticed. It has 96 associates, including 61 persons with various disabilities—intellectual, emotional, or physical. When they are focused on the work before them, however, their handicaps are almost unnoticeable. "Their disabilities are surmountable. By repeating the same tasks, they become pros at what they do," says Kenji Namihira, who has been a strong proponent of the idea of employing persons with disabilities. "If you give something a little try, but give up if it doesn't work out the first time, you'll never get anywhere. It may take some time, but if you repeat the effort you will end up being able to do it." Namihira explains it all as a matter of fact, but words cannot fully describe the challenges of 15 years of effort. The first year, 10 people were hired, including seven with intellectual disabilities. Aware of his lack of knowledge, he went around to various places seeking advice, unafraid to ask questions. "Frankly, the first time we held a training, I began to wonder if this was going to work." Was it possible to educate them in a way that would

allow them to be self-sufficient in the future? And besides that, would it be possible to turn a profit as a business? He decided then that the effort must be all or nothing. Namihira began by teaching them the difference between school and working at a company, and provided one-on-one trainings, adapted for the particular disabilities of each person. They were helped to master their own weaknesses by persistent repetition. For smooth cooperation between the individual, company and home, Seiyu Service developed a system to exchange information using memos, and this helped to create a sense of mutual trust with the families. Every six months, an interview was held with the parents. "The first five years were the most difficult." Now, it seems that the workers are developing ways to help each other, and there is a growing sense of teamwork. "Associates with disabilities develop their skills until they can become sub-leaders, and then they offer guidance to the newer associates." Namihira speaks with cheery enthusiasm: "This is the best job in the world. We're not just chasing after numerical targets. We're also helping people to grow, contributing to the company, and contributing to society. I'm proud of all this."

● **Seiyu Service Co., Ltd.:** Established in 1992 as a special subsidiary of Seiyu, created under legislation to promote employment for persons with disabilities. It operates as an independent company, and business is growing. Seiyu Service was recognized by Japan's Ministry of Health, Labour and Welfare in September 2006 for promoting employment of persons with disabilities and for creating stable employment opportunities for them.



**I don't want to just chase after efficiency.  
I would like to create shops that can serve by being attentive to the  
physical condition and concerns of each and every customer.**

*Tomoko Nishida, Manager, Health Care Operation Department, Specialty Business Division*



Some Seiyu stores have specialty shops named "Magokoro Ichibando" (roughly equivalent to "House of Sincerity") that provide products and information to meet the needs of elderly care. Their selection includes items such as wheelchairs, carts for seniors, canes, bathing tubs, waist bands, and special foods for the elderly, and they also have advice counters. In October 2000, just after the national Long-Term Care Insurance system was launched in Japan, Seiyu became the first retailer in the country to launch such a store. The first shop was in Sendai, and the second opened in Ogikubo (in Tokyo) in September of the following year. "We had nothing to use as a store model, so we had to start at square one for everything," recounts the project leader, Tomoko Nishida, who brought this groundbreaking shop to reality. She had previous experience with an international hotel chain, but the task of creating a store for elderly care was a new challenge. She started by searching extensively on the Internet, going out on research, and meeting people to ask questions. "That's where I realized that it would not be enough just to provide products or an advice counter, but that we had to create a community that seniors could enjoy."

It was with the first shop in Sendai that she realized that elderly care was not as simple as she had originally thought. She decided to start having store staff take detailed "customer memos" on people who came to the store, what they looked at and what they were seeking—regardless of whether or not they made a purchase. What became clear was the importance of matching the food, home products, and clothing to the physical condition of the customer.



When Seiyu opened its second elderly care store in Ogikubo, she included home renovation services and nursing care food products. To attract customers up to the seventh floor, the store offered special classes, and staff also went out to hospitals and nursing care homes on sales calls. Just when operations were running smoothly at the first and second store and she was developing a store expansion plan, however, the company was restructured, and Nishida was transferred. "We had not yet finished putting together product lines to match the physical condition of customers." There were things left undone. Even though it was no longer her responsibility, she stayed involved by developing manuals to handle customer orders, and offered advice by e-mail. She then started working on in-store shops named "Kokorokarada," ("Heart and Body") which combine a pharmacy with the sales of health care products. A pharmacy and elderly care are similar when it comes to responding attentively to individual symptoms and concerns of customers. She feels a strong conviction that her work today is a continuation of the passion and concept that began with the "Magokoro Ichibando" shops. "Even in an organization that seeks corporate efficiency, I would like to create a framework that allows individual responses to the condition of each customer. I would like to help Seiyu be known for its efforts to promote health, by arranging its medicines and foods based on different themes." Nishida clearly still has more dreams and ideas ahead.

● **Magokoro Ichibando:** An elderly-care specialty shop opened by Seiyu, the first of its kind in Japan. Sales are growing steadily, and have doubled at the Ogikubo store since it opened.

● **Kokorokarada:** A health care shop that also offers prescription drugs. The first shop opened December 2006 in Hitachino Ushiku, followed by shops in Kiyose and Hamakita.



## I didn't even think about the word "volunteer." I just thought that if someone is in trouble we should help them.

Akio Ogawa, Vice President, Region #2, Operations Division

It was like nothing they had ever seen before. In Iiyama City, northern Nagano Prefecture, the snow fell steadily from the beginning of December into the new year. "People were saying that the snowfall was breaking all records," says Akio Ogawa of Operations Region #2. Every time he visited Iiyama and saw the deepening snow, he became more concerned. He asked, "Is everything going to be okay with all this snow?" But no one around him seemed worried. "Winter in Nagano is always like this. It's just that you're not used to it. You're new here from Tokyo," they said.

But around Iiyama, despite efforts to clear the snow, it continued to pile up higher, to the point that vehicle traffic was forced to stop. Some houses even collapsed under the weight of the snow. Some fatalities occurred while people were clearing snow off the roofs of houses. Day after day, news reports on national television covered the story of the heavy snowfall. At a certain point, even local Seiyu associates, quite accustomed to heavy snowfalls, started to think that the situation was getting extreme. Things got so bad that on January 7, the government announced emergency measures for Iiyama under the Disaster Relief Law and called in the national Self-Defense Forces. "Our customers are in trouble. Let's go help them," appealed Ogawa within the regional head office. His appeal struck a resonant chord. When Katsuo Shinoda in administrative affairs heard the idea, he immediately contacted the Red Cross in Iiyama. "Please do come. We need your help to clear the snow," came the urgent reply. Shinoda sent out an in-house e-mail, to which about 50 associates replied with offers to help. Everyone acted sponta-



neously, with different persons offering to provide the work gloves, body warmers, and boxed lunches. Within two days a rescue team was ready to go. They thought they knew how tough the work of snow clearing would be, but when they arrived, it was much worse than they had expected. The snow was so deep in places that they could not even get from house to house. Cut off from communications, a number of elderly people were found to be living alone, unable to help each other. Thirty minutes or even an hour of hard work did not seem to make much difference, but the workers just continued to concentrate on their task. *Arigato* (thank you!) was often heard. Some of the rescued elderly were moved to tears as they showed their appreciation. Both the rescuers and the rescued were deeply touched by the experience. "I have never been thanked so much in my whole life," said one volunteer. It was only after all the work was done that they realized that they were being referred to as "rescue volunteers."

A half-year later a mudslide caused a disaster in Okaya City in the same prefecture. With no hesitation, Ogawa and his group created a rescue team. The volunteer spirit has now become firmly rooted among the associates. This spring, Ogawa returned to Tokyo, and Shinoda was transferred elsewhere to become a store manager. "Even if we all end up in different locations, when something happens, each of us wherever we are will consider what we can do to help, take action, and nurture new hope," they say.

● **Community contributions:** From late 2005 until early 2006, Nagano Prefecture was buried under a record-breaking snowfall. Besides sending volunteers to help with snow removal, Seiyu also collected donations at all stores in the prefecture, and held special sales in an effort to reduce hardship in the disaster-affected areas. Seiyu sees these initiatives as a part of its social responsibility.



**About 50% of Seiyu's CO<sub>2</sub> emissions are generated from electricity consumption. Energy conservation at our stores is a major challenge for the environment.**

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自然解凍でおいしい



**Nothing will be sustainable if it requires too much effort.  
We must also balance energy-savings and investment costs, and  
choose the best approach at each point in time.**

*Mitsunori Komahashi, Director, Sustainability Department, Development Center Division*

"Reduce energy and water use in stores. Reduce waste emitted from stores. Sell products that sustain resources and the environment." These are Seiyu's three main environmental objectives. Mitsunori Komahashi of Sustainability is a leader of the team responsible for the energy strategies and waste management, and his responsibilities are not small. Seiyu was among the first retailers in Japan to tackle energy conservation as a part of its social responsibility, and by 2004, Seiyu achieved a 28% reduction in energy consumption compared to 1990. But new targets were set in 2005 when Seiyu became a member of the Wal-Mart family, and the target was changed to a further 20% reduction in energy consumption for 2012. Combined with reductions already achieved, this amounts to a 50% reduction compared to 1990 levels. Komahashi at first thought this would be impossible. "It's like running a full marathon, and just before reaching the finish line, you're told that the marathon has to start again." He felt like he had already exhausted all options, but then someone told him, "Japan uses too much energy. Supermarkets in some countries don't even have air conditioning." The veil then fell from his eyes. "It might not be easy, but let's give this a try," he told his team. They made a list of all the possible actions, like installing low-flush toilets and lighting retrofits, using heat-insulating surfaces on roofs, and improving the maintenance of refrigeration equipment. In total, they came up with 11 actions that could be taken at existing stores. Done alone, the actions might seem small, but they would all add up to something big. The most promising idea was to install refrigerated dis-

play cases with doors. Seiyu could reduce the wasteful loss of refrigerated air, and the energy savings would jump dramatically. The air in the store would not feel chilly, and it would be easier to maintain in-store temperatures. Seiyu could reduce the inefficient use of electricity, and customers could shop in comfort. Obviously, the sooner Seiyu launched this effort the better. But the team also had some doubts. When customers saw doors on the display cases, they may hesitate to open them and reach in for a product. The team realized that it could not move ahead without customer understanding and cooperation. "Consumers' environmental awareness is higher than it used to be. I plan to use posters to explain clearly how these efforts will save energy and be good for the environment," says Komahashi.

Even if all plans go smoothly, the actual energy reduction will only amount to 16%, so Seiyu will not reach its goal if efforts stop there. There are five years left to reach the new targets, just like national commitments under the Kyoto Protocol. Komahashi says that while considering new technologies like geothermal energy and fuel cells, his whole team will continue through trial and error to search for integrated energy-saving solutions. The team is motivated, knowing that it is working head-on to tackle global warming—a serious issue facing all of humanity.

● **Reduction of Energy Consumption:** The Wal-Mart Group's target is to reduce energy consumption by 20% in 2012 compared to 2005 levels. Through the combination of various initiatives, Seiyu is expecting to reduce electrical consumption by about 19.5 million kWh per year in fiscal 2007, amounting to a cost savings of about 210 million yen per year in electricity.



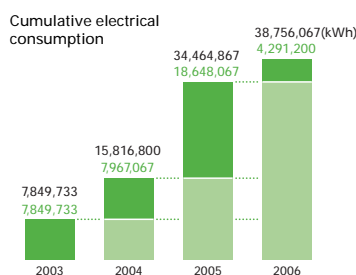
**It would be less work to simply pay the cost and install new equipment. Trying to save energy while using what we already have may be more difficult, but it's better in terms of cost savings, and also for the environment.**

*Yoshikazu Tajima, Maintenance Department, Development Center Division*



Rather than replacing everything with something new, Seiyu upgraded certain parts of its existing lighting equipment, thereby reducing costs. In the middle of this retrofitting work is Yoshikazu Tajima of the Maintenance Department, working away steadily on his own. Tajima started by first converting fluorescent tubes on store ceilings into lamps that had half the length and consumed only half the electricity. By also attaching reflectors above the fluorescent tubes, he was able to cut electrical costs in half, while the luminosity was reduced by only 10%. In numbers, this light reduction should not have been a concern for anyone, but, surprisingly, many complaints were received from the trial stores. "It's too dark," he was told. Evidently, people do not like dark supermarkets. Not sure this was going in the right direction, Tajima added supplementary lighting. But when a meter was connected to measure electrical consumption, the energy-saving effect was unquestionable. After he confirmed this with his own eyes, all doubts disappeared.

Seiyu has many older stores, however, and if fixtures are removed, marks will remain visible where the old fixtures covered the ceilings. Painting the ceilings to cover the marks would result in additional investment costs, conflicting with the objective of saving money. Searching for ways to cover the marks, Tajima inquired with suppliers and considered various types of new fixtures. A special sheet was made and affixed to the ceiling to act as a light umbrella. This succeeded in concealing the lines in the ceiling, but Tajima would not compromise on his original goal. What he really wanted was a solution that would reduce operating costs while at the same time increasing brightness. If that were possible, he could satisfy the store associates and also cut costs.



Conventional lighting fixtures



After retrofit

Tajima one day noticed the square lighting fixtures often used in large stores. He was told that it was not possible to retrofit this type of recessed-louver lighting directly into the ceiling. But because the lamp was inside the fixture, light was transmitted downwards without being scattered, so even if the ceiling is dark, the products below were bathed in a bright glow of light. Then he realized that if the fluorescent light tubes protrude slightly below the recessed section of the fixture, light would be diffused more broadly, making the space seem brighter. He consulted with the retrofitting partner, Mitsubishi Electric Lighting Corporation, and jointly developed a new type of recessed-louver fixture using one lamp less. In order to reduce costs, they worked to simplify the installation process. They created and tested several types of attachable fixtures. The result was a 30% reduction in electricity consumption, and a 20% increase in luminosity. Thus was born a new lighting fixture design. Nothing makes him happier than when associates thank him for making the store brighter. Tajima jokes, "The only time I am noticed is when there is a problem." He's an expert at working behind the scenes, but over a period of three years, Tajima quietly reduced costs by almost 700 million yen. Those savings go directly toward boosting corporate profitability.

● **Seiyu's 2007 lighting retrofit plan:** Retrofit store lighting, to make up over 5% of the energy reduction plan. By converting to high-efficiency lighting in 19 stores during fiscal 2007, Seiyu plans to reduce electrical consumption by about 3.8 million kWh per year, amounting to a savings of about 50 million yen per year in electricity costs.

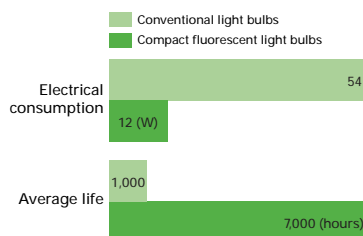
**Simply selling this product helps the environment.  
By encouraging even one more customer to buy a compact fluorescent light, we can help to combat global warming.**

*Satoshi Ohta, Buyer, Home Appliance Department, Merchandising Division*



"Energy Conservation Meister Stores." This is a new idea for many people. It is an accreditation given by the Tokyo Metropolitan Government to retailers that have attained a high level of specialized knowledge to promote energy-efficient electrical and home electronics equipment. Retailers must apply to obtain this designation. This is a new initiative by a citizens' group, the Tokyo Citizens Network for Combating Climate Change and Promoting Energy Conservation, under a program commissioned by the Ministry of the Environment. In 2006, Seiyu registered 74 of its stores in Tokyo as "Energy Conservation Meister Stores," and aggressively promoted sales of light-bulb-shaped compact fluorescent lights. These lights use only about one-fifth the amount of electricity of incandescent lights. Simply by replacing the old type of light bulbs, customers can reduce their CO2 emissions and electricity bills. The slogan of Seiyu's campaign is "Switch to compact fluorescents, save the world!"

The main proponent of this initiative was Satoshi Ohta, a buyer in Seiyu's Merchandising Home Appliance Department. "When I heard about the store registration program, I was sure it would work, and felt we should use it for our year-end sales campaign." But it was already November, and Seiyu was already entering the busiest time of the year. Becoming an Energy Conservation Meister Store requires trainings for personnel to acquire correct and proper knowledge about energy conservation and global warming. Would the store associates accept the idea? The year-end sales season was about to begin. It would be a race against time. Mr. Ohta asked for cooperation from various departments within the company: the CSR Operations Office for coordination with the citizens' group, the Marketing



Division for sales and promotions, and Corporate Affairs for publicity. Each department provided ideas and know-how based on its own specialty. The biggest problem, however, was that it was impossible to secure the time to get all associates of each store together simultaneously for the required trainings. After frequent discussions with the citizens' group, as a special case for Seiyu it was decided that trainers would come out to each and every store. There were 74 stores in the Tokyo area, and they all stocked batteries for sale, but many stores did not handle household electrical goods. To enable those stores to stock the compact fluorescent lights, Mr. Ohta negotiated with suppliers to install slim-design display fixtures. Personnel at headquarters and each store worked closely together in order to be able to sell the new lights. Ultimately, the entire company got involved in the initiative. "I think this was the first time at Seiyu that the entire company got involved in a sales campaign for household electrical goods. We were able to do this thanks to the cooperation of many people in many different departments. It would have been impossible with just one buyer working alone." In total, Seiyu stores nationwide sold about 5,000 light-bulb-shaped compact fluorescent lights in the month of December alone, twice the amount of the previous year. The sales of these lights that month could reduce annual CO2 emissions by the equivalent of a forest seven times the area of Tokyo Dome (a large indoor sports field in the city).

● **Energy Conservation Meister Stores:** A program commissioned by the Japanese Ministry of the Environment to help fight global warming. It works by promoting energy-efficient products through electrical and home electronics retailers, in cooperation with consumers' organizations and environmental groups. Seiyu was the first chain store in Tokyo to obtain this designation, when it registered 74 stores in the city. Seiyu participated in the campaign held by all designated stores in Tokyo from 7 December 2006 until 31 December, but sales continue at all Seiyu stores even after the end of the campaign.



## "The Hummingbird and the Drop of Water "

The forest was on fire.

All of the animals, insects and birds in the forest rushed to escape.

But there was one little hummingbird named Kurikindi,

or Golden Bird, who stayed behind.

This little bird went back and forth between water and fire,

dropping a single drop of water from its beak onto the fire below.

When the animals saw this they began to laugh at Kurikindi.

"Why are you doing that?" they asked.

And Kurikindi replied, "I am only doing what I can do".



**If more people would just do what they can,  
even the smallest thing,  
society and corporations would change dramatically.  
Eliminating disposable plastic shopping bags gives us a chance to try.**

*Ikuhiro Ohno, Manager, Society/Environment Section, CSR Operations Office*

The Earth is like the burning forest. People can turn off the lights when they leave the room, and carry their own chopsticks and cups for eating out. Rather than doubting what can be achieved by small actions, people should realize that even the smallest effort, if it's right, is a step in the right direction. If people around the world acted in the spirit of "just doing what they can," they could change the world. That is the lesson of the hummingbird. Seiyu's first encounter with the hummingbird idea was by chance. Ikuhiro Ohno of the CSR Operations Office was thinking about ideas to reduce customer use of disposable shopping bags. One day, while watching a television news program he learned about the Ecuadorian fable of the hummingbird, and then the Hummingbird Project, which spreads the message that each person should do what he or she can for the future of the planet. A thought struck him: "Our effort to reduce the use of disposable bags is exactly the same as the drop of water in the story of the hummingbird." Ohno began to investigate, and discovered that the group behind the project was the Sloth Club, an NGO he was very familiar with through Seiyu's *Eco-Niko* environmental workshops. This felt like to him divine providence. He contacted Shinichi Tsuji of the Sloth Club, who readily promised to cooperate. Soon Seiyu's Hummingbird Project was under way. Customers are now asked to make a one-time payment of 20 yen to receive a Hummingbird Bag (plastic), which can be used repeatedly many times and then exchanged for a new one when it wears out. Many people in Japan are beginning to think

that stores should charge for bags at the checkout stand, but Seiyu decided to go back to basics by promoting this Hummingbird Bag and creating a process in which staff and customers could think together about why it is important to reduce the use of disposable bags. "We're not forcing a decision on customers. We want them to think about it and decide on their own," says Ohno. It is difficult to get customers involved if you just go by the book. Store managers and associates—each and every one—need to understand the purpose of the Hummingbird Bag, and get this message across with sincerity to the customer. "To protect the global environment, let's all learn from the hummingbird. For those of us who work in retail, let's do what we can do." This is the kind of spirit that is needed. Ultimately, all 50,000 associates of the Seiyu group must become like the hummingbird. "This campaign is also for all of us to get into the habit of carrying our own reusable bags when we go shopping," says Ohno.

The Hummingbird Bag is simply a step along the way. It is up to each of us to write the sequel to the hummingbird story. What kind of tale will each person create?

● **Seiyu Hummingbird campaign:** This campaign was launched in June 2007 at 392 stores in the Seiyu Group. The campaign encourages shoppers to bring their own bags when shopping and reduce the consumption of disposable bags.

● **Sloth Club ("Namakemono Club" in Japanese):** This NGO gets inspiration from the sloth (an animal that lives in the forests of Central and South America) on sustainable society, low energy consumption, recycling, harmony, and nonviolent ways of living. It promotes ecological conservation and a shift toward lifestyles that are in harmony with the environment.



Seiji Fukazawa



Mariko Yoshino



Miki Sasage



Hiroko Fukuda

## Thanks to everyone's cooperation, 44% of our store's customers now bring their own bags for shopping.

**It might be daunting if we wanted to suddenly raise the ratio of people bringing their own bags to 80%, but if the aim is just for another hundred people at a time, our associates can stay motivated.**

*Seiji Fukazawa, Store Manager, Fujimigaoka store*

"The drop of water for me is working to ensure that my store associates correctly understand the significance of the Hummingbird campaign, and to spread the word to as many customers as possible," says Seiji Fukazawa. The store achieved a ratio of 44% of customers carrying their own bags from home, but still the majority of customers use disposable bags from the checkout counter. That ratio will not rise unless those customers really embrace the idea. But, says Fukazawa, "If we can get over the 50% mark, the customers who are still asking for disposable bags will start to get the message." It might be impossible to suddenly reach a target of 80%, he says. "But if we're aiming for another 6%, or another hundred people, then we can do it somehow. I'll start this weekend by passing out some more flyers."

**Customers can have a variety of opinions.  
It's important to listen carefully and stay positive.**

*Mariko Yoshino, Checkout Manager, Fujimigaoka store*

As a checkout manager, Mariko Yoshino makes a great effort to gauge the mood of her staff. Some customers will become annoyed simply when asked if they brought their own bag. Others may complain about always being asked the same thing. But she tells staff, "That too is a valuable opinion. Don't let it bother you." Every day she needs to remind herself and staff of this. Other customers may be more positive and express support for the bring-your-own-bag campaign. Yoshino is not only trying to reduce the use of disposable shopping bags, but also to reduce the amount of extras (disposable chopsticks, plastic spoons, etc.) handed out at the checkout stand with certain food items. "It's not that I won't give them out, but rather that I would like to have a dialogue, to hear what people want."

**I really value communication with the customer.**

*Miki Sasage, Operations Manager, Fujimigaoka store*

When customers bring out their own bags at the checkout counter, Miki Sasage cannot suppress the desire to say a heartfelt "Thank you!" But she has also received complaints that customers who say they received less-than-friendly treatment when they forgot to bring their own bag. "This reminds me how difficult it really is," she says. "Different customers can see things very differently, so I do my best to ensure good communication, and to have the customer understand." At the Fujimigaoka store, staff take notes of customer opinions and requests. "I hope that these notes will be useful in the campaign to reduce the use of disposable bags," says Sasage.

**I thought up the name "Hachidori-kun" (something like "Little Hummingbird"), because I wanted people to have a familiar sense about it.**

*Hiroko Fukuda, Receiving, Fujimigaoka store*

It was Yuko Fukuda of the Fujimigaoka store who proposed "Hachidori-kun," the winning name for the bags. She was impressed when she first read the story of the hummingbird. "I wanted every Associate to use the bags, so I thought a friendly name would be best." Hearing about the company-wide naming competition, the Fujimigaoka store manager had taken the initiative to ask all of his staff for ideas to name the bag, and received 53 ideas, accounting for 90% of store staff. Having this many responses from one store was a record. "I was really surprised that my idea was chosen from among 600 others," says Fukuda, who is also in charge of the book section in the store. She was touched by the tale of the hummingbird, so placed a bigger book order for that story and put it out on display. "It's such a great story, I think the whole world should read it," she says.

● **Fujimigaoka Store (Suginami, Tokyo):** One of the first stores to test the *Seiyu Hummingbird Bag campaign*. A total of 12 stores implemented the trial, including nine in Suginami Ward, as well as the Toyota, Sanjo, and Ostu stores. Seiyu-wide, only 6% of customers turn down a disposable bag at the checkout stand, but in less than a month the Fujimigaoka store achieved rate of 44% who need no bag, even though the store discontinued the *Eco-Niko Stamp* incentive program.

**If store waste is separated and the amount of garbage disposal is reduced, store costs will also be reduced. Obviously, this is not just for the environment. It's also good for business.**

*Yasushi Sadahira, Store Manager, Sunny Nata Store (Fukuoka City, Fukuoka Prefecture)  
(Then Environmental Promotion Leader, Sunny Co., Ltd.)*

"Is what we are throwing away really garbage?" At first, this was just a little question nagging Hiroshi Sadahira, then in the Administrative Group. The real issue to him was reducing expenses for the company. He was in the process of reviewing and cutting waste in various operations, like supplies and cleaning, and the in-house mail system. Ultimately what came to his attention was the high cost of waste management. Was the only solution to simply have waste carted away? The first thing he did was examine whether or not anything could be recycled, and he noticed that paper accounted for 30% of waste. To protect personal information, it is now common practice to shred paper before it is disposed, but he was told that because the shredding process produces short fibers, shredded paper is more difficult to recycle. This was now where Sadahira focused his attention. He discussed matters in detail with various contractors, and in the end secured a recycling route for shredded paper from all Sunny stores. He also discovered that it was possible to recycle other items that were being thrown away as combustible waste, such as candy boxes, as long as they were not mixed with cardboard. Collection fees are charged if materials are disposed as waste, but with recycling, these fees could be reduced to zero. The next challenge was waste plastic. The company had adopted a recycling plan program for styrofoam and PET beverage bottles long before competing retailers, but other soft plastics like shopping bags, other bags, and packing materials were still being disposed as combustible waste. After persistent research, he discovered that it is indeed possible to recycle waste plastics into garbage bags and other items. He found contractors that would collect these materials as long as the waste plastic was cleaned. The result was a total of 18 different collection routes, counting both existing and new contractors.

Ultimately, however, he realized that it is the stores that must implement the recycling effort. The amount of garbage disposal would not be reduced unless the stores themselves separated the waste properly for each collection route. Support and cooperation of all associates would be essential. Sadahira therefore visited 76 stores in Fukuoka, Saga, Kumamoto, and Oita prefectures, to explain in detail how to separate items in each store area, including the food department, checkout stands, and cafeterias, etc., as well as what the recycled materials would be transformed into. He not only explained that recycling was good for the environment, but also told store managers about the fiscal benefits, for example, that a store could cut monthly disposal costs from 150,000 yen to only 70,000 yen.

Unfortunately not all associates adhered to the rules for waste separation. Sadahira comments: "The efforts did not go well where associates did not really get the message, and where no part-timers were willing to play the tough role of enforcers."

Ultimately, the stores succeeded in reducing waste disposal. Today the amount of paper and plastics disposed has been reduced almost to zero. Waste disposal costs have been reduced by about 30 million yen for the entire Sunny chain. Some stores have even reduced their waste disposal costs to one third of their original levels. But, Sadahira adds, "It's not the end of the story after the amount of waste has been reduced. We have to keep this going. The most difficult thing is continuity." The key to success here is in the hands of each and every associate.

● **Sunny Garbage Reduction Project:** The entire Sunny store chain in Region #5 (Kyushu area) succeeded in establishing recycling and collection routes, through careful adaptation to the local situation. Today all associates are participating in garbage reduction efforts.



Hisako Ohkawauchi,  
Back Office

Teruyo Ishibashi,  
Checkout Manager

Toshie Ishikawa,  
Produce Department

Yasushi Sadahira,  
Store Manager, Sunny Nata Store  
(Fukuoka City, Fukuoka Prefecture)  
(Then Environmental Promotion Leader,  
Sunny Co., Ltd.)

Katsuko Nakatsuru,  
General Merchandise

**We were able to continue even when people resisted.  
Why? Because four people are stronger than one.**

*Sunny Nagasumi Store (Fukuoka City, Fukuoka Prefecture)*

"After all, it's good for the environment, and even better if we can cut costs." Upon hearing an explanation by Sadahira, four associates at the Nagasumi store came forward to get involved. "We heard that the Tsukiguma store reduced costs from 270,000 yen to 130,000 yen per month. We can do even better." With those words as their rallying cry, they launched an aggressive recycling effort.

Because the charges for waste collection are calculated by the bag, their first effort was to improve the way garbage was disposed. "For example to reduce the volume, we chopped up the outer leaves of cabbage. For tofu containers, we took out the contents, drained the water and then recycled the containers," says Ishikawa. For lunch breaks, people began to bring their own reusable chopsticks instead of using disposable ones. Whenever a question arose about how to separate a certain type of waste, they would immediately contact Sadahira for clarification. In the case of adhesive tape, first the paper core would be removed and placed into the cardboard bin, and the final piece of tape on the paper core went out as organic waste. Cigarette boxes were separated into organic waste, plastic, and quality paper. When

people understood the process, things became more interesting for them. Paper can be separated into cardboard, low-grade kraft, and quality paper. To make the rules easier to understand, the team created an instruction chart and posted it in the store. "Some people complained about the extra work of waste separation, but we told them that if they do it as part of their job it's not so difficult," says Nakatsuru. Ishibashi says, "It even got so that I would take garbage from the waste bins on the sales floor to separate the garbage." After plastics and cardboard were removed, they were pleasantly surprised to see the amount of waste declining. It's important to let nothing slip by, they say, even by asking who threw a certain item out when discovered in the wrong bin. Some people teased the women for being so meticulous, questioning whether it was really necessary to go so far with waste separation. "Some people called us old maids," jokes Okawauchi. "It would have been more difficult acting alone, but we four were working together. We would return the comment with a warning that we're watching them!" The outcome? The amount of waste from the store declined to the extent that it could hire about two extra part-time associates.

**Our aim is to switch from disposable to returnable shipping containers for produce. This effort is not only good for the environment, but also reduces operating costs.**

*Toshio Kobayashi, Chief Buyer, Produce Department, Merchandising Division*

The challenge—to create a returnable container that can make repeated return trips from the harvest field, through the consolidating, shipping, and storage stages, until the produce is displayed right in the store. Toshio Kobayashi, Chief Buyer at the Produce Department, has spent the past three years tackling the challenges of shifting Seiyu's logistics system toward the use of returnable containers. Why is he doing that? His answer: "Cardboard boxes are recyclable, in principle, but in practice they are generally not reused. If Seiyu switched to plastic containers, they could be used countless times and also reduce costs. And because this system eliminates the need to seal boxes it reduces the amount of work for the producer and store staff." In other words, Seiyu can reduce not only waste management costs and unnecessary work, but also the burden on the environment. In addition, the strong new containers prevent damage to the contents. It's a win-win situation all around.

The path to get here was not exactly easy, however. To begin, Kobayashi spent an entire month investigating the situation nationwide. He found that plastic containers were being used more than he had expected, but that the cost was too high. The cost of renting them was the same as the cost of purchasing cardboard boxes. And in terms of work efficiency, the containers being used offered few merits for producers. At that point he decided to settle on a standard design, and then narrowed the discussions down to one leasing company, with which he negotiated prices. He succeeded in significantly reducing the rental fees. By this point, the producers were very glad to support the idea, because with the new plastic containers they could collect the produce from the field even in the rain, the task of packing produce

would be easier, and as a bonus the cost would be cheaper. Containers originally came in many types, but most common were ones that could not be folded or flattened. Without a standard design, shipment load efficiency was low, and this kept logistics costs high. Kobayashi then boldly proposed that a new container design be produced, one that would fold down simply by a touch of the hand. He considered details and suggestions that only a buyer could offer, like designing the handhold openings so that small products like *nameko* mushrooms would not fall out. He decided that the color should be black and the size should match international standards. This way, the containers would fit perfectly on store shelving, and contents could be displayed in-store exactly the way they arrived. Seiyu ordered 300,000 of these containers, and in cooperation with suppliers, established seven rental centers around the country. Producers within a 200 kilometer radius would rent the containers from the rental center, while more distant producers, including those overseas, would deal with a leasing company. In two long years, a national container logistics network had been created. Making the new logistics system of returnable containers work smoothly required the support of everyone involved—from producers, suppliers, logistics centers, and buyers, right down to the staff at each store. Kobayashi aims to have 60% of produce shipped in returnable containers by 2010.

● **Plastic returnable containers for produce shipping:**

Seiyu promoted the use of plastic returnable containers, in order to build a sustainable supply chain for produce and to reduce costs. In the process, at each stage of logistics Seiyu worked to reduce costs for waste treatment, shipping and container collection, to eliminate of container breakage and shipping losses, to reduce the refrigeration time, and to simplify all tasks.



## Message from the Chief Executive Officer

### Committed to action

Seiyu has been recognized in Japan's retail industry as a pioneer in environmental and sustainability initiatives. Our efforts in these areas have continually evolved over the past two decades. But emerging information about the state of the global environment makes these kinds of efforts even more urgent.

Scientists are telling us about the rapid changes happening around us in the climate and ecosystems. The days of debating about whether or not there is a problem are over. If action is worth doing at all, it is worth doing now.

So what can a retail company do? At Seiyu, we have established three aggressive goals in our sustainability efforts and are doing our best to respond:

- to be supplied 100% by renewable energy
- to create zero waste
- to sell products that sustain our resources and the environment

### Every decision: "Good for the environment, good for society, good for business"

Our associates are searching for and finding innumerable ways to ensure that what Seiyu does is good for the environment, good for society, and at the same time, good for business. Ideas are born simply by asking, "What can we do better?" We look for simple solutions that our customers, suppliers and associates can easily incorporate into their day-to-day activities. One example is putting doors on display cases for refrigerated foods. This solution may still be uncommon in Japan's retail industry, but it will reduce energy consumption by 30%. It will also allow customers to shop in more comfortable temperatures, as the doors will reduce cold air leakage into the store. These results are excellent, so I am committed to promoting this measure in all our stores.

As for reducing the use of disposable plastic shopping bags, if we see this as a current environmental issue, it would not be enough to implement measures at only a few test stores. I would like to take action on this issue as quickly as possible with all associates at all Seiyu stores, getting the greatest results possible by using the power of each person, to produce results as a team.

These two are just a sample of the initiatives we are working on. I believe that the best solutions are simple and relatively easy to implement by making little improvements. To discover such solutions, every

associate must think, act, and in every decision, consider what is best for the environment, for society, and for business.

In the long term, I believe we will get to the point where it will not even be necessary to talk about integrating sustainability into our business. Sustainability will become such a core value that it will not require special mention. With energy, for example, rather than declaring energy-reduction goals, it will simply be expected that optimal energy efficiency is a part of everything we do.

### Speeding up our responses

If sustainability initiatives are good for business, for the environment, and for society, we must move at the fastest possible pace to put them into action. One of the actions we took in the organization was to create the CSR Operations Office in 2006. This office works closely with Seiyu's top management team to promote and coordinate all the sustainability initiatives as concrete actions within our business.

Seiyu is accelerating its actions in order to achieve its targets. In August 2006, we held a two-day seminar for fifty members of management, for all to understand how we are going to create sustainable value in our business, and to strengthen our collaboration with the worldwide operations of the Wal-Mart Group, of which Seiyu is a member. We established teams, and started on a total of about 80 initiatives in the areas of energy, waste, product, and communications. We have already achieved more than 80% of these goals, and will complete the rest and initiate new action plans in 2007.

As part of Wal-Mart family, we are sharing our experiences and lessons learned with the entire Wal-Mart Group. The Wal-Mart Group is committed to seek sustainability as a top priority in its strategy. Sharing good practices globally within the Group is a powerful tool to accelerate our progress.


This report features a number of stories selected from among hundreds that show how our associates are working every day to make Seiyu better in business performance and sustainability. We believe that each of the stories is exciting and inspiring and are proud to present them to you.

Many people may think that it is not easy take actions that are "good for the environment, good for business." But I deeply believe that this is indeed possible, depending on the intensity of every person's desire and efforts. Seiyu is committed to move forward, one step at a time, together with all of our stakeholders and associates.



Representative Executive Officer and CEO  
Edward James Kolodzieski





As a retailer playing an intimate role in the daily lives of our customers, we are doing all that we can for the global environment and sustainable society— one step at a time.

**Seiyu wins Environment Minister's Award as part of the "Eco-Family Report" program**

Seiyu was recognized with the highest award from the Ministry of the Environment for achieving solid results in its initiatives with local people and its own associates, leading to greater environmental awareness in local communities.

'06

**Strengthening external stakeholder dialogue**

Seiyu established the Green Board as a forum for dialogue between Seiyu corporate management and external experts. This dialogue led to a wealth of ideas, many of which we are now putting into action as a part of Seiyu's activities toward sustainability.

'01

**New environment-friendly private brand products**

Since its initial launch, the *Kankyo-Yusen* (Environmental Choice) private brand series of products has been popular with customers who expect high environmental and safety standards.

'92

**In-store recycling**

The collection and recycling of used containers is a core element of Seiyu's environmental activities. Today many customers come to our stores every day to recycle their used food trays and milk cartons.

'89

'07

**Launch of *Seiyu Hummingbird Campaign***

A campaign in which Seiyu and customers cooperate to reduce the use of disposable shopping bags and stop global warming. By having all associates shop with their own reusable bags, and encouraging customers to do so, Seiyu aims to have 50% of all customers using their own shopping bags by 2010.

'02

**Launch of *Shoku-no-Sachi* brand**

A Seiyu private brand, meaning "Food Delights", with exacting standards for producer regions, producers, cultivation and animal raising methods. This brand of delicious and wholesome foods is steadily growing in selection and sales.

'97

**Seiyu acquires ISO 14001 certification for its environmental management systems**

Seiyu became the first retailer in the world to obtain joint ISO 14001 certification for retail stores and business operations. This certification is the foundation of our social and environmental activities.

***Eco-Niko* Workshops launched**

*Eco-Niko* Workshops, held in stores where children accompany their parents shopping, provide the opportunity to see, experience, and learn about the global environment and society. The workshops have spread from the stores as a venue, to reach producers.

'91

**The first "bring-your-own-bag" campaign**

Seiyu launched a number of efforts to reduce the number of plastic bags used, including selling original shopping bags, offering incentive programs for shoppers who declined plastic bags at the checkout counter, and in-store communications.

## Editor's Postscript

"Who should it be written for and what should it say?" The preparations for Seiyu's annual *Sustainability Report* invariably begin with these questions for the editorial team. Of course, our purpose is to communicate about Seiyu's initiatives to anyone and everyone who has any connection with Seiyu. But we would like to convey our messages especially to people who tended not to read this report—the customers who visit our stores, and the associates working at stores every day. There are limits to what can be achieved by one publication alone, however, if we aim to create a document that really communicates with our readers while also maintaining a high standard of detail in information disclosure. Thus, we tried something new this year by creating a report in two separate publications: the "Performance Edition," which is the main tool for information disclosure as we've used in previous years, and the "Story Edition," which focuses on the efforts of real individuals and teams while introducing initiatives that represent what is going in the entire company. Both editions portray Seiyu as it exists today.

To write the Story Edition, we interviewed and collected information about the initiatives of Seiyu stores, group companies, and every function (department) in the home (head) offices. We gathered input from as many people as we could, and ended up with over 300 stories. All the stories were so

appealing, we felt we would like to introduce them all, but in the end we had to make a difficult selection of 15 stories. In making this selection, we asked ourselves, "What is important for customers, associates, and society, and what is important for our company as a business?"

The result is a collection of stories in four areas where the retail industry has enormous influence, and where Seiyu has established important targets: "energy," "waste," "products," and the "people" working at Seiyu.

We intend to continue giving our best effort, working as global citizens together with our customers, to tackle global warming and other issues facing society. We will reaffirm our commitment company-wide, and look forward to reporting the results of our ongoing efforts through the *Sustainability Report* again next year.

Sachiko Imina, Sustainability Report Editor, CSR Operations Office



Photo:  
Imina (3rd from the left)  
and editorial team

The logo for SEIYU, consisting of the word "SEIYU" in white, bold, uppercase letters centered within a solid red square.

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Seiyu main page (English): <http://www.seiyu.co.jp/english>

Sustainability report: [http://www.seiyu.co.jp/english/report\\_e.shtml](http://www.seiyu.co.jp/english/report_e.shtml)

We welcome feedback, questions, comments, and suggestions regarding this report and Seiyu's social and environmental activities.

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