



## Overview of Seven & i Food Systems

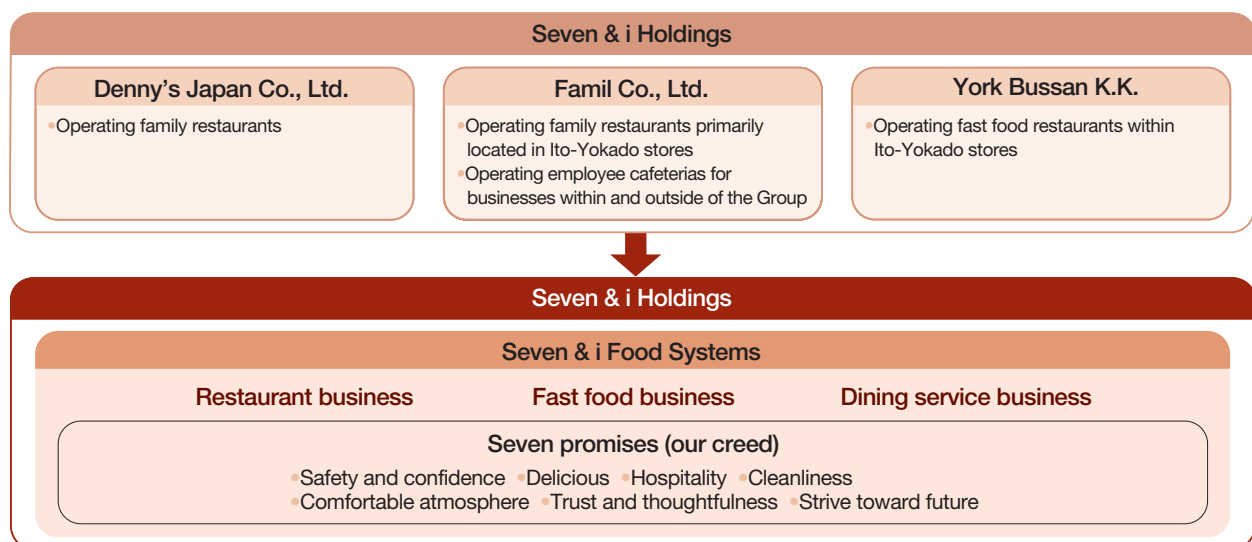
Seven & i Food Systems will continuously refine, expand and strengthen its food-service business, creating synergies among restaurant, fast food and dining service divisions.

Seven & i Food Systems is an operating company established in January 2007 to consolidate and restructure food service operations of the Seven & i Group. In the following September, three former subsidiaries—Denny’s Japan Co., Ltd.; Famil Co., Ltd.; and York Bussan K.K.—were merged into Seven & i Food Systems.

We now operate three food-service businesses: 1) restaurant business operating “Denny’s” and

“Famil” brands, 2) fast food business operating “Poppo” food courts in Ito-Yokado stores, and 3) dining service business operating cafeterias for businesses and medical institutions.

We will continuously refine, expand and strengthen our food-service business, while developing innovative store formats to meet various customer needs and creating synergies among these three operating areas.



**Corporate Profile** (as of February 28, 2007)

<b>Establishment:</b>	January 2007	<b>Total sales:</b>	¥121.2 billion
<b>Headquarters:</b>	8-8, Nibancho, Chiyoda-ku, Tokyo 102-8415, Japan	<b>Number of employees:</b>	17,163
<b>Nature of Business:</b>	Operation of restaurants, fast food and dining service businesses	<b>Number of stores:</b>	1,055
<b>Paid-in capital:</b>	¥3.0 billion		

**Business outline**

**Restaurant business**

**Aiming at greater brand value through good taste, service and atmosphere**  
 Operation of Denny's and Famil (located in Ito-Yokado stores) restaurant chain is the primary activity of our restaurant business. We are intensifying our efforts to offer a relaxed dining experience to our guests, while keenly attentive to the basics of our operations—good in quality, service, cleanliness and atmosphere.



**Fast food business**

**Launching one-item specialty stores**  
 Poppo operates fast food (such as *takoyaki* octopus balls, *imagawayaki* waffles and *ramen* soup noodle) restaurants mainly located within Ito-Yokado store facilities. Under the themes of customers' health, safety and confidence, we deliver fresh-from-kitchen fast food items made from fresh and healthy ingredients together with big smile.



**Dining service business**

**Aggressively pursuing expansion into outside of group companies**  
 We aggressively seek and capture new business opportunities. In addition to employee cafeterias of group companies, we have been expanding outside of our group, such as in-house cafeterias of other corporations, schools and nursing care facilities.



**Our CSR focus**

- Offering safe and reliable meals and executing rigorous hygiene control in the stores
- Innovating and delivering health conscious menus and guest-friendly services
- Appropriate disposal and recycling of food waste generated by our stores

**Responsibilities as a food service operator who serves meals that are cooked in store kitchens**

Offering a wide variety of menu items, ranging from a cup of coffee to daily lunch and dinner sets, coupled with cordial service—this is what Seven & i Food Systems is all about.

We at Seven & i Food Systems have set up the “Seven Promises” (our creed) that reflect the aforementioned nature of our business. Safety and confidence is listed as the first promise, demonstrating that it is our top priority to deliver safe meals that our guests can enjoy with confidence. Every single day, we are earnestly focusing our efforts on quality

management of food ingredients and hygiene controls of our restaurants.

We also believe it is our responsibility as a restaurant operator to respond to increasing health consciousness among customers through improved information disclosure on caloric and nutritional facts and development of health-conscious offerings.

In our environmental activities, we strive to make positive contributions to creating a recycling society. We are particularly focusing on proper disposal, reduction and recycling of food waste generated from our restaurants as priority areas.

## Aspiring to become a food-service business that supports and promotes wholesome diet of customers

As successive mislabeling scandals, including high-profile frauds by a ground beef firm and processed food products companies, have raised strong public concerns, the restaurant industry has also been under pressure to conduct all-out efforts to ensure food safety and reliability.

In this context, Akihiko Hanawa, president and COO of Seven & i Food Systems had a meeting with Mr. Tomoaki Hisatsuka, Ph.D. in agriculture and a prominent, long-time food researcher, to discuss food safety and reliability, and social responsibility of the restaurant industry.

### Reemphasizing on the basics of business— offering safe and reliable products to customers

**Hisatsuka (Hi):** In the wake of many recent corporate scandals by food-related companies, there has been intensifying public scrutiny over food safety and reliability.

As the person who leads the restaurant business of Seven & i Group, how do you feel about it?

**Hanawa (Ha):** Any food-related businesses, whether manufacturers, retailers or service providers, must ensure safety of their products so that their customers enjoy food with confidence. This is the minimum and the most important social responsibility of this industry. To fulfill this responsibility, I believe that ensuring day-to-day control of product quality and freshness in a steady and persistent manner is more important than anything else. Such efforts include the establishment of traceability systems to track the entire history of products, from production of raw material to distribution, processing, preparing and sales.

**Hi:** You can't cut corners to secure food safety and reliability, can you?

**Ha:** Not at all. Until last May, I had been in China for about

10 years to support Ito-Yokado's store operations there. Although there have been growing concerns over made-in-China food products around the globe, there are, of course, a great number of conscientious producers in China, who grow safe and reliable food ingredients. In that country, Ito-Yokado continued steady efforts to be known as a retailer who is serious about food safety and reliability by gradually increasing the offering of organic fruit and vegetables grown by exclusive or designated farms, and developing traceability systems for other food products and ingredients. Through these efforts, the stores have gained strong customers' confidence and enjoyed solid growth in sales.

### Children's confidence in their mothers' dishes— offering the same levels of confidence are expected for the restaurant industry

**Ha:** As we Seven & i Food Systems are a restaurant business, we do not offer our guests food ingredients in



their original forms. We process and cook ingredients and place them on plates to serve. Therefore, our guests cannot see at a glance how dishes are cooked, with what ingredients and by what cooking procedures. That's all the more reason to conduct uncompromising safety management for every single dish we serve, so that our guests can enjoy our meals with confidence and trust.

**Hi:** As you mentioned, it is rather difficult to disclose the production history, ingredients, and cooking methods and other relevant information about all items on the menu at the restaurant. In the good old days, there were fields and rice paddies near your house and you bought vegetables from farmers you knew well and cooked them at home and served for your families. These foods were undoubtedly safe and reliable. People used to buy tofu and prepared foods cooked and sold by local stores.



**Akihiko Hanawa**  
President and COO

**Ha:** Indeed. Children never question whether their mothers' dishes are safe or not. They trust their mothers and eat their homemade meal without worries. That kind of absolute confidence is also expected for the restaurant industry like ourselves.

**Hi:** Now I see that such recognition underlies your efforts to establish traceability systems and perform rigorous quality and freshness control.

**Ha:** It does. With regard to the food ingredients we source, we regularly visit contract farms to see growing conditions and check the safety and legal compliance status of the residual pesticides in the plants. We also visit our food processing plants. Our stores conduct and document the ISO 9001-based hygiene control, and focus on hygiene control education for employees.

**Hi:** Your customer service with smile is upheld by such efforts invisible to customers to accumulate scientific evidence.

**Ha:** Exactly. In the course of turning the food safety we obtain through our appropriate supply chain management into the reassurance we give to our customers, we need to demonstrate excellent, individually-tailored hospitality to each customer. I believe we should holistically enhance the quality of our entire



**Tomoaki Hisatsuka**  
President of F.B.T. Planning,  
Special Visiting Professor of Gifu Women's University,  
Ph.D. in Agriculture, and Certified Professional Engineer

activities from sourcing ingredients to logistics, meal preparation, and service offerings that increase customer satisfaction—in other words, building a “value chain of safety and reliability” is our mission.

**Hi:** Your attitude to provide “a dish of reassurance” by not only establishing systems but also performing comprehensive activities, including customer service, really resonates with me.

### **A new role of food-service business: making positive contributions to customers' health**

**Hi:** The other day, I ate out at a family restaurant and appreciated the value of the served salad. Eating dozens of kinds of vegetable every day is difficult at home, but easy at a restaurant. Restaurant businesses have been doing their part to offer wide-ranging menu items, convenience, and comfortable time and atmosphere, whereas I suspect they have not been perceived as health-conscious as they used many frozen foods. But after having that salad, containing some 40 kinds of fresh vegetables, I've got a feeling that the social roles of the restaurant businesses are shifting to maintenance and improvement of public health.

**Ha:** I am really glad to hear that. In fact, we at Denny's use frozen vegetables only for one item, french-fries. For the other menu items, we are making special efforts to use nutritious, fresh produce.

**Hi:** So you are helping customers to be healthy in a quick and easy way. In other words, you are offering a new value that “the meal is healthy because it is served at a restaurant,” aren't you?

**Ha:** I feel a bit hesitant to go as far as to proclaim, “Because it is served at a restaurant, it is good for health,” but we will strive to gain and live up to such reputation. We would like to continuously think about our role as a food-service business, and continue to pay attention not only to food safety and reliability, but to other social concerns, such as prevention of lifestyle-related disease and dietary education.



# Responsibilities to Customers

## To offer safe, reliable and health-conscious products

### Conducting rigorous quality control to ensure our guests' confidence in our offerings

In recent years, customers' demand for food safety has been intensifying as never before. For restaurant operators, it is imperative to ensure food safety of ingredients and strict hygiene control during cooking procedures. Even before the time when consumers started to cry out for food safety, we at Seven & i Food Systems had long been engaged in rigorous, omnidirectional control to ensure the safety and reliability of the dishes we serve. To increase our customers' confidence in our menus and make our meals help improve customers' health, we have also established store-specific internal standards, which are determined depending on store format and customer-mix.

## Inspecting all ingredients based on our quality control standards

We at Seven & i Food Systems always seek fresh ingredients to serve tasty dishes, and thus continue to add new farms and manufacturers into our suppliers.

At Denny's, we used as many as 600 items during FY 2006. Before sourcing, quality of all potential ingredients was verified against the Statement of Business Terms, which specifies our quality requirements, and we purchased and used only those which cleared the verification. From FY 2007, these quality requirements are available in a database, which enables the safety of these enormously varied ingredients to be verified more quickly and accurately.

We also ensure the safety of fresh produce used by Denny's by reviewing the "Agrochemical Management Lists" that keep the record of chemical fertilizers and pesticides used. We make it a rule that we will not deal with producers who do not have such lists. Quality of processed food ingredients is strictly inspected, covering a wide range of items, including raw materials, additives, allergens, residual pesticides, processing or preparing procedures, and quality control conditions. We also visit suppliers' factories on a regular basis to monitor the quality and hygiene control performance during manufacturing and storage phases.



On-site inspection at a supplier's factory

## Building traceability systems to procure safe ingredients

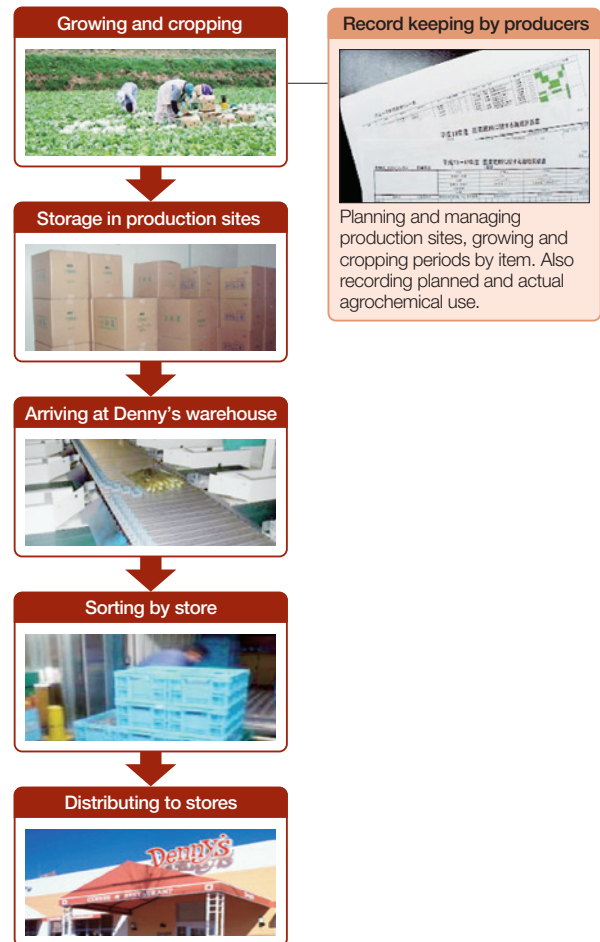
Seven & i Food Systems is meticulous about sourcing food ingredients with visible producers. To this end, we have built and developed traceability systems that accurately keep track of, and manage the place of origin, cultivation environment, and distribution channels.

Denny's ensures stable procurement of fruit and vegetables in quality and quantity, by sourcing from several areas across Japan in accordance with its "Annual Relay Sourcing Schedule." Procured produce is transported at optimal temperature to maintain its freshness.

At Poppo, we enter new sourcing contracts with farmers and production areas by harvest season so as to maintain the visibility of producers.

### Traceability systems for fresh produce (Denny's)

Fruit and vegetables used by Denny's are grown in a safe and well-planned manner.



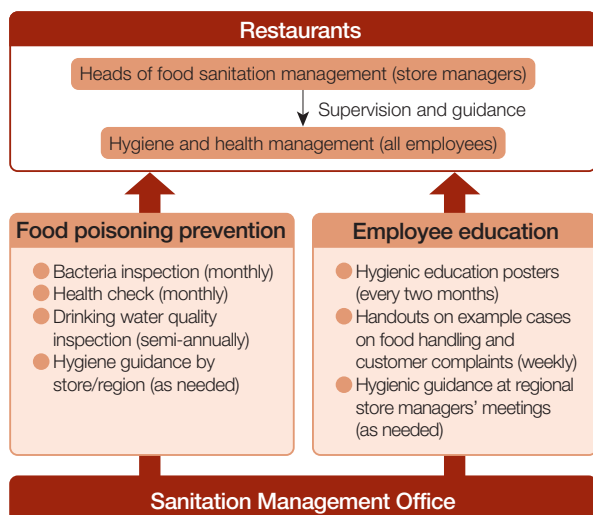
## Rigorous in-store hygiene control

Denny's is working to reinforce sanitation control systems and employee education programs, by utilizing the management systems for which our Quality Control Office obtained ISO 9001 certification in 2006.

Store managers are responsible for the store-level food sanitation control, and thus manage and lead the store-level hygiene practices and education. All store employees receive a hygiene control handbook, based on which they are trained to master how to manage expiration dates, use cleaning equipment, and appropriately wash hands and groom themselves. Performance of hygiene control at each store is inspected by the headquarters' Quality Control Office on a monthly basis.

Note: The scope of ISO 9001 certification acquired by Quality Control Office is consistent with the one undertaken by Seven & i Food Systems' quality control function, which is to be launched in September 2007.

### Store hygiene control structure



Famil and Poppo are also striving for store hygiene control under the leadership of the heads of food sanitation management.

To prevent food tampering, each restaurant also conducts daily inspection of its cooking equipment.

At Famil, store sanitation management is verified both internally and externally: the former is conducted by area managers during regular store visits and the latter is by an independent inspection agency. These inspections—covering 1) prepared food itself and 2) cooking equipment, facilities, and staff—are conducted without prior announcement to ensure their effectiveness.

At Poppo, each store is working on sanitation management and employee education, based on the Management Manual which describes procedures for hygiene control, ingredient tests by sampling, and best-before date management.

## TOPICS

### Awareness-raising activities to prevent food poisoning

Seven & i Food Systems carries out educational programs to prevent food poisoning through in-store poster displays and other measures.

Denny's has been making various improvements in its educational programs. For instance, food poisoning prevention posters have recently been changed from text-based to visual aid tool-based, to make them easier-to-understand. Poppo has developed posters, and called on all employees to ensure hand-washing at the time of entering into the store, which is a fundamental practice to prevent food poisoning.



Precautionary instruction poster featuring many visual presentations

### Pioneering the offering of “Low-Allergen Plates”

Denny's pioneered the development of “Low-Allergen Plates” menu items for food allergic children in December 2002.

These menu items do not contain the “five specified food allergens”—eggs, milk, wheat, buckwheat and peanuts—which are the most common food allergens. Instead, these allergy-friendly dishes are made of the ingredients that are confirmed by independent research organizations to have a low risk of allergic reactions. To prevent mixture with regular ingredients, ingredients for these special purpose menus are stored separately; processed and cooked with the use of exclusive cooking equipment and containers in processing plants; and heated and put on dishes by one store staff to avoid possible secondary contamination.



Low-Allergen Plates for food allergic guests

## Development of health-conscious menu and service programs

At Denny's, we aim to offer well-balanced dishes. To this end, our development of new menu items involves nutritional data calculation and analysis in cooperation with external verification institutions. As intake of vegetables tends to be insufficient in daily meals, we offer a wide variety of menus that use many different kinds of fresh vegetables, from salads to cooked vegetables, to soups.

In April 2007, we started making smaller-size options available for certain menus, and launched *carrotte rappes* and other vegetable menus that can be enjoyed even by children who do not like vegetables. These initiatives have gained great popularity with customers.



"The Vegetables!" plate (in half-size portion)



Carrotte rappes

At Famil, we offer a consultation service on exercise, nutrition and menu planning, to the employees of our corporate customers, for which we operate their employee cafeterias. Our advisory service, using nutritional consultation software by SOFTOM Co., Ltd., called "Kenko Daigaku [health university]," helps customers reduce risks of lifestyle-related disease.

For those who wish to know more, Famil's registered dietitians counsel them, asking about their dietary patterns and providing nutritional guidance and menu planning ideas.



Nutritional guidance for corporate customers



Nutritional diagnosis chart

## Disclosing various information on menu

In response to customers' request for caloric and nutritional information of each menu item, Denny's started presenting energy values (calories) of all items in March 1988. Salt equivalent (sodium) values were printed on our menu from March 1996; fat and food fiber figures from March 2004, as part of our continued efforts to meet customers' nutritional information needs. We have recently focused on disclosing ingredients and cooking methods for a greater number of items on the menu, to support our guests' culinary decision-making.

1食あたりの栄養成分		エネルギー (kcal)	塩分 (g)	脂質 (g)	食物繊維 (g)
和膳	牛ロースステーキ御膳 (仕懸フライ・ごはん・みそ汁・香の物つき)	942	5.6	40.5	6.3
	牛ロースステーキ御膳 (田舎風煎魚・ごはん・みそ汁・香の物つき)	844	6.0	29.9	7.8
	牛ロースステーキ御膳 (焼き茄子とさつまいもの煮出し・ごはん・みそ汁・香の物つき)	802	5.3	27.9	6.7
	サーモンスターステーキ御膳<作り産鮮使用> (仕懸フライ・ごはん・みそ汁・香の物つき)	946	6.7	40.6	4.5
	サーモンスターステーキ御膳<作り産鮮使用> (田舎風煎魚・ごはん・みそ汁・香の物つき)	848	7.1	30.0	6.0
	サーモンスターステーキ御膳<作り産鮮使用> (焼き茄子とさつまいもの煮出し・ごはん・みそ汁・香の物つき)	806	6.3	28.0	4.8
	牛ロースステーキ御膳 (仕懸フライ・ごはん・みそ汁・香の物つき)	1115	5.5	56.3	5.4
	牛ロースステーキ御膳 (仕懸フライ・ごはん・みそ汁・香の物つき)				
	牛ロースステーキ御膳 (仕懸フライ・ごはん・みそ汁・香の物つき)				
	牛ロースステーキ御膳 (仕懸フライ・ごはん・みそ汁・香の物つき)				

Nutrition facts information chart



Nutritional information on menu

## TOPICS

### Our response to concern over trans-fatty acids

Intake of trans-fatty acids is becoming an increasing public concern in western countries. In Japan, the prevailing opinion is that the trans-fats intake of average Japanese—who have different diet styles—is below the levels that pose potential health risks, yet a growing number of customers worry about the amount of this type of fat taken into their bodies.

At Denny's, we are striving to minimize trans-fats content in the dishes we serve for our guests' wholesome balanced diet. For instance, we are shifting the side dishes served with Hamburg steaks and other entrees from French fries to fresh vegetables. In January 2007, we also requested our suppliers to phase in the use of oil with low trans-fatty acids.

**To make our restaurants friendlier to all customers**

**To serve delightful meals with which the whole family have fun**

Family restaurants are a place to share good time and conversations with your friends and family over delicious meals. We therefore strive to make our restaurants comfortable and relaxing places for all our guests, regardless of age or gender, by reinforcing facilities improvement and employee training.

**“Service Ladies” to meet wide-ranging customer needs**

To make all guests at Denny’s relax and enjoy their meals, our “Service Ladies” at all stores during busy weekend hours for lunch and dinner (the hours vary by store) since April 2006 take care of various requests from customers, in addition to regular customer services, such as taking orders. A total of 649 employees are engaged in this customer service position (as of May 31, 2007).



Service Lady listening to a customer’s request

**Separation of smoking/non-smoking areas for non-smoking guests**

At Denny’s restaurants, non-smoking guests can feel comfortable at non-smoking tables, which are separated from smoking tables by glass partitions. Installation of the partitions began in March 1995, partly spurred by societal development, such as the release of a governmental panel’s report on the Tobacco Action Plan in 1995 and the enactment of the Wellness Promotion Law in 2003.

We then started to install air purifiers in smoking sections in June 2000 and completed the installation in all Denny’s restaurants in February 2003. We continue promoting the separation of smoking and non-smoking areas by installing glass partitions in all new stores.

**Incorporating Universal Design into store facilities and equipment**

We started incorporating Universal Design (UD) approach into our store planning/designs for new Denny’s restaurants. In our standard store specifications, aisles are 90 cm or wider to make them wheel-chair accessible, and store floors are flat without steps. In FY 2007, we are promoting the expansion of elevator installation in our stores located upstairs. The Nishiogi-Kita store became our first restaurant that has an elevator. We have been making many other efforts to make our store facilities and service friendlier to everyone, including the creation of Braille menu with a dot height of 0.4 mm, higher than required by the Japanese Industrial Standard of 0.3 mm. (Braille menu is not available at some stores.)

**Availability of UD features in restaurant facilities**  
(as of February 2007)

UD features	Availability
Flat floor (for customers area only)	100%
Wheelchair-accessible aisles (90 cm or wider)	100%
Ramp access to the entrance	441 stores
Handrails in restrooms	400 stores
Wheel-accessible elevator	5 stores

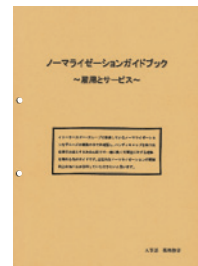


Braille menu

**Including care-giving education into new employee orientation**

We at Denny’s conduct “Normalization” (understanding of people with disabilities) training for employees, to make our restaurants comfortable to everyone including guests with disabilities and elderly customers. In this training program, 130 and 127 employees participated in 2006 and 2007, respectively.

Beginning from FY 2007, new employee orientation sessions are designed to include Normalization education by employees who are certified care-givers, lecturing on the difference between care-taking and care-giving, and expected attitude as care-givers, and teaching and providing simulative experience of assisting wheelchair-bound and visually impaired guests. We have also developed the Normalization Guidebook for distribution to all stores.



Normalization guidebook





## Responsibilities to Business Partners

### To ensure fair business and mutual prosperity

#### Building trust-based relationships through active dialogues

Business prosperity of a corporation cannot be achieved by its members alone; it can be achieved only with coexistence and co-prosperity of its business partners. Under this philosophy, Seven & i Food Systems goes to great lengths to ensure fair trading practices, which are the basis for trust-based relationships with business partners. We have also been engaged in active dialogues with business partners to build and maintain solid, trust-based and cooperative relationships.

### For full compliance with *Denny's Corporate Action Guidelines*

*Denny's Corporate Action Guidelines*, formulated in July 2002, specify applicable legal and regulatory requirements and rules, and related guidance for fair trading practices. With the guidelines in place, we conduct managerial-level educational programs; ensure each of our staff become fully aware of fair working relationships with business partners; and monitor the status.

#### Chapter 6 Relationships with business partners (excerpt)

- (1) Always be humble in dealing with business partners
- (2) Accept no favors or gifts

#### Chapter 7 Fair Trading (excerpt)

- (1) Comply with rules stipulated by the Premiums and Representations Act
- (2) Comply with rules stipulated by the Anti-Monopoly Act and the Subcontracting Act



Denny's Corporate Action Guidelines

### Active collaborations and dialogues with business partners

In November 2006, we convened all the business partners who supplied food ingredients of our Low-Allergen Plates and went over the quality control standards applicable to production process.

At the meeting, we reaffirmed all the quality control procedures during production phase in detail—from ingredients screening, to preventive measures against allergen inclusion, and inspection of final products—and discussed and shared information on how to secure food safety.



## Responsibilities to Communities

### As restaurants open to local communities

#### Wide-ranging contributions as a member of local communities

If each restaurant of Seven & i Food Systems is not intimately connected with people in the communities we serve, it will not be able to attract a larger numbers of guests. All our restaurants are committed to being community-rooted restaurants, and thus are engaged in community contribution activities in various areas, such as education, social work and emergency response.

### Special visits to local elementary schools by request for occupational education

Some of our staff members at Denny's visited Hikawa Elementary School in Okutama-machi, Tokyo in July 2007, to provide a special occupational lesson, talking about what restaurant personnel do and sharing some store management episodes.

This special program was materialized at the request of the elementary school for our cooperation in providing an opportunity for children to think about their future jobs. The content of the program was decided after consultation with teachers there. During the program, the elementary students learned how to set the table and serve customers by using the glasses and trays that are actually used at our restaurants.

The children also learned about change in food culture in Japan, importance of wholesome diet, and how to organize nutritious, balanced meals through easy-to-understand lectures.

As a part of Denny's-specific community giving, we would like to expand this special lesson program to many other regions. We are also an active supporter of work experience programs, receiving about 290 students from 99 schools in FY 2005, and around 590 students from 201 schools in FY 2006 in our restaurants.



Participatory learning event

## TOPICS

### Cooperation in urban culture education as a part of the “integrated learning” school program

Denny’s was involved in a school program on urban culture at Kudan Junior High School in Chiyoda, Tokyo. This program aimed to nurture the students’ self-motivation and creative attitudes in solution finding through interaction with society. The students visited local companies, conducted research to find a solution to the received assignment, and delivered presentations on their findings and proposals.

Students from the junior high school visited us in October 2006, to whom we gave an assignment to create a table mat for children. They came back to us in the following February with their ideas on an ideal children’s table mat. Denny’s intends to cooperate in these activities as much as possible.



### Making community events successful in cooperation with volunteers

In August 2007, Famil participated in a summer festival in Hananoie Hospital, a rehabilitation facility, to which Famil offers food service through its restaurant. At the festival, operated by the Yukiie Community Association, Himawari-Sou and Hananoie Hospital, we offered nine food items, including fried noodles, *takoyaki* octopus balls, grilled sausages, deep-fried chicken, and *yakitori* kebabs at a food stand.

This annual event, supported by town-wide efforts, is for the amusement of the entire town. Objectives of the festival are not limited to entertaining the patients of the hospitals, but also to amusing their families and local community associations, women’s groups and other neighbors.

Hospital staff and local people volunteered in preparation for the festival, including picking weeds at the festival site. Some of them entertained the audience with their hula dancing, and others demonstrated *taiko* drum performance. Famil worked with other volunteers to prepare foods at the stand to serve delicious items to community residents.



Food stand operated with volunteers’ support

## Disaster response

### Intensified earthquake and other disaster preparedness and response

Denny’s formulated its Large Scale Disaster Response Procedures in 1996, to ensure prompt reactions to disaster occurrence, such as earthquake and fire. In the wake of a number of subsequent damage caused by earthquakes, storms and floods, we revised these procedures in December 2004, rectifying weaknesses in the original version. The updated procedures serve as the employees’ code of conduct during emergencies.

### Preparatory measures to support stranded commuters in the event of a disaster

Disaster preparedness and response at Denny’s includes community contribution elements. In 2006, we were in discussion with eight prefectural or municipal governments in Kanto Region about the support of stranded commuters in the event of a disaster.

In February 2007, we became the first restaurant operator to enter into agreements with these local governments to provide support for disaster-affected commuters. As the next step, we are scheduled to conduct related training programs at regional store managers’ meetings. Our Denny’s restaurants are also considering purchasing emergency supplies for individual and corporate use.

- **Counterparts of disaster support agreements**  
Eight prefectural/municipal governments: Saitama Pref., Chiba Pref., Tokyo Metropolitan Gov., Kanagawa Pref., Yokohama City, Kawasaki City, Chiba City and Saitama City
- **Applicable restaurants**  
377 stores
- **Details of agreed support**  
For people who need to return home on foot due to disruption of transportation systems in the event of a disaster, applicable Denny’s restaurants—displaying special stickers to identify them as “Supporting Stations for Stranded Commuters Returning Home on Foot”—offer the following support:
  - (1) Access to water and restrooms; and
  - (2) Information provision, such as map-based route searching and disaster-related information obtained from radio and other sources



Sticker for Supporting Stations for Stranded Commuters Returning Home on Foot



# Responsibilities to Employees

## Fair employment and promotion

### Implementation of diversity-oriented employment and promotion policies

A fulfilling and motivating workplace where every employee can realize their full potential enables the company to achieve solid and sustainable growth. With this recognition, we at Seven & i Food Systems respect human rights of employees, ensure no discrimination based on nationality, gender, age or other characteristics, and welcome diverse individuals in our team. For part-time employees, we provide equitable promotional opportunities, and assign and compensate appropriately based on fair evaluation.

## Establishment and promotion of re-employment programs for retired employees

Denny's encourages retiring employees to apply for its re-employment program, which was formulated in April 2005. Regular full-time employees, if desired, can work up to the age of 65 under reemployment contracts. Seven former regular employees continue working with us after reaching the age of 60 (as of May 31, 2007). Part-time employees whose contributions are valued by the company are also eligible to sign and renew six-month reemployment contracts until they reach the age of 65. The number of part-time employees at the age of 60 or older was 225 as of July 31, 2007.

At Famil, retired employees are eligible to be re-employed with annual contracts and work up to the age of 65. Using this program, effective from September 1995, 175 senior employees at and over 60, including seven former full-timers and 168 part-timers, were working with us as of June 30, 2007.

Poppo established its reemployment program, which is equivalent to that of Denny's, in April 2006. There were 95 senior employees, consisting of four former full-timers and 91 part-timers working as of February 28, 2007.

## Internship and other supportive programs to expand workplaces for people with disabilities

Denny's, as a socially responsible business, has actively been seeking to employ people with disabilities. From September 2006 to January 2007, we notified and implemented our internship programs targeting graduating students at 18 special-needs education schools. Subsequently, we welcomed 11 graduates as our new members, based on their performance during

the internship. As of April 2007, 89 employees with disabilities worked at Denny's, representing 2.18% of our 4,825 non-temporary employees, higher than the statutorily required rate of 1.8%.

At Famil, employees with disabilities are sought mainly for employee cafeteria operation services. Our recruiting channels include schools for children with special needs and special career forums organized by public job placement offices for interaction between businesses and people with disabilities. As of April 2007, 27 members with disabilities worked with us, 2.5% of the total workforce of Famil.

Poppo has conducted its semi-annual internship program for second-year students of special-needs education schools in spring and fall each year since 2000. Successful interns have been employed after their graduation. Of 19 Poppo employees with disabilities, 11 people are former interns (as of April 2007). Employees with disabilities consist of 2.98% of our workforce, a higher rate than the statutorily required level.

## Confirmation of prospective foreign staff's work eligibility under applicable laws

Before employing foreign persons, we at Denny's verify the validity of their residential status and periods of stay by checking their passports and alien registration certificates. For international college/junior college students, and those attending vocational schools, we confirm their work eligibility with their valid work permits, before entering into employment contracts which comply with statutorily working hour limits. A total of 538 employees from foreign countries worked at Denny's as of July 2007.

## Creating a female-friendly workplace

Since its foundation, Denny's has been a gender discrimination free workplace, offering equal opportunities for employment, compensation and promotion. As a result, about 30% of managerial or executive positions at Denny's are held by women (as of February 28, 2007). Our employees can access group-wide Re-Challenge Plan programs for their childbirth, child-rearing, and nursing care responsibilities. These supportive plans are available for both men and women.

**Women in managerial and executive positions at Denny's**  
(as of February 28, 2007)

Position	Women	Men
Regional leaders	2	56
Training managers	1	17
Store managers	39	573
Deputy store managers (including equivalents)	34	219
Front managers, Kitchen leaders	383	424
General managers	2	19

\* Including one executive officer

Note: "Women" in the chart above refers to regular, quasi-regular and part-time female employees

At Famil, female store managers are at the helm of eight restaurants out of 379 (as of July 2007).

At Poppo, 81 or about 60% of the 135 store managers are women (as of February 2007).

**Aggressive policy on part-timers' promotion**

At Denny's, part-time employees are eligible to become quasi-regular employees, under revised HR policies from FY 2001. While part-timers have some limitations in their job descriptions, quasi-regular employees can be promoted all the way to store manager. Furthermore, talented quasi-regular employees can apply for regular employee status, using Denny's Career-Path Change program. As of July 2007, 604, or 75% of 806 quasi-regular employees took managerial positions, including 35 store managers, 59 deputy store managers (including equivalents) and 515 leaders.

**Regular employees promoted from quasi-regular status (Denny's)**

FY 2005	FY 2006	FY 2007
4	5	5 (expected)

At Famil, part-time workers are called "Famil Mates" as they are our teammates. To improve cooking and other necessary skills together, they participate in periodical training programs and skill checks. Famil Mates of high caliber can be promoted to leadership positions. By July 2007, 131 part-time employees had become quasi-regular employees, consisting of seven store managers and 124 leaders.

At Poppo, part-timers with outstanding abilities and attitudes can be promoted to regular employees, based on recommendations from their supervisors. Each year, two to three part-time employees, whether they joined us from former employers, or fresh out of school, are promoted to regular employees.

**Creating a motivating workplace**

**Providing more learning opportunities to help improve employees' work-related skills**

Improving employees' capabilities—a driving force of customer satisfaction and of employees' motivation and enthusiasm—brings a great competitive edge to a company's growth. Seven & i Food Systems, therefore, develops and implements a variety of learning and training programs, including Open Training programs, to help motivated employees increase their work-related knowledge and improve their business capabilities.

**Skill-improvement training courses for motivated employees**

Denny's offers an equitable learning forum for regular, quasi-regular and part-time employees through a number of periodic "Open Training" courses, including cooking classes and "Dennylier" basic wine knowledge lessons. To encourage active participation, the company covers transportation fees incurred by participants.



Cooking class

To help increase employees' motivation, we provide customer service advice, notify them of training program information, and announce internal contest results in our "Denny's Information" learning and education tool.

Famil conducts promotional examinations for part-time employees to ensure their fair, equitable treatment and support to upgrade their cooking and customer contact skills.

These examinations—contents of which vary depending on position ranks: Trainee, Junior, Regular or Senior—are held quarterly (April, July, November and January) on a regional basis. Examinees go through respective group training sessions, examinations and interviews. The resulting ranks are reflected in their wage and other arrangements.

At Poppo, employees take Food Sanitation Seminars at the company's expense to acquire necessary knowledge on food hygiene. Through periodical Sales Contests, sales personnel at Poppo improve their sales techniques and motivate themselves for better performance.



# Responsibilities to the Environment

## Effective use of resources

### Reducing and properly disposing of food waste

As a food-related company, Seven & i Food Systems cannot avoid the issue of proper treatment of raw refuse, such as leftovers from customers and those from processing and cooking procedures. We have been striving to reduce food waste and promoting effective use thereof by making compost, which in turn contributes to creating a recycling society.

## Promoting food waste recycling through Eco-Distribution System

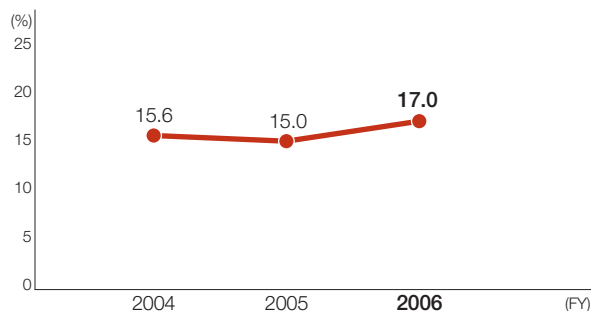
At Denny's, garbage from restaurant kitchens, including leftovers, accounts for 42% of the all waste generated. For proper disposal and higher recycling rates of food waste, Denny's restaurants joined the network of Seven-Eleven's Eco-Distribution System in 1998.

Under this shared system, Denny's started recycling and composting raw refuse from 20 stores in Tokyo and 2 stores in Aizu-Wakamatsu, Fukushima in FY 2003. By February 28, 2007, this practice had grown to be carried out by 59 restaurants, an increase of 12 restaurants from the previous year, recycling 17% of 7,851 tonnes food waste generated from all our restaurants. In FY 2007, we are targeting a recycling rate of 20% through expansion of participating stores to 85.



Collection of raw refuse to create compost

### Food waste recycling rate at Denny's



## Ensuring waste separation and reducing waste generation

At Denny's, there have been a set of trash bins in all our restaurants since 1992 to collect different types of waste—e.g., papers, bottles, breakables and cigarette butts—separately. In addition, food waste is placed into exclusive bins. In parallel with these waste sorting practices, we have taken steps to reduce the amount of waste itself. We have shortened procurement leading time, started to pack ingredients in smaller units to avoid waste of inventory, and begun using returnable containers travelling between distribution centers and restaurants to reduce the consumption of cardboard boxes.

## Global warming prevention

### Reduction of CO<sub>2</sub> emissions through more efficient energy use

As reduction of green house gas emissions has become a global agenda, businesses have responsibilities to take steps to improve energy efficiency. As we at Seven & i Food Systems consume a lot of energy for cooking facilities and air conditioners/heaters in our restaurants, we have been implementing a variety of energy saving measures, including installation of energy-efficient equipment.

## Installation of thermal-efficient, energy-saving equipment

### Energy efficiency initiatives in the kitchens (Denny's)

Energy consumption in the kitchens of Denny's restaurants had been on a rise in recent years, partly due to diversified menu items. To address this issue, we started installing energy-efficient equipment to reduce energy consumption and CO<sub>2</sub> emissions.

In existing stores, gas-powered stoves and noodle cookers were replaced with electricity-powered ones in FY 2004. In newly opened stores, electric kitchen equipment is installed, starting with the Tachikawa Store in Tokyo in 2002. As of February 28, 2007, 67 newly opened restaurants had electric cooking equipment.

In addition, "Eco Cute" water heaters—electric heat-pumps that use CO<sub>2</sub> emitted from energy consumption as their refrigerant—have been installed in three Denny's restaurants.

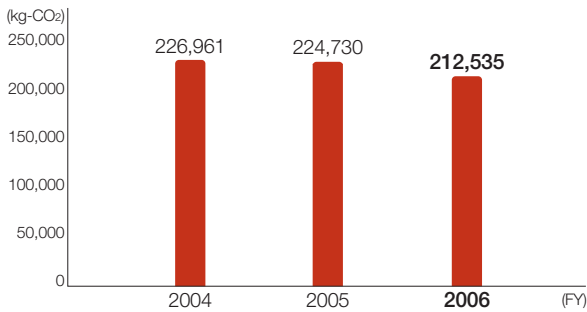
We have also started using



Electricity-powered kitchen equipment with less energy use and CO<sub>2</sub> emissions

cogeneration systems that warm up water by recovering exhaust heat from electricity generation. The Houya-Yagisawa Store, Tokyo, adopted these systems in FY 2003 and the Oofuna Store, Kanagawa, and the Nishiogi-Kita Store, Tokyo, in FY 2006. Energy output of the installed systems is 5 kWh each.

**CO<sub>2</sub> emissions per store (Denny's)**



**Reduced electricity consumption through installation of "Eco-Ace" (Famil)**

Famil started using "Eco-Ace" systems, which adjust incoming voltage to reduce electricity consumption, in 2003. Of 379 Famil restaurants, 60 stores had already installed this equipment as of February 28, 2007. As a result, total electricity consumed by all stores in FY 2006 was reduced by 9.3% from the previous year.

**Shift to electric cooking equipment to reduce CO<sub>2</sub> emissions (Poppo)**

At Poppo, we use electricity for cooking equipment at all our restaurants, except at six stores that use both gas and electricity-powered equipment, for safety concerns and CO<sub>2</sub> emission reduction purposes. We have also set up each appliance's running hours by day of the week to avoid wasteful energy use. Every day, we check electricity and water meters to eliminate any waste in our resource consumption.



Electricity-powered cooking equipment

**Streamlining logistics to reduce CO<sub>2</sub> emissions in the course of distribution**

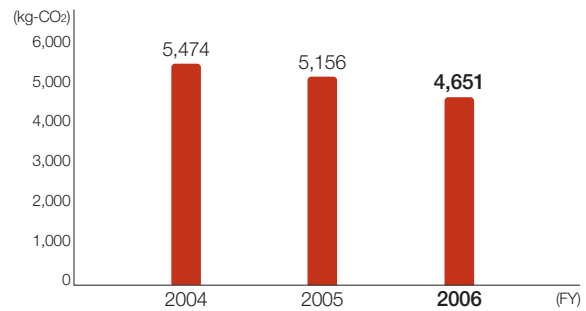
Denny's has long been working to reduce distribution-related CO<sub>2</sub> emissions. In 1982, we launched combined distribution systems and separated distributions based on temperature control requirements. As a result, the number of distributing trips to restaurants decreased considerably.

Before these initiatives, 10 trips per day were necessary. We now have one trip a day each by refrigerated and non-refrigerated vehicles; a few trips per week by freezer trucks. We also see to it that recent expansion of our store network will not lead to additional distribution trips. To this end, we have been taking various measures, such as reorganization of distribution centers, enhanced accuracy of inventory order placement, mix-delivery of room-temperature and refrigerated goods.

In FY 2006, we achieved higher logistics efficiency by projecting delivery volume during weekdays and weekends, resulting in a 3.7% reduction in the number of distribution vehicles from the previous year. We also installed digital tachographs in all our distribution trucks, which led to more energy-efficient driving patterns. During FY 2006, our average fuel efficiency has improved to 5.8 km/L, from 4.5km/L of the previous year. Accordingly, we were able to achieve a 9.8% reduction of CO<sub>2</sub> emissions.

We will continue our efforts to attain higher logistics efficiency and lower environmental impacts of our distribution operations through strict vehicle management and resulting improved fuel efficiency.

**CO<sub>2</sub> emissions during distribution processes (Denny's)**



**TOPICS**

**Resource-friendly chopsticks with no possible emissions of endocrine disruptors**

At Denny's, we use as many as 40 million pairs of disposable chopsticks each year. For effective use of forest resources, beginning from 1997, all chopsticks served in our restaurants are made from discarded parts of Yoshino cedars used for construction application. Cedar wood is safe for human bodies, as it has natural antiseptic properties and requires no bleaching for processing.

We do not use any polyvinyl chloride (PVC) in our chopstick covers to prevent risks of releasing dioxins or endocrine disrupting chemicals.