

We operate community-based supermarkets that offer safe, reliable products under our strict quality standards.

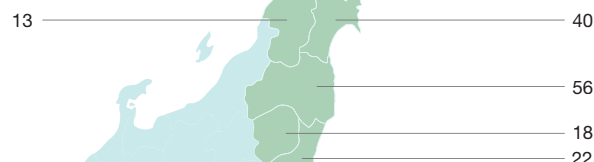
York-Benimaru operates a network of supermarkets that offer fresh produce and groceries in Fukushima, Miyagi, Yamagata, Tochigi and Ibaraki prefectures. By executing “area-dominant strategy,” under which store openings are concentrated in specific areas, we have gained a high-profile in communities where we operate and been able to manage logistics efficiently.

Based on our motto, “for customers’ more joyful, prosperous and convenient daily living,” our stores strive to deliver fresh and delicious food products, offer superb customer service and implement strict hygiene control. We also strive to deliver reliable food products by designating their producers and applying our rigorous quality standards.

Going forward, we are planning to develop new formats of our food supermarket business, while continuing to improve our merchandising and management systems by leveraging the group network and capabilities of Seven & i Holdings.

Number of York-Benimaru stores

149 in total



Our CSR focus

●Thorough hygiene control under strict rules

The majority of York-Benimaru customers are people living in the neighboring areas, who shop with us to buy food ingredients for their family meals. To meet such customers' needs and earn their trust, it is imperative to offer safe and reliable products and implement rigorous safety and control on every single item we offer in order to protect the health of customers and their families. Therefore, we at York-Benimaru have formulated strict hygiene control rules and follow them on a daily basis. For example, all perishable department employees are required to submit Health Condition Self-Assessment Sheets. We have also started to sell "Mitsuboshi Vegetables and Fruit" grown without use of agrochemicals to the extent possible.

●Eco-friendly lighting and energy-efficient facilities to help prevent global warming

We have made various efforts to reduce our CO₂ emissions, such as setting different lighting levels for

different sections in our stores and introducing LED lights. We have also started to install energy-efficient equipment in our stores, including inverter-controlled freezers and ice thermal storage systems.

●Eco- and health-themed community activities

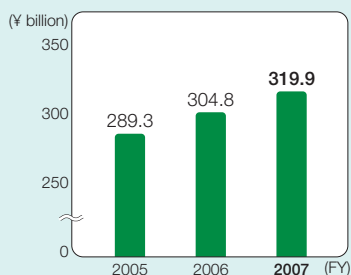
We actively seek opportunities to interact with local communities and organize many events and programs to do so. Each store's "Anniversary Festival" held in its founding month is one of these events. We have also focused on eco-themed events in recent years. To support local citizens' healthier lives, we offer various food education programs to teach children about what constitutes a good healthy diet and the importance of eating fruit and vegetables. We also organize farm visits to our producer's fields where participating parents and children have hands-on experience of harvesting crops.

Corporate profile (as of February 29, 2008)

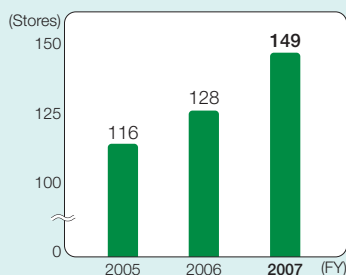
Establishment: June 12, 1947
Headquarters: 18-2, 2-chome, Asahi, Koriyama-shi, Fukushima, 963-8543, Japan
Nature of business: Superstore business selling food products (as main category), apparel and household goods

Paid-in capital: ¥9.9 billion
Total sales: ¥319.9 billion
Number of employees: 12,140
Number of stores: 149

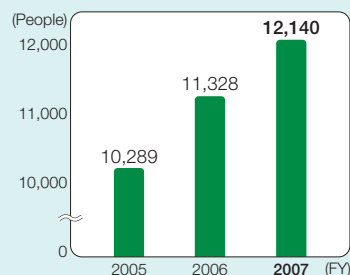
Total sales



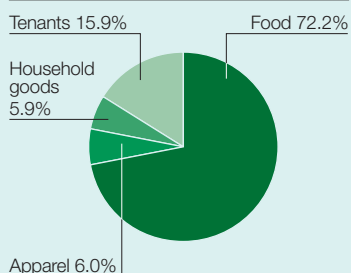
Number of stores



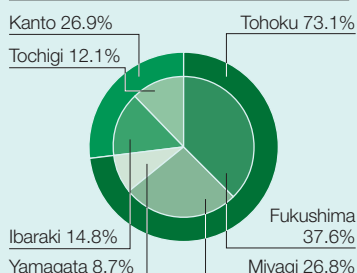
Number of employees



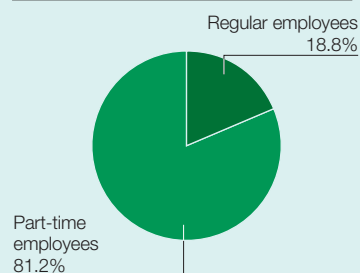
Sales by product category



Stores by region



Employees by type



Food Safety and Reliability

Q Food safety should be your top priority as a food supermarket operator.

A We focus on the development of products grown without using agrochemicals to the extent possible, as well as strict hygiene control and traceability management.

Store cleanliness and rigorous hygiene control

We clean and tidy up our stores every day and strictly control store hygiene in accordance with our Hygiene Control Rules, which are designed to ensure all employees understand and share the importance of hygiene management.

For instance, all perishable department employees are required to submit “Health Condition Self-Assessment Sheets” every day. Such monitoring of employees’ health is part of our efforts to prevent food poisoning viruses from being carried into food processing areas. We also conduct sampling inspections of in-store prepared products every month, and of food processing staff’s hands during summer season.

By thoroughly implementing these regular inspections, we strive to deliver reliable food that our customer can savor with confidence.



Well-maintained backroom



Sampling inspection of employees' hands

Promotion of “Mitsuboshi Vegetables and Fruit” grown without use of agrochemicals to the extent possible

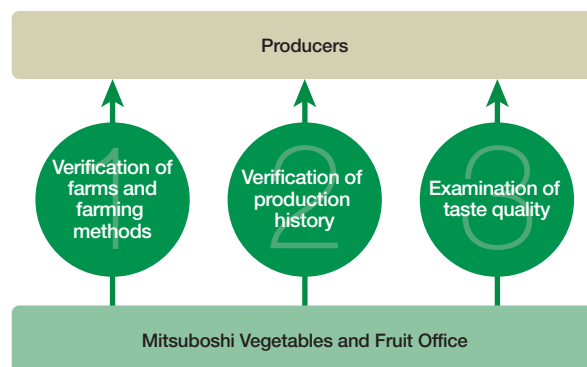
York-Benimaru has offered “*Mukkun* Series” fruit and vegetables since 2003, which are grown using a soil enhancer called *Mukudai* that enables minimization of chemical fertilizer and pesticide use. From March 2008, *Mukkun* Series has become a part of a new brand called Mitsuboshi Vegetables and Fruit products, which are grown using *Mukudai* and other eco-friendly materials and technologies that have little or no negative impact on soil, and are selected based on the Specially Cultivated Crops* qualifications or other similar standards. We hope these Mitsuboshi Vegetables and Fruit will provide stable supplies of delicious, safe, reliable and affordable produce to our customers, and a consistent revenue source to our partner farmers.

We intend to grow this Mitsuboshi Vegetables and Fruit brand further. Our target for FY 2008 is

to increase the brand’s contribution to the total fresh produce sales by 48% from the FY 2007 level.

* Specially Cultivated Crops: In the production process of these crops, the frequency of chemical pesticide application and the nitrogen content in chemical fertilizers applied are reduced by 50% or more compared with the conventional usage levels that the governing prefecture defines based on the national guidelines.

Mitsuboshi Vegetables and Fruit certification procedures



Mitsuboshi Vegetables and Fruit



Prepared food products using Mitsuboshi Vegetables and Fruit

Organic Products Section responding to growing needs for healthy and eco-friendly choices

In addition to offering Mitsuboshi Vegetables and Fruit products, we work to meet customers’ growing interest in health and eco-friendliness by establishing the organic product section. The section offers organic pasta, soybean powder, confectionary, wine and other choice products which are produced without pesticides and chemical fertilizers.



Organic product section

Tracing and disclosing product information such as place of origin and producer

York-Benimaru is earnestly working to ensure product traceability in cooperation with producers and other business partners. With regard to our YORK-BENIMARU-NO-SANCHIGA-MIERU-SHOKUJIN house brand items, we strictly manage their product information, such as origin, farming conditions, and production processes so that our customers can easily obtain those details.

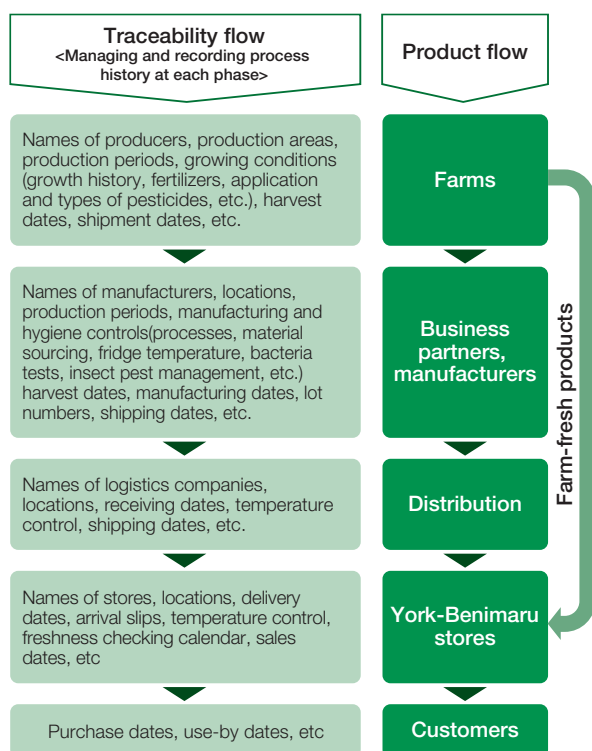
In our stores, explanatory panels are displayed near the relevant products, specifying product names (e.g., “Kuroge-Wagyu Japanese beef, Date-Dori chicken, Umami-Dori chicken, and black pork produced in Miyagi), producers, origin and quality information, among other things.

On our website, we provide more detailed information about perishable food items. For example, visitors of our site can access domestic beef products’ production histories, such as cattle types and dates of birth, by entering individual identification numbers shown on the product labels. We also disclose the production information of other fresh food items, such as fish, fruit and



YORK-BENIMARU-NO-SANCHIGA-MIERU fish section

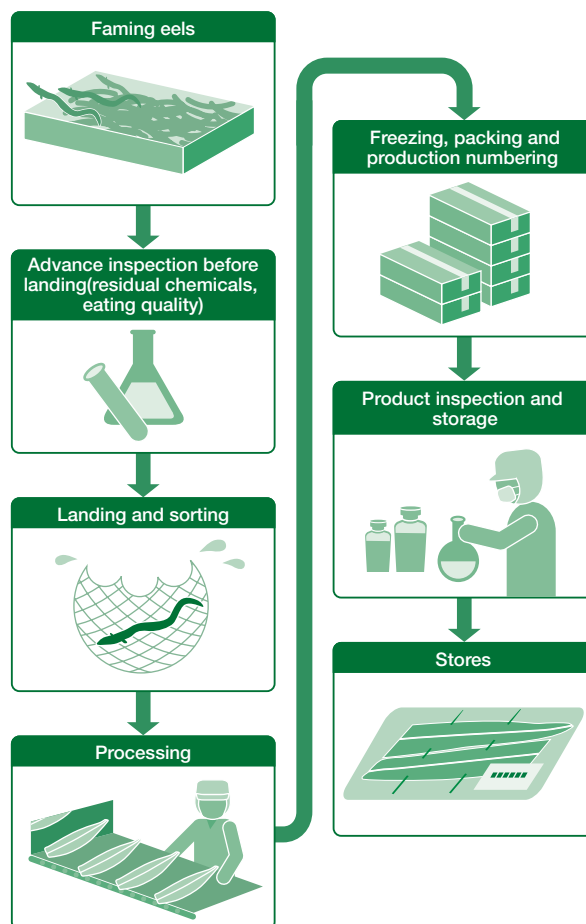
Traceability system flow chart



vegetables, rice, tea and milk, as well as links to producers’ websites where available.

During FY 2007, these online sections had 9,757 hits. To consistently attract more visitors, we will continue working to make timely updates and further improve the site content.

Example case: Kabayaki eel (grilled eel filets with sauce) – from farming to offering to customers



TOPICS

Efforts at our subsidiary, Life Foods

Life Foods Co., Ltd. is a subsidiary of York-Benimaru, manufacturing prepared food items sold in York-Benimaru stores, such as sushi, boxed meals, side dishes, sandwiches and bread. The company recycles its waste deep fry cooking oil into fuels for its factories’ boilers.

Life Foods has also started an experiment of having food waste from its factories composted by contract waste management vendors and using vegetables grown with the compost as ingredients of its products.



Combating Global Warming

Q Have your energy saving initiatives made progress while the number of your stores has been increasing?

A To reduce CO₂ emissions, we are working to increase the energy efficiency of store operations and to streamline logistics.

Accelerating CO₂ reduction efforts by implementing energy-saving measures in stores

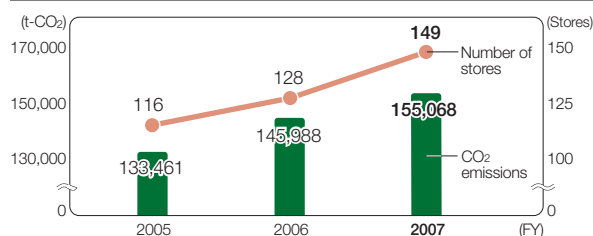
In light of aggravation of global warming issues, emissions of carbon dioxide (CO₂)—a primary greenhouse gas contributing to global warming—must urgently be reduced. To achieve this, we at York-Benimaru have been installing energy-saving equipment in our stores and working to reduce logistics-related carbon emissions.

● Optimizing lighting systems

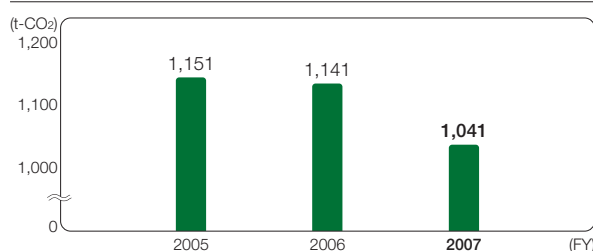
In our new stores opened in FY 2008, we have set lightning from aisle ceilings to a lower intensity level, while maintaining sufficient brightness for product shelves and other necessary areas. We have also halved the number of fluorescent lamps used to individually illuminate freezer and refrigerator shelves, and installed “canopy-style” lights at the top of the showcases, instead. Such new lighting arrangements in the new stores and some existing stores are estimated to reduce CO₂ emissions by a total of 851 tonnes per year.

In these new stores, we also introduced low-power, long-life LED lights to their liquor and ice cream showcases. Compared to fluorescent lamps, LED lights annually emit 54 tonnes less CO₂. We are planning to use these lights for a wider variety of equipment, based on further analysis of their cost and benefit.

CO₂ emissions and the number of stores



CO₂ emissions per store



● Installation of inverter-controlled freezers and ice thermal storage systems

In our new stores opened in and after August 2008, inverter-controlled freezers and ice thermal storage systems have been introduced. These freezers, controlling engine speeds in accordance with frequencies, consume far less electricity than conventional models which allow only “on” or “off” settings. Introduction of ice thermal storage systems, which use ice made by using discount-rated nocturnal electricity to keep stores cool during daytime, has also reduced electricity use during peak hours.

We will continue to install these new systems in new stores, aiming at further reduction of power consumption.

● Introduction of “night covers”

We have installed night covers for the multi-shelf open-top display freezers in our existing stores when remodeling in and after November 2001, as well as new stores opened in and after February 2002. The covers enable reduction of electricity consumption of these freezers, as they provide better insulation during the night time after business hours.



Display freezer with a night cover

Streamlining logistics to further reduce CO₂ emissions

We have been working to reduce logistics-related CO₂ emissions by streamlining operations.

We established distribution centers in Koriyama in 2005 and Sendai in 2006 to consolidate shipments of perishable products. In addition, products are now shipped together regardless of their categories, including frozen food items and those for Life Foods (our subsidiary) which used to be distributed separately.

In FY 2007, reusable plastic containers were introduced to the delivery of our fresh meat and Daily products. We are planning to further expand the use of these containers so as to reduce the usage of cardboard boxes.

Waste Reduction

Q How is food waste from your stores disposed of?

A Inedible parts of fish, for example, are processed into poultry feed. Eggs laid by chickens eating such feed are then sold in our stores. We also focus on reducing plastic bag and food tray consumption.

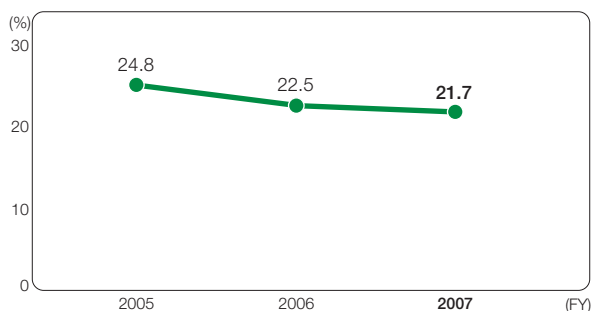
Reducing and recycling food waste toward a food waste recycling rate of 45%

York-Benimaru has been working to reduce and recycle more food waste to comply with the Food Recycling Law.

Originally, the law called for a 20% food waste recycling rate, which our FY 2007 rate of 21.7% satisfied.

However, the law was revised in December 2007, which requires food retailers to achieve a food waste recycling rate of 45% by 2012. To meet this higher target, we are accelerating our efforts to reduce and recycle food waste.

Food waste recycling rate



● Producing poultry feed from fish waste and recycling waste cooking oil

We generate various kinds of food waste when processing fish, meat, fruit and vegetables and preparing cooked products in our stores. Among such food waste, inedible parts of fish account for about 20% of our raw refuse. We send such fish waste to our contract waste disposal companies to make poultry feed. Eggs from chickens raised with the feed are sold as our house brand “*Kenyo-ran*” in York-Benimaru stores.

Food waste recycling is also implemented by our subsidiary named Life Foods. The company recycles all the waste cooking oil produced from stores—approximately 1,007 kilo liters each year—through contract waste collecting companies. The collected oil is decomposed into industrial-use fatty acids, which are used as the ingredients of soap, ballpoint pen ink, and softening agent for tier production.

Requesting customers to avoid using plastic bags and our efforts to reduce food tray consumption

Considering the issues of global warming and possible oil depletion, we need to reduce use of petroleum-based plastic bags and food trays. Reduction of container and packaging material consumption is also a mandatory requirement for retailers under the Container and Packaging Recycling Law revised in June 2006.

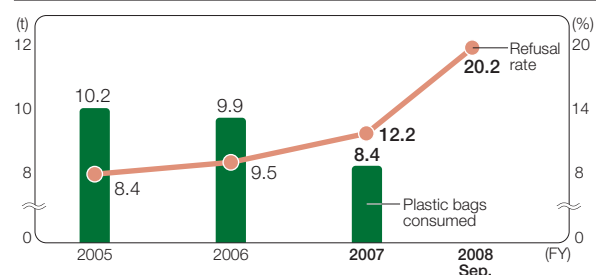
Accordingly, we at York-Benimaru are encouraging customers to use fewer plastic bags. We are also working to reduce packaging material consumption through promoting unpackaged selling and other measures.

● Activities to reduce plastic bag consumption

We have taken many steps to facilitate the reduction of plastic bag consumption and ultimately to promote effective use of resources. In addition to reaching out to customers through in-store announcements and posters, we offer special cards to indicate that no plastic bag is needed, and a “stamp card” program where each shopping without using store-supplied bags receives one stamp and 15 accumulated points can be used as a ¥100-value coupon. We also sell various types of reusable “My Bag” and “My Basket” products, the latter of which eliminate the necessity of repacking the purchased items after the checkout.

In addition, we have started to charge fees on plastic bags in 10 stores in Yamagata, 4 stores in Miyagi, and 7 stores in Ibaraki (as of October 31, 2008). More than 75% of customers of these stores choose not to receive plastic bags.

Plastic bag refusal rate and consumption per store





Retailing is a community-based business. With this belief in mind, we are engaged in community contribution programs that are closely connected to our neighbors' lives.

Sharing convivial time with neighbors in Anniversary Festival celebrating the store's founding month

Each York-Benimaru store holds an Anniversary Festival to celebrate its founding month with special events.

Example events in FY 2008 include an eco-themed event by our Hitachinaka Store, which has started to charge fees on plastic bags. During the event, a music band from Hitachinaka City Hall played its original song titled "Let's carry your own shopping bags," and the store's employees demonstrated how to make soap from waste cooking oil used in the store. The crafted soap was distributed to the audience.

In the Anniversary Festival at our Higashine Store in Yamagata, the store members shared pleasant time with local citizens through various programs, such as making bags from used umbrellas and toys from milk cartons, and the distribution of handmade soap made from the stores' waste cooking oil, interacting with guide dogs, and a charity bazaar.

The proceeds from the bazaar totaling ¥39,365 were donated to the local Council of Social Welfare in the form of 360 bottles of 500-ml *Seven Premium* (Seven & i Holdings' private brand) green tea.



Soap made from waste cooking oil

Food and health-themed lectures and in-store events for local residents

In response to recent growing concern about poorly balanced and unhealthy diet among children, York-Benimaru actively promotes children's education on food and health.

● Lectures on food and health

The York-Benimaru Foundation has organized lectures on food and health every year since 2004. The latest

lecture in February 2008 was delivered on the theme that "Physical and mental health management starts with food education" to approximately 100 people, mainly home economics teachers of elementary, junior high, and high schools and parents in Fukushima.

● Food education tours

York-Benimaru has been participating in a nationwide wellness promotion campaign called "5 A DAY" that recommends the daily intake of five portions (350g) of vegetables and 200g fruit.

As part of this campaign, we have been working to increase local people's awareness and actual intake of fruit and vegetables for their better health. We operate fun and easy-to-understand educational events in our stores and farms to teach children about appropriate dietary patterns and the importance of eating fruit and vegetables.

In FY 2008, we organized "Supermarket Tours," where local children visit our fresh produce and other sections, select food items in line with assignments about nutritional balance from dietitians, and enjoy cooking experiences. The objective of these events is to provide opportunities to learn about meals and nutrition, and the joy of cooking. The events enjoy good popularity: a total of some 1,300 children are expected to join by December 2008.

We also operate farm-visit programs for local parents and children. Participants visit our contract farms to eat literally farm-fresh produce, listen to farmers and actually harvest crops. Through such experiences, children can learn how agricultural products are grown, in what kind of soil, and raise their interests in fruit and vegetables.



Harvest tour for parents and children

Sport meets and blood donation events for healthier lives of local communities

We at York-Benimaru have been doing our part as a good corporate neighbor through many continuous programs, such as the sponsorship of children's sport events, promotion of blood donation and international exchange programs.

● "Wellness Running Race for Kids"

York-Benimaru, jointly with S&B Foods, has conducted the Wellness Running Race for Kids for elementary school students in Fukushima each year since 1989. This annual sport event aims to support children's physical strength improvement and sound mental development through running.

In the FY 2007 event, 1,155 elementary school students joined the race.



Wellness Running Race for Kids

● Blood donation campaigns

Wishing to serve people in the local communities, York-Benimaru established a steering committee for local blood giving campaigns and launched "Goodwill Blood Donation Saturday"



Goodwill Blood Donation Saturday

events mainly at our business partners' premises in Fukushima in 1990, when blood was in short supply nationwide. Since then, York-Benimaru and its labor union have been serving as the event's office under the support of Fukushima Prefecture.

Every October, we organize this event in the Big Palette Fukushima convention center. In our 18th year in FY 2007, 267 people donated blood. In total, 7,568 people have participated in this goodwill activity.

International exchange programs to nurture a global mind among young people of future generations

The York-Benimaru Foundation has been engaged in international exchange activities, such as offering staying abroad programs, to help young people in Fukushima become true global citizens.

In its USA-Canada International Exchange Program, a group of some 20 high school students visit Manitoba, Canada each year and stay with their host families after attending a local language school. Through such hands-on experience of living in a foreign country with different life styles, participants can obtain a better understanding of diversified culture and custom in the world. At the same time, the experience also provides a fresh perspective on and a deeper understanding of Japan and its society. The Foundation thus believes this program is useful to develop global-minded individuals.

In its International Exchange Program for Manitoban Students, the Foundation also invites children of host families in Manitoba to Japan, and the Canadian students stay with their host families in Fukushima. In some cases, friendships nurtured in this program have developed into long-term relationships; For instance, some participants have come back to Fukushima in later years as English teachers.

Recognizing international exchange programs should be bilateral in nature, the York-Benimaru Foundation will strive to promote stronger international friendships through these programs.



The USA-Canada International Exchange Program



The International Exchange Program for Manitoban Students