We aim to provide customers with supreme taste, impressive quality service and pleasant dining experiences, continuing to challenge ourselves and drawing on synergies within our group.

Seven & i Food Systems was established in 2007 as a result of consolidation and restructuring of food service operations of the Seven & i Holdings’ group into the current three businesses: restaurant business, fast food business and dining service business.

In the restaurant business, we have been focusing on the rejuvenation of existing restaurants. Accordingly, we have been working to improve customer service and pricing to better meet customers’ needs, and have started to develop new brands. In the fast food business, we have opened our small, open-front restaurants in the facilities of non-Seven & i Holdings group, where we sell taiyaki (fish-shaped waffles with sweet filling), takoyaki (octopus balls) and other fast food items that are cooked in front of the customers. In the dining service business, we have been continuing aggressive expansion of its business outside of our group.

We will pursue tasty and quality meals and superb service that satisfy and exceed customers’ expectations, while continuing to challenge ourselves and drawing on synergies within our group.

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<th>Seven &amp; i Holdings</th>
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<tr>
<td>Denny’s Japan Co., Ltd.</td>
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<tr>
<td>• Operating family restaurants</td>
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<tr>
<td>Famil Co., Ltd.</td>
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<tr>
<td>• Operating family restaurants primarily located in Ito-Yokado stores</td>
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<td>• Operating employee cafeterias for businesses within and outside of the group</td>
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<tr>
<td>York Bussan K.K.</td>
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<td>• Operating fast food restaurants within Ito-Yokado stores</td>
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<tr>
<th>Overview of Seven &amp; i Food Systems</th>
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<td>Restaurant business</td>
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<td>Seven Promises (our creed)</td>
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<td>• Safety and reliability</td>
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<td>• Delicious</td>
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<td>• Trust and thoughtfulness</td>
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<td>• Strive toward future</td>
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Our CSR focus

● Developing systems to provide customers with confidence in our meals
Seven & i Food Systems is dedicated to delivering a pleasant dining experience that our guests can enjoy without any concerns. We strictly examine ingredients, additives, allergens, processing and preparing procedures against our quality requirements specified in the Statement of Business Terms. With regard to vegetables served in our Denny’s restaurants, for example, we require contract farmers in Japan and abroad to prepare Cultivation Plans, and closely monitor fertilizers and other chemicals’ application throughout the entire process until harvest. We also obtained the certification of an international quality control standard ISO 9001, and focus on employee education and hygiene control in our restaurants.

● Introducing all-electric restaurants to reduce CO2 emissions
Most Denny’s dishes are cooked in our restaurants’ kitchens to be served in optimum condition. Mainly due to diversifying menu items, our gas and total energy consumption has been increasing in recent years. To reduce kitchen’s energy costs and environmental impact, Denny’s has started to introduce all-electric restaurants since 2002, shifting from conventional gas-powered kitchen facilities.

● Reducing and recycling food waste
We recognize each of our restaurants needs to minimize and appropriately dispose of food waste. These are important activities for environmental protection. Denny’s has been working to promote appropriate disposal, composting and recycling of food waste by operating food waste recycling system jointly with SEJ (p.34). Famil and Poppo have also started recycling of food waste by using Ito-Yokado’s system.

Corporate profile (as of February 29, 2008)

| Establishment: | January 2007 |
| Headquartes: | 8-8, Nibancho, Chiyoda-ku, Tokyo 102-8415, Japan |
| Nature of business: | Operation of restaurants, fast food and dining service businesses |
| Paid-in capital: | ¥3.0 billion |
| Total sales: | ¥113.4 billion |
| Number of employees: | 16,883 |
| Number of restaurants: | 1,047 |

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 chains 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 restaurants
Poppo operates fast food (such as takoyaki octopus balls, imagawayaki waffles and ramen soup noodles) restaurants mainly located within Ito-Yokado store facilities. Under the themes of customers’ health, safety and reliability, we deliver 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.

Employees by type

| | Regular employees | Part-time employees |
| | 16,706 | 18,177 |
| | 10.7% | 89.3% |

Notes:
(1) Sales figures and the number of restaurants for FY 2005 and FY 2006 represent the simple summations of relevant data of Denny’s Japan, Famil and York Bussan, which were merged in FY 2007.
(2) Reclassifications of the three predecessors’ FY 2007 semiannual sales were made to calculate the full-year sales.
Traceability systems for fresh produce at Denny’s

Fruit and vegetables served in Denny’s restaurants are grown in a safe and well-planned manner.

Growing and harvesting
Storage in production sites
Arriving at Denny’s warehouse
Distributing to restaurants

Consumers today have a keener interest in food safety and reliability, and check the production histories, e.g., origins, ingredients and producers, of food items they purchase. In response, businesses need to offer reliable products that can bring higher levels of consumer confidence, rather than merely observing applicable laws and regulations. At Seven & i Food Systems, food safety and reliability has been our first priority as specified in the first item of our corporate creed “Seven Promises” (p.74). As a food-related company, we believe ensuring food safety and reliability is the most important responsibility to the society. We therefore spare no efforts to implement thorough hygiene control, purchase safe ingredients, and serve reliable food that our customers enjoy with confidence.

We purchase a wide-variety of food items from various farms and manufacturers throughout a year in order to offer delicious meals made from fresh, in-season ingredients.

At Denny’s, which uses approximately 600 ingredients, we strictly inspect prospective items against the Statement of Business Terms specifying our quality requirements regarding raw ingredients, additives, allergen-content, processing and preparation procedures, and quality control performance. After this process, we only purchase and use ingredients that are proved to have “Denny’s quality.” In addition, our sourcing and quality control personnel visit suppliers’ factories on a regular basis to monitor the quality and hygiene control during their manufacturing and storage phases. Such on-site inspections are performed approximately 400 times a year in Japan and abroad, including site visits to observe manufacturing processes of new products or by new suppliers.

Producers’ visibility, or traceability, is an important element of our ingredient sourcing policy at Seven & i Food Systems. Therefore, we are building systems to accurately record and manage product origins, production processes and distribution channels.

For instance, we centrally control the quality and traceability of vegetables to be served in Denny’s restaurants by using Cultivation Plans, and Cultivation Records for Registration. All the producers of these ingredients, whether in Japan or abroad, are required to submit these documents. We review a Cultivation Plan to verify the quality of the ingredient, which includes the overall production schedule plan from soil preparation, seed planting to harvesting; fertilizer application plan; and details of planned pesticide use (purposes, name of pesticides, application timing, and amount, etc.). We then reexamine the ingredient quality using a Cultivation Record for Registration, in which actual processes performed are recorded.

We only purchase safe and reliable ingredients that meet our quality standards in the Statement of Business Terms.

Q: My children like to eat out. How safe are the ingredients of your menu items?
A: We only purchase safe and reliable ingredients that meet our quality standards in the Statement of Business Terms.
ISO 9001-based quality control management
(Scope of registration: the planning and service of sanitation control system of food in restaurant store)

For customers' safety and confidence

- QC Office
  - Food poisoning prevention
  - Employee education

Restaurants

Continuous operation of the ISO's "PDCA" cycle

Plan

- Setting goals

System for goal attainment through continuous improvement

Check

- Evaluation and analysis

Action

- Developing and taking actions for improvement

Do

- Implementation

Rigorous hygiene control using ISO 9001-based quality management systems

Hygiene control in our restaurants is another key focus at Seven & i Food Systems. Our QC Office, responsible for hygiene control, obtained certification of an international quality control standard ISO 9001 with regard to the planning and service of sanitation control system of food in restaurant store. Using such management systems compliant with ISO 9001 requirements, we are working on hygiene control and employee education in our restaurants. As for hygiene control, we place particular focus on freshness management, which is a straightforward task that all staff members can participate in. Every day, restaurant managers and food preparation leaders check the order placement status and inventory levels, and restaurant staff check ingredients' stock levels and expiration dates during the pre-cooking preparation process. To facilitate this process, fresh and processed ingredients are color-coded with stickers indicating day of the week. On the stickers, package opening time and use-by dates are written by employees. Such a comprehensible system regardless of who put labels on, together with a systematic multi-layered product check system and unannounced third-party inspections underpins our rigorous hygiene control systems.

As for employee education, restaurant managers (responsible for hygiene control in their respective restaurants) and food preparation leaders take a leading role in instructing their staff in related matters, such as hand-washing and grooming rules, use of sanitizing dusters, ingredients’ expiration control and cooking equipment inspection.

In addition to such day-to-day management in restaurants, the QC Office at the headquarters inspects restaurants’ hygiene control and product conditions, provides related advice and instructions to restaurant managers and food preparation leaders, develops awareness-raising posters and training handbooks for employees, and takes other necessary actions.

Furthermore, regional leaders visit restaurants periodically to see if all staff members conduct necessary self-checks, raise their awareness of freshness and hygiene control and ultimately improve each restaurant’s overall hygiene control system.
More energy-efficient restaurant operations with more efficient equipment

Our food service operations, using kitchen facilities and air-conditioning equipment, involve considerable energy consumption. To reduce energy consumption and CO₂ emissions from our operations, we have been replacing restaurant equipment with higher efficiency equipment.

- Expansion of all-electric restaurants (Denny’s)

Most dishes served in Denny’s restaurants are cooked in their kitchens, enabling us to offer a wide-variety of menu items in optimal condition. To sustain this basic policy, we previously used natural gas-powered kitchen equipment because of its high heating power and low running cost. However, energy consumption in our kitchens has been increasing in recent years, because we augmented the equipment’s capabilities to accommodate diversified menu items.

In response, we have started to replace all kitchen facilities with electric ones—such as induction heating (IH) stoves and “Eco-Cute” water heating system—since 2002, starting with a Denny’s in Chiba-Fujimi. These kitchens consume less energy, while achieving compatible heating capability. In fact, such all-electric restaurants have reduced CO₂ emissions by 5.7% per restaurant, compared with existing counterparts using some natural gas-powered equipment.

Introduction of such new kitchen facilities has other benefits. The temperature in an all-electric kitchen is 5°C lower than a kitchen using gas-powered equipment, which also means a better working environment for employees and less air-conditioning-related energy consumption. From occupational safety and hygiene control perspectives, employees’ injury risk has been lowered through the removal of direct flames, and the stoves are easier to clean up because of the flat surface of IH stoves.

In addition, the adoption of industrial Eco-Cute in 2007 has allowed us to solve the issues of installation space and running costs. As of August 2008, Denny’s restaurants in Tsukiji, Hachioji-Asahicho and Myorenji, as well as Chiba-Fujimi went electric completely.

In the restaurants where complete conversion is unfeasible due to space constraints and other reasons, we have started to introduce a combination of electric kitchen equipment and gas-powered water heaters. Denny’s in Soga, opened in July 2003, became the first restaurant with such a hybrid kitchen, which has been expanded into 78 restaurants to date, most of which are newly opened ones. Meanwhile, we have also been working to improve the energy efficiency of existing restaurants through the replacement of aging equipment with energy-efficient equipment and the planned installation of energy-saving devices such as inverter-controlled air conditioners and dish washers, and air-cooled ice makers.

As a result of these efforts, our annual CO₂ emissions per restaurant in FY 2007 reduced by 3.7%.

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Q: I imagine substantial amounts of energy are being consumed in some restaurants operating around the clock.

A: We have been reducing energy consumption by introducing highly efficient equipment and streamlining logistics operations.

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All-electric kitchen

We have been reducing energy consumption by introducing highly efficient equipment and streamlining logistics operations. I imagine substantial amounts of energy are being consumed in some restaurants operating around the clock.

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Eco-Cute is electric water heating system that uses heat in the air.

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We have been reducing energy consumption by introducing highly efficient equipment and streamlining logistics operations.

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Combating Global Warming
Shift to resource-saving, endocrine disrupting chemical-free separated chopsticks

Roughly 35 million pairs of disposable chopsticks are used in Denny’s restaurants each year. Since 1997, all these chopsticks have been made from domestic cedar woods which are either construction lumber remnants or wood from thinnings. To use such waste wood in the most effective way, our chopsticks are separated individually, not stuck together like common chopsticks. Cedar wood has natural antiseptic properties and thus requires no bleaching for processing. The chopstick covers are made from oriented polypropylene (OPP) which does not generate endocrine disrupting chemicals, considered detrimental to living organisms.

1. Construction lumber remnants are wood waste after milling logs into square (and other shaped) lumbers.
2. Wood from thinnings is from trees felled under planned forest management.
Environmentally responsible uniforms promoting the “3Rs”

Denny’s has worked with business partners to develop and use environmentally friendly uniforms, which contribute to the promotion of the 3Rs—reduce, reuse and recycle. Having sought suitable fabric, sewing and cleaning methods, we have developed durable uniforms that can withstand 120 washes. To save water and electricity consumption, uniforms are collected to be washed in bulk by contract laundry service providers, rather than by individual restaurant workers. Following our instruction, the laundry service providers do not use photochemical-smog-causing VOC or other solvent but wash our uniforms with water only, treat the resulting wastewater via microbial activities (absorption and degradation) to avoid producing sludge, and reuse the treated water as cleaning water. In addition, cleaned uniforms are delivered on metal hangers without using common plastic covers, and unusable old hangers are recycled. This Denny’s initiative will be expanded into Famil, Poppo and our dining service business in due course.
As a good corporate neighbor, we are engaged in many community contribution activities, such as educational and emergency response support.

**Wide-ranging community contributions as a community-rooted business**

The importance of active interaction among local community members has been reevaluated in recent years with an increasing percentage of nuclear families, declining birthrate and aging population.

As a community-rooted business aspiring to be welcomed and cherished by local residents, and visited by a greater number of guests, Seven & i Food Systems conducts wide-ranging community contribution programs to serve local needs.

- **Accepting work experience students**
  
  We actively support local junior high schools’ work experience programs and accept their students in our restaurants.

  This support originated from the schools’ request for our cooperation in providing an opportunity for children to think about their future careers. Under the guidance and support of the restaurant manager and all other staff, students have a hands-on experience in actual restaurant operations, such as serving customers and cleaning the premises, and learn about the importance of teamwork and communication and other necessary elements in the workplace.

  Some of these programs also serve as an opportunity to teach the importance of a wholesome diet and square meals, and use our original booklets to check daily eating patterns.

  In Denny’s restaurants, we received 592 students in FY 2007 and 207 students in the first half of FY 2008. We will continue to offer work experience opportunities to local junior high school students.

- **Supporting extracurricular classes and field trips to study corporate activities**

  In addition to work experience programs, we willingly cooperate with local schools for their extracurricular classes and field trips.

  In July 2008, for instance, we accepted a request from a private junior high school in Tokyo to provide its students with greater awareness through a visit and interview with us regarding our environmental activities. This event was conducted as part of the school’s civics class to learn about “what should be done to stop global warming by ourselves, companies, communities, and national governments.”

  During their visit, we presented the outlines of the CSR activities by Seven & i Food Systems with many specific examples. The students subsequently provided us with positive feedback, such as “I was able to understand food recycling programs at Seven & i Food Systems,” and “I’ve learned that energy-efficient equipment has been introduced to protect the environment.”

  We have received many other requests, such as elementary schools’ proposals for office visits and restaurant tours. We would like to meet as many requests as possible on an ongoing basis, to make contributions to local education.
Launching a “Children’s Cooking School”

In August 2008, we held our first cooking class for children (from senior preschoolers to third graders), Children’s Cooking School, in our Ichigaya Branch Office.

Objectives of this event were to provide an opportunity for parents and children to share a pleasant time by cooking together in an unusual setting, and to raise children’s interests in food and nutrition, which we believe, is a responsibility of a food-related company.

In the beginning of the class, children studied about nutrition and body development through an easy-to-understand lecture using handmade teaching aids, and then learned about how to use cooking knives and other tools safely and properly. During the subsequent cooking session, the children made their original salad and a sundae for dessert with their families. A total of 43 people from 17 families shared a pleasant culinary experience, through which they enjoyed learning something new, developing ideas, communicating their own ideas, and many more.

We are planning to organize this cooking event continuously as we position this program as a part of Seven-&-i-Food-Systems-specific social contribution programs.

Strengthened earthquake, fire and other disaster preparedness and response

We at Seven & i Food Systems have been working to improve our disaster preparedness systems so that our restaurants operating in approximately 1,000 locations across Japan can take immediate and appropriate responses, including recovery efforts and community support, to disaster occurrence, such as earthquake and fire.

Denny’s, having the highest percentage of free-standing restaurants among Seven & i Food Systems brands, formulated its Large Scale Disaster Response Procedures in 1996 and revised them in 2004. The latest version, functioning as Denny’s employees’ code of conduct during emergencies, includes specific instructions on evacuation guidance, rescue and relief activities, and other necessary actions, as well as a clear statement that it is Denny’s responsibility as a member of the local community to resume operations and serve meals as soon as possible in the affected area.

In February 2007, we became the first restaurant operator to enter into agreements with eight prefectural and municipal governments in Kanto region about the support of stranded commuters in the event of a disaster. In September 2008, we also made similar agreements to provide support for disaster-affected commuters with seven prefectural and four municipal governments in Kansai region. In accordance with these agreements, if a disaster occurs, we will provide access to drinking water and restrooms, road and traffic information obtained via radio and other media, and map information, to individuals who need to walk home due to disruption of transportation systems. After making these agreements, our Denny’s restaurants in Saitama, Tokyo and Chiba participated in emergency drills operated by respective prefectural governments to practice supplying drinking water and so on. As a next step, we are planning to conduct a range of training programs at our regional restaurant managers’ meetings.
More meals with vegetables on menu
Vegetables are used in approximately 90 items on our menu, including sides and salads. Examples of such vegetable meals include a fresh salad which allows customers to eat nine different vegetables in one plate.

Menu items for food allergic children
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 staff in a restaurant to avoid possible secondary contamination.

Support customers’ wellness management in our dining service business
Our dining service business, serving meals in customers’ facilities, offers wellness management service at customers’ request. Such service includes advisory provision for the prevention of lifestyle-related disease, including diabetes, high blood pressure, and increased neutral fat levels, on which daily diet has great impact.

Examples of Denny’s healthy menu items
● Low-calorie dishes responding to customers’ demand
In addition to existing calorie information provision and other health-conscious initiatives, customers’ demand for more health-conscious meals has been increasing in recent years. We have therefore developed new items which are low in calories but still hearty and tasty—hallmarks of Denny’s dishes. We rolled out new calorie-conscious items, such as ramen noodles in salt-based soup topped with a lot of vegetables (335 kcal) and soupy rice with steamed chicken, dried plum and dried sardine fry (301 kcal), in spring 2008 to coincide with the launch of the “anti-metabolic syndrome” health checkup program. In addition, a greater number of smaller-sized items have been made available, and small size has been added to rice serving portion since June 2008, together with existing choices of regular and large.

In the following July, a low-calorie dessert item made its debut on our menu: a yogurt dessert served on a plate having less than 100 kcal (cf., a standard commercially available pudding has about 130 kcal per 100 grams). This item is based on fat- and sugar-free yogurt, flavored with avocado oil containing oleic acids that help reduce bad cholesterol levels, and topped with hyaluronic acid and collagen-enriched jelly, which is considered to be beneficial for good skin.

Offering health-conscious items to support customers’ healthier lives
Health management has become of greater interest to our customers, partly due to the introduction of a new health checkup and guidance program aiming to prevent metabolic syndrome in April 2008. In response, Seven & i Food Systems has been working to develop and offer healthy menu items that can contribute to customers’ healthier lives.

Support customers’ wellness management in our dining service business
Our dining service business, serving meals in customers’ facilities, offers wellness management service at customers’ request. Such service includes advisory provision for the prevention of lifestyle-related disease, including diabetes, high blood pressure, and increased neutral fat levels, on which daily diet has great impact. Based on the evaluation of customers’ dietary patterns and caloric intake, registered dietitians provide a range of advice on menu planning, well-balanced diet, and necessary exercises. We will retain more dietitians and expand this service further in the future.