

Corporate Governance

In its commitment to maximizing corporate value over the long term, Seven & i Holdings is striving to enhance business efficiency throughout the Group as well as to achieve a high degree of management transparency and reliability. We are consequently seeking to strengthen our internal control through a clear separation of management oversight and business operation responsibilities.

Corporate Governance System Supported by Executive Officer and Corporate Auditor Systems

The Board of Directors of Seven & i Holdings comprises 15 members, of whom three are independent outside directors. The term of the directors is set at one year to ensure timely responsiveness to shareholders' requests.

We have introduced the executive officer system to facilitate prompt decision-making and execution. Under this system, the Board of Directors' supervisory function is separated from the executive officers' executive function. This frees the Board of Directors to focus on formulating management strategies and supervising business execution, while the executive officers focus squarely on business execution. Nineteen executive officers, including those serving concurrently as directors, are engaged in business execution. Special care has been taken to ensure that the independent outside directors are fully able to perform their oversight function of supervising the executive directors' execution of duties.

The five-member Board of Corporate Auditors, which includes three independent outside auditors, monitors management. Each corporate auditor audits the directors' execution of duties rigorously by such means as attending meetings of the Board of Directors' and other important meetings, exchanging opinions with the representative directors and reviewing reports submitted by the directors. The corporate auditors also exchange information with the accounting auditors to maintain close relations with them with respect to financial audits.

* The numbers of members are as of end July 2010.

Strengthening Corporate Governance by Appointing Outside Directors and Outside Corporate Auditors and Establishing Appropriate Committees

Seven & i Holdings appoints outside directors and outside corporate auditors to enhance its management supervision function and increase transparency. All the outside directors and outside corporate auditors are independent from our organization. They hold periodic meetings, as necessary, with the Board of Directors, representative directors and directors to exchange opinions regarding the Group's management and corporate governance. Outside corporate auditors visit the business offices of our main operating companies and exchange opinions with their directors and corporate auditors. We assign employees to assist the outside directors in order to facilitate smooth exchanges of information and close interactions between the outside directors and company directors.

To strengthen our corporate governance, moreover, we have established the CSR Management Committee, Risk Management Committee, Information Management Committee and Group Synergy Committee under the representative directors. Each committee works with the operating companies to determine and disseminate the Group's policies.

Reinforcing Internal Control Systems

Seven & i Holdings is directing efforts toward reforming and enhancing its internal control systems to assure achievement of the objectives of internal control: (1) operational effectiveness and efficiency; (2) reliability in financial reporting; (3) strict compliance with laws and regulations in operating activities; and (4) appropriate preservation of assets.

The Board of Directors responded to the enforcement of the Corporate Law of Japan in May 2006 by passing a resolution within the same month concerning the Company's "Basic Policy on Internal Control Systems." The resolution calls for a review of the current internal rules, evaluation of the Group's risk management activities and implementation of other measures. In response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Law, we formulated a set of "Rules for Establishing Internal Control Concerning Financial Reporting" and restructured our Auditing Office, to which we added new staff.

As an independent department responsible for internal auditing,

the Auditing Office has served an oversight function involving verification and guidance provision for the internal auditing of the main operating companies as well as an internal auditing function involving auditing of the holding company, Seven & i Holdings, itself. The restructured Auditing Office now has the additional responsibility of evaluating internal control for the Group as a whole, besides the responsibilities already assumed by personnel in charge of operational audits.

Ensuring responsible management and sound financial systems requires ensuring that each employee executes his or her duties efficiently and accurately while constantly reviewing their execution. We have accordingly taken such steps as issuing our Internal Control Handbook to every employee in an effort to create an environment that is more conducive to maintaining accuracy and enhancing operating efficiency.

Upon obtaining verification from our auditing firm in May 2010, we submitted a report on our internal control to the Financial Services Agency. The report attested to the validity of our internal auditing.

Communication with Shareholders and Investors

In its commitment to being a "sincere company trusted by shareholders," Seven & i Holdings strives to increase soundness, transparency and efficiency throughout the Group, secure stable profits, expand its businesses and disclose information in a timely and appropriate manner.

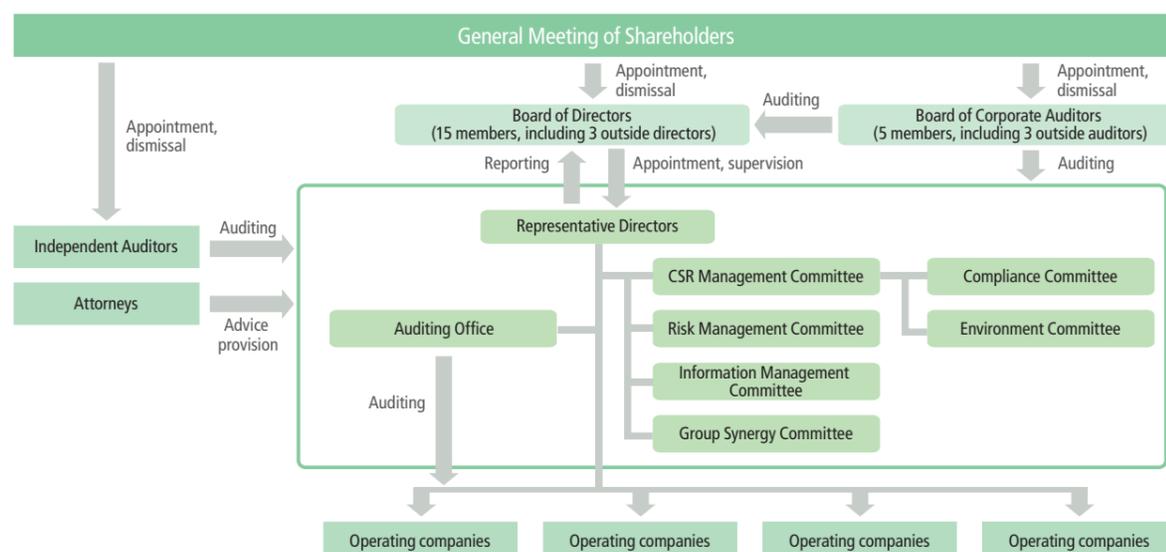
At Seven & i Holdings, we seek to disclose extensive amounts of information to our shareholders and investors. We make IR materials available on our Web site that reveal our Group-wide measures and our operating companies' business policies, as well as releasing information such as our preliminary financial results and share data on a timely basis. We endeavor to conduct similar information disclosure in English in order to provide our overseas shareholders and investors with identical data.

The departments concerned respond to inquiries from shareholders in accordance with their content. In doing so, our staff take appropriate care to comply with laws and regulations and give due consideration to the fairness of the information they provide.

To facilitate smooth execution of voting rights at the General Meeting of Shareholders, we send out invitations to the meetings before the statutory deadline. For institutional investors, we post invitation notices that are accessible only to members on the Web sites of several trust banks. We also seek to increase convenience by allowing shareholders to use of the "Electronic Voting Platform for Institutional Investors" in exercising their voting rights.

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Corporate governance system



IR tools

- Financial Results (Kessan Tanshin)
- Brief summary
- Presentation materials
- Securities Reports
- Annual Report
- Corporate Outline
- CSR Report
- Quarterly Reports



IR information
<http://www.7andi.com/en/ir/index.html>



A Quarterly Report

CSR Management

We are strengthening our CSR management system with respect to supervision and oversight of conditions at all our operating companies to ensure the ability of both Seven & i Holdings and the operating companies to fulfill their social responsibilities.

Seven & i Holdings and the Group operating companies consider that acting sincerely with respect to their various stakeholders, including shareholders, customers, business partners, local communities and employees, is at the heart of their CSR activities. To achieve this, we believe that, besides meeting its responsibilities to its shareholders and operating companies, Seven & i Holdings is responsible for supervision and oversight of its operating companies to ensure that they act responsibly toward their stakeholders.

We have responded by establishing three committees, the CSR Management Committee, Risk Management Committee and Information Management Committee, each of which works closely with the operating companies concerned. Each committee conducts periodic reviews and evaluations of the operating companies' performance and shares the findings and results with the operating companies and the Group as a whole in an effort to raise the level of our CSR activities.

Establishment of the CSR Management Committee Responsible for Promoting Group-wide CSR Activities

Seven & i Holdings has established the CSR Management Committee as an organization responsible for promotion, supervision and oversight of its CSR activities.

We have established the Risk Management Committee to handle the risk management function and the Information Management

Committee to take charge of information management for the Group as a whole.

The Compliance Committee and the Environment Committee are established under the auspices of the CSR Management Committee.

Compliance Committee

The Compliance Committee consists of the Fair Trade (FT), Quality Control (QC) and Corporate Ethics Subcommittees. The FT Subcommittee provides consultations for the operating companies with respect to labeling, fair trade and other issues to ensure that all the Group's operating companies engage in fair business practices. It also supports the operating companies by conducting training concerning such related laws and regulations as the Antimonopoly Law as well as by investigating actual conditions on the sales floor.

The QC Subcommittee is concerned with establishing systems for sharing information on product safety and stipulating rules for reporting

and dealing with any accident that may occur. It also promotes sharing of quality standards and cooperative conduct of training and education activities among the operating companies.

In September 2009, the Corporate Ethics Subcommittee established a new Group-wide Help Line for employees, operated by a third party, thus creating a system for receiving reports from operating company employees who previously had no help line available. The subcommittee is also contemplating revising the Group's Corporate Action Guidelines.

Environment Committee

The Environment Committee comprises the Global Warming Countermeasures, Distribution and Sustainable Recycling Subcommittees. In fiscal 2009, prior to the enforcement in fiscal 2010 of the Tokyo Metropolitan Ordinance on Environmental Preservation*, which not only requires large-scale facilities to reduce CO₂ emissions but also introduces an emissions trading system, the committee analyzed the Group's current CO₂ emissions and the estimated future reductions for the various business offices of the operating companies that operate stores to which the ordinance applies. The committee explored the situation concerning investment in energy conservation to achieve further reductions, moreover, as well as the implementation of measures for CO₂ emissions reduction.

For more appropriate and efficient calculation of CO₂ emissions for the Group as a whole, the committee has newly created the "Seven & i Holdings Group-wide Manual for Calculation of CO₂ Emissions," taking into consideration the results of third-party reviews of CO₂ emissions data conducted for each operating company by a third-party organization in fiscal 2009 in conjunction with the Revised Energy Conservation Law, Revised Law Concerning the Promotion of Measures to Cope with Global Warming and local government ordinances concerning countermeasures to global warming. The volume of CO₂ emissions for fiscal 2009 presented in this year's CSR report has been calculated in accordance with this manual.

* Ordinance on Environmental Preservation to Secure the Health and Safety of Citizens of the Tokyo Metropolitan Area [Data Section pages 77, 80, 83, 86, 89](#)

Risk Management Committee

During fiscal 2009, we formulated and implemented concrete countermeasures to risks we identified, based on our semi-annual risk assessments, as requiring addressing in the order of their severity and degree of urgency. At the same time, we introduced measures to deal with various types of risk through Group-wide collaboration, and sought to enhance and refine our risk management through both standardization and integration of our risk assessment and monitoring and systematization of our risk countermeasures.

All our main subsidiaries and affiliated companies had adopted comprehensive Group-wide risk management systems by fiscal 2009 year-end. We continue to work toward their adoption by our other strategic subsidiaries and affiliates, while striving to grasp potential risks facing the Group more accurately and address them more appropriately.

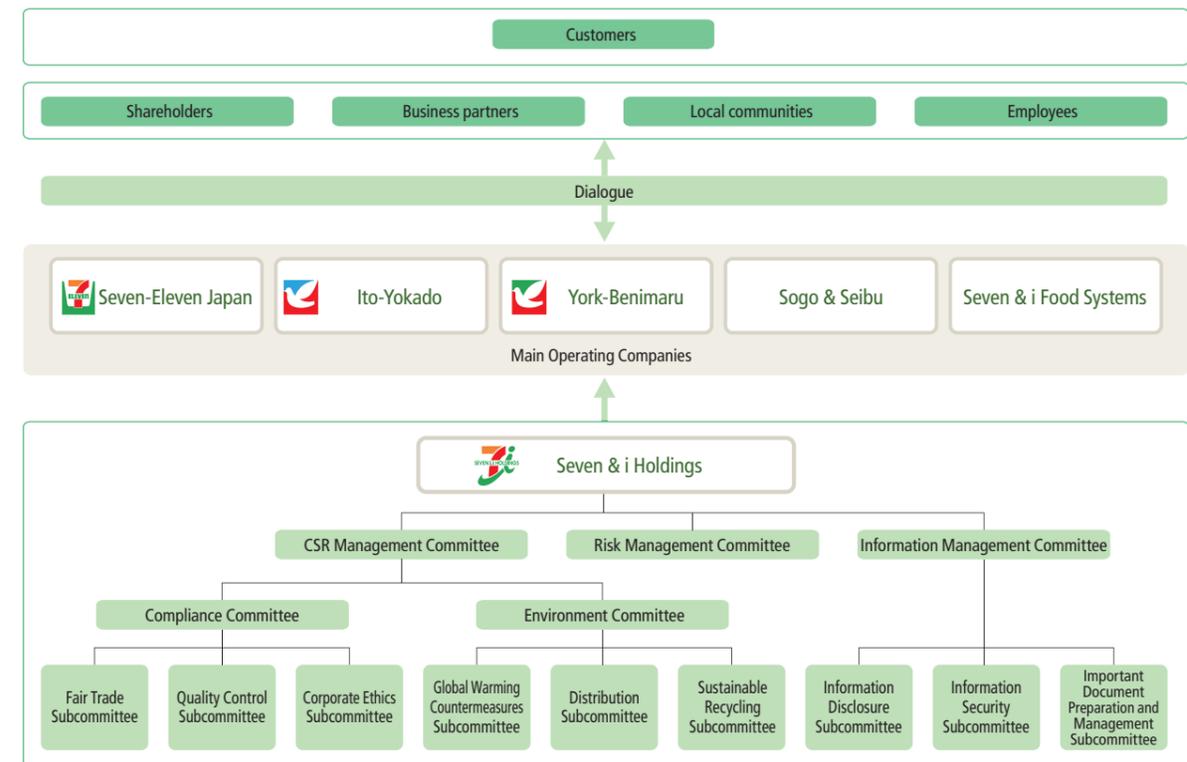
In the future, we will seek to refine our risk assessment methodology further with a view to optimizing the risk-return balance, while working at the same time to reinforce our Group-wide efforts.

Information Management Committee

In implementing the internal controls stipulated by the Corporation Law, the Information Management Committee is engaged in activities aimed at the following: (1) assuring the preparation, storage and appropriate management of all documents necessary to the proper execution of business operations—including important contract documents, minutes of meetings and statutory records—and other information; (2) ensuring secure management of important confidential information related to operations as well as personal information; and (3) ensuring that no information disclosed by the Company is false or deficient.

In fiscal 2009, the committee worked to ensure compliance with insider trading regulations, in addition to disseminating the Group-wide rules for timely transmission of important information to Seven & i Holdings and preparing English and Chinese versions of the rules for our overseas subsidiaries. It also formulated basic rules to guarantee that important documents such as contracts that are submitted to outside organizations receive proper approval and certification by official seal before submission.

CSR Management System



Compliance

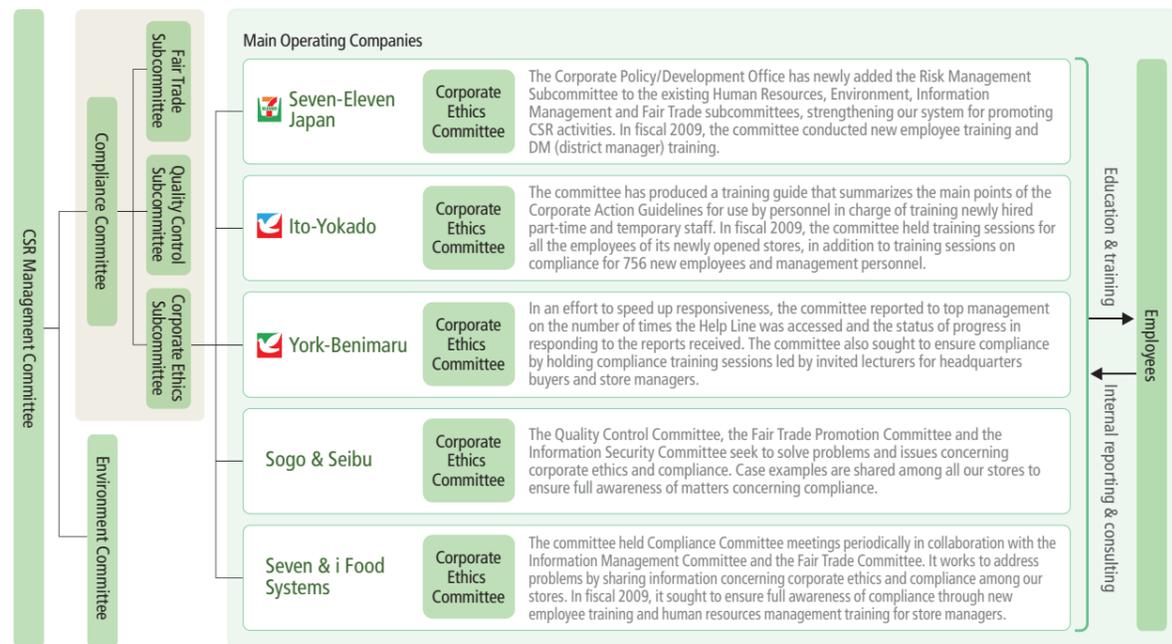
We have established committees and a help line for Group employees to foster implementation of our Corporate Action Guidelines and ensure compliance throughout the Group.

The main operating companies of Seven and i Holdings Group have established Corporate Ethics Committees with the aim of cultivating the Seven & i Holdings Corporate Action Guidelines and awareness of compliance with applicable laws and regulations among employees. In addition, personnel responsible for the various operating companies' Corporate Ethics Committees participate in the Compliance Committee, an organization established under the CSR Management Committee, in an effort to establish a common understanding among Group members. The Compliance Committee shares measures that have proved effective and conducts discussions aimed at ensuring observation of the Corporate Action Guidelines and reinforcing associated activities.

Each of our main operating companies provides a consultation service for employees to discourage and prevent behavior or actions in violation of the Corporate Action Guidelines and assure early resolution should they occur. We established a Group-wide Help Line in September 2009, moreover, with a third-party organization responsible for its operation. With this system in place, we now have a consultation mechanism that can be accessed by any employee of our domestic consolidated subsidiaries, including operating companies that had no consultation service available in the past. In the future, we will work to identify and solve common Group problems based on opinions expressed by our employees.

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Compliance System



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Seven-Eleven Japan's response to a cease-and-desist order from the Japan Fair Trade Commission

Seven-Eleven Japan responded to a cease-and-desist order issued by the Japan Fair Trade Commission on June 22, 2009 for restraining franchisees from conducting markdown sales by implementing corrective measures affecting all its franchisees and employees, based on a resolution of the Board of Directors.

These measures were as follows: (1) revision of the Action Guidelines with respect to compliance with provisions concerning transactions with franchisees stipulated by the Antimonopoly Act; (2) formulation of guidelines for franchisees and employees regarding the conduct of

markdown sales by franchisees; (3) conduct of an Antimonopoly Act training workshop for executives and employees on September 29, 2009, at which an attorney-at-law presented a lecture on compliance with the Antimonopoly Act's provisions concerning transactions with franchisees (after which a DVD was shown to employees who were unable to attend the workshop to ensure their full familiarity with the contents of the lecture); and (4) auditing of corporate officers and employees by means of questionnaires and hearings conducted by legal affairs personnel. We are making every effort to prevent recurrences of such problems in the future.

Supply Chain Management

We have formulated the "Seven & i Holdings Business Partner Action Guidelines" and will fulfill our social responsibilities together with our business partners.

Products handled by Seven & i Holdings' operating companies are delivered to customers by a wide range of Group business partners, including raw materials suppliers, contract manufacturers and contract distributors. This collaboration with business partners is vital to meet our customers' expectations for "safety and reliability" and fulfill our social responsibilities across a broader spectrum. Seven & i Holdings responded to this need in March 2007 by formulating the "Seven & i Holdings Business Partner Action Guidelines," which compile the matters we ask our business partners to understand and observe, including matters concerning product safety, compliance with laws and regulations, consideration for human rights and the environment, and relationships with the local community. The Guidelines went into effect in December 2007.

We ask contract manufacturers of house-brand products of Seven & i Holdings and its operating companies to submit a check sheet assessing 52 items required for compliance with the Guidelines. Making active use of the check sheet enables us not only to encourage our business partners to promote effective CSR activities but also to grasp the status of their CSR efforts.

Seven & i Holdings Business Partner Action Guidelines

1. Legal Compliance
2. Respect for Human Rights and Dignity
3. Human Resources and Workplace Environment
4. Environmental Management
5. Relationship with Society and Local Communities
6. Information Management
7. Product Safety Assurance
8. Fair Business Practices

For the full text of the Seven & i Holdings Business Partner Action Guidelines, please visit the following site: <http://www.7andi.com/en/csr/fair-trade.html>

Ensuring Fair Business Practices

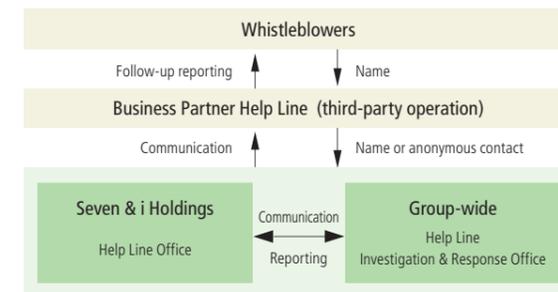
Our efforts to ensure fair business practices include establishment of the Fair Trade Subcommittee and implementation of the Business Partner Help Line.

At Seven & i Holdings, the Compliance Committee's Fair Trade Subcommittee takes the lead in ensuring fair business practices. It holds periodic meetings with responsible personnel from the main operating companies in attendance to exchange information about relevant laws and regulations and case examples of measures taken by the operating companies.

We have set up the "Seven & i Holdings Business Partner Help Line" operated by a third-party organization, moreover, to fulfill a contact function for providing consultation and receiving opinions from our business partners. The aim of the Help Line is to detect potential problems in advance and prevent their occurrence by providing consultations and receiving reports concerning conduct that could result in loss of public credibility, such as legal violations, unfair business practices and issues involving the safety and security of our customers. The consultation and reporting service is available to corporate officers, employees, part-time staff and former employees of all the Group's business partners.

We provide information concerning the Help Line system and its use in leaflets as well as on our Web site, including assurances that whistleblowers accessing the system will receive no unfair treatment. Seven & i Holdings accepts questions and opinions from its business partners so that problems are rectified quickly and fair business practices ensured.

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For details concerning the Seven & i Holdings Business Partner Help Line, please visit the following site: <http://www.7andi.com/csr/helpline.html> (in Japanese)