

Strengthening Corporate Governance and CSR Management

As a holding company that oversees and controls its operating companies, it is our mission to strengthen corporate governance and maximize the enterprise value of our Group.

Corporate Governance System Supported by Executive Officer and Corporate Auditor Systems

The Board of Directors of Seven & i Holdings is composed of 16 Directors (of whom three are independent outside Directors). The term of Directors has been set to one year, to reflect the intentions of shareholders in a timely manner. The Executive Officer system has been adopted for prompt decision making and operations. The Board of Directors is responsible for formulating business strategies and supervising operations, and 15 Executive Officers, including those who also serve as Directors, are in charge of operating performance.

The Audit & Supervisory Board is composed of five members (of whom three are independent outside members), and monitors administration. In addition to attending Board Meetings and other important meetings, the Audit & Supervisory Board Members exchange opinions with the Representative Director and interview Directors regarding the status of operational performance. In addition, they share information with operating companies' directors and corporate auditors and strictly audit the directors' performance of duties. They also exchange Independent Auditors, and collaborate closely with them in auditing. Outside Directors and outside corporate Auditors supervise and audit operating performance by presenting

advice and suggestions to ensure the validity and appropriateness of decisions made by Directors and their operating performance, and by exchanging opinions with Directors and others at meetings concerning company operations, corporate governance, and other matters.

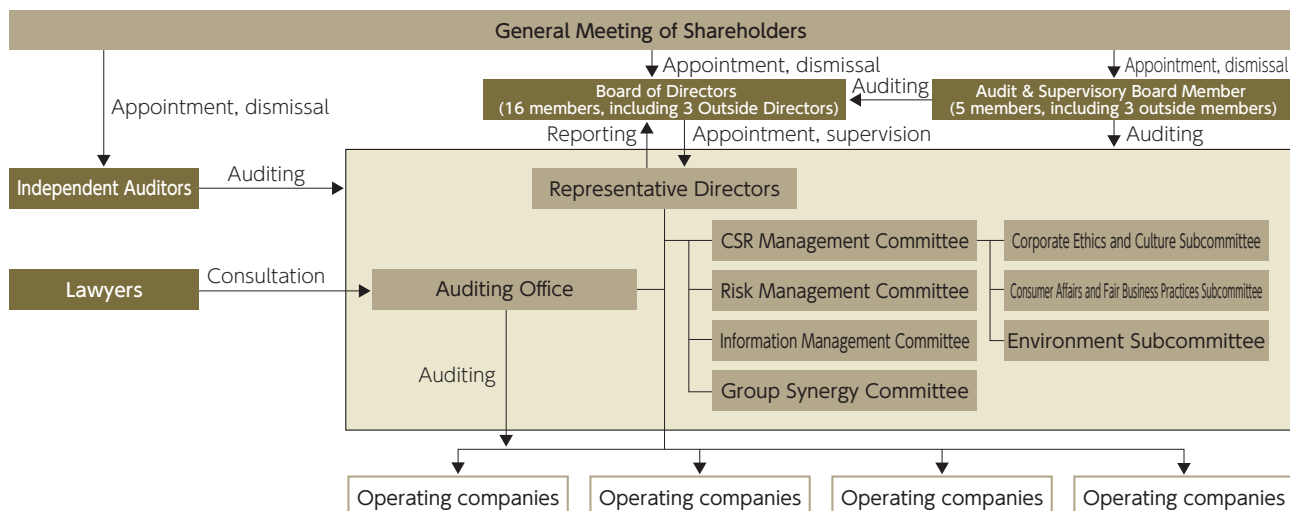
*1 Seven & i Holdings emphasizes on the independence of outside Directors and Audit & Supervisory Board Members. Individuals who are selected are unlikely to be in a conflict of interest with general shareholders and who are capable of offering supervision, auditing, advice, and suggestions based on expert knowledge and experience, from objective and neutral standpoints.

*2 The number is as of the end of July 2013.

Internal Control Systems

Seven & i Holdings has worked to improve and reinforce Internal Control Systems, to ensure the following: (1) effectiveness and efficiency of business operations; (2) credibility of financial statements; (3) compliance of business activities with laws and regulations; and (4) proper conservation of assets. The Auditing Office, which is the independent internal auditing division, has the management function to confirm and instruct internal auditing by operating companies or directly audit them, and the internal auditing function for auditing the holding company Seven & i Holdings. In addition to the persons in charge of business auditors for performing these operations, persons in charge of evaluating internal controls have been appointed, and they evaluate internal controls of core operating companies.

Corporate governance and CSR Management System



Committees

Seven & i Holdings has established the CSR Management Committee, Information Management Committee, Risk Management Committee, and Group Synergy Committee which report to the Representative Director. Each committee cooperates with the operating companies to determine Group policies and to manage and supervise their dissemination and execution with an eye to strengthening corporate governance.

CSR Management Committee

The CSR Management Committee endeavors to maintain compliance with the Seven & i Holdings Corporate Action Guidelines, with the basic motto of “acting sincerely” with respect to various stakeholders. To ensure compliance with the Action Guidelines, three subcommittees (Corporate Ethics and Culture Subcommittee, Consumer Affairs and Fair Business Practices Subcommittee, and Environment Subcommittee) have been established under the CSR Management Committee.

Each subcommittee prioritizes main challenges to be addressed from the standpoint of the Group’s business characteristics, and then develops and implements measures for achieving solutions.

In response to the Japan Fair Trade Commission’s June 27, 2013 recommendation concerning the violation of the Subcontract Act which prohibits any undue reduction in payment to subcontractors, York-Benimaru Co., Ltd. implemented improvement measures involving all employees based on a resolution of its Board of Directors. The improvement measures included a training session held on July 5, 2013 for executive officers, all buyers, and executives on compliance with the Subcontract Act regarding transactions with subcontractors. York-Benimaru is striving to keep everyone across the organization informed of compliance with the Subcontract Act, and has established a compliance system to ensure prevention of any recurrence of a similar incident.

Information Management Committee

The Information Management Committee aims to control issues related to information management. In FY2012, mainly in order to enhance information

security, the Committee conducted voluntary and third-party checking at seven companies that operate online businesses concerning their compliance with the Guidelines Related to IT Information Security and Internet Businesses, and implemented security measures based on the results of the checking.

In FY2013, the Committee will promote similar voluntary checking and security measures at companies other than these seven while working to enhance our internal organization for preventing insider trading.

Risk Management Committee

The Risk Management Committee regards all phenomena that threaten continuation of our businesses and hinder sustainable growth as risks, and works to strengthen comprehensive and integrated risk management.

In FY2012, the Committee attempted to fuse risk management with the administrative management for improving the enterprise value of our Group, and worked on refining the indicators for evaluation of business efficiency.

In FY2013, the Committee will continue to control soundness in management and business continuity. Also, in order to facilitate the Group’s growth via expansion and increased efficiency, the Committee will also work to improve risk assessment techniques and promote the sharing of knowledge and know-how among operating companies in an effort to enhance appropriateness of risk management.

Group Synergy Committee

The Group Synergy Committee is composed of subcommittees on merchandising, systems, building equipment, sales promotion, etc. By sharing and utilizing the expertise in product development, sales, promotion, etc. that each operating company has separately cultivated, our Group creates safe, reliable, and useful products and services of high quality; of which Seven Premium products are the leading example. Making use of the scale merit brought about for the Group, significant cost reductions have also been attempted through collaborative purchasing of commercial and construction materials.

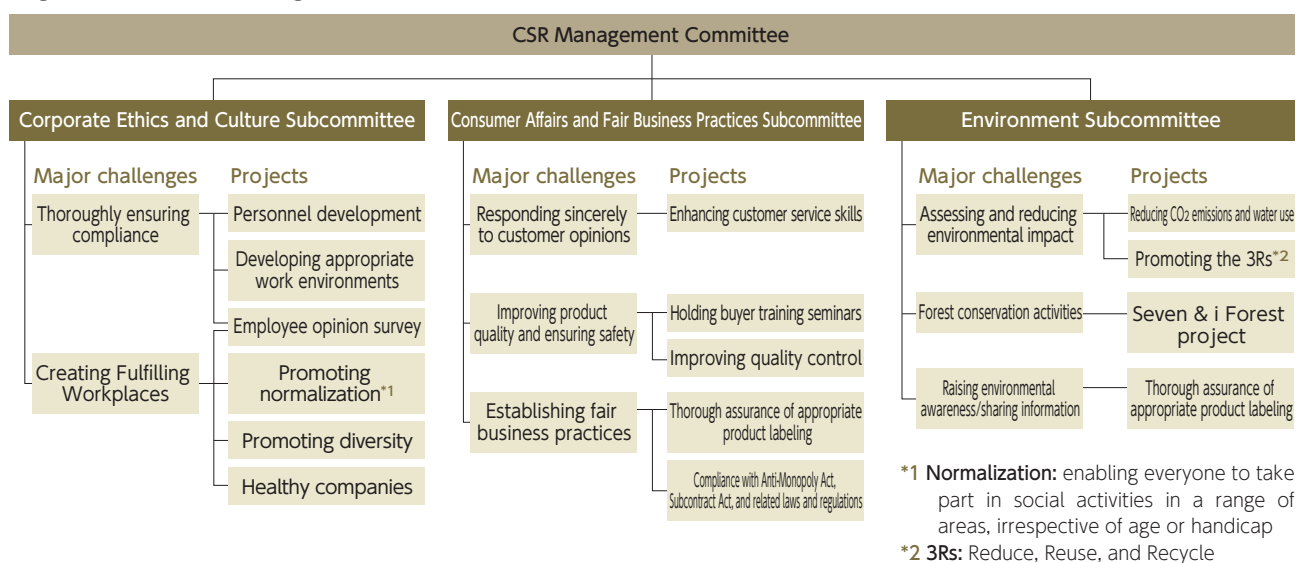
Strengthening Corporate Governance and CSR Management

Special organizations have been set up to implement CSR initiatives in line with the Challenges Facing the Seven & i Group.

Our CSR initiatives are implemented by the CSR Management Committee, which is chaired by the president of Seven & i Holdings and composed of the people responsible for the CSR-related matters along with its three subcommittees – the Corporate Ethics and Culture Subcommittee, the Consumer Affairs and Fair Business Practices Subcommittee, and the Environment Subcommittee.

Each subcommittee examines and develops specific measures to be implemented for its projects in line with the Challenges Facing the Seven & i Group. These measures are then implemented through Group-wide efforts upon approval of the subcommittees.

Organization of CSR Management Committee



Targets and progress by each subcommittee

Major FY2012 targets	Evaluation**	Plans for FY2013
Corporate Ethics and Culture Subcommittee		
(1) Thoroughly ensuring compliance		
● Making sure all employees are thoroughly familiar with the Seven & i Holdings Corporate Action Guidelines and other guidelines	○	<ul style="list-style-type: none"> Establishing common basic components of Group-wide employee education, such as the corporate creed and developing educational tools Teaching rules and work procedures necessary for operation to employees in each tier Checking on each Group company's employment rules and labor agreement Establishing basic components of employee education to thoroughly disseminate the corporate creed and other elements of management philosophy Promoting employment of people with disabilities and achieving the percentage required by law throughout the Group Conducting CSR audits for about 40 business partners
● Studying employee opinion surveys	○	
● Studying measures to address revisions to the Labor Contract Act	○	
● Considering revising employee training programs designed to thoroughly disseminate the management philosophy and cultivate a common sense of values for each company and tier of workers	△	
● Conducting CSR audits of business partners of Seven Premium products and Ito-Yokado's direct overseas suppliers	○	
(2) Creating fulfilling workplaces		
● Diversity (of human resources) Promotion Project		
● Sharing career plans and life plans through interviews with managers	○	<ul style="list-style-type: none"> Expanding events for building networks among women Providing employees who have returned from childcare leave with orientation Holding awareness-raising events for managers Conducting ongoing awareness-raising activities using internal newsletters, etc. Focusing on external communications (implementing the Positive Action Declaration, etc.)
● Adopting the mentor system	○	
● Promoting communications with employees on parenting leave via use of social networking services (SNS)	×	
● Conducting interviews by managers with employees before taking childcare leave and when returning to work	○	
● Considering obtaining the next generation authorization mark by Seven-Eleven Japan to support raising children	○	
● Holding an event for developing networks among women	○	
● Starting awareness-raising activities utilizing in-house newsletter, etc.	○	
● Studying holding joint briefing for the Group for promoting employment of persons with disabilities	△	<ul style="list-style-type: none"> Raising employee awareness and developing tools for promoting normalization Developing standards related to the work environment of the Group
● Developing employee education tools common to all Group companies and strengthening education	×	



Director
Senior Officer of CSR Department
Junro Ito

Boosting CSR Initiatives: A Shift from CSR to CSV

During FY2012, the three CSR subcommittees focused on ensuring compliance with relevant laws, identifying and analyzing challenges facing the Group as well as each operating company, and confirming the direction for the entire Group to follow.

The Corporate Ethics and Culture Subcommittee implemented measures to ensure compliance with revised labor-related laws and the Employment Promotion Act for People with Disabilities, created an organization for helping women display more of their abilities, and conducted an employee opinion survey. The Environment Subcommittee increased the number of major operating companies subject to CO2 emissions assessment to nine (see page 43), and set medium-term CO2 emissions reduction targets for the Group. The Consumer Affairs and Fair Business Practices Subcommittee provided the Group's buyers

with a training seminar on product knowledge needed to pursue quality products and fair trading with business partners. Despite these efforts, York-Benimaru Co., Ltd. received a recommendation concerning the violation of the Subcontract Act from the Japan Fair Trade Commission in June 2013. We will strengthen training aimed at preventing the recurrence of a similar incident and work to ensure full compliance with all relevant laws and regulations.

We recognize three major tasks that need to be accomplished if we are to further expand our CSR initiatives in FY2013.

The first task involves reviewing our past initiatives through stakeholder dialogues with outside experts. The second task entails painting a clearer picture of where the Group is headed and stepping up joint efforts with Group companies to implement actions that will take us there while evaluating these actions multilaterally with various key performance indicators (KPIs). The third task encompasses shifting the focus of our current initiatives to solving problems facing society through our business operations (creating shared value) in addition to ensuring legal compliance and reducing the negative impact our operations have on communities and environment.

If Seven & i Holdings is to continue to be an essential part of the society, we must step up on efforts to promote strategic CSR for sustainable development of society and our company. That means making CSR an integral part of our operations as we actively work toward solving the various problems facing society.

※Evaluation ○:Target achieved △:Target nearly achieved ×:Fell significantly short of target

Major FY2012 targets	Evaluation**	Plans for FY2013
Consumer Affairs and Fair Business Practices Subcommittee		
(1) Responding sincerely to customer opinions		
● Holding regular seminars on customer service	○	● Holding joint training for new customer service office employees
(2) Ensuring the quality and safety of products and services		
● Holding seminars focused on product safety for each product category	△	● Holding joint seminar for apparel buyers in cooperation with inspection organizations
● Utilizing the Check Sheet for Business Partners' Factories across the Group	○	● (Food) Conducting joint inspections of business partner factories by the people responsible for quality control of Group companies
● Thoroughly communicating the Appropriate Product Labeling Guidelines for food products across the Group	○	● (Apparel/household products) Reviewing the quality control organization based on the Product Safety Guidelines for Distributors
(3) Establishing fair business practices		
● Developing and strengthening daily and regular monitoring systems for each Group company	○	● Sharing and building on good fair trading practices among Group companies
● Holding seminars on Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	△	● Holding regular training on the Subcontract Act and the Anti-Monopoly Act
● Holding a joint seminar on ensuring a smooth transition to the 2014 revision to the consumption tax.	○	● Sharing measures taken by Group companies to ensure a smooth transition to the revised consumption tax
Environment Subcommittee		
(1) Reducing the environmental impact		
● Improving CO ₂ management at stores via third-party verification	○	● Improving CO ₂ management (setting targets and strengthening third party verification)
● Promoting reduction of packaging materials	○	● Promoting food recycling and installing more PET bottle collection machines
		● Strengthening environment management system
(2) Conserving the global environment		
● Deciding on candidate forests for the second Seven & i forest conservation project	×	● Continuing with employee volunteer work
● Continuing forest improvement in the Seven & i Forest with the help of employee volunteers	○	● Developing private brand products using forest thinnings
● Developing store materials and office supplies using thinnings from the Seven & i Forest	○	

We work jointly with our business partners to promote CSR management across the entire supply chain

Seven & i Holdings Business Partner Action Guidelines

Seven & i Holdings requests all business partners to become familiar and comply with the Seven & i Holdings Business Partner Action Guidelines adopted in 2007.

The Guidelines are designed to not only guarantee the safety and reliability of our products and services but also ensure legal compliance, environmental conservation and fair employment across the entire supply chain so that we can fulfill our corporate social responsibility together with our business partners. We ensure to communicate the Guidelines through regular meetings of our Group companies with their business partners.

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. Products Safety Assurance
8. Fair Business Practices
9. Monitoring

For the full text, please visit the following site:

 <http://www.7andi.com/en/csr/suppliers/guide.html>

Ensuring Compliance with the Guidelines via the Self-Check Sheet

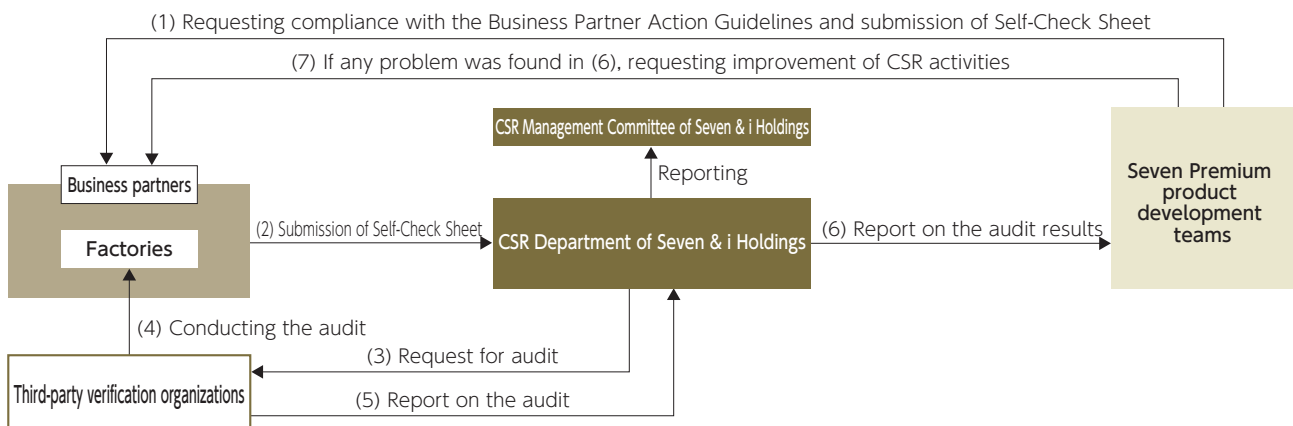
Seven & i Holdings has created a self-check sheet that includes specific requirements for complying with the Guidelines.

The Self-Check Sheet is designed to be in line with ISO 26000, the KEIDANREN Corporate Behavior Charter, and the OECD Guidelines for Multinational Enterprises. The Sheet helps our business partners to understand the Guidelines and implement effective CSR measures while enabling us to assess their progress in implementing those CSR measures. Currently business partners of Seven Premium products, which are the Group’s common strategic products, as well as Ito-Yokado’s direct overseas suppliers are required to submit the Sheet.

Promoting CSR Audits

The CSR audit, performed by a third party, verifies whether or not our business partners are in compliance with the Guidelines via a check of audit items (about 140 in 16 categories) established independently by Seven & i Holdings (see chart example on p.13). For non-compliance matters found in the audit, corrective measures will be implemented pursuant to the Corrective Action Plan (CAP) submitted by the business partner within 10 days of completion of the audit and under the guidance of the verification organization. A compliance certificate will then be issued when the verification organization and

Process flow of Business Partner Action Guidelines operation (for Seven Premium products)



Seven & i Holdings judge that corrective measures on the important and quality-related non-compliance issues and the chief minor non-compliance issues have been completed.

In FY2012, CSR audits were conducted for 16 companies in four countries, including China, Vietnam, Indonesia, and Bangladesh. We plan to conduct CSR audits for 45 companies in FY2013. Additionally, in May, in view of the start of the CSR audit, we held briefings for business partners of apparel and household products in Tsingtao and Shanghai. We also conducted trial CSR audits at some of our Chinese business partners in FY2012. The officers of CSR Department of Seven & i Holdings accompanied the verification company to confirm the audit methods and procedures.

Also, a joint seminar was also held in June 2012 for buyers of the Group to raise their awareness of the importance of CSR for the entire supply chain. The Seven & i Holdings Corporate Action Guidelines to be complied with by all employees of the Group, which were revised in 2011, were again made thoroughly known among Group employees, while at the same time explaining the



Briefings held in China



Trial CSR audit at factories

Chart example of audit results



importance of fulfillment of social responsibilities in collaboration with business partners, to about 500 people working with the 17 operating companies.

Operating Business Partner Help Line

We have established the Business Partner Help Line for accepting questions and opinions regarding transactions and promptly making improvements, with the aim of establishing fair business practices.

A subcontracting agreement and confidentiality agreement have been concluded with third-party organizations that run the Help Line, in order to strictly protect personal information and privacy of individuals who made contact and reports. Reports can be made anonymously to Seven & i Holdings by submitting one's name and affiliation only to the third-party organization. To ensure that individuals who ask consultation and do whistle-blowing are subjected to no unfair treatment by Seven & i Holdings and/or Group companies, about one month after the handling of the report the third-party organizations check in with the contacting party as to whether any retaliatory action has been taken.

* For details, please visit the following site:

 <http://www.7andi.com/en/csr/suppliers/helpline.html>

Number of consultations in FY2012: 12 (15 in FY2011)

By user category

Business partner employees	11
Business partner sales representatives	1

By topic

Suspected noncompliance (the Group companies)	4
Suspected noncompliance (business partners)	2
Other	6