

Strengthening Corporate Governance and CSR

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 14 Directors (of whom four 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 19 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.

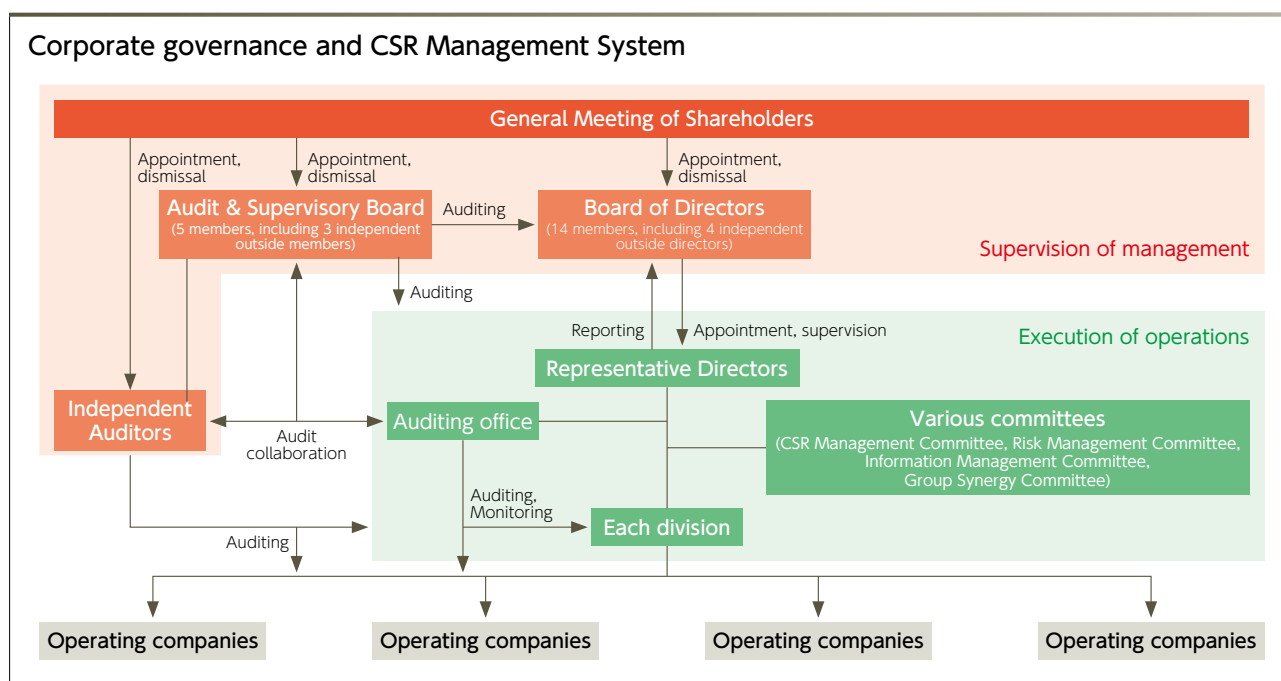
*1 Seven & i Holdings emphasizes on the independence of outside Directors and Audit & Supervisory Board Members. Individuals who are selected are unlikely to be in a conflict of interest with general shareholders and who are capable of offering supervision, auditing, advice, and suggestions based on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

*2 The number is as of the end of August 2014.

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.



Management

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 issues to be addressed from the standpoint of the Group's business characteristics, and then develops and implements measures for achieving solutions.

In November 2013, there was an incident where certain tenant restaurants within the store facilities managed by Sogo & Seibu Company, Limited and Mall & SC Development Inc. mislabeled menu items and ingredients that differed from those that were actually served. After this incident was brought to light, Sogo & Seibu immediately confronted the tenants in question and their operating companies to rectify the misleading labeling, and the company will also further reinforce its confirmation of menu labels to prevent similar incidents from occurring again.

Information Management Committee

The Information Management Committee works to control issues related to information management.

In FY 2013, the Committee carried out voluntary and third-party checks on compliance with the Guidelines Related to IT Information Security and Internet Businesses at five companies that were not covered in the previous fiscal year, and implemented improvements based on the results of the checks.

In FY 2014, the Committee will carry out re-checks at the seven companies that received information security assessments in FY 2012 and will move forward with the formulation of a common Group-wide information security policy and IT security standards based on changes in the external environment.

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 FY 2013, the Committee made improvements to risk assessment techniques and promoted the sharing of knowledge and know-how among operating companies in an effort to improve the appropriateness of risk management.

In FY 2014, the Committee will continue to manage business continuity and the soundness of the Group's management practices. To facilitate sustained growth, the Committee will also work to strengthen collaboration with management and reinforce its compliance and risk controls.

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.

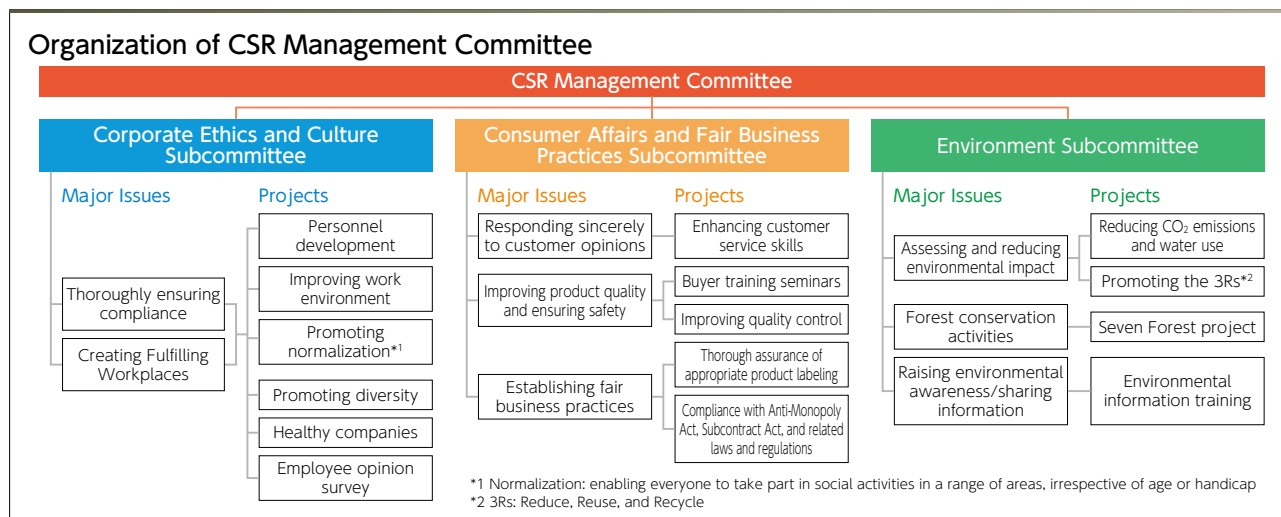
In the second half of FY 2013, the Committee formed a new subcommittee for promoting the Group's Omni-Channel Strategy and since then the Committee has been sharing and monitoring its progress.

CSR Implementation Structure

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 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.

Subcommittee.

Establishing its project, each subcommittee examines and develops specific measures to be solved for the CSR challenge facing the Seven & i Group. These measures are then implemented through Group-wide efforts upon approval of the subcommittees.



Proactively Working to Solve Social Issues through Our Core Businesses by Deepening Dialogue with Stakeholders



Director
Senior Officer of CSR Department
Junro Ito

We have seen stakeholder needs change and now there are rising expectations for companies to take action toward solving social issues both in Japan and globally over the medium to long term. This change has been caused by rising consumer concerns about the safety and reliability of food resulting from the food fraud incidents that occurred last year, the release of Japan's Stewardship Code*1 by the Financial Services Agency, and increasing risks associated with climate change seen in the IPCC*2 5th Assessment Report. Seven & i Holdings, through its CSR Management Committee and its three subcommittees, has concentrated on elimination, mitigation, and improvement efforts as part of its corporate social responsibilities. This is based on an awareness and understanding that legal compliance for carrying out its businesses as well as its business activities themselves have negative conse-

quences on the environment and society.

Presently, we are thoroughly fulfilling our corporate social responsibilities while also balancing solutions to social issues with improving our corporate competitiveness as well as promoting creating shared value (CSV) efforts for both society and the company. Our ultimate goal is to produce even greater value aimed at the realization of a sustainable society.

To continually serve as a company with integrity that is trusted by customers, we will deepen dialogue with stakeholders, fulfill our corporate social responsibilities, and make proactive efforts through our core businesses to find solutions to the five material issues identified this fiscal year.

*1 Japan's Stewardship Code

A set of principles in which institutional investors fulfill their fiduciary duty by encouraging medium- to long-term corporate growth through dialogue (Japan's Financial Services Agency announced the findings of the Council of Experts Concerning the Japanese Version of the Stewardship Code in February 2014). The Financial Services Agency requires that institutional investors state their support and participation in the code to disclose and report their policies and results.

*2 IPCC

The Intergovernmental Panel on Climate Change is an organization established in 1988 by the World Meteorological Organization and the United Nations Environment Programme in order to comprehensively evaluate climate change, impacts, response and mitigation measures from scientific, technological, and socioeconomic vantage points. (The 5th Assessment Report was released in March 2014.)

Targets and Progress by each Subcommittee

Major FY2013 targets	Results for FY2013	Evaluation	Plans for FY2014
Corporate Ethics and Culture Subcommittee			
Thoroughly ensuring compliance, Creating fulfilling workplaces			
Establishing common basic components of Group-wide employee education, such as the corporate creed and developing educational tools	Formulated nine basic components and incorporated these into educational tools	○	Check the progress of education programs on the basic components and conduct follow-up
Promoting employment of people with disabilities and achieving the percentage required by law throughout the Group	Achieved an employment rate of people with disabilities of 2.19% (Group wide)	○	Support operating companies that permanently employ more than 101 workers to hire people with disabilities in response to the increase in the number of companies required to pay the employment levy as of April 2015
Raising employee awareness and developing tools for promoting normalization	Compiled the Seven & i Holdings Normalization Support Guide for employees in charge of human resources, hiring, and education	○	Promote the utilization of the Seven & i Holdings Normalization Support Guide and hold hands-on learning sessions and visits
Developing standards related to the work environment of the Group	Created Group-wide standards for overtime hours and taking holidays/paid leave	○	Promote the sharing of information among Group companies to achieve standards and make further improvements
Creating a project to tackle employee health enhancement measures	Established the Seven & i Health Management Project and identified issues related to enhancing the health of employees Group-wide	○	Identify issues with health enhancement initiatives, set targets, and create an action plan Develop an organizational structure to engage in health management Introduce a health management system for enhancing the health of employees*
Diversity Promotion Project			
Expanding events for building networks among women	Held events for female employees raising children every other month for a total of six times	○	Expand the number of events at operating companies for building networks among women
Providing employees who have returned from childcare leave with orientation	Created a DVD introducing role models and held orientation at each Group company	○	Increase the number of companies providing orientation to employees who returned from childcare leave and review how the orientation is run
Holding awareness-raising events for managers	Held presentations on the promotion of diversity in August and February	○	Hold awareness-raising events for managers
Conducting ongoing awareness-raising activities using internal newsletters, etc.	Conducted awareness-raising activities using internal newsletters, etc.	○	Establish a year-round corner specializing in the promotion of women's involvement in the workplace within internal newsletters
Focusing on external communications (implementing the Positive Action Declaration, etc.)	Implemented the Positive Action Declaration and received an award for our empowerment efforts	○	Continue with external communications
Implementing awareness-raising activities for male employees raising children	Held events for male employees raising children to encourage greater participation in the childcare process	○	Hold events for fathers to encourage greater participation in the childcare process
			Create a handbook for managers
Consumer Affairs and Fair Business Practices Subcommittee			
(1) Responding sincerely to customer opinions			
Holding joint training for new customer service office employees	Held joint training for new employees in April and experienced employees in October	○	Continue to hold Group-wide joint training for employees with experience at the customer service office
(2) Ensuring the quality and safety of products and services			
Holding joint seminar for apparel buyers in cooperation with inspection organizations	Held joint seminar for apparel buyers four times (total of 209 in attendance; representing 78% of apparel buyers)	○	Hold Group-wide joint seminar for apparel and household item buyers
(Apparel/household products) Reviewing the quality control organization based on the Product Safety Guidelines for Distributors	Developed quality control system for Group companies based on the Product Safety Guidelines for Distributors	○	Further improve quality control system at Group companies and formulate a Quality Policy
(Food) Conducting joint inspections of business partner factories by the people responsible for quality control of Group companies	Carried out checks of audit items using a common Group-wide plant inspection sheet (May and January)	△	Further improve quality control system at Group companies and formulate a Quality Policy
(3) Establishing fair business practices			
Sharing and building on good fair trading practices among Group companies	Developed and checked systems, including for new Group companies, and shared initiatives of Group companies	○	Continue to build management and training systems to ensure fair trading practices among Group companies
Holding regular training on the Subcontract Act and the Anti-Monopoly Act	Held joint training in April and November	○	Continue to hold regular training on the Subcontract Act and the Anti-Monopoly Act
Sharing measures taken by Group companies to ensure a smooth transition to the revised consumption tax	Held joint training in June and shared information on the status of government relations, etc.	○	Share response measures among Group companies in advance of the next consumption tax hike slated for 2015
Environment Subcommittee			
(1) Understanding and reducing environmental impacts			
Improving CO ₂ management (setting targets and strengthening third party verification)	Increased the number of operating companies subject to third party verification of GHG emissions from five to nine	○	Increase the number of operating companies subject to third party verification of GHG emissions from nine to 10
Promoting food recycling and installing more PET bottle collection machines	Increased the number of Seven Farm recycling-oriented agricultural corporations that utilize food residues/leftovers from seven to 10 Increased the number of stores with automatic PET bottle collection machines from 207 to 230	○	Promote food recycling Increase the number of PET bottle collection machines
Strengthening environment management system	Seven-Eleven Japan obtained ISO14001 certification	○	Expand the scope of ISO certification
(2) Forest conservation activities			
Continuing with employee volunteer work	Forest conservation activities were held a total of 28 times and 151 Group employees took part	○	Expand the number of employee volunteers
Developing private brand products using forest thinnings	Developed two private brand paper-packaged beverage items that use forest thinnings from Seven Forests	○	Increase the number of eco-friendly products
(3) Raising environmental awareness and sharing information			
Implementing of environmental information training	Held environmental training as part of education provided to Group employees based on their rank	○	Enhance employee training and challenge employees to pass the Certification Test for Environmental Specialists