

Corporate Governance

We have been striving to strengthen internal control under the distinct separation of management oversight and business operation responsibilities to ensure the transparency and reliability of our business and increase business efficiency throughout our Group.

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. In corporate governance, we implement initiatives with four areas of focus: (1) operational

effectiveness and efficiency, (2) reliability of financial reports, (3) strict compliance with laws and regulations in operating activities, and (4) appropriate preservation of assets. The objective of these initiatives is long-term growth in enterprise value.

Corporate governance system underpinned by the executive officer and corporate auditor systems

As of July 31, 2009, the Board of Directors at Seven & i Holdings comprised 15 members, of whom three were outside directors. The term of the directors has been set at one year to ensure the timely reflection of shareholders' wishes.

To facilitate prompt decision making and execution, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution, while the executive officers can focus on business execution.

We also monitor management through a system of corporate auditors. As of July 31, 2009, the Board of Corporate Auditors comprised five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, receiving reports from the directors and exchanging information with the Auditing Office. The corporate auditors also exchange information with the independent auditors to maintain close contact with them regarding the financial audits.

We assign employees to assist the outside directors

and outside corporate auditors to facilitate smooth information exchange and close interaction with the inside directors and standing corporate auditors.

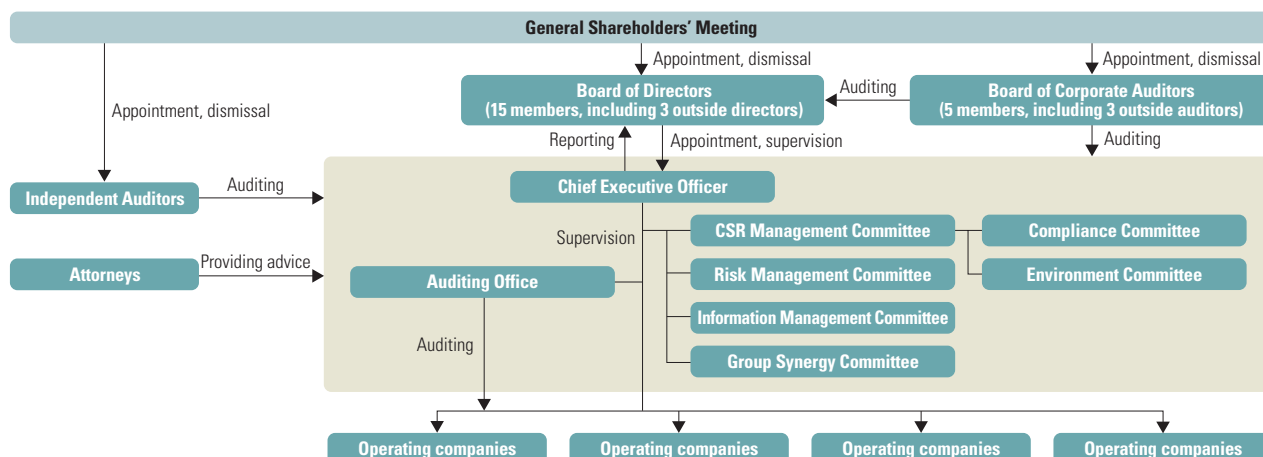
Strengthening the internal control system

In response to the Corporate Law of Japan that came into effect in May 2006, our Board of Directors has passed a resolution on the company's Basic Policy on Internal Control Systems, in accordance with which reviews of existing internal rules, an evaluation of risk management activities and other measures have been undertaken to strengthen internal control.

In February 2009, we increased the number of staff in our Auditing Office and restructured it as a part of our countermeasures for the internal control reporting system under the Financial Instruments and Exchange Law. As an independent department for internal auditing, the Auditing Office was responsible for verifying the internal auditing of each of the core operating companies and providing them with guidance. It also had the internal auditing responsibility for the holding company. With these existing responsibilities being assumed by the personnel in charge of operational audits, the restructured Auditing Office has a new responsibility for evaluating the internal control of the entire group, which is assumed by dedicated personnel in charge of internal control evaluation.

We at Seven & i Holdings also take action to improve the environment for internal control, including issuing the Internal Control Handbook aimed at all employees.

Corporate governance system



CSR Management

We have strengthened our CSR management system to ensure that our operating companies fulfill their social responsibilities with further effective management and oversight.

At Seven & i Holdings and our operating companies, we believe that interactions with our stakeholders, including shareholders, customers, business partners, local communities and employees, are at the heart of our CSR activities.

To make this happen anytime and anywhere, we at Seven & i Holdings need to manage our operating companies to ensure that they act responsibly toward their stakeholders, in addition to fulfilling our own responsibilities to our shareholders and operating companies.

With this in mind, we have established the CSR Management Committee, the Risk Management Committee and the Information Management Committee, each of which work closely with the relevant operating companies.

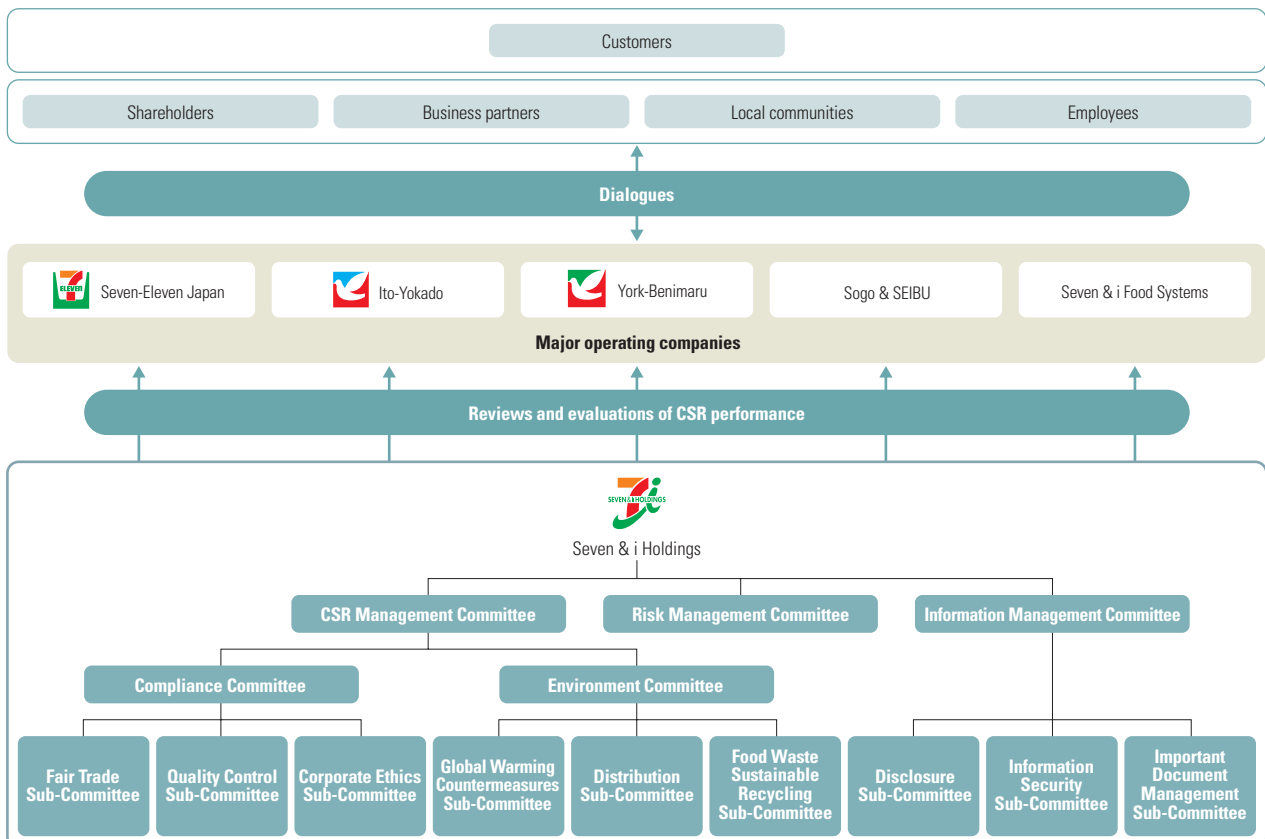
These committees also periodically review and evaluate each operating company's performance in related areas. The findings and results will be reflected in the future management objectives of our Group and the individual operating companies. By doing so, our entire Group aims to work in unison to take our CSR activities to the next level.

Establishment of the CSR Management Committee responsible for promoting groupwide CSR activities

At the inception of our organization, we at Seven and i Holdings established the CSR Promotion Committee and its five specialized sub-committees. This was part of our efforts to develop a mechanism for centrally reviewing and evaluating the CSR performance of our operating companies.

In February 2008, however, we decided to restructure the CSR Promotion Committee by clearly separating the promotion function and the oversight function, with the aim of achieving even more effective, prompt implementation. To this end, the committee's functions were allocated to three separate committees: the CSR Management Committee, which promotes CSR activities, the Risk Management Committee and the Information Management Committee, which is responsible for the Group's overall information management. In addition, the Compliance Committee and the Environment Committee were established under the CSR Management Committee.

CSR management system



CSR Management

Compliance Committee

The Compliance Committee consists of the Fair Trade, Quality Control, and Corporate Ethics Sub-Committees. The Fair Trade Sub-Committee offers consultations for Group companies regarding labeling, fair trade and other issues, holds training on associated laws and regulations, such as the Antimonopoly Law, and inspects sales floors, ensuring that all the companies engage in fair trade. The responsibilities of the Quality Control Sub-Committee include establishing a system for allowing operating companies to share information on product safety and stipulating rules on reporting and dealing with accidents. The Corporate Ethics Sub-Committee has established the All-Group Help Line, and has been studying the formulation of action guidelines to be observed by the entire Group.

Environment Committee

The Environment Committee consists of the Global Warming Countermeasures, Distribution, and Food Waste Sustainable Recycling Sub-Committees. This committee is responsible for strengthening the environmental risk management system applied to the entire Group, whether in Japan or abroad, and for deliberating and determining how we should address environmental issues as a single group. The committee also develops groupwide targets on preventing global warming, efficient food waste recycling and reducing packaging materials.

In FY2008, the Environment Committee formulated two sets of Group environmental policies: the Environmental Declaration and the Fundamental Policies Relating to Measures to Contribute to the Prevention of Global Warming. In addition, the committee launched its tropical forest conservation program in spring 2009 through the International Tropical Timber Organization (ITTO). (→ p. 24)

TOPICS

Exhibition at Eco-Products 2008

In December 2008, we at Seven & i Holdings made our first appearance at Eco-Products, one of the largest environmental exhibitions in Japan. We set up a theater where visitors enjoyed participating in quizzes while we introduced our environmental measures, activities for ensuring food safety and reliability, and Safety Station Activities.



Enhanced risk management system

In FY2008, we introduced a comprehensive risk management system under the Risk Management Committee, which was redeployed and enhanced the same year.

Under the new system, we identify, analyze and assess all the events that threaten the continuation of the Group's operations to gain a comprehensive understanding of their risks. We then prioritize those risks according to severity and degree of urgency, plan and implement countermeasures, and monitor the improvements.

In FY2008, we commenced a risk assessment in the latter half of the year based on the annual plans. In light of the results, we reported the integrated assessment of the risks to the Group and high priority matters at the Risk Management Committee in April 2009 to promote specific measures for enhancing risk management. The perceived risks were also disclosed in the 4th financial statement.

TOPICS

Response to New Influenza

At Seven & i Holdings, we have been implementing a variety of measures associated with new strains of influenza, particularly the highly virulent H5N1 bird flu. These measures include the establishment of information collection systems for Group companies, assistance with the continuation of operations through financing and appropriate personnel distribution across the entire group, as well as the creation of a manual for responding to an outbreak. With regard to the less virulent H1N1 swine flu viruses, we have modified the manual for the highly virulent H5N1 to provide information to the operating companies. We have established a plan for continuing operations, stockpiled masks, and implemented other measures in preparation for the second outbreak of H1N1 that is expected to occur in Fall 2009.

Enhanced information management system

The Information Management Committee oversees information management across the Group. In FY2008, the committee revised the rules on the sale or purchase of Seven & i Holdings' shares, and ran a study session headed by the Tokyo Stock Exchange to ensure our compliance with insider trading regulations. We also established IT security standards and formulated rules for the entire Group that aim to ensure that important information is transmitted to Seven & i Holdings on a timely basis.

Compliance

We are determined to fulfill our commitment to compliance by having our Corporate Action Guidelines observed throughout our Group. To this end, we have been establishing the necessary systems and processes, such as the Help Line.

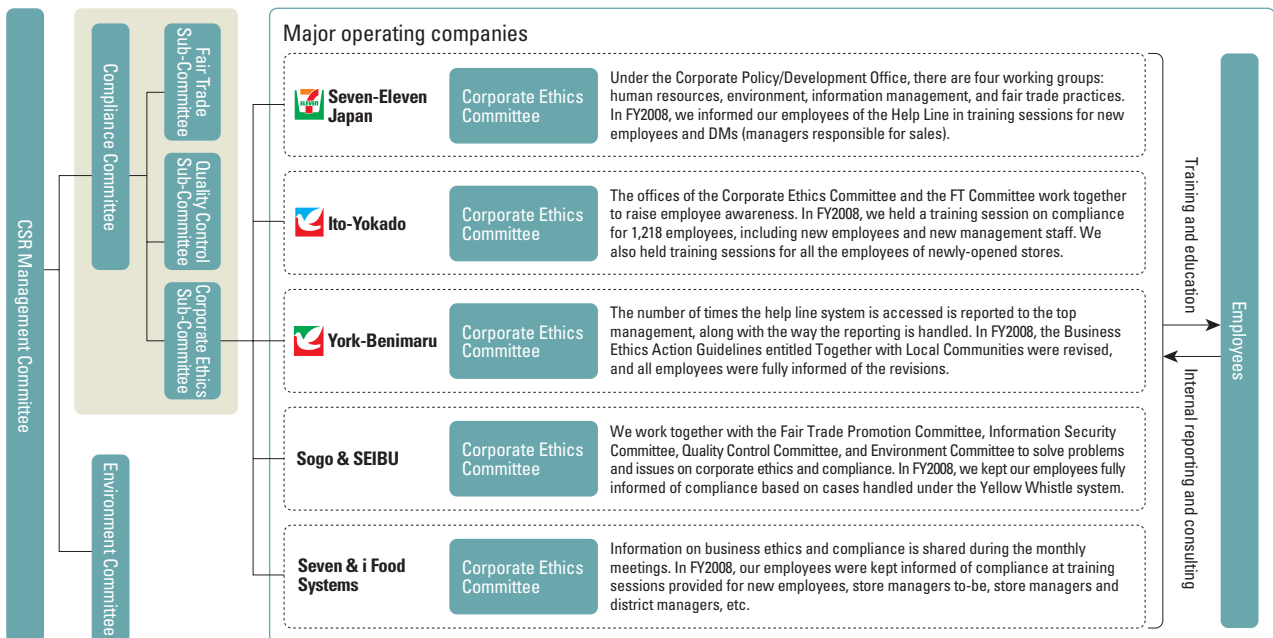
To ensure that all the employees of our Group companies comply with the Seven & i Holdings Corporate Action Guidelines and all applicable laws and regulations, we have established Corporate Ethics Committees within each operating company.

The committee members are involved in the Compliance Committee under the CSR Management Committee to establish a common understanding of this area across the entire Group. They discuss measures for disseminating Corporate Action Guidelines and upgrade the associated activities by sharing information about measures that have

been implemented effectively by the operating companies.

At the operating company level, the “Help Lines” and “Yellow Whistle” systems, which allow employees to report or consult on actual or possible wrongdoings, are in place for the purpose of deterring, preventing, and providing early solutions to any behaviors or actions that contravene the Corporate Action Guidelines. Employees can report and consult on such matters by telephone, e-mail, or postal mail. The systems are designed to protect the informants from experiencing any disadvantages. Employees can use the systems anonymously, for example.

Compliance system



TOPICS

Establishment of the All-Group Help Line

As a part of its measures for ensuring internal control across the Group, the Compliance Committee held several discussions regarding the establishment of a dedicated section for accepting internal reports and providing consultations (Help Line). As a result, the committee established the All-Group Help Line within a third-party organization in September 2009. This system can be used by all employees of Seven & i Holdings and its consolidated subsidiaries in Japan. It aims to have the entire Group implement measures for the prevention, early detection, early resolution and recurrence prevention of any behaviors or actions that

could lead us to lose the confidence of society. The establishment of the All-Group Help Line has created an environment where we can collect opinions from the employees of our operating companies — who do not have such systems — more easily than before. We will make use of this system for identifying, studying, and overcoming the issues commonly faced by our Group companies, as well as for solving problems that are specific to individual companies.

