

BUILDING MOTIVATING WORKPLACES



We develop systems and environments that enable all our employees to work with objectives and a sense of fulfillment, regardless of the type of employment.

Group Management Policy

We build motivating workplaces.

To achieve our Corporate Creed, “We aim to be a sincere company that our employees trust,” we at Seven & i Holdings determine employment, transfers and promotions of our employees in accordance with fair, unbiased standards. We acknowledge that our Group companies are supported by a large number of part-timers. As a result, we respect diverse ways of working and strive to build workplaces that are motivating for each of our employees. To this end, we continue to listen to our employees to improve our HR policies and programs in line with social changes and our employees’ ways of working.



We introduce parenting and nursing care support systems to enable employees to continue working with a sense of security.

At Seven & i Holdings, we have introduced a variety of systems that enable our employees to continue working, regardless of changes in their lives. One example is the Re-Challenge Plan, a group-wide parenting and nursing care support system. In 2002, we expanded eligibility for this system to cover part-timers. In addition, Sogo & SEIBU, which joined our Group in 2006, has introduced its own parenting support system that can be utilized by part-timers as well.

We incorporated a group-wide recruitment system – the Seven & i Holdings Open Recruitment System.




At Seven & i Holdings, we recruit human resources beyond the boundaries of Group companies. We respect the wishes of individuals who are highly motivated and eager to take on new challenges in new workplaces or new careers. We aim to make the most of the abilities of such employees by appointing the right people for the right jobs. Such action is also effective for assisting newly established companies in terms of human resources, as well as for vitalizing the organization. We also respond to the willingness of individual employees by practicing the Candidacy System, for example.

List of Principal Measures Undertaken by Our Major Operating Companies

Convenience Store Operations	
Seven-Eleven Japan	
Development of Employee Abilities	<ul style="list-style-type: none"> Seminar on customer service for franchisees →P62 Recognition of excellent stores →P62 
Fair Assessment and Treatment	<ul style="list-style-type: none"> Systems of self-assessment and assessment through interviews with immediate managers and higher managers
Achievement of Work-Life Balance	<ul style="list-style-type: none"> Operation of Re-Challenge Plan parenting and nursing care support system →P60
Use of Diverse Human Resources	<ul style="list-style-type: none"> Internal Candidacy System Reemployment system for departed employees (aged 60 years or older) Text in four different languages for cash register training <p>Employment of people with disabilities</p>
Considerations for Occupational Safety and Health	<ul style="list-style-type: none"> Traffic safety seminars for OFCs  <p>Practicing medical examinations, installation of Health Management Center, providing the <i>Family Health Consultation Hotline</i> and the <i>Counseling Hotline for health and mental consultations</i> Practice by the Safety and Health Committee</p>



●: Described in this Report in independent sections ○: Referred to in the main body of this Report —: Measures not implemented

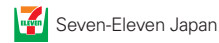
Superstore Operations		Department Store Operations	Food Services	Financial Services
Ito-Yokado	York-Benimaru	Sogo & SEIBU	Seven & i Food Systems	Seven Bank
<ul style="list-style-type: none"> ○ Operation of an in-house licensing program →P63 ○ Annual Skill Contest for perishable department part-time employees →P63 ● Development of in-house training program ● Support for self-development 	<ul style="list-style-type: none"> ● Objective and progress management with original tools →P64 ● Skill Contest 	<ul style="list-style-type: none"> ○ Promotion of bottom-up campaign based on improvement proposals from employees →P65 ● Assisting employees in obtaining professional qualifications for improving their customer service skills ● Encouraging employees to undertake correspondence courses and providing financial assistance ● Helping improve training for sales clerks with the Instructor System 	<ul style="list-style-type: none"> ○ Development of in-house training program →P66 ○ Supporting employees in obtaining national licenses →P66 ● Introduction of education and certification program on an internal qualification 	<ul style="list-style-type: none"> ● Encouraging employees to undertake correspondence courses ● In-house training ● Encouraging employees to undertake external training ● Improvement of ability using career maps ● Customer service skill contest (internal) ● Participation in (external) contests related to the contact center
<ul style="list-style-type: none"> ● Improvement of HR system for part-timers →P63 ● Systems of self-assessment and assessment through interviews with immediate managers and higher managers ● Training sessions for assessors 	<ul style="list-style-type: none"> ● Awards given by the president →P64 ● Education and assessment of employees based on training plans 	<ul style="list-style-type: none"> ○ Star Club program for recognizing outstanding sales clerks →P65 ● Assessment based on objective management system 	<ul style="list-style-type: none"> ○ Operation of training programs in which all employees can participate equally →P66 ● Operation of promotion system for part-timers 	<ul style="list-style-type: none"> ● Assessment from the viewpoints of both ability and performance ● Systems of self-assessment and assessment through interviews with immediate managers and higher managers ● Training sessions for assessors ● Improvement of HR system for part-timers
<ul style="list-style-type: none"> ○ Operation of Re-Challenge Plan parenting and nursing care support system →P60 	<ul style="list-style-type: none"> ○ Operation of parenting and nursing care support system →P60 	<ul style="list-style-type: none"> ● Operation of maternity, parenting and nursing care support system →P65 	<ul style="list-style-type: none"> ○ Operation of Re-Challenge Plan parenting and nursing care support system →P60 ● Application of parental leave system to part-time workers 	<ul style="list-style-type: none"> ○ Operation of Re-Challenge Plan parenting and nursing care support system →P60 
<ul style="list-style-type: none"> ○ Promotion of part-timers to regular employees →P63 ○ Reemployment system for departed employees (aged 60 years or older) and Senior Partner Program for part-timers →P63 ● Training program on human rights (normalization principles) ● Internal Candidacy System 	<ul style="list-style-type: none"> ● Reemployment system for departed employees including part-timers (aged 60 years or older) 	<ul style="list-style-type: none"> ● Reemployment system for departed employees (aged 60 years or older) 	<ul style="list-style-type: none"> ● Development of systems for promotion to regular employees and store managers 	<ul style="list-style-type: none"> ● Reemployment system for departed employees (aged 60 years or older) ● Training program on human rights ● Development of a system for promoting part-timers to regular employees
<ul style="list-style-type: none"> ● Training to prevent occupational injuries 				<ul style="list-style-type: none"> ● Medical interviews by industrial physicians and public health nurses ● Utilization of external mental healthcare institutions

Convenience Store Operations

1 DM

DM stands for district manager, a person who is responsible for a particular district.

Improvement of Skills and Willingness of Franchisees and Employees



We work together with franchisees toward better service.

Study sessions on Friendly Service

At SEJ, we promote Friendly Service — our term for cordial, pleasant customer service from the viewpoint of customers. We hold study sessions aimed at practicing such service at each store.

The study sessions are intended for franchise owners and employees, and are held on an ongoing basis in each district. Franchise owners who participate in the sessions start by improving the workplaces to make them comfortable for employees to work in. Then they consider what types of service are pleasant for customers, together with their employees, and put their answers into practice. They report the specific measures and the results of the measures in the next session. This process is repeated so that the participants learn from each other. These sessions have created a virtuous circle, in which participation in sessions leads to the improvement of the customer service provided by employees, and they receive compliments and words of gratitude from customers.

We also award certificates of appreciation to employees who provide Friendly Service proactively at individual stores. The certificates are awarded when a customer compliments the way an employee has attended to him/her, or when the owner and OFC-DM¹

recommend that a certificate be given to a particular employee. The certificates are awarded at the study session held in the district so that the achievements of the employees are recognized by the franchise owners and employees in the district.



Study session on Friendly Service

Recognition of outstanding stores

Every year, we recognize outstanding stores that have met certain standards and served as model stores in the individual districts. In FY2008, we recognized 159 outstanding stores across Japan.



Certificate of merit granted to outstanding stores

Cease and desist order from the Japan Fair Trade Commission

In June 2009, SEJ received a cease and desist order from the Japan Fair Trade Commission in violation of Article 19 of the Antimonopoly Act for “having unjustly restrained discount sales of daily goods close to the sell-by date/time by franchisees.”

Following the receipt of the order, SEJ examined the matter in detail, giving consideration to the opinions of third parties, etc. SEJ formally decided to accept the cease and desist order and notified the Japan Fair Trade Commission of this decision on August 5, 2009.

In our view, however, arbitrary discount sales have potential risks, including: 1) loss

of confidence in price; 2) sense of distrust among customers aroused by dual prices for a single product; 3) possibility of price competition between stores from the same chain; and 4) damage to our brand image. As a result, we distributed Guidelines on Discount Sales of Daily Products Close to the Sell-by Date/Time to franchisees. We also revised the Basic Franchise Agreement accordingly.

We will continue striving to further strengthen our relationships of trust with the franchisees and achieve further increases in the satisfaction of franchise owners.

Superstore Operations

Improvement of HR System for Part-Timers



We incorporated a system that enables each employee to choose a way of working that suits his/her objectives.

At Ito-Yokado, part-timers account for approximately 76% of the total workforce (as of February 28, 2009) and play increasingly important roles in overall store operations. At the same time, part-time employees have wider-ranging objectives, needs and availability with regard to their jobs.

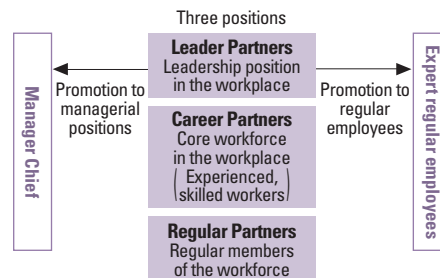
In response to these changes, we have had a new HR system in place since March 2007. Key changes in the new system include: part-timers can select their working styles through the Career Promotion Choice Program in accordance with their own situation and objectives, and employees can continue working until the age of 65 through the Senior Partner Program. We also established a system in which employees are evaluated and rewarded in a more performance-based manner.

Under the Career Promotion Choice Program, part-timers assume one of three positions — Regular, Career or Leader Partner

— depending on their roles, job nature, and required skills and experience. Promotion is available to those who choose to challenge themselves to improve and earn the promotion. In November 2007, we also introduced a system that promotes employees certified as Leader Partners to regular employees (“Experts”)².

At the same time as developing such systems, we carry out study sessions for Leader Partners and Career Partners in individual stores to help part-timers improve their skills.

■ Career Promotion Choice Program



2 Number of part-timers in each position in FY2008 (as of February 28, 2009)

Leader Partners: Approx. 2,100

Career Partners: Approx. 2,600

Accumulated total number of part-timers promoted to regular employees: Approx. 330

Support for Improvement of Professional Skills and Capability



We provide support for the improvement of knowledge, skills and abilities that will lead to performance at work.

At Ito-Yokado, we have continually improved our employee training programs to enhance the capabilities of each employee and increase their motivation.

As a part of these efforts, we introduced the “Friends Mate” in-house licensing program in April 2004. Employees acquire the necessary practical knowledge, skills and customer service techniques through a series of training, examination and licensing procedures. The program offers 18 licenses, covering all divisions and functions except the perishable department. Each license comes with five different Ranks. The license status of individuals of Ranks 1 and 2 is recorded in the HR database for personnel appraisals and other purposes. The license is valid for two years, and license holders are required to take examinations for license renewal if the amount of sales they have achieved have not met specific standards at the time of the expiry

of their licenses. This is aimed at encouraging license holders to maintain their skills and make use of the skills in managing their objectives that are directly related to their daily operations. As of July 31, 2009, the aggregate number of license holders was 24,675 in total.

In the perishables department, we provide a variety of training opportunities for employees to enhance their skills, including group training in dedicated training rooms, on-the-job training led by individual store managers, and on-site education by trainers traveling around the stores. We have held the Annual Skill Contest since 2005 for part-timers in the meat, fish, sushi,



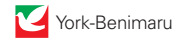
Annual Skill Contest for perishable department part-timers

prepared food and produce sections. Participants compete against each other to improve their skills over the past year.

**1 KANDOU, SOUZOU TO
CHOUSEN NO SAITEN**

Eight awards are presented at this festival. They include the Best Leader Award, given to superior department managers, and the Improvement Proposal Award, which is for all employees. Some of these Awards are given every month, while others are presented three times, twice, or once per year.

Superstore Operations

**Awards Presented by the President for
Raising the Motivation of All Employees****We hold *KANDOU, SOUZOU TO CHOUSEN NO SAITEN*, in which the president grants awards to selected employees.**

At York-Benimaru, we hold *KANDOU, SOUZOU TO CHOUSEN NO SAITEN*¹ (the festival of sensation, creation, and challenge), in which the president presents awards to employees who have achieved operational or numerical improvement or demonstrated superior customer service.

The Best Member Awards, intended for part-timers, who constitute more than 80% of all employees, are presented three times per year. Candidates for the Award are called Representative Part-Timers. To be a candidate, a part-timer must first be recommended by his or her store manager. Then he or she is eligible to be selected by the Zone Manager (who controls one of the 13 regions we operate), store managers, and trainers in charge of training the employees in the individual departments.

On the day of the award presentation ceremony, the Representative Part-Timers make presentations on their creative measures and the improvements they have undertaken on the sales floors. All the participants, including the executives, learn about the ideas and procedures. Subsequently, the best two

Representative Part-Timers are selected in a vote undertaken by approx. 300 participants.

In the award presentation ceremony, our president presents testimonials and prize money to all the award winners. In addition, plaques and tours of inspection abroad are awarded to the winners of the premier and second-place awards. The winners of the other awards are invited to inspection seminars on the retail industry, which are held in Japan. The overseas destination of the inspection tour awarded to the winners in FY2008 was a retail company in Los Angeles. The destinations in Japan were Tokyo and Yokohama.

The award winners are expected to use the knowledge and information they obtain during the tours in their daily operations and to



The president presenting a plaque to a winner

share it with their co-workers. Some of the winners are featured in our in-house newsletters to raise the motivation of all the employees.

**Staff Development Tailored to Each
Employee****We use Target Achievement Record in each department.**

At York-Benimaru, we use the Target Achievement Record for staff development. The Record clarifies the current abilities of each employee and achievement targets and details their duties, including customer service, sales floor management, order placement and cooking, on a 6-point assessment scale (0 to 5).

Each employee conducts self-assessment for each item, checks his/her progress, and sets the next targets with his/her immediate manager three times a year. In this way, employees can perform their duties with clear objectives, increasing motivation and effectively enhancing abilities.

Items associated with the duties are specified in each department according to job type, the nature of the work, and the merchandise dealt with. In the Skills Edition for employees

with particular skills and for part-timers, the items are classified into cooking skills, display skills, merchandise knowledge, etc., totaling 139 items in the fish department and 122 items in the meat department, for example.

For the manager of each department, we have the *Management Edition*² of the Record. In June 2009, we also established a Record for store managers and assistant



Checking progress using the Target Achievement Record

store managers. Now we have a Target Achievement Record for employees in almost all positions.

**2 Items specified in the
Management Edition**

The items specified in this edition include sales planning, compliance, and other items for assessing the level of knowledge and skills required for a department manager.

Department Store Operations

Increasing Employee Motivation

Sogo & SEIBU

We reflect the opinions of each employee when running stores and sales floors.

We strive to increase the motivation of all store staff and create motivating workplaces for them, and we regard this as one of our important responsibilities. We believe that customer satisfaction leads to employees having greater motivation and a sense of achievement. As a result, we at Sogo & SEIBU have been implementing Customer Service No.1 activities, which reflect the opinions of employees in store operations.

For these activities, employees think about the best types of service that can be provided to customers, and practice their ideas as specific service types. For example,

employee ideas are collected daily as proposals, and their details are posted on the employee bulletin board along with scheduled dates for beginning to carry out each types of service. Proposals that lead to significant achievements in terms of employee or customer satisfaction are recognized by the stores. Through this



Measures for improvement are proposed by employees

process, each store embarks on creative measures for carrying out the types of service proposed by each employee.

We recognize the willingness of employees.

At Sogo & SEIBU, we have launched the Star Club membership programs for store workers who demonstrate outstanding performance, particularly with regard to sales and customer service. Among the short-listed candidates who record excellent sales, enjoy strong customer confidence and can serve as role models to other employees, those who are ranked in the top one percent of the relevant section's salespeople across the company are certified as Corporate Star Club members; and those who are ranked in the top two percent of the relevant section's salespeople in the store are recognized as Store Star Club members.

We also assist with the career

development of our employees. We encourage the sales staff to obtain professional qualifications that are useful for daily customer service and sales — such as shoe fitter, fitting advisor and gift advisor. We also assist our employees in obtaining certification as Customer Care Advisors — sales clerks who are capable of providing



A ceremony for certifying employees as Star Club members

appropriate service and assistance to the elderly or customers with disabilities. Many of our employees have obtained this qualification.

Improved Working Environment

Sogo & SEIBU

We expand facilities and systems to allow employees to work comfortably with a sense of security.

We have improved our parenting support systems, including multiple options for parental leave periods so employees can take leave that suits their situation. We have also expanded eligibility for shorter working hours to cover employees with children in the third grade or younger.

Employees on parental leave tend to lack work-related information and often feel anxious, so we launched a system for employees on

leave to share internal company information and communicate from home via the internet. This system was developed through the labor union.

We have also been improving the working environment as per employee demand. For example, we have installed powder rooms and smoking rooms with double doors in employee break rooms — implemented first at Ikebukuro and currently in other stores — to improve facilities for employees.

Food Services

1 Unit Employees

At Seven & i Food Systems, we call part-timers Unit employees.

Fair, Unbiased Staff Development and HR System

Seven & i Food Systems

We support employees in their acquisition of knowledge and skills and provide opportunities for them to make the most of their abilities.

At Seven & i Food Systems, we provide equal opportunity education and training to all employees, and evaluate them fairly based on the skills they have acquired.

At Denny's Japan, we offer cooking schools and the Dennylier basic wine training and certification programs as opportunities for both regular and Unit employees¹ to acquire skills and knowledge. We provide assistance to employees so they can participate in such programs. We also issue the Service News as an educational and awareness-raising tool. This newsletter provides advice on customer service and information about training sessions, thereby increasing employee motivation with regard to learning.

At Seven & i Food Systems, we offer subsidies to employees intending to obtain national licenses, such as those for cooks, food sanitation supervisors and registered dietitians. This is aimed at raising employees' awareness of food safety and reliability.



Cooking school



Dennylier training

We enable employees to choose ways of working according to their objectives and lifestyles through the new HR system.

At Seven & i Food Systems, approx. 90% of restaurant staff are Unit employees. As a result, the roles and responsibilities of Unit employees are completely different from what they were in the past. In addition, employees have a variety of demands with regard to working, and their objectives and values have diversified. In response to these changes, we introduced a new HR system in October 2008. The new system reflects the opinions of the Unit employees and is aimed at providing each of them with a satisfying, pleasant working environment.

Under the new system, all employees are evaluated fairly in accordance with their duties, degree of responsibility and the difficulty of their work, which leads to increased motivation. Employees are treated with respect not only to their length of service, but also their attitude toward work. The system also allows employees to work in accordance with their individual objectives and lifestyles, such as "I want to take on a more responsible position," "I want to do motivating work" and "I want

to specify my working hours."

We at Seven & i Food Systems will continue making efforts to create motivating workplaces for our employees.

New HR system for Unit employees

Qualification-based status

Expert
Capable of making judgments and undertaking store management and staff training

Career
Understanding workplace rules and acting as role models in terms of cooking skills and customer service

Regular
Newly employed or subject to income or time limits

Unit employees

HR system based on assessment system

We have introduced an assessment system under which the company clarifies the objectives and work roles required for individual employees, and then checks the level of their achievements to determine the next objectives. The results of the assessment are reflected when considering the following:

1. Amount of hourly wage
2. Qualifications for promotion in status
3. Amount of bonuses