



Strengthening Corporate Governance and CSR Management

We have established an organization in which the entire Group can fulfill its corporate social responsibility, under a sound management structure.

Corporate Governance System Supported by Executive Officer and Corporate Auditor Systems

The Board of Directors of Seven & i Holdings comprises 15 Directors (of whom three are independent outside Directors). The term of Directors has been set to one year, to precisely reflect the intentions of shareholders. The Executive Officer system has been adopted for prompt decision making and operations. The Board of Directors is responsible for formulating business strategies and the supervision of operations, and 18 Executive Officers, including those who also serve as Directors, are in charge of operating performance. Outside Directors supervise operating performance by presenting advice and suggestions at Board Meetings to ensure the validity and appropriateness of decisions made, and by exchanging opinions with Directors at meetings concerning company operations, corporate governance, and other matters.

The Board of Corporate Auditors comprises five Auditors (of whom three are independent outside Auditors), and monitors administration. In addition to attending Board Meetings and other important meetings, Auditors exchange opinions with outside Directors and listen to opinions from Directors. They also exchange opinions with Directors, Auditors, and other officers of operating companies, to strictly audit the performance of duties by Directors. Auditors also exchange information with Independent Auditors, and collaborate closely with them in auditing.

*1 Seven & i Holdings emphasizes the independence of outside Directors. Individuals who are selected are unlikely to be in a conflict of interest with general shareholders and who are capable of offering supervision, advice, and suggestions based on expert knowledge and experience, from objective and neutral standpoints.
*2 The number of individuals is as of the end of August 2011.

Reinforcing 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 Audit Office, which is the independent internal auditing division, has the management function to confirm and instruct internal auditing by operating companies, and the internal auditing function for auditing the holding company Seven & i Holdings. In addition to the persons in charge of business audits for performing these operations, persons in charge of internal control and evaluation have been appointed, and they evaluate internal control by the entire Group.

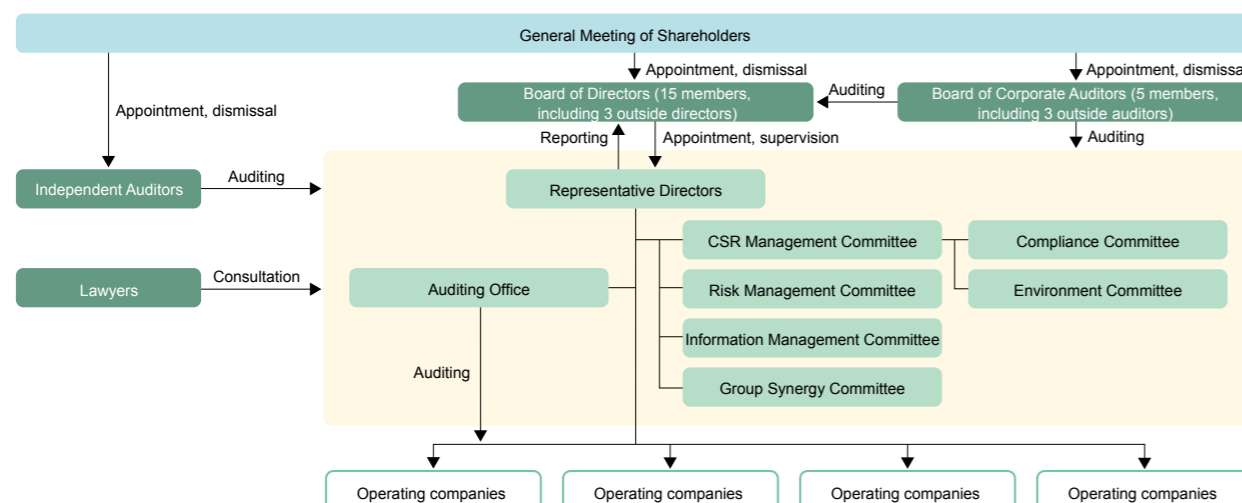
CSR Management

Seven & i Holdings has established three Committees, namely the CSR Management Committee, the Risk Management Committee, and the Information Management Committee, to manage and supervise operating companies so that they fulfill their respective responsibilities for stakeholders.

CSR Management Committee

The role of the CSR Management Committee is to promote CSR activities by the Group. In collaboration with the Environment Committee and Compliance Committee, which are subordinate organizations, and other divisions, the

Corporate governance and CSR Management System



CSR Management Committee clarifies the present situation, identifies issues, sets priorities, and verifies the results obtained.

The Environment Committee made trial calculations on the carbon footprint for 15 products of the private brand Seven Premium in FY2010. (See page 17 for details.)

Meanwhile, Compliance Committee has been active with the three Subcommittees. (See the table below)

Compliance Subcommittee and the main activity

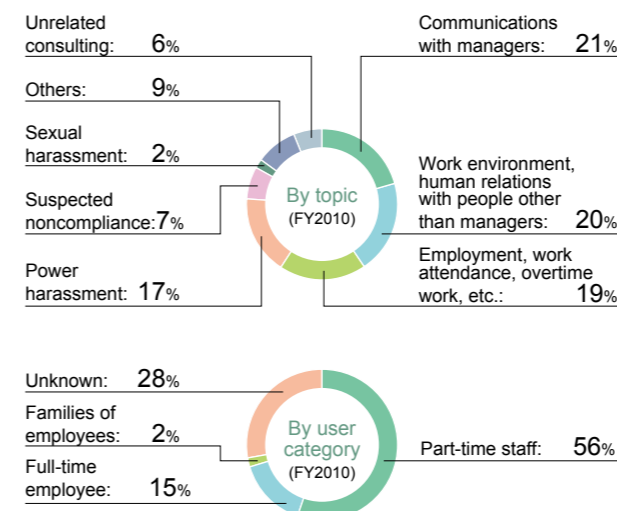
Name	Objectives	Major measures implemented
Fair Trade Subcommittee	To ensure that operating companies adhere fully to fair transactions and indications that do not cause misunderstanding	<ul style="list-style-type: none"> Accepting consultations by operating companies on indications and fair transactions, etc. Seminars on Anti-Monopoly Act and other related laws and regulations, and surveys on the situations at stores and interviews
Quality Control Subcommittee	Sharing information on product quality among the Group companies and making improvements	<ul style="list-style-type: none"> Prompt reporting and establishing an organization to respond in the event of accidents Seminars on quality standards and jointly conducting seminars and awareness enhancement activities
Corporate Ethics Subcommittee	Ensure penetration of the Seven & i Holdings Corporate Action Guidelines among employees and full compliance with laws and regulations	<ul style="list-style-type: none"> Disseminating the Guidelines among employees and holding seminars Clarifying matters consulted (see below) and improving issues

Data for consultation services for employees

Number of consultations*

FY2009	679 (Of these, 45 were accepted at the consultation desk common to the Group companies)
FY2010	637 (Of these, 116 were accepted at the consultation desk common to the Group companies)

* The number indicates the total of those accepted at the consultation desk shared by Group companies and those established by respective operating companies. Some operating companies use their own consultation desk in addition to that shared by Group companies.



Web Data for Consultation Services for Employees among the Web Data collection include the report for FY2010 and targets of activities in FY2011 of six companies.

Risk Management Committee

Risk Management Committee regards all phenomena that threaten the continuation of businesses as risks, measures them quantitatively wherever possible, and verifies whether they may be fully absorbed in view of equity capital. Then, priority is set from the perspectives of seriousness and urgency, to implement countermeasures.

In FY2010, a trial began to measure the greatest risk, as a method to precisely evaluate the soundness of Group business administration. Based on the results, the promotion of integral monitoring systems for business administration and risk management, the effective operation of credit risk management systems, and the strengthening of information security management related to the Internet have been selected as priority issues, and measures have begun to be implemented.

In FY2011, the entire Group will work to achieve specific results with these priority issues. Also to be evaluated is business efficiency from a risk-return viewpoint, in addition to soundness, so that management indexes for overall optimization of the Group's businesses may be offered.

Information Management Committee

Information Management Committee aims to control issues related to information management. In FY2010, a list of documents to be prepared by each of the Group companies pursuant to laws and regulations and their model examples were offered. Advice was also offered in relation to the preparation processes, as well as a follow-up on the information reporting rules documented in FY2009 and reconfirmation of the rules based on the regulations to prevent insider trading at each of the Group companies.

In FY2011, efforts will continue to reinforce information security and fully enforce the information reporting rules and regulations to prevent insider trading.

Arrest of a former employee of Ito-Yokado Co., Ltd.

A former employee of Ito-Yokado Co., Ltd., was arrested and charged with violation of the Food Sanitation Act in relation to selling broiled eels made in China outside, while employed by Ito-Yokado Co., Ltd., and such employee was convicted on January 11, 2011.

To prevent a recurrence, the Group will review our operating and decision making process so that we can reinforce our system to internally check the supervision of operation and compliance.

We are ensuring the safety and reliability of products, in collaboration with raw material suppliers, consigned manufacturers, consigned logistic operators and other business partners.

Seven & i Holdings Business Partner Action Guidelines and Self-Check Sheet

Since 2007, Seven & i Holdings has advocated the Seven & i Holdings Business Partner Action Guidelines that summarize the nine CSR items that it wishes to be promoted by business partners.

We have asked the contract manufacturers of our Group's private brands and original products of operating companies, among our business partners, to submit a Self-Check Sheet with 52 items related to the Guidelines. The Sheet allows us to understand the status of implementation of CSR measures

by the entire supply chain, including our business partners. At the same time, we are hoping that our business partners will promote understanding and measures concerning CSR.

In response to the introduction of the Self-Check Sheet, Ito-Yokado Co., Ltd. expanded the contents of local surveys conducted at the manufacturing plants of exported products. In addition to the conventional confirmation of the status of quality management, items related to the environment and CSR have been added to the items to be confirmed.

Seven & i Holdings Business Partner Action Guidelines (Abridged)

For the full text, please visit the following site:
 Web <http://www.7andi.com/en/csr/fair-trade.html>

- In accordance with corporate ethics, our business partners shall comply with applicable local laws and relevant international rules.
- Our business partners shall respect human rights and dignity of all individuals who are involved in their business activities.
- At our business partners, all individuals engaged in business activities shall be employed in a proper manner and work in a safe and worker-friendly environment.
- Our business partners shall make utmost efforts to prevent environmental pollution and reduce environmental burdens.
- Our business partners shall pursue good relationships with society and local communities.
- Information obtained in the course of business shall be maintained appropriately.
- To deliver safe and reliable merchandise to final consumers, our business partners shall comply with the quality standards of relevant operating companies of Seven and i Holdings and shall ensure that:
- Our business partners shall conduct transactions in a fair, transparent, and appropriate manner, as well as under free competition. They shall also maintain normal and healthy relationships with politics and public administration.
- Our business partners shall cooperate in translating the Guidelines into practice.

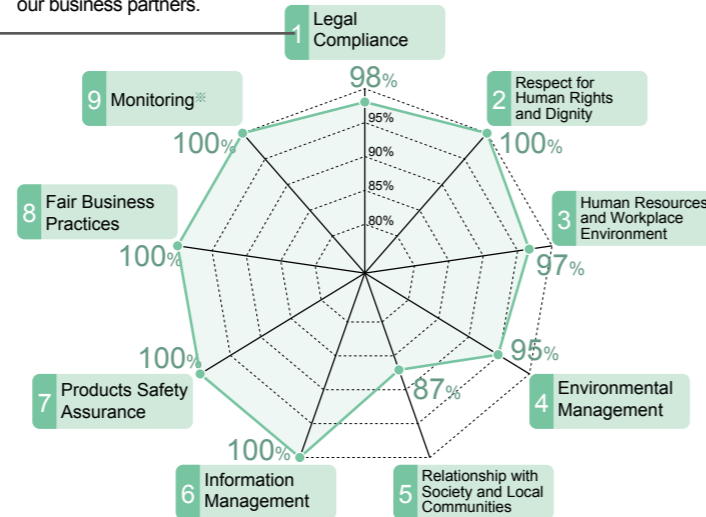
Examples of items on the Self-Check Sheet and analysis on responses

Examples of Self-Check Sheet items: questions regarding Legal Compliance

- Do you understand and comply with the laws and international conventions that apply to your business activities?
- Do you have an individual and/or function responsible for legal compliance?
- Do you have a corporate code of conduct, or policy in place that satisfies the Guidelines?
- Do you provide employee education programs on legal compliance and your corporate ethics?
- Do you have procedures for responding to legal or ethical misconduct?
- Do you conduct periodic reviews to assess that your business activities are aligned with your corporate ethics and comply with applicable laws, and to develop a corrective program for any identified noncompliance?
- Do you have a standard similar to the Guidelines for your suppliers and require their compliance?

Example of analysis of responses (image)

The balance among the following nine items is being confirmed, based on responses by our business partners.



* The monitoring checks the point "appropriately prepare and maintain evidential documents and performance records supporting their compliance with the Guidelines."

Observation of a manufacturing plant of plastic bags used by the Group

In November 2010, a person in charge of plastic shopping bags at the General Affairs Department of Seven & i Holdings observed the plants of two companies in Thailand that produce plastic shopping bags and garbage bags. For these materials, safety is confirmed by the Quality Control Department or based on certificates submitted by business partners, prior to concluding a business agreement. The observation was made for the following purposes: (1) to confirm whether the bags used by Group companies are being produced in a safe and reliable environment; and (2) to confirm the evaluations on the check sheet (see p.12) of the business partners on sites, and convey the thinking of Seven & i Holdings on supply chain management.

At one of the companies (mainly producing garbage bags) where problems were found in the observation, issues that need improvement in terms of hygiene and safety management were pointed out. A report on the improvement status was then received from the company, and a subsequent visit was made in March 2011 to confirm the improvements made.

Through direct dialogues and guidance, efforts will be made to enhance quality assurance and other CSR activities, by both the Seven & i Group and business partners.



Opinion



Nakai Takamitsu
Group General Affairs department
Seven & i Holdings

The observation revealed that the two companies have always conducted environmental activities and promoted exchange with employees, indicating considerations on matters other than production. However, we found that there may be some discrepancies in the understanding of safety and reliability between our company and our business partners. There is a need to continuously explain our ideas and seek their understanding. In the future, we hope to increase the number of observations of our major business partners.

Business Partner Help Line

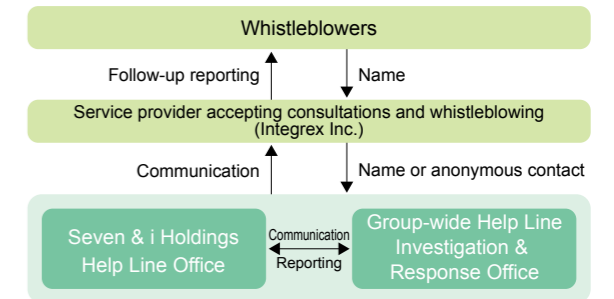
Seven & i Holdings has established the Seven & i Holdings Business Partner Help Line for executives, employees, part-time workers, and former employees of all companies that do business with our Group companies, at a third-party organization. The Help Line is intended to promptly detect and prevent problems, breaches of laws and regulations, and inappropriate transactions, by accepting consultations and opinions regarding transactions.

The system and methods of contact are described in the leaflet and on the website made available to business partners. They clearly indicate that those who use the consulting or whistleblowing service will not be placed at any disadvantage.



Leaflet

Flow of procedures for accepting consultation



For the details, please visit the following site:

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

Calls to the Business Partner Help Line

Number of consultations:	FY2008	22
	FY2009	15
	FY2010	12

