

Corporate Governance

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

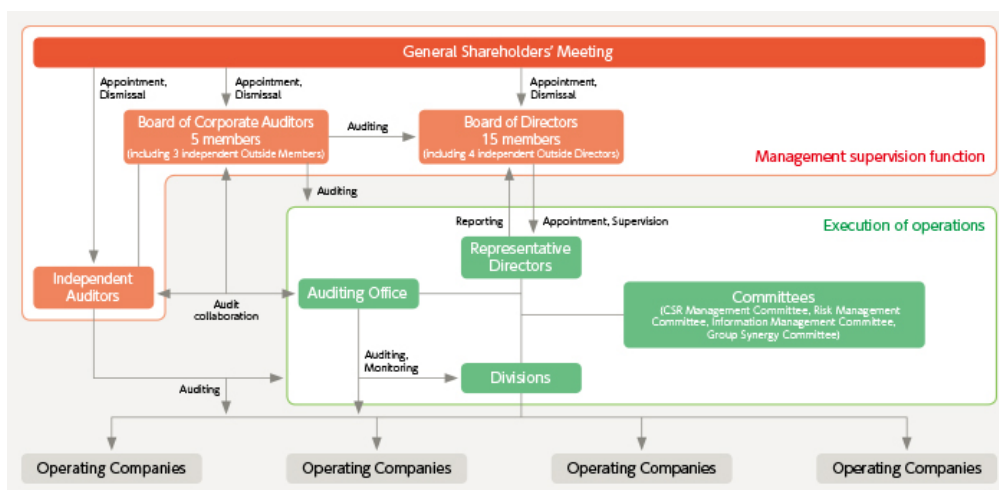
The Board of Directors of Seven & i Holdings is composed of 14 Directors (of whom 4 are Independent Outside Directors). The executive officer system has been adopted for prompt decision making and operations under a rapidly changing management environment. The Board of Directors is responsible for formulating business strategies and supervising operations, and 16 executive officers, including those who also serve as Directors, execute business operations. The Board of Directors oversees management strategy formulation and execution of duties. The term of Directors has been set to one year, to reflect the intentions of shareholders in a timely manner.

The Audit & Supervisory Board is composed of four members (of whom three are independent Outside Audit & Supervisory Board Members), and monitors management. In addition to attending Board Meetings and other important meetings, the Audit & Supervisory Board Members exchange opinions with the Representative Director and periodically interview Directors regarding the status of business execution. In addition, they share information with operating companies' directors and independent auditors and strictly audit the directors' performance of duties.

The Outside Directors and Outside Audit & Supervisory Board Members conduct corporate governance based on the executive officer system and the Audit & Supervisory Board Member system by providing advice and suggestions to ensure the validity and appropriateness of Corporate Governance System Supported by Executive Officer and Corporate Auditor Systems decision-making and business execution by the Board of Directors. They also supervise and audit the execution of business by exchanging opinions regarding company management, corporate governance, and other matters at meetings with Directors and others.

- ※1. Seven & i Holdings emphasizes the independence of Outside Directors and Outside Audit & Supervisory Board Members. Individuals are selected who 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 of people is as of the end of August 2016.

Corporate Governance System (As of October 31, 2016)



Nomination and Compensation Committee

Seven & i Holdings has established the Nomination and Compensation Committee with an Independent Outside Director as the Chair to be an advisory committee to the Board of Directors. The committee deliberates on the nomination and compensation of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers to utilize the knowledge and advice of Independent Outside Directors and Outside Audit & Supervisory Board Members. This ensures procedural objectivity and transparency in deciding on officer nomination and compensation, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

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

In the Group corporate creed and the Seven & i Holdings Corporate Action Guidelines, etc., Seven & i Holdings and its Group companies have made a public commitment to implementing ethical corporate activities, strictly observing laws, regulations, and social norms, and fulfilling their corporate social responsibilities to continue to be trusted and known for integrity. On that basis, Seven & i Holdings shall establish, maintain, and utilize compliance systems, centered on the CSR Management Committee.

The CSR Management Committee endeavors to maintain compliance with the Seven & i Holdings Corporate Action Guidelines, following the corporate creed of "We aim to be a sincere company that our customers trust" with respect to its various stakeholders. The committee works to contribute to resolving social issues through business activities and aims for society and the Group to achieve sustainable growth. To achieve these objectives, four subcommittees (Corporate Ethics and Culture Subcommittee, Consumer Affairs and Fair Business Practices Subcommittee, Environment Subcommittee and Social Value Creation 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 addition, greater efforts are being exerted to be thorough with compliance, including the establishment and operation of an independent, external helpline, promotion of fair trade, and establishment and dissemination of the Seven & i Holdings Corporate Action Guidelines and guidelines for each company.

Risk Management Committee

Seven & i Holdings, in accordance with the "basic rules for risk management," establishes, maintains, and utilizes comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze and evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies. 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 the fiscal year ended February 29, 2016, the Committee focused on promoting collaboration between risk management and management by establishing risk assessment standards and techniques that form key indicators. In addition, the Committee worked in collaboration with respective divisions toward solving issues currently confronting the Group.

In the fiscal year ending February 28, 2017, the committees will work to reduce the Company's overall risk by taking steps to strengthen risk management even further. Specifically, the committees will work together with operating companies to identify the inherent risk issues for each Group company from a medium- to long-term perspective and examine measures for resolving them.

Information Management Committee

The Information Management Committee is in charge of initiatives to strengthen corporate governance and information security based on gathering and managing information.

In the fiscal year ended February 29, 2016, in response to the full-scale revision of the system for reporting of Group companies to the Seven & i Holdings, the committee gathered important information from each company in an appropriate and timely manner and worked with them to strengthen its systems, while revamping the system for centrally managing that information and reporting it without omission or delay to management and relevant departments.

The committee also worked to strengthen information security in response to heightened social interest in protection of personal information and to ensure that customers can use the Group's integrated portal website, omni7 safely and securely. All business sites within the Group that handle personal information in relation to omni7 have acquired the international standard ISO 27001 certification for information security management.

In the fiscal year ending February 28, 2017, the committee will continue working to strengthen the system for gathering and managing information. It will also formulate information security standards to be achieved by the Group and promote them throughout Group companies. At the same time, the committee will also take steps to bolster security at certified business sites and expand them as necessary.

Group Synergy Committee

The Group Synergy Committee is composed of subcommittees that discuss common themes throughout the Group. For example, by sharing and utilizing the expertise in areas such as product development and promotion that each Group company has cultivated, the Group creates safe, reliable, and useful products and services of high quality led by our private-brand Seven Premium products. Making use of the scale merit brought about for the Group, significant cost reductions have also been attempted through collaborative purchasing of commercial and materials, equipment and more.

Internal Control Systems

Seven & i Holdings has worked to enhance its internal control systems to achieve the required conditions of internal control: (1) operational effectiveness and efficiency; (2) reliability in financial reporting; (3) strict compliance with laws and regulations in operating activities; and (4) appropriate preservation of assets.

The Auditing Office, which is an independent internal auditing department, has an oversight function to verify and provide guidance on internal auditing by operating companies or directly audit them, and an internal auditing function for auditing the holding company, Seven & I Holdings. In addition to the operational auditing director for performing these operations, the internal control evaluation director has been appointed to evaluate internal controls of core operating companies.