

Corporate Governance

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance and maximize the enterprise value of the Seven & i Group.

Organization

Seven & i Holdings has adopted the Audit & Supervisory Board system for implementing management oversight. The Board of Directors comprises 12 members, of whom 5 are Outside Directors and one is a female Director. Through the use of multiple Outside Directors who maintain their independence and have advanced management knowledge and experience, Seven & i Holdings protects the interests of general shareholders and enhances the quality of decision-making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of Directors has been set at one year.

To facilitate prompt decision-making and business execution, the Company has introduced the executive officer system. Under this system, the Board of Directors is able to focus on the formulation of management strategies and the oversight of business execution, while the executive officers can focus on business execution.

The Audit & Supervisory Board comprises five members, including three Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting. Each Audit & Supervisory Board Member fulfills such tasks as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the Representative Directors, periodically receiving reports from Directors and others regarding business execution, and actively exchanging information with the Auditing Office. Through these activities, the Audit & Supervisory Board Members audit the Directors' execution of their duties. In addition, the Audit & Supervisory Board Members actively exchange information with the independent auditor to maintain close ties with it with respect to financial audits.

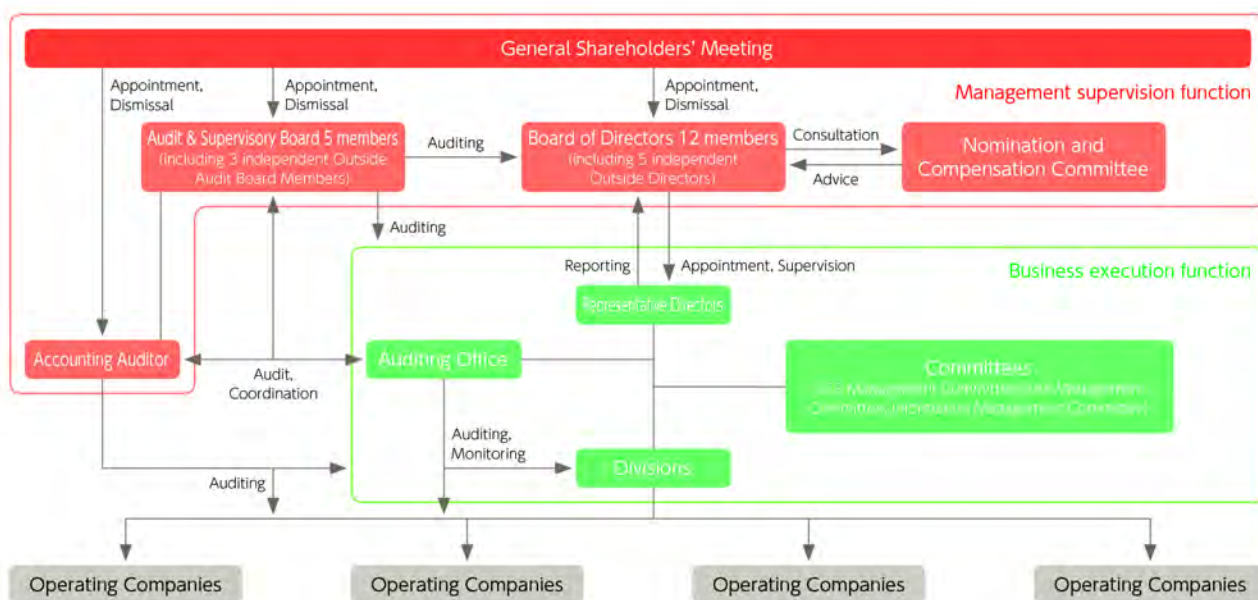
* The number of people is as of the end of May 2019.

Strengthening Corporate Governance

All of the Outside Directors and Outside Audit & Supervisory Board Members of Seven & i Holdings are independent from the Company. Independent Directors and Independent Audit & Supervisory Board Members are defined as Outside Directors and Outside Audit & Supervisory Board Members who have no potential conflicts of interest with general shareholders of the Company. In the event that an Outside Director or an Outside Audit & Supervisory Board Member is likely to be significantly controlled by the management of the Company or is likely to significantly control the management of the Company, that Outside Director or Outside Audit & Supervisory Board Member is considered to have a potential conflict of interest with general shareholders of the Company and is considered to lack independence. In accordance with this fundamental approach, the Company uses the independence criteria established by the financial instrument exchange as the independence criteria for the Company's Outside Directors and Outside Audit & Supervisory Board Members.

These Outside Directors and Outside Audit & Supervisory Board Members hold periodic meetings, as necessary, with the Board of Directors, Representative Directors, and individual Directors to exchange opinions regarding such matters as the Group's management and corporate governance. In addition, Seven & i Holdings assigns employees to assist the Outside Directors and the Outside Audit & Supervisory Board Members. The Company has established a support system that facilitates smooth information exchange and close interaction with the other Directors and the other Audit & Supervisory Board Members.

The Company's Corporate Governance System (As of May 23, 2019)



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. By ensuring procedural objectivity and transparency in deciding on officer nomination and compensation, the committee enhances the supervisory functions of the Board of Directors and further substantiates corporate governance functions.

Committees

Seven & i Holdings has established the CSR Management Committee, Risk Management Committee, and Information Management 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

Seven & i Holdings established the CSR Management Committee to carry out, manage, and oversee Groupwide CSR activities. Four subcommittees (the Corporate Ethics and Culture Subcommittee, Consumer Affairs and Fair Business Practices Subcommittee, Environment Subcommittee, and Social Value Creation Subcommittee) were established under the CSR Management Committee as Groupwide organizations that investigate and implement specific measures addressing the five material issues that affect the Group as a whole. Through these subcommittees, we seek to enhance compliance even further and promote business activities that assist in solving social issues involving stakeholders while pursuing sustainable development by both society and the Group from the perspective of ESG (environment, society, and governance).

As one part of Groupwide internal controls, we are operating an internal reporting system that can be utilized by Group executive officers, employees and business partners. The officer responsible for the CSR Management Committee periodically reports to the Board of Directors and confirms that operation status of the internal reporting system.

Risk Management Committee

The company and its Group companies, 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 28, 2019, we revised the basic rules for risk management based on a review of risk categories that correspond to internal and external environmental changes as well as quantitative standards. In addition, to improve the effectiveness of risk management, we made efforts to further strengthen risk management throughout the Group through support for the implementation of Group company risk evaluation, analysis, and reduction countermeasures by the various risk management control divisions of our company.

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 28, 2019, continuing from the fiscal year ended February 28, 2018, the committee strengthened its system for gathering important information from each company in an appropriate and timely manner and collaboratively addressing the information while working to enhance the system for centrally managing that information and reporting it without omission or delay to management and relevant departments.

In response to heightened social interest in protection of personal information and to ensure that customers can use the Group’s integrated EC website, omni7, as well as various operating company applications safely and securely, all business sites that handle customer personal information have acquired ISMS certification (ISO27001), an international standard for information security management systems (ISMS) and are working to reinforce information security. The committee formulated information security standards to be achieved by the Group and is working to further strengthen information security by promoting a PDCA cycle compliant with ISMS certification methods throughout Group companies as well.

Reinforcing 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 Board of Directors responded to the enforcement of the Companies Act of Japan in May 2006 by passing a resolution concerning the Company's "Basic Policy on Internal Control Systems." The Board of Directors continually monitors the establishment of various rules as well as the status of risk management.

In February 2009, as one facet of initiatives implemented in response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Act, the Company formulated the "Rules for Establishing Internal Control Concerning Financial Reporting" and the "Rules for Evaluating Internal Control Concerning Financial Reporting." In accordance with these rules, in March 2009 the Company established the position of internal control evaluation director in the Auditing Office. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

In addition to this type of system enhancement, the Company has prepared an Internal Control Handbook. The Company is working to ensure that all of the Group's employees understand the objectives and importance of internal control.

Moreover, following revisions to the Companies Act and the Ordinance for Enforcement of the Companies Act in May 2015, the Company established systems for ensuring appropriate operations within the corporate group formed by Seven & i Holdings and Group subsidiaries and enhanced and clarified the regulations relating to systems for supporting audits and so forth.

> [Further details about corporate governance can be found here:](#)