

# Corporate Governance

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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

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Seven & i Holdings has adopted the Audit & Supervisory Board system for implementing management oversight. The Board of Directors comprises 13 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, Seven & i Holdings 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. There are 18 executive officers (17 men and 1 woman).

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.

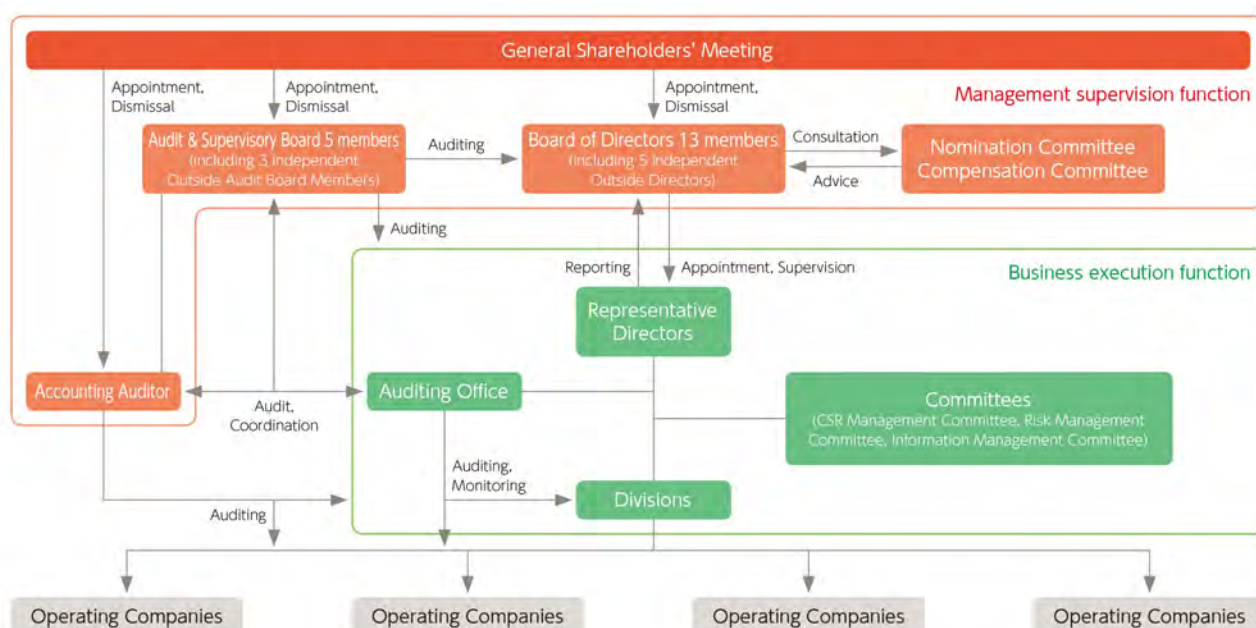
\* The number of people is as of the end of May 2020.

## Strengthening Corporate Governance

All of the Outside Directors and Outside Audit & Supervisory Board Members of Seven & i Holdings are independent from Seven & i Holdings. 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 Seven & i Holdings. In the event that an Outside Director or an Outside Audit & Supervisory Board Member is likely to be significantly controlled by the management of Seven & i Holdings or is likely to significantly control the management of Seven & i Holdings, that Outside Director or Outside Audit & Supervisory Board Member is considered to have a potential conflict of interest with general shareholders of Seven & i Holdings and is considered to lack independence. In accordance with this fundamental approach, Seven & i Holdings uses the independence criteria established by the financial instrument exchange as the independence criteria for Seven & i Holdings' 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. Seven & i Holdings has established a support system that facilitates smooth information exchange and close interaction with the other Directors and the other Audit & Supervisory Board Members.

### Seven & i Holdings Corporate Governance System (As of May 28, 2019)



## Nomination Committee and Compensation Committee

Seven & i Holdings has established the Nomination Committee and Compensation Committee as the advisory bodies to the Board of Directors. Each committee consists of three independent Outside Directors and two internal directors (with independent outside directors comprising the majority), and the chairperson is an independent Outside Director. The internal members of the Compensation Committee are selected from directors who are not the representative director.

The Nomination Committee deliberates on the nomination of Representative Directors, Directors, Audit Board Members, and Executive Officers, and the Compensation Committee deliberates on their remuneration. This enables the utilization of 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.

## Corporate Governance by Various Committees

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Seven & i Holdings has established the “CSR Management Committee,” “Risk Management Committee,” and “Information Management Committee,” which report to the Representative Director. Each committee determine Group policies in cooperation with the operating companies, and strengthens corporate governance by managing and supervising their dissemination and execution.

### CSR Management Committee

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Seven & i Holdings has established the CSR Management Committee for the purpose of promoting, administrating and supervising the CSR activities of the entire Group. Seven & i Holdings has also established the “Compliance Subcommittee,” “Corporate Ethics and Culture Subcommittee,” “Supply Chain Subcommittee,” “Environment Subcommittee” and “Social Value Creation Subcommittee” as group-wide cross-organizational bodies under the CSR Management Committee tasked with the examination and execution of concrete measures to address the “Five Material Issues” of the Group as a whole. Through the activities of these subcommittees, Seven & i Holdings aims to realize more thorough practice of compliance, promote operating activities that will contribute to the solution of social issues relating to stakeholders, and work toward the sustainable development of both society and the Group, from the perspective of ESG (environment, society, and governance).

Furthermore, Seven & i Holdings operates an internal reporting system that can be used by Group officers, employees, and business partners as part of the internal controls of the whole Group. The executive officer in charge of the CSR Management Committee regularly reports and confirms the operational status of the internal reporting system at the Board of Directors’ meeting.

### Risk Management Committee

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In accordance with the basic rules for risk management, Seven & i Holdings and its Group companies establishes, streamlines, and manages comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to Seven & i Holdings and its Group companies.

The Risk Management Committee receives reports on the risk management status of the respective companies from the departments responsible for the management of risks, comprehensively determines, assesses, and analyzes risks, discusses measures, and determines the future direction. Meanwhile, with regard to individual risks, Seven & i Holdings has carried out efforts to further strengthen risk management of the entire Group by assisting with risk evaluation and analysis, supporting for the implementation of risk mitigation measures at each Group company, and sharing risk-related information from inside and outside Seven & i Holdings, using group-wide cross-organizational meeting bodies led by each of Seven & i Holdings’ departments responsible for the management of risks.

### Information Management Committee

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In accordance with the Information Control Regulations, Seven & i Holdings established the Information Management Committee, chaired by the information management supervisor, to carry out risk analysis, evaluation, and measures regarding the management of all operations-related information that is learned, created, or retained by officers and employees of the Group.

In FY2020, the committee continued initiatives carried on from FY2019 and worked at strengthening information collection and management systems. While gathering important information from each company in an appropriate and timely manner and revamping the system for the cooperative framework for dealing with this, the committee centrally managed this information and strengthened the system for reporting that information without omission or delay to management and relevant divisions.

In the area of information security, in response to an incident involving unauthorized access in connection with 7pay, measures were taken to increase personnel with expertise in security and to establish a dedicated department that comprehensively takes control of security measures within the Group and is independent from business execution. In addition, Seven & i Holdings carries out efforts to improve awareness and enhance the sophistication of security by developing security policy and guidelines, etc., applied across the Group, increasing the level of sophistication of internal company training, and strengthening monitoring.

Through these measures, Seven & i Holdings is working to strengthen the Group’s information management and information security.

## 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 Seven & i Holdings' "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, Seven & i Holdings 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 Seven & i Holdings 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, Seven & i Holdings has prepared an Internal Control Handbook. Seven & i Holdings 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, Seven & i Holdings 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:](#)