

# CORPORATE GOVERNANCE

## Fundamental Approach

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 Group. In corporate governance, the Company implements initiatives in four issues: (1) operational effectiveness and efficiency, (2) reliability of financial reports, (3) strict compliance with laws and regulations in operating activities, and (4) appropriate preservation of assets. The objective of those initiatives is long-term growth in enterprise value.

In taking steps to achieve this objective, the Company seeks to leverage Group synergies and implements appropriate allocation of management resources. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

## Corporate Governance System

The Company uses the corporate auditor system. The Company's Board of Directors comprises 13 members, of whom three are outside directors. To facilitate prompt decision-making and execution in a rapidly changing management environment, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution while the executive officers can focus on business execution. To ensure prompt reflection of the wishes of shareholders, the term of directors has been set at one year.

## Auditing System

The Company monitors management through the corporate auditor system. The Board of Corporate Auditors comprises five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such 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. Information is also actively exchanged with the independent auditors, and a close relationship with the independent auditors is maintained.

Furthermore, with consideration for rational, effective corporate governance, the Company has established the Auditing Office, which has general responsibility for verifying the internal auditing of each of the core operating companies. The Auditing Office also has internal auditing responsibility for the Company itself. In addition, an independent auditing

office has been established in each core operating company.

The Company has concluded an auditing contract with KPMG AZSA & Co., which serves as the independent auditors of the Company's accounts. From their viewpoint as accounting specialists, the independent auditors advise the Company about the account auditing operations of the corporate auditors, and the Company actively exchanges information with the independent auditors. In addition, we have established a system to receive advice and guidance from multiple legal offices as needed.

## Support System for Outside Directors

The Company assigns employees to assist the outside directors and outside corporate auditors and facilitates smooth information exchange and close interaction with the inside directors and standing corporate auditors. To ensure that the responsibilities of the three outside directors and three outside corporate auditors are clear, we have concluded contracts limiting their responsibility.

## Committees to Strengthen the Company's Systems

To strengthen corporate governance and maximize Group enterprise value, the Company has established the CSR Committee, Risk Management Committee, Information Management Committee, and Group Synergy Committee. The CSR Committee has two sub-committees, the Compliance Committee and the Environment Committee.

## Internal Control Systems

At a meeting of the Board of Directors held on May 2, 2006, the Board of Directors approved a resolution regarding the "systems for ensuring that the duties of the directors comply with all laws and articles of incorporation and systems required by Ministry of Justice Ordinance for ensuring the compliance of other work performed by a corporation," as stipulated by the Corporate Law of Japan. With consideration for the establishment, maintenance, and operation of those systems, at a meeting held on March 4, 2008, the Board of Directors approved the following revisions.

### (1) Systems for ensuring that the work of directors and employees is compliant with laws, regulations, and the *Articles of Incorporation*

1. All Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*. In order to continue to be trusted and known for integrity, all Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize systems, centered on the Compliance Committee; operate

help lines; promote fair trade; and reevaluate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.

2. All Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.

3. The Auditing Office, which is independent from executive departments, will audit and confirm the maintenance and operational status of the compliance systems of all Group companies.

4. Corporate auditors will ensure that the work of directors is compliant with laws, regulations, and the *Articles of Incorporation* and work to raise the effectiveness of the supervisory function.

**(2) Systems for the storage and control of information related to the execution of duties by directors**

1. In accordance with laws, regulations, and *Information Control Regulations*, all Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as the minutes of shareholders' meetings, the minutes of Board of Directors meetings (including digital records, same hereafter), circular decision-making documents, and other documents and information necessary to secure appropriate operational execution.

2. Departments in charge of disclosure will rapidly and comprehensively collect important information related to all Group companies and conduct accurate, timely disclosure.

3. To ensure appropriate production, storage, management, and timely, accurate disclosure of important administrative documents, and to conduct integrated information management, with consideration for the safe management of such

important information as trade secrets and personal information, all Group companies shall establish, maintain, and operate information management systems, centered on the Information Management Committee; inspect the status of the maintenance and utilization of information management systems; and continue initiatives targeting further improvements. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the corporate auditors.

**(3) Regulations and systems for loss risk management**

1. In accordance with risk management regulations, all Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to accurately analyze, evaluate, and investigate risks associated with each business activity, with consideration for changes in the management environment and risk factors.

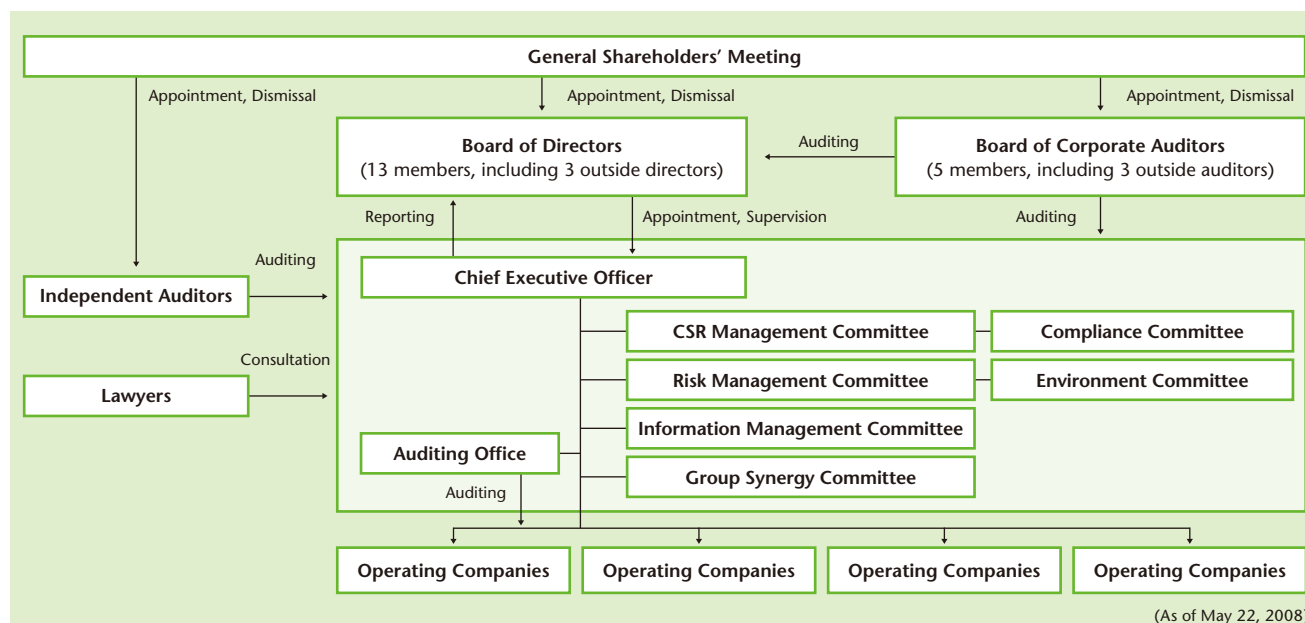
2. In regard to risk management, a system for reporting to the Board of Directors and corporate auditors shall be established, maintained, and utilized. The Board of Directors, directors, and executive officers shall conduct sufficient examination, analysis, and investigation of risks associated with operational execution, and improvement measures shall be implemented rapidly.

3. To minimize damages to the all Group companies when risk events occur, the Crisis Management Headquarters shall be established, and measures to facilitate the immediate continuation of operations shall be implemented.

**(4) Systems for ensuring the efficiency of duties executed by directors**

1. The details of the decision-making authority of the directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately

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defined in the regulations of decision-making authority, etc. In this way, all Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

2. To secure the sustained growth of the Company, the Board of Directors shall make decisions on such matters as important management objectives and budget allocations for all Group companies. Through such means as periodic reports from directors and executive officers, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations conducted.

3. The Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Board of Directors shall be held or resolutions of the Board of Directors shall be executed through documents. Rapid decision-making will be implemented and efficient administrative execution will be promoted.

#### **(5) Systems for ensuring the appropriateness of financial reporting**

1. Centered on the Internal Control Project, which is related to financial reporting, the management system needed to secure appropriateness of financial reporting for all Group companies shall be established, maintained, and operated.

2. In regard to issues that are judged to have a high possibility of having a major influence on financial conditions, appropriate information shall be shared among the directors, corporate auditors, and independent auditors.

#### **(6) Systems for ensuring the appropriateness of the work performed by the Company and subsidiaries**

1. In regard to each of the items (1) to (5) above, the Company shall establish, maintain, and operate management systems for the Group as a whole; notify all Group companies of the general outlines of these systems; and require concrete policy formulations. In addition, the Company shall provide support and guidance for the internal control activities of operating companies.

2. All Group companies shall maintain contact with each business segment and will share information with the Company's departments.

3. The Auditing Office will audit all Group companies.

#### **(7) Matters related to the provision of support staff for corporate auditors**

The Company shall provide support staff for corporate auditors when so requested.

#### **(8) Matters related to the independence from directors of the support staff for corporate auditors**

The selection of support staff (including subsequent replacements) to work exclusively for the corporate auditors shall be subject to the approval of the corporate auditors.

#### **(9) Systems for reporting by directors or employees to corporate auditors and other systems for reporting to corporate auditors**

Situations that have the possibility of causing significant damage to the Company as well as of malfeasance or violations of laws, regulations, or the *Articles of Incorporation* on the part of directors or employees shall be promptly reported to the corporate auditors. No director or employee providing such reports shall suffer any adverse consequences.

In addition, the Compliance Committee shall provide regular reports to the representative directors and to the corporate auditors concerning the operation of the help lines, which should function as public-interest reporting mechanisms.

#### **(10) Other systems for ensuring that the corporate auditors can conduct their activities effectively**

1. The corporate auditors shall meet regularly with the President and Representative Director and exchange opinions concerning important audit matters.

2. The corporate auditors shall maintain close contact with the Auditing Office, and may request examinations by the Auditing Office when necessary.

3. The corporate auditors shall meet regularly with the corporate auditors of all Group companies, additionally as needed, and conduct appropriate audits of all Group companies.

4. The corporate auditors may consult with the independent auditors of the Company's accounts and with lawyers as needed, and the Company shall bear all of the costs of such consultation.

#### **Takeover Countermeasures**

At this point, the Company has not concretely finalized its basic policy on persons who control the Company's decisions on financial matters and business policies (Article 127 of the enforcement regulations of the Corporate Law). However, we aim to maximize enterprise value through such means as further improving performance and bolstering corporate governance, and believe that appropriate measures are needed for dealing with large-scale acquisitions of the Company's stock that could damage the enterprise value of all Group companies. We will carefully consider our basic policy on this issue with consideration for developments in legal systems, court decisions, and social trends.