

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 over the long term. In taking steps to achieve this goal, the Company seeks to create Group synergies and implements the 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.

In this way, responsibilities are clearly allocated among Group companies, and through oversight by the directors and auditing by the audit & supervisory board members, the Company's corporate governance system strives to ensure that these operating company activities are implemented in a manner that is fair, appropriate, and effective.

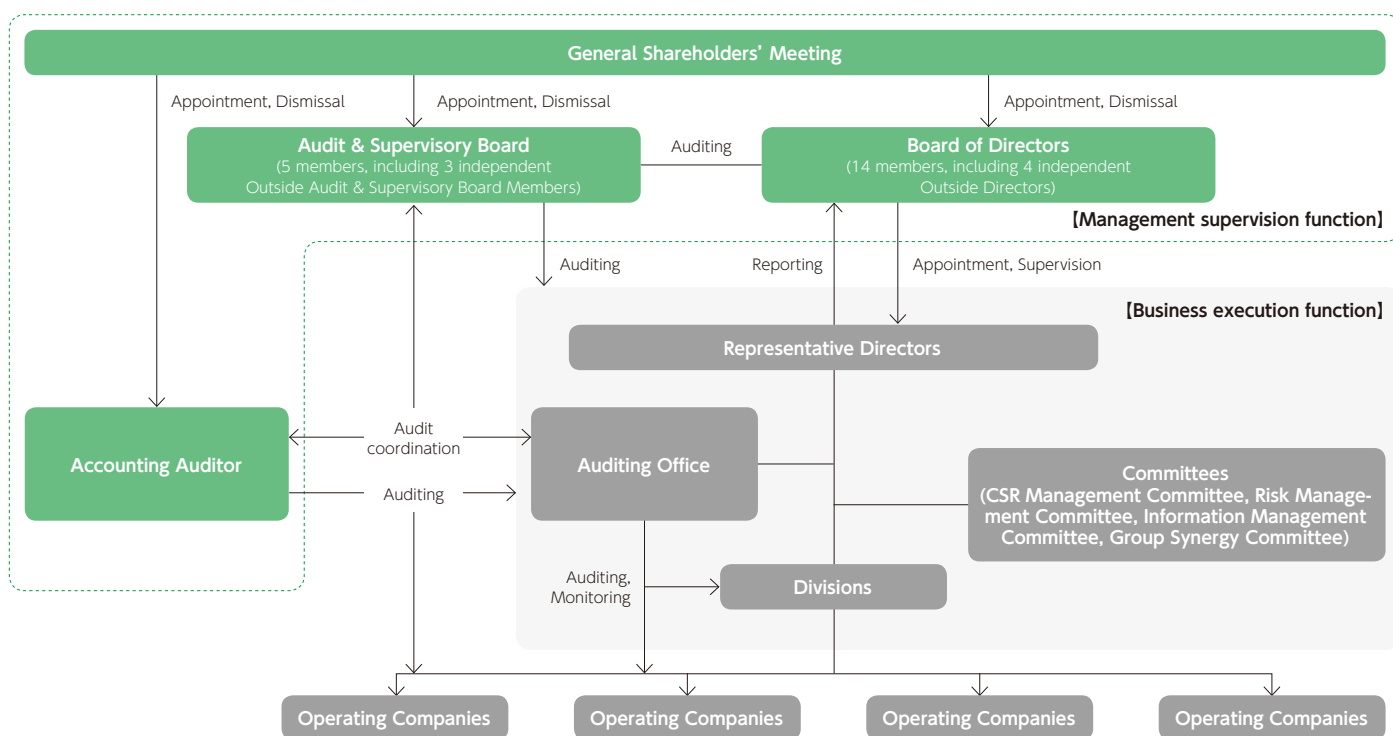
Organization

The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 14 members, of whom four are outside directors. Through the use of multiple outside directors who maintain their independence and have advanced management knowledge and experience, the Company 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.

CORPORATE GOVERNANCE SYSTEM (As of May 22, 2014)



Each audit & supervisory board member takes such steps 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 fulfillment of the duties of directors. In addition, the audit & supervisory board members actively exchange information with the independent auditors to maintain close ties with them with respect to financial audits.

Strengthening Corporate Governance

Seven & i Holdings appoints outside directors and outside audit & supervisory board members to enhance its management oversight function and increase transparency. All of the outside directors and outside audit & supervisory board members are independent from the Company.

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, the Company 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 inside directors and inside audit & supervisory board members.

Furthermore, to strengthen corporate governance from an organizational perspective, the Company has established the CSR Management Committee, the Risk Management Committee, the Information Management Committee, and the Group Synergy Committee under the representative directors. Each committee works with the operating companies to determine and disseminate the Group's policies.

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 Corporate Law 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 Law, the Company formulated a set of "Rules for Establishing Internal Control Concerning Financial Reporting."

Up to February 2009, as an independent department responsible for internal auditing, the Auditing Office served an oversight function involving verification and guidance provision for the internal auditing of the major operating companies as well as an internal auditing function involving auditing of the holding company, Seven & i Holdings. Through this reorganization, the Company consolidated these functions under the operational auditing director, and the Company established the position of internal control evaluation director. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

In addition to system enhancement, the Company is also taking steps to ensure that awareness of internal control permeates the Company. To that end, the Company distributes an Internal Control Handbook to all employees throughout the Group and is striving to maintain accuracy and enhance operating efficiency.

Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

The outside directors expressed their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka—and gave advice and made proposals to ensure the suitability and appropriateness of the Board of Directors' decision making.

The outside audit & supervisory board members asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, a corporate governance perspective for Ms. Suto, and a finance and accounting perspective for Mr. Fujinuma.

Basic Approach to Compensation of Directors and Audit & Supervisory Board Members

In regard to the compensation of directors and audit & supervisory board members, the Company emphasizes compensation that is linked with financial results and enterprise value. To further increase motivation and the desire to contribute to improved financial results and increased enterprise value, and to secure highly capable human resources who will support enhanced corporate governance through appropriate supervision and auditing of operational execution, the Company provides compensation levels and compensation systems that are appropriate to responsibilities.

Compliance

Each of the Group's major operating companies has established a Corporate Ethics Committee with the aim of cultivating awareness among employees of the "Seven & i Holdings Corporate Action Guidelines" and compliance with applicable laws and regulations. The Seven & i Holdings Corporate Action Guidelines were revised in September 2011 in line with changes in the Group's fields of business and operating environment. In addition, each operating company formulated Principles for Action Guidelines and specified standards for the actions of employees. Moreover, the personnel responsible for the operating companies' Corporate Ethics Committees participate in the Seven & i Holdings Corporate Ethics and Culture Subcommittee.

In this way, the Company is working to foster shared objectives and a common understanding throughout the Group and to share measures that have proven effective. Further, the operating companies' Corporate Ethics Committees analyze and verify the details of consultations from the help lines for company employees and from the Groupwide Help Line, a consultation help desk that is operated by a third-party organization for all employees of domestic consolidated subsidiaries. Through these committees, we are taking steps to improve the workplace environment, such as working to limit and prevent actions that violate the Seven & i Holdings Corporate Action Guidelines and to resolve any problems.

ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND THE AUDIT & SUPERVISORY BOARD

Outside Directors

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors
Noritaka Shimizu	Advisor for other companies	13 of 13 meetings
Scott Trevor Davis	Academic	12 of 13 meetings
Ikujiro Nonaka	Academic	11 of 13 meetings

Outside Audit & Supervisory Board Members

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors	Attendance at meetings of Audit & Supervisory Board
Yoko Suzuki	Lawyer	13 of 13 meetings	20 of 20 meetings
Megumi Suto	Academic	12 of 13 meetings	16 of 20 meetings
Tsuguoki Fujinuma	Certified Public Accountant	13 of 13 meetings	19 of 20 meetings

AMOUNTS OF COMPENSATION FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS IN THE FISCAL YEAR UNDER REVIEW

Classification of directors/audit & supervisory board members	Number of eligible directors/audit & supervisory board members	Total amount of compensation (¥ Million)	Total amount of compensation, etc., by type (¥ Million)		
			Fixed compensation	Results-linked compensation	
				Bonus	Stock options for stock-linked compensation
Directors (excluding outside directors)	14	295	155	53	86
Outside directors	3	32	32	—	—
Audit & supervisory board members (excluding outside audit & supervisory board members)	2	34	34	—	—
Outside audit & supervisory board members	3	29	29	—	—

(Notes)

- Audit & supervisory board members (excluding outside audit & supervisory board members) include one member retired upon the conclusion of the 8th Annual Shareholders' Meeting, held on May 23, 2013.
- The aggregate amounts of compensation, etc., of directors shown above do not include amounts paid as salaries for employees to directors who serve concurrently as employees.
- It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to directors shall not exceed ¥1 billion (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to corporate auditors shall not exceed ¥100 million.
- Stock options for stock-linked compensation were issued to seven directors (excluding outside directors).