

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. In taking steps to achieve this goal, the Company pursues 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 (As of July 16, 2016)

The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 14 members, of whom 4 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.

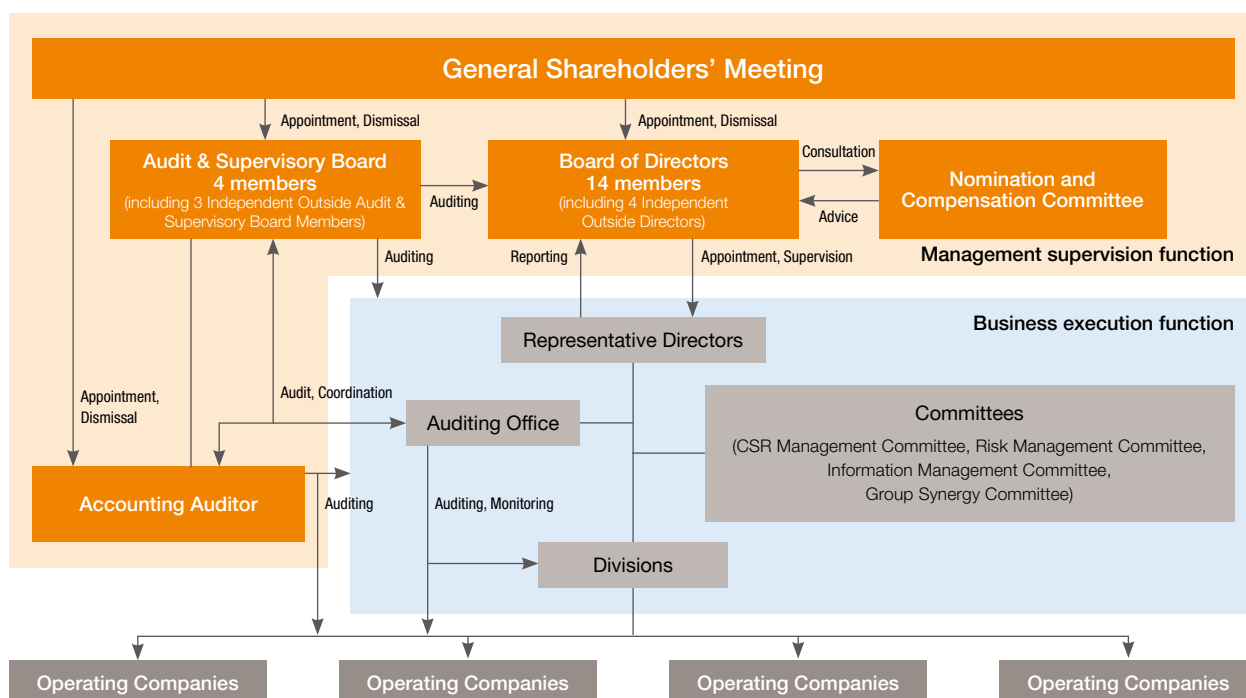
To facilitate prompt decision making and business execution, the Company has introduced the executive officer system. Under this system, the Board of Directors is able to focus on the formulation of management strategies and the oversight of business

execution, while the executive officers can focus on business execution.

The Audit & Supervisory Board comprises four 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 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.

Corporate Governance System (As of July 16, 2016)



Strengthening Corporate Governance

All of the Company's Outside Directors and Outside Audit & Supervisory Board Members 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.

Nomination and Compensation Committee

Main Items for Deliberation

- Basic policies and standards for the nomination of candidates for officers of the Company and candidates for Representative Directors of the core operating companies
- Details of appointment proposals for candidates for officers of the Company and candidates for Representative Directors of the core operating companies
- Basic policies and standards for compensation, etc., for officers of the Company and the core operating companies
- Details of compensation, etc., for officers of the Company (excluding Audit & Supervisory Board Members) and Representative Directors of the core operating companies

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 other Directors and the other Audit & Supervisory Board Members.

Moreover, in March 2016, to enhance the supervisory functions of the Board of Directors and further substantiate corporate governance functions, the Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The main items for deliberation by the Nomination and Compensation Committee and the composition of the committee are as follows.

Composition

Chair: Kunio Ito (Independent Outside Director)
Members: Ryuichi Isaka, Katsuhiro Goto (two internal Directors), Kunio Ito, Toshiro Yonemura (two Independent Outside Directors)
Observers: Masao Eguchi (internal Audit & Supervisory Board Member), Tsuguoki Fujinuma (Outside Audit & Supervisory Board Member)
Notes: 1. The chair and committee members are selected by the Board of Directors, and the observers are decided through discussion among Audit & Supervisory Board Members.
2. Decisions of the committee are made by a majority of members in attendance, and in the event of a tie the decision is made by the chair.

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. An outline of each committee is provided below. Each committee works with the operating companies to determine and disseminate the Group's policies.

Role of Each Committee

CSR Management Committee

The CSR Management Committee endeavors to maintain compliance with the "Seven & i Holdings Corporate Action Guidelines," 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, the "Corporate Ethics and Culture Subcommittee," the "Consumer Affairs and Fair Business Practices Subcommittee," the "Environment Subcommittee," and the "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 to resolve the issues.

Risk Management Committee

The Risk Management Committee regards all phenomena that threaten the continuation of the Group's businesses and hinder sustainable growth as risks, and it works to strengthen comprehensive and integrated risk management.

Information Management Committee

The Information Management Committee works to control issues related to information management.

Group Synergy Committee

The Group Synergy Committee is composed of subcommittees that consider themes shared throughout the Group. For example, by sharing the know-how cultivated by each operating company in such areas as product development and promotion, the committee creates safe, reliable, and useful products and services of high quality, such as the private-brand *Seven Premium* products. The committee is working to reduce costs by making use of the Group's economies of scale in collaborative purchasing of goods, materials, equipment, and other items.

Statements at Meetings of the Board of Directors and the Audit & Supervisory Board in the Fiscal Year Ended February 29, 2016

The Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making, primarily by expressing their opinions. Mr. Scott Trevor Davis expressed opinions mainly from the perspective of management and administration and corporate social responsibility (CSR), Mr. Yoshio Tsukio mainly from the perspective of media

policy, Mr. Kunio Ito mainly from the perspective of accounting and management theory, and Mr. Toshiro Yonemura mainly from the perspective of crisis management.

The Outside Audit & Supervisory Board Members asked questions and expressed their opinions as appropriate. Ms. Yoko Suzuki expressed opinions mainly from a legal perspective, Mr. Tsuguoki Fujinuma mainly from a specialized finance and accounting perspective, and Ms. Kazuko Rudy mainly from a marketing theory perspective.

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

Outside Directors

Name	Principal occupation outside the Company	Status of important concurrent positions	Attendance at meetings of Board of Directors
Scott Trevor Davis	Academic	<ul style="list-style-type: none"> Professor of the Department of Global Business, College of Business, Rikkyo University Outside Director of Bridgestone Corporation Outside Director of Sompō Japan Nipponkoa Holdings, Inc. 	14 of 14 meetings
Yoshio Tsukio	Academic	<ul style="list-style-type: none"> Representative Director, Tsukio Research Institute 	12 of 14 meetings
Kunio Ito	Academic	<ul style="list-style-type: none"> Research Professor, Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Akebono Brake Industry Co., Ltd. Outside Director of Sumitomo Chemical Company, Limited Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. Outside Director of Toray Industries, Inc. 	12 of 14 meetings
Toshiro Yonemura	Outside Director	<ul style="list-style-type: none"> Outside Director of UNIZO Holdings Company, Limited 	13 of 14 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	14 of 14 meetings	22 of 22 meetings
Tsuguoki Fujinuma	Certified Public Accountant	13 of 14 meetings	20 of 22 meetings
Kazuko Rudy	Academic	14 of 14 meetings	20 of 22 meetings

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.

Compensation of Directors and Audit & Supervisory Board Members

The compensation of Directors and Audit & Supervisory Board Members is decided within the following compensation framework limits determined by the General Shareholders' Meeting.

- Directors: Not more than ¥1.0 billion per year (not including amounts paid as salaries for employees to Directors who serve concurrently as employees)
Maximum issue value for stock options for stock-linked compensation share subscription rights for Directors awarded under these compensation framework limits: ¥200 million per year
- Audit & Supervisory Board Members: Not more than ¥100 million per year

Compensation of Directors

- System for compensation of directors
The basic components of compensation for Directors are fixed monthly compensation and results-linked compensation (bonuses or stock options for stock-linked compensation). The compensation system is based on the position of each Director.
The compensation of the Outside Directors, who are independent from business execution, consists only of fixed monthly compensation. Outside Directors are not paid results-linked compensation (bonuses or stock options for stock-linked compensation).
- Method of determining compensation of directors
Through deliberations by the Nomination and Compensation Committee, the compensation of Directors is determined in accordance with the evaluation of each Director's function and degree of contribution as well as the Group's results.

Compensation of Audit & Supervisory Board Members

- System for Compensation of Audit & Supervisory Board Members

With an emphasis on further strengthening the independence of Audit & Supervisory Board Members from management, the compensation of Audit & Supervisory Board Members consists only of fixed monthly compensation. Audit & Supervisory Board Members are not paid results-linked compensation (bonuses or stock options for stock-linked compensation).

- Method of Determining Compensation of Audit & Supervisory Board Members

The compensation of Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board.

Amounts of Compensation, etc., of Directors and Audit & Supervisory Board Members (As of February 29, 2016)

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)	12	417	204	63	149
Outside Directors	4	46	46	—	—
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	34	34	—	—
Outside Audit & Supervisory Board Members	3	33	33	—	—

Notes: 1. The above includes one Director and one Audit & Supervisory Board Member who resigned having completed their terms of office at the conclusion of the 10th Annual Shareholders' Meeting held on May 28, 2015.

2. 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.

3. Stock options for stock-linked compensation were issued to eight Directors (excluding Outside Directors).

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 Law, 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 the Company and its subsidiaries and enhanced and clarified the regulations relating to systems for supporting audits and so forth.

Compliance

Each of the Group's core operating companies has established a Corporate Ethics Committee and is working to ensure that all employees have knowledge of the "Seven & i Holdings Corporate Action Guidelines" and rigorously comply with 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.

Board of Directors, Audit & Supervisory Board Members, and Executive Officers (As of July 16, 2016)



Page 54 Back row, from left: Masao Eguchi, Kazuko Rudy, Tsuguoki Fujinuma, Kunio Ito, Scott Trevor Davis, Zenko Ohtaka
Front row, from left: Kazuki Furuya, Akihiko Shimizu, Junro Ito, Ryuichi Isaka

Ryuichi Isaka

President and Representative Director

Katsuhiro Goto

Vice President and Representative Director

Junro Ito

Director and Executive Officer

Kunio Takahashi

Director and Executive Officer

Akihiko Shimizu

Director and Executive Officer

Yasuhiro Suzuki

Director and Executive Officer

Kazuki Furuya

Director

Takashi Anzai

Director

Zenko Ohtaka

Director

Joseph Michael DePinto

Director



Page 55 Back row, from left: Joseph Michael DePinto, Yoshio Tsukio, Toshiro Yonemura, Yoko Suzuki
Front row, from left: Katsuhiro Goto, Kunio Takahashi, Yasuhiro Suzuki, Takashi Anzai

Scott Trevor Davis

Outside Director

Yoshio Tsukio

Outside Director

Kunio Ito

Outside Director

Toshiro Yonemura

Outside Director

Masao Eguchi

Full-time Audit & Supervisory Board Member

Yoko Suzuki

Outside Audit & Supervisory Board Member

Tsuguoki Fujinuma

Outside Audit & Supervisory Board Member

Kazuko Rudy

Outside Audit & Supervisory Board Member