

# **Corporate Governance Report**

**—Promoting Stakeholder Communication—**

**Seven & i Holdings Co., Ltd.**  
**November 1, 2016**

【Message from the President】



## **I am pleased to present the Company's Corporate Governance Report.**

The Company aims to be a sincere company in line with its corporate creed (see page 8), earning the trust of all stakeholders, including customers, business partners and franchisees, shareholders and investors, local communities, and employees.

Guided by our Group slogan of “Responding to Change while Strengthening Fundamentals” we conduct open and honest dialogue with our customers to stay in tune with their constantly changing needs. Learning about these needs yields opportunities to create and evolve new retail services in response to changes in the times.

In May 5, 2016, the Group launched a new management framework. We believe that the core concept of corporate governance is to create “a system for being a sincere company trusted by all stakeholders,” and that this is in line with our corporate creed. We will redouble our efforts to improve and expand our corporate governance, based on the philosophy of our founder.

In the same way that we create opportunities for creating services through dialogue with our customers, we believe that accumulating dialogue with all of our stakeholders, including business partners and franchisees, shareholders and investors, local communities, and employees will yield opportunities for increasing corporate value. Accordingly, we engage in open and honest dialogue with them about our corporate governance.

This report is designed to enrich this dialogue by communicating our corporate governance initiatives and our recognition of issues to be addressed in a clear manner. We hope that you will use it to offer us advice and feedback about our corporate governance.

I would like to ask for your continued support for our efforts.

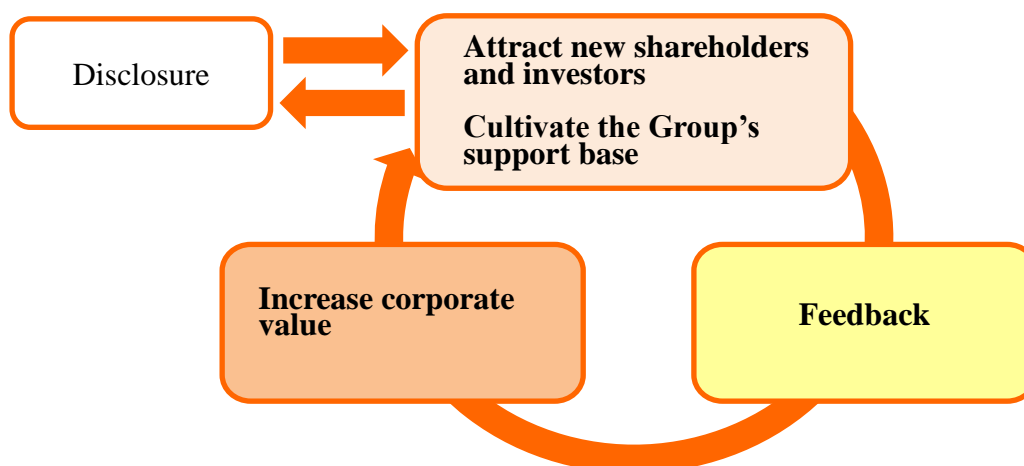
November 2016  
President and Representative Director  
Ryuichi Isaka

A handwritten signature in black ink, appearing to read 'Ryuichi Isaka', written in a cursive style.

## Objective of this Report

### 1. We will aim to gather, organize, and present information in a clear manner

In this report, we have gathered, organized, and presented as clearly as possible the significant information on corporate governance disclosed in multiple materials, such as our Annual Securities Report (*Yuhō*), Report Concerning Corporate Governance, and other disclosure materials. Each point is provided with references to other disclosure documents or links to provide access to more detailed information. We will utilize feedback about our initiatives for corporate governance to strengthen it even further.



### 2. We will explain the Company in our own words

The Company considers corporate governance to be never “complete,” but rather the subject of continuous discussion. In this report, we aim to explain our initiatives, and the issues that we recognize we need to address in our own words, and to explain our policy on the themes under discussion as far as possible.

### **3. We will also organize the information to cover the disclosure items set out in Japan's Corporate Governance Code**

The Company considers the items of Japan's Corporate Governance Code to be focus points in our dialogue with stakeholders. We will also explain (disclose) the "specific disclosure items" of the code in this report.

Rather than following the order of item in the Corporate Governance Code, the order of the explanations in this report has been designed in accordance with the Company's basic philosophy regarding corporate governance.

Areas of the report corresponding to the specific disclosure items of the Corporate Governance Code can be referenced on the following separate table.

#### **◎Implementation Status of the Corporate Governance Code**

The Company complies with all of the principles of the Corporate Governance Code.

#### **【Reference】 Japan's Corporate Governance Code**

Japan's Corporate Governance Code was formulated by the Tokyo Stock Exchange on June 1, 2015. It establishes fundamental principles for effective corporate governance at listed companies in Japan.

The principles include certain specified items that should be disclosed. These we have referred to as "specific disclosure items."

## Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of November 1, 2016)



Back row, from left: Masao Eguchi, Kazuko Rudy, Tsuguoki Fujinuma, Kunio Ito, Scott Trevor Davis, Zenko Ohtaka, Joseph Michael DePinto, Yoshio Tsukio, Toshiro Yonemura, Yoko Suzuki

Front row, from left: Kazuki Furuya, Akihiko Shimizu, Junro Ito, Ryuichi Isaka, Katsuhiko Goto, Kunio Takahashi, Yasuhiro Suzuki, Takashi Anzai

**Ryuichi Isaka**

President and Representative Director

**Yasuhiro Suzuki**

Director and Executive Officer

**Scott Trevor Davis**

Outside Director

**Masao Eguchi**

Full-time Audit & Supervisory Board Member

**Katsuhiko Goto**

Vice President and Representative Director

**Kazuki Furuya**

Director

**Yoshio Tsukio**

Outside Director

**Yoko Suzuki**

Outside Audit & Supervisory Board Member

**Junro Ito**

Director and Executive Officer

**Takashi Anazai**

Director

**Kunio Ito**

Outside Director

**Tsuguoki Fujinuma**

Outside Audit & Supervisory Board Member

**Kunio Takahashi**

Director and Executive Officer

**Zenko Ohtaka**

Director

**Toshiro Yonemura**

Outside Director

**Kazuko Rudy**

Outside Audit & Supervisory Board Member

**Akihiko Shimizu**

Director and Executive Officer

**Joseph Michael DePinto**

Director

(Correspondence Table for Specified Disclosure Items in Japan’s Corporate Governance Code)

| Principle                      | Item requiring disclosure   | Location in this report (PDF) |   |
|--------------------------------|---|-------------------------------|---|
| Principle 1.4                  | Policy on cross-shareholdings and standard for exercising voting rights   | Page 14                       | Chapter 2, Part 2, 2. Policy on cross-shareholdings   |
| Principle 1.7                  | Appropriate procedures for related party transactions   | Page 40                       | Chapter 3, Part 6, 4. System for checking related party transactions  |
| Principle 3.1                  | i) Company objectives (e.g., business principles), business strategies and business plans   | Page 8                        | Chapter 1, 1. Corporate Philosophy<br>Chapter 1, 2. Corporate Action Guidelines   |
|                                |   | Page 10                       | Chapter 2 Key Policies  |
|                                | ii) Basic views and guidelines on corporate governance  | Page 9                        | Chapter 1, 3. Basic views on corporate governance   |
|                                | iii) Board policies and procedures in determining the remuneration of the senior management and directors   | Page 35                       | Chapter 3, Part 4, 1. Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members  |
|                                | iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and <i>kansayaku</i> (“Audit & Supervisory Board Member”) candidates                                | Page 29                       | Chapter 3, Part 3, 1. Board policies and procedures in the appointment of the senior management and the nomination of Directors and Audit & Supervisory Board Member candidates         |
|                                | v) Explanations with respect to the individual appointments and nominations   | Page 33                       | Chapter 3, Part 3, 4. Explanation of reason for appointment in the appointment of the senior management and the nomination of Directors and Audit & Supervisory Board Member candidates |
| Supplementary Principle 4.1.1  | Specification by the board of scope and content of the matters delegated to the management  | Page 20                       | Chapter 3, Part 1, 1. – Clarification of the scope of matters delegated to management   |
| Principle 4.8                  | Disclosure of a roadmap by a company that in its own judgement believes it needs to appoint at least one-third of directors as independent directors  | Page 25                       | Chapter 3, Part 2, 2. Number and composition of Outside Directors   |
| Principle 4.9                  | Independence standards for independent directors established by the board   | Page 25                       | Chapter 3, Part 2, 3. View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards  |
| Supplementary Principle 4.11.1 | View of the board on the appropriate balance between knowledge, experience and skills of the board as a whole, diversity, and appropriate board size, as well as policies and procedures for nominating directors | Page 24                       | Chapter 3 Part 2, 1. Composition of the Board of Directors (balance between knowledge, experience, and skills of the board as a whole, diversity, and board size)                       |
|                                |   | Page 29                       | Chapter 3, Part 3, 1. Board policies and procedures in the appointment of the senior management and the nomination of Directors and Audit & Supervisory Board Member candidates         |
| Supplementary Principle 4.11.2 | Directors and Audit & Supervisory Board Member also serving as directors, Audit & Supervisory Board Member, and management at other companies   | Page 26                       | Chapter 3, Part 2, 4. Concurrent appointments of Directors and Audit & Supervisory Board Members  |
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# Chapter 1 Basic Views

## 1. Corporate Philosophy (Principle 3.1 (i))

The Company created its corporate creed as follows in 1972. The creed is unchanging and comprehensively symbolizes the corporate philosophy. It is of paramount importance because it forms the fundamental basis of the Group's management.

### Corporate Creed

**We aim to be a sincere company that our customers trust.**

**We aim to be a sincere company that our business partners, shareholders and local communities trust.**

**We aim to be a sincere company that our employees trust.**

## 2. Corporate Action Guidelines (Principle 3.1 (i))

The spirit embodied by the Corporate Creed is our unshakeable philosophy, which will remain constant no matter how great the changes in the social environment of the future. The attitudes needed to realize this philosophy have been formulated as our Corporate Action Guidelines.

The Corporate Action Guidelines present the basic attitudes adopted by all of the Group's Directors, Audit & Supervisory Board Members, and employees. The guidelines are comprised of the Basic Policy, which sets out the approach of the Group as a whole, and the Code of Corporate Conduct, which sets out rules for conduct. Furthermore, each Group company has established guidelines and conduct rules appropriate for its business format and specific level of activity. These are taught to all new recruits and newly appointed Directors and Audit & Supervisory Board Members through their training.

The Corporate Action Guidelines were revised by the Board of Directors on September 6, 2016.

<Structure of the Corporate Creed and Corporate Action Guidelines>



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**(Reference information) Corporate Action Guidelines**

URL : <http://www.7andi.com/en/csr/policy/guidelines.html>

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**3. Basic views on corporate governance (Principle 3.1 (ii))**

The Company considers corporate governance to be a system for sustainable growth by creating and maintaining a sincere management structure and continuously increasing the Group's corporate value over the medium term in both financial and non-financial (ESG) aspects. It is designed to earn the trust and longstanding patronage of all stakeholders, including customers, business partners and franchisees, shareholders and investors, local communities, and employees, based on the Corporate Creed.

The Company's mission as a holding company is to strengthen corporate governance and maximize the Group's corporate value. It will strive to achieve this mission through the provision of support, oversight, and optimal resource allocation to its operating companies.

**4. Establishment of corporate governance systems in accordance with advancement of group management stage**

The Group is making daily improvements under its slogan of "Responding to Change while Strengthening Fundamentals," recognizing that it is important to develop and establish the corporate governance system in accordance with the advancement of the group management stage.

The Company launched a new management system in May 2016, entering a new group management stage by transitioning to a management system that consolidates the Group's knowledge and enables a more robust Group governance system as the foundation of its organizational strength.

Accordingly, the Group has initiated a sweeping improvement of its governance system, including a revision of the current mechanisms for support and oversight of operating companies. The Group is now working to establish specific systems based on the abovementioned Corporate Creed, Corporate Action Guidelines, and basic views on corporate governance.

## Chapter 2 Key Policies (Principle 3.1 (i))

### Part 1. Three-year medium-term plan

Seven & i Holdings Co., Ltd. (the “Company”) aims to realize the medium-to long-term enhancement of its enterprise value and achieve sustainable growth by strengthening its role and function as a holding company, providing support and guidance for group companies, and promoting an optimal allocation of resources under the new management team approved at the 11th Annual Shareholders’ Meeting held on May 26, 2016.

Under these circumstances, we passed a resolution at our board of directors’ meeting to approve a three-year medium-term plan beginning on fiscal year 2018, as follows;

#### 1. Group Management Policy

The Company has put together the Seven & i Group (the “Group”) management policy as follows, based on the principle we have had since our foundation (“We aim to be a sincere company that all stakeholders trust.”) and our management slogan that we have consistently maintained since 1982 (“Responding to Change while Strengthening Fundamentals.”).

|       |   |
|-------|---|
| Goals | ■ Stay close during the life stages and phases of customers, and enhance amenity in their daily lives through product and service offers. |
|       | ■ Be a hospitable company indispensable to the community.   |
| Tasks | ■ Utilize all resources, including business partners and technological innovation.  |
|       | ■ Pursue the absolute value of products and services, and maximum customer satisfaction.  |

#### 2. New Direction in Group Management

Our management has reached a decision that it is imperative to promote the “selection and concentration” of each geographic area and business category in order to enhance our medium-to long-term enterprise value and achieve sustainable growth, while continuing to focus on comprehensive product and service development at the Japanese level as a whole. Based on this management decision, we have executed a memorandum of understanding on a capital and business alliance with H2O Retailing Corporation (“H2O”), which aims to achieve a dominant market share in the Kansai area, with the goal of realizing the reallocation of resources, particularly in the department store operation that is facing continued difficulties.

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**(Reference information)****Notice Regarding Memorandum of Understanding on Capital and Business Alliance with H2O Retailing Corporation**URL: <https://www.7andi.com/en/company/news/release/002394.html>

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**3. Outline of Medium-Term Plan, and Numerical Target****(1) Priority Measures in the Three-Year Medium-Term Plan**

|   |  |
|---|--|
| (1) Strengthening of growth businesses          | - Growth Strategy of Seven-Eleven Japan<br>- Store expansion strategy by 7-Eleven, Inc. maintaining quality      |
| (2) Improvement of structural reform businesses | - Achievement of stable growth, including re-development of real estate led by the Company                       |
| (3) Synergy effects                             | - Strengthen private-brand products<br>- Expand the Omni-Channel Strategy by the entire group                    |
| (4) Selection and concentration                 | - Alliance with the H2O Group, including the transfer of the department store operation in the Kansai area, etc. |

**(2) FY2020 Consolidated Numerical Target**

|                      |  |
|----------------------|--|
| (1) Operating income | 450.0 billion yen. Comparison with the FY2017 plan:<br>Growth businesses : +38.0 billion yen ;<br>Structural reform businesses : +38.0 billion yen ;<br>Synergies : +13.0 billion yen ;<br>Financial services : +8.0 billion yen, etc. |
| (2) ROE              | - 10%  |

**(3) Financial Strategy**

|                          |  |
|--------------------------|--|
| (1) Capital expenditures | - Allocating heavily in growth investment(consider acquisitions for the North American convenience store business)<br>- Re-energizing existing stores in the structural reform businesses<br>(The consolidated capital expenditure is, in terms of size, expected to peak in FY2017) |
| (2) Financing            | - AA rating should be maintained<br>- Procure interest-bearing debt if financing under a growth strategy is required<br>- D/E ratio of approximately 0.5 is acceptable, as is expected to grow in Financial services   |
| (3) Shareholder returns  | - Maintain the consolidated dividend payout ratio at 40%<br>- Adopt a flexible capital policy in light of a balance with investments in growth businesses  |

**4. Specific Strategy****(1) Review of the Omni-Channel Strategy**

We have promoted the Omni-Channel Strategy by focusing on the e-commerce business. At this time, however, we have reviewed the strategy from our customers' perspective. The Group has more than 22 million customers visiting our stores per day. By newly providing common loyalty program throughout the Group, for instance, we will enable us to recognize how each customer uses the services of our entire group, and will thereby allow us to provide our customers with loyalty

points based on the way they use our services, or to otherwise offer services which will be even more welcome by the customers than before. We intend to pursue quality in our services through all of our channels, by combining information on how each of our customers uses our group companies through such efforts, and we have re-defined the Omni-Channel Strategy as our group's customer strategy as stated above.

Specifically, in addition to the existing mass marketing, we will adopt a personal marketing method as our sales promotion method, etc. and aim to realize sales promotion activities which will be highly effective and appreciated by customers. For example, we will develop for each of our group companies an application for smartphones, the penetration level of which is rising year by year. Unifying the management, by using the common ID, of our customer's information who have downloaded the application will enable us to make proposals which will match the preferences of each customer.

Having Akachan Honpo Co., Ltd., which is well-recognized for its sales of baby and maternity products, among other stores, in the Group, we cover all life stages from birth to senior citizens. In addition, our group has a lineup of stores ranging from convenience stores, which are convenient for daily shopping, food supermarkets, superstores, miscellaneous goods specialty stores, to department stores which can meet our customer's special consumption needs. By leveraging this lineup, we aim to be a hospitable group indispensable to the community, which stays close during all the life phases of customers and which can grow with the customers.

Meanwhile, we will also expand the revenue of our e-commerce site "omni7" through sales of attractive products, especially, our self-developed products, by cooperating with real stores to promote the mutual referral of customers.

## (2)Growth Strategy of Seven-Eleven Japan

While reorganization is on-going in the convenience store industry in Japan, in terms of the quality of original daily products, one of the biggest differentiating factors in convenience stores, we will pursue the improvement of quality, as well as reliability and safety, utilizing the absolute competitive advantage derived from dedicated manufacturing facilities and other infrastructure.

On the other hand, as the business environment is becoming more competitive, we will boldly change our direction in terms of our efforts to enhance the quality of existing stores. More specifically, we decided to our standards for opening new stores higher than before, to change our activation standards for existing stores and to accelerate the closing of stores.

Further, as stated in (1) above, we will strengthen our measures to increase the number of customers through the promotion of the Omni-Channel Strategy.

## (3)Growth Strategy of 7-Eleven, Inc. ("SEI")

In the North American convenience store industry, gasoline majors withdrew from the retail business of operating gas stations accompanied by convenience stores, and the withdrawal triggered a restructuring of the industry by dedicated convenience store chains, which still continues. Under those circumstances, SEI adopted more stringent standards for opening new stores in 2012, clarifying the conversion of its policy from quantity to quality. Through organizational reinforcement, along with the effect of expanding the opening of new stores in urban areas where there are high sales of fast foods, SEI has established a management framework that enables the expansion of new store openings while maintaining quality.

Simultaneously, we aim to achieve a higher average of daily sales by strengthening the product supply infrastructure, by building on the capital investment in Prime Deli Corporation in Texas, U.S.A., a product supplier to SEI by Warabeya Nichiyo Holdings Co., Ltd., the largest supplier of *nakashoku*, i.e., ready-made meals usually purchased in-store and taken home, in our domestic convenience store business.

#### (4)Promotion of Structural Reform Businesses

Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. have been facing severe business conditions, and it continues to be difficult for them to earn revenue which exceeds capital costs solely by operating their stores alone. Moreover, the aging of store buildings has been accelerating the decline of their revenues.

At Ito-Yokado Co., Ltd., 40 stores will be closed by 2020, considering the status of the operating cash flows, age of the building, and regional characteristics. On the other hand, we will start our real estate revitalization plan that leverages geographical advantages, as exemplified by a number of our stores located extremely close to train stations in the major Tokyo metropolitan area. Through these efforts, we aim to improve the balance sheet and increase the earnings ratio.

Regarding the department store operations, we reached the conclusion that, while department store market reduction is inevitable, the reason for the Group to engage in the department store operations is to have the No. 1 department store in the region in order to cover various aspects of life. Pursuant to that management decision, we, upon the execution of a definitive agreement on the capital and business alliance with H2O, will transfer the department stores business in the Kansai area to H2O, and promote the “selection and concentration” of each geographic area and business category, and concentrate our management resources for department stores on our major stores.

#### (5)Capital Policy

The Company’s basic policy is to reflect earnings growth in returning profits to shareholders. Due to an improved degree of certainty in our profit growth, at the beginning of this fiscal term, we changed our target consolidated dividend payout ratio from the previous ratio of 35% to 40%. We will maintain this policy, whereas with respect to retained earnings, we will consider adopting a flexible capital policy in light of a balance with investments in growth businesses.

## Part 2. Key policies for increasing financial corporate value

### 1. Basic strategy for capital policy

The Company is working to increase its corporate value and realize sustainable growth over the medium to long term by aiming to achieve both financial stability, as the core focus, as well as increased capital efficiency.

With regard to financial stability, the Company's key performance indicator is an equity ratio that can maintain a high credit rating. This will support the goal of maintaining a sound financial position that will enable aggressive investment in growth businesses and investment from a medium- to long-term perspective in new businesses.

For increasing capital efficiency, the Company takes return on equity (ROE) as its key performance indicator, aiming to continuously achieve ROE that exceeds the cost of capital. Specifically, ROE is separated into ROA and financial leverage, with business management based on ROA of operating companies and consolidated financial leverage.

The Company's basic policy on shareholder returns is to return profits in line with consolidated operating results, aiming for stability and continuity.

$$\begin{aligned} \text{ROE} &= \frac{\text{Net Income}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Owners' equity}} \\ &= \text{ROA} \times \text{Financial leverage} \end{aligned}$$

### 2. Policy on cross-shareholdings (Principle 1.4)

Overall, the Group's cross-shareholdings as of February 29, 2016 comprised 58 stocks, with a market value of ¥49.8 billion accounting for just under 2% of consolidated net assets.

In principle, the Group does not hold cross-shareholdings except where there is an accepted rationale for doing so, such as to maintain or strengthen a business alliance or business partner relationship.

Cross-shareholdings are reviewed annually and the Company proceeds to sell those whose underlying rationale has weakened, after considering the status of the investee company.

When exercising voting rights of cross-shareholding shares, the Company votes for or against proposals from a perspective of the medium- to long-term corporate value increase of itself and the investee company. If necessary, the Company engages the investee company in dialogue about the proposal before exercising its voting rights.

### Part 3. Key policies for increasing non-financial corporate value (including ESG\*) \*ESG: Environment, Social, Governance

#### 1. View on appropriate cooperation with stakeholders

The Company aims to be a sincere company in line with its corporate creed, earning the trust of all stakeholders, including customers, business partners and franchisees, shareholders and investors, local communities, and employees. Guided by our Group slogan of “Responding to Change while Strengthening Fundamentals,” we grasp the constantly changing needs of society and our customers as opportunities to create and evolve new retail services in response to changes in the times. With today’s accelerating pace of change, the Company recognizes the importance of constantly striving to accurately understand stakeholders’ expectations of the Group. For this reason, the Company will strive to respond quickly to feedback from its stakeholders—their opinions, requests, and so forth—which it receives through its dialogue with them. By reflecting this feedback in the management decision making process the Company will emphasize “stakeholder engagement.” Furthermore, to promote sustainable growth and increased corporate value, the Company will work to resolve social issues in line with the business characteristics of each Group company through its core operations. At the same time, the Company will continue its efforts to be a sincere company that is trusted by its stakeholders by embodying the spirit of the Corporate Creed. At the Management Policy Explanation Meeting held each year, the Company’s Representative Directors explain the Company’s strategies for responding to social changes surrounding its customers and other stakeholders, to ensure that these are understood by all employees.



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(Reference information) Stakeholder Engagement

URL: <http://www.7andi.com/en/csr/organization/engagement.html>

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## 2. Sustainability issues, including social and environmental matter

The Company is responding as a united group to the expectations and demand of its stakeholders amid ongoing diversification of social issues and societal demands related to its operations. To this end, the Company engaged in dialogue with stakeholders and identified five material issues (Materiality) for the Group to address. We believe that resolving these issues is also significant from the viewpoint of creating shared value (CSV), which refers to the generation of value for both society and the Company.

Looking ahead, the Company will continue to develop its dialogues with stakeholders and fulfill its corporate responsibility, while actively working towards solving social issues through its core businesses to continue being a trusted and sincere company.

### Process of Identifying the Five Material Issues

**From a list of 92 social issues, the Company identified 33 issues that are relevant to the operations of the Group.**

**The Company held interviews with its stakeholders, including customers, business partners, shareholders and investors, and employees.**

**Group management conducted dialogues with stakeholders (experts).**

#### **The Company identified five material issues.**

**Material Issue 1**

Providing Social Infrastructure for an Aging Society and Declining Population

**Material Issue 2**

Providing Safety and Reliability through Products and Stores

**Material Issue 3**

Non-Wasteful Usage of Products, Ingredients and Energy

**Material Issue 4**

Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

**Material Issue 5**

Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

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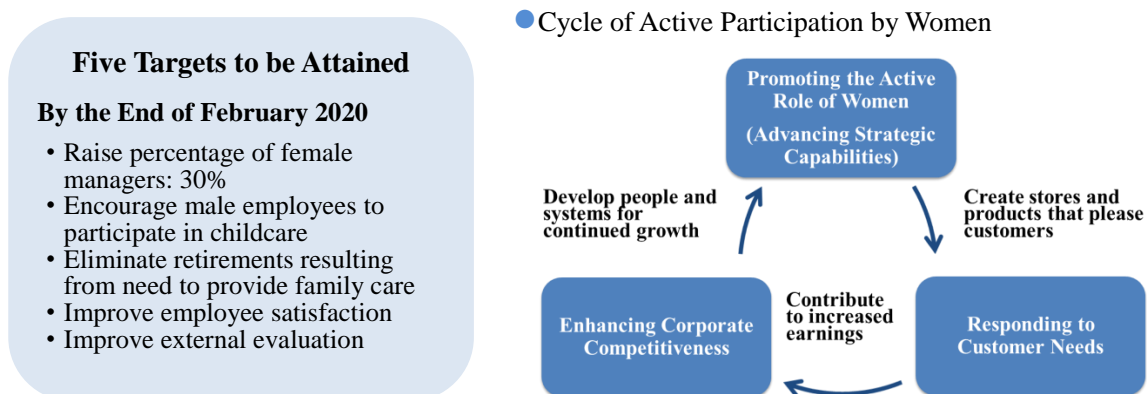
(Reference information) CSR Website

URL : <http://www.7andi.com/en/csr/index.html>

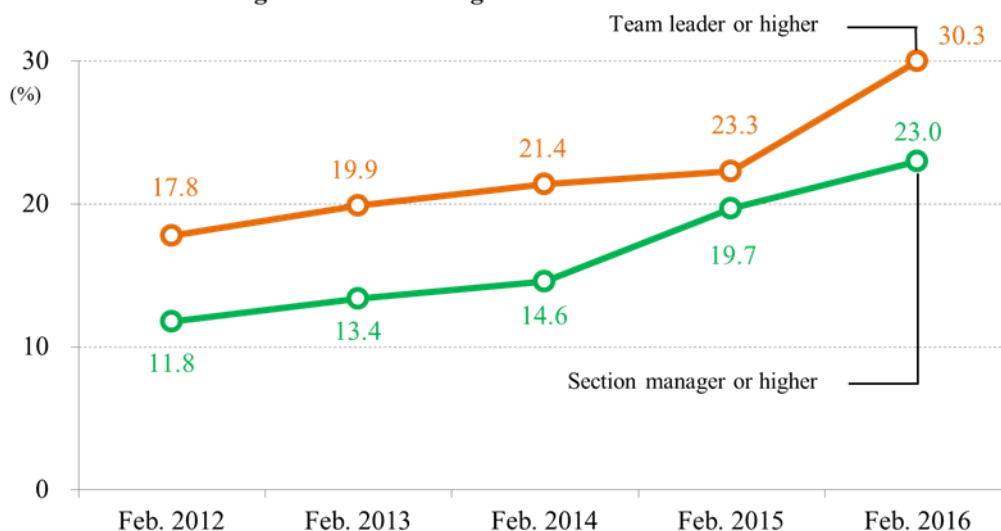
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### 3. Ensuring diversity, including active participation of women

The Company aims to enhance its corporate competitiveness through active participation of diverse human resources, with the goal of becoming a company with a sustainable competitive advantage. Since most customers who visit the Group's stores are women, the Company identified promotion of active participation of women as a material issue within diversity, and in 2012 established the Seven & i Group Diversity Promotion Project, setting targets to be achieved by February 29, 2016, and promoting various activities. One of these targets called for the percentage of female managers at the level of section manager or higher to reach 20%. This target has been achieved. Accordingly, the Company has formulated targets to be achieved by fiscal year ending February 2020, and is now implementing initiatives in cooperation with Group companies. Furthermore, from the fiscal year ending February 2017, to eliminate the need for employees to retire to provide family care, the Company is taking steps to support both work and family care, such as sponsoring family care seminars.



**Trends in the Percentage of Female Managers**



Note : Total for eight companies (Seven & i Holdings, Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank)

#### **4. Internal reporting**

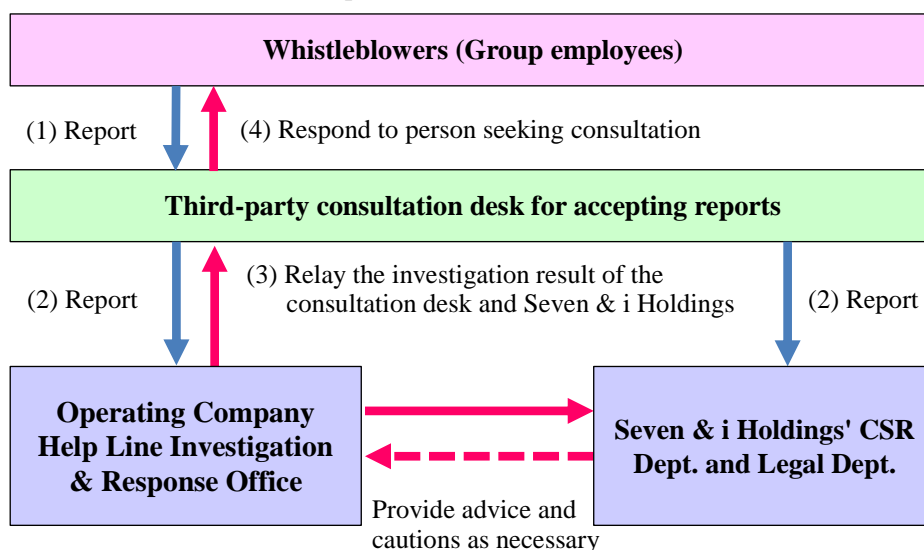
At Seven & i Holdings, as part of Group wide internal controls, the Company has established a Help Line for receiving consultation requests and reports from employees of the Company and its domestic consolidated subsidiaries, both internally and at a third-party organization. Help lines have also been established at third-party organizations for the business partners that work with the Company and our consolidated subsidiaries in Japan. When an internal report is received, the administrative office operating the help line and the relevant department confer together regarding the method of investigation and response, then propose and execute it. The reporting person (whistleblower) is informed of the result of this response and corrective action is confirmed.

Under the rules of the help lines, the personal information and privacy of the whistleblower are to be strictly protected, and if the person wishes, they can make an anonymous report to the Company where their name and department are not communicated by the third-party organization. Moreover, the Company and its consolidated subsidiaries in Japan have systems in place to ensure that whistleblowers are not subjected to disadvantageous treatment for having used a help line.

When a serious violation is found to have occurred, it is reported immediately to the Representative Director. Then the relevant department and relevant companies confer regarding the response, and the necessary action is taken. Furthermore, the Director in charge of the CSR Management Committee at the Company reports and confirmed on the operational status of internal reporting as necessary.

## Internal Reporting System (Help Line) for Employees

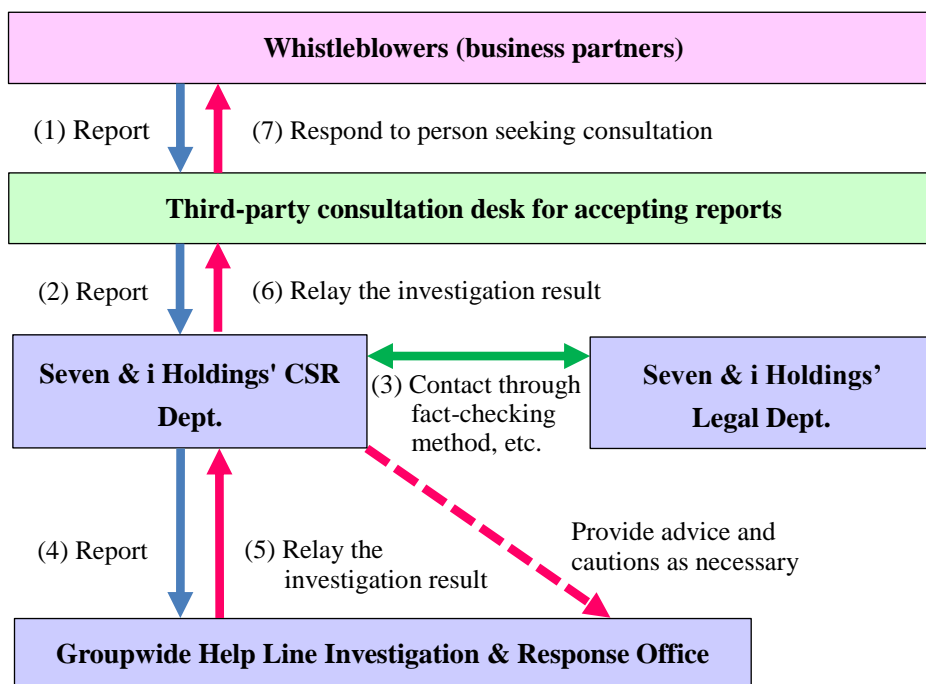
<Flow of Procedures for the Help Line>



(Reference) Number of reports for the fiscal year ended February 29, 2016: 844  
(up 20% year on year)

## Business Partner Help Line

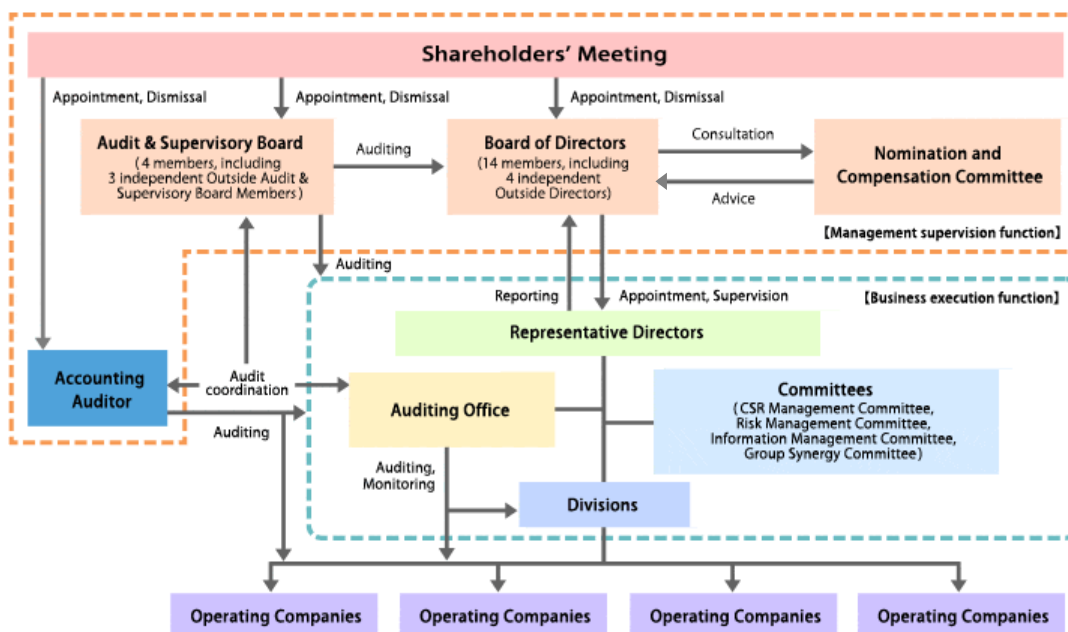
<Flow of Procedures for the Help Line>



(Reference) Number of reports for the fiscal year ended February 29, 2016: 22  
(up 29% year on year)

## Chapter 3 Internal Control Systems

【Corporate Governance System (As of November 1, 2016)】



### Part 1. Overview of corporate governance systems

#### 1. Separation of Directors' oversight functions and executive officers' business execution function through adoption of the executive officer system (Clarification of the scope of matters delegated to management)

The Company's Board of Directors comprises 14 members (of whom 4 are Outside Directors and none are women). The board meets once a month in principle.

To facilitate prompt decision making and business execution even amid a dramatically changing operating environment, the Company has introduced the executive officer system and separated the supervision function of the Board of Directors from the business execution function of the executive officers. This creates an environment where 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 term of Directors has been set to one year, to reflect the intentions of shareholders with regard to the appointment of the management team in a timely manner.

#### ◎Clarification of the scope of matters delegated to management

##### 【◎Supplementary Principle 4.1.1】

Matters to be decided by the Board of Directors at the Company are stipulated in the Board of Directors Regulations, the Decision Authority Regulations, and so forth. Matters stipulated by the Companies Act and the Company's internal regulations are decided by the Board of Directors.

**The Decision Authority Regulations clearly set out the scope of matters to be decided by the President and Representative Director. This clarifies the decision-making process for management and the structure of responsibility, while also expediting decision-making by rational delegation of authority.**

## **2. Reason for adoption of current corporate governance system**

The Company ensures the effectiveness of its corporate governance by coordinating the functions of the Audit & Supervisory Board Members and the Board of Directors. Specifically, the Audit & Supervisory Board Members (Audit & Supervisory Board) include multiple Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting. The Audit & Supervisory Board Members conduct audits by actively coordinating with the accounting auditor and the internal audit division. Meanwhile, the Board of Directors includes multiple Outside Directors who maintain their independence and have advanced management knowledge and experience. The Board of Directors conducts formulation of management strategies and oversight of business execution. The Company has adopted this corporate governance structure because it judges it to be effective for realizing and ensuring the effectiveness of corporate governance and for conducting correct and efficient corporate management.

### **◎Utilization of the company with Audit and Supervisory Board Member system**

**The Company considers the following characteristics and merits of the Audit & Supervisory Board Member system to be effective for making sure that the Company's Group governance is appropriate, and has therefore adopted it as the corporate governance system.**

- (1) The Audit & Supervisory Board Members have their own independent auditing authority (unitary system) enabling the Audit & Supervisory Board Members to audit from multiple perspectives.**
- (2) The independence of the Audit & Supervisory Board Members is clearly specified by law, enabling independent and objective audits.**
- (3) The Audit & Supervisory Board Members have legally specified authority to investigate subsidiaries, making them effective from a Group audit perspective as well.**

## **3. Nomination and Compensation Committee system**

The Company 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. This ensures procedural objectivity and transparency in deciding on officer nomination and compensation, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

## **4. Corporate governance by committees**

The Company has established the "CSR Management Committee," "Risk Management Committee," "Information Management Committee," and "Group Synergy 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)**

The Company and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, the Company and its 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 compliance systems, centered on the Company's CSR Management Committee.

The CSR Management Committee endeavors to maintain compliance with the "Seven & i Holdings Corporate Action Guidelines," following the corporate creed of "We aim to be a sincere company that our customers trust." The Committee 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," "Consumer Affairs and Fair Business Practices Subcommittee," and "Environment 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. Each subcommittee endeavors to further enhance compliance such as by developing and operating help lines, for which an independent contact has been established outside the Company, promoting fair business practices, and developing and disseminating corporate behavior policies and guidelines for each company.

### **(Risk Management Committee)**

In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize 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 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 29, 2016, the Committee focused on promoting collaboration between risk management and business management by establishing risk assessment standards and techniques that might form key indicators of business management. In addition, the Committee worked in collaboration with divisions concerned toward solving issues actually confronting the Group.

In the fiscal year ending February 28, 2017, the committees will work to reduce the Company's overall risk by taking steps to strengthen risk management even further. Specifically, the committees will work together with operating companies to identify the inherent risk issues for each Group company from a medium- to long-term perspective and examine measures for resolving them.

### **(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 29, 2016, in response to the full-scale revision of the system for reporting of Group companies to the Company, the committee gathered important information from each company in an appropriate and timely manner and worked with them to strengthen its systems, while revamping the system for centrally managing that information and reporting it without omission or delay to management and relevant departments.

The committee also worked to strengthen information security in response to heightened social interest in protection of personal information and to ensure that customers can use the Group's integrated portal website, "omni7" safely and securely. All business sites within the Group that handle personal information in relation to "omni7" have acquired the international standard ISO 27001 certification for information security management.

In the fiscal year ending February 28, 2017, the committee will continue working to strengthen the system for gathering and managing information. It will also formulate information security standards to be achieved by the Group and promote them throughout Group companies. At the same time, the committee will also take steps to bolster security at certified business sites and expand them as necessary.

### **(Group Synergy Committee)**

The Group Synergy Committee is composed of subcommittees that discuss common themes throughout the Group. For example, by sharing and utilizing the expertise in areas such as product development and promotion that each operating company has cultivated, the Group creates safe, reliable, and useful products and services of high quality led by our private-brand *Seven Premium* products. Making use of the scale merit brought about for the Group, significant cost reductions have also been attempted through collaborative purchasing of commercial and materials, equipment and more.

## **5. Risk management (internal control resolutions, etc.)**

The Company has established, maintains, and operates an integrated risk management system centered on the Risk Management Committee.

The Company has approved the following regarding "the development of systems for ensuring that the execution of duties by the Directors complies with laws, regulations, and the Articles of Incorporation and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation and by the corporate group comprised of the corporation and its subsidiaries, (referred to as the "internal control resolutions"), as stipulated by the Companies Act.

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**(Reference information) Separate document "Internal Control Resolutions"**

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## Part 2. Composition, etc., of the Board of Directors

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### Status of the Company's Board of Directors



The Board of Directors engages in active discussion by diverse internal and outside members.



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### 1. Composition of the Board of Directors (balance between knowledge, experience and skills of the board as a whole, diversity, and board size)

#### (Supplementary Principle 4.11)

The Company emphasizes a composition of Directors and Audit & Supervisory Board Members for the Board of Directors with a good overall balance of knowledge, experience, and skill for effectively carrying out the role and responsibilities of the board, and ensuring both diversity and an appropriate board size.

In particular, as a holding company, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Therefore, consideration of the board composition takes into account not only diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members, but also the balance between knowledge, experience, and skill.

Moreover, when selecting the Company's Audit & Supervisory Board Members, care is taken to select people with appropriate knowledge of finance and accounting.

The Company has formulated the Guidelines for Directors and Audit & Supervisory Board Members (Resolution passed at the Board of Directors meeting on April 7, 2016)

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(Reference) Separate document “Guidelines for Directors and Audit & Supervisory Board Members” “5. Basic policy on composition of directors and audit & supervisory board members in the company with a board of directors”

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## **2. Numbers and composition ratios of Outside Directors and Audit & Supervisory Board Members (Principle 4.8)**

The numbers and composition ratios of the Outside Directors and Audit & Supervisory Board Members are as follows. There are 4 Outside Directors among the Company’s 14 Directors and 3 Outside Audit & Supervisory Board Members among the Company’s 4 Audit & Supervisory Board Members.

As mentioned above, as a holding company, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Accordingly, with regard to the composition of its Outside Directors and Audit & Supervisory Board Members, it is important not only to ensure diversity, but also to bear in mind the overall balance of knowledge, experience, and skill. The Company therefore values having a diverse team of Outside Directors and Audit & Supervisory Board Members to provide multifaceted management advice, including raising issues, and thereby ensure active discussion within the Board of Directors.

While the Company remains extremely conscious of the diversity of its Outside Directors and Audit & Supervisory Board Members, we believe that the most important aspect is personnel selection. We have not yet arrived at the conclusion that setting formal numbers of Outside Directors and Audit & Supervisory Board Members based on constant composition ratios would be optimal for the Company’s Board of Directors. Therefore, we have not set a specific policy on the composition ratio of Outside Directors and Audit & Supervisory Board Members, including Independent Outside Directors and Audit & Supervisory Board Members.

We will continue to discuss this point, not only through dialogue with our stakeholders, but also based on social trends.

## **3. View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards (Principle 4.9)**

### **(1) Designation of Independent Directors and Audit & Supervisory Board Members**

All Outside Directors and Audit & Supervisory Board Members who satisfy the standards for Independent Officers have been designated as Independent Directors and Audit & Supervisory Board Members.

### **(2) Standards for the Independence of Outside Directors and Audit & Supervisory Board Members**

As mentioned above, the Company emphasizes diversity in its Directors and Audit & Supervisory Board Members, including in Outside Directors and Audit & Supervisory Board Members and strives to secure high-quality external human resources to improve corporate governance. Accordingly, the Company has adopted the following standards for independence of Outside Directors and Audit & Supervisory Board Members, considering that it is better to judge each candidate from the essential perspective of whether they have a risk of a conflict of interest with general shareholders.

The opinions of the Outside Directors and Audit & Supervisory Board Members were also considered in the adoption of the following standards; however, the Company will continue to discuss the standards going forward, noting that other companies and so forth have examined their independence standards from various perspectives.

## **1. Independence standards for Outside Directors and Audit & Supervisory Board Members**

### **(1) Fundamental approach**

**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.**

### **(2) Independence standard**

**In accordance with this fundamental approach, the Company uses the independence standard established by the financial instruments exchange as the independence standards for the Company's Outside Directors and Outside Audit & Supervisory Board Members.**

## **2. Standards for regarding attribute information disclosure of Independent Outside Directors and Outside Audit & Supervisory Board Members as negligible (In the most-recent business year of the Company)**

- **With regard to transactions, “Less than 1% of the non-consolidated operating revenue of the Company in the most recent accounting period”**
- **With regard to donations, “up to ¥10 million”**

## **4. Concurrent appointments of Directors and Audit & Supervisory Board Members (Supplementary Principle 4.11.2)**

The Company discloses concurrent positions held at other companies by the Company's Directors and Audit & Supervisory Board Members in the convocation notices for the Annual Shareholders' Meetings.

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### **(Reference information)**

**Convocation notice of the Annual Shareholders' Meeting “Items Regarding the Company's Directors and Audit & Supervisory Board Members”**

**URL : <http://www.7andi.com/en/ir/stocks/general.html>**

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## **5. Evaluation of Board of Directors' effectiveness (Supplementary Principle 4.11.3)**

### (1) Evaluation process

Since the transition of the Company's management to a new framework in May 2016, the Board of Directors' discussions have become more free and open-minded, and the deliberations and management approach of the board is currently developing.

Accordingly, the recent Board of Directors' evaluation may not necessarily fit with the general evaluation process that assumes the target period to be one year and a certain degree of constancy in the Board of Directors.

Therefore, in light of the situation, and because this was the first time to conduct the evaluation, the recent evaluation of the Board of Directors was conducted as a self evaluation through a discussion in the Board of Directors based on the above information.

Specifically, the evaluation was discussed at the Board of Directors' meeting held on September 6, 2016 to reevaluate the effectiveness of the Board of Directors at the current time, while making reference to the "Opinions of the Outside Directors and Audit & Supervisory Board Members" from discussions by the then-current Board of Directors held between the Outside Directors and Audit & Supervisory Board Members and the current management team on April 22, 2016, ahead of the launch of the new management framework.

The method for performing the next evaluation of the Board of Directors' effectiveness will be examined further, making reference to initiatives at other companies.

(2) Evaluation details

**At a Board of Directors meeting held on September 6, 2016, the Board of Directors confirmed with regard to the evaluation of the Board of Directors' effectiveness that the Board of Director is functioning effectively, with various opinions being voiced at the meetings from inside and outside the Company, and lively discussion taking place. A summary of the individual opinions submitted by each Director and Audit & Supervisory Board Member with regard to this point is presented below.**

**While referring to these opinions, the Company will strive to further improve the effectiveness of the Board of Directors.**

**(Summary of individual opinions)**

- Companies have an objective, strategy, mission, and values. The board of directors' role is to oversee the realization of these, offer advice, conduct discussions, and if necessary oppose these. Seven & i Holdings' Board of Directors' role should be clarified further while being evaluated going forward.**
- One positive development is the proper establishment of a place for providing prior explanation to the Outside Directors and Audit & Supervisory Board Members before the Board of Directors meetings to further invigorate the discussion.**
- While remembering that too much prior explanation can risk causing the discussion in the Board of Directors meeting to become a façade, if a company has wide-ranging business domains, as Seven & i Holdings does, then it is necessary for Outside Directors and Audit & Supervisory Board Members to receive sufficient explanation through participation in important internal meetings and meetings for Outside Directors and Audit & Supervisory Board Members. It is important that explanations prior to Board of Directors meetings are conducted both internally and externally so as to prevent asymmetry of information, thereby making the Board of Directors meeting a forum for effective discussion.**
- Having Outside Directors and Audit & Supervisory Board Members ensures that the discussion at the Board of Directors meetings incorporates diverse viewpoints.**
- Opposing opinions are important in a discussion. We analyze why these kinds of opposing opinions arise and strive to understand them. That way, even if we reach a different conclusion after that, it is a conclusion reached by discussing the opposing opinion, a conclusion that comes at the end of an in-depth discussion. It is important for conclusions to be reached by talking through opposing opinions and coming to a different point of view.**
- From a perspective of accountability to shareholders, it is important to continue having deep, thorough discussions about the risks involved in M&As and investments.**

## **Part 3. Policy and procedures for appointment and nomination of Directors and Audit & Supervisory Board Members, and training**

### **1. Board policies and procedures in the appointment of the senior management and the nomination of directors and Audit & Supervisory Board Member candidates (Principle 3.1 (iv)) (Supplementary Principle 4.11.1)**

#### (1) Outline of basic policy and system

By establishing the Nomination and Compensation Committee with an Independent Outside Director as the Chair to be an advisory committee to the Board of Directors and deliberate on the nomination and compensation of the Representative Directors, Directors, Audit & Supervisory Board Members and executive officers ("officers"), to utilize the knowledge and advice of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members for ensuring procedural objectivity and transparency in deciding on officer nomination and compensation, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

#### (2) Correct Group management and utilization of the Nomination and Compensation Committee

The Company's Nomination and Compensation Committee deliberates on the nomination and compensation not only of the Company's officers, but also the Representative Directors of the core operating companies.

The Representative Directors occupy an important position within the Group's management. They are included within the purview of the Nomination and Compensation Committee from a perspective of emphasizing the objectivity and transparency of the principle nomination and compensation procedures for the management not only of the Company, but of the Group. Currently, the core operating companies among those that grant stock options include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Seven & i Food Systems Co. Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., and York Mart Co., Ltd. (as of November 1, 2016).

Moreover, the companies that are considered to be core operating companies will be determined appropriately going forward with an emphasis on the objectivity and transparency of Group management procedures, in accordance with the Seven & i Holdings Group's business portfolio strategy and Group governance system.

#### (3) Involvement of Audit & Supervisory Board Members from a perspective of ensuring correct procedures

The Company's Nomination and Compensation Committee includes one internal and one Outside Audit & Supervisory Board Member to participate as observers.

The reason for this is that the subject of the Nomination and Compensation Committee's deliberations includes nomination of candidate Audit & Supervisory Board Members, who will be responsible for auditing the Directors' fulfillment of duties. A second reason is the importance of ensuring correct procedures within the Nomination and Compensation Committee since it is an advisory committee to the Board of Directors.

(4) Main items for deliberation of the Nomination and Compensation Committee and committee composition

i) Main items for deliberation

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

ii) Composition (as of November 1, 2016)

Chair: Kunio Ito (Independent Outside Director)

Members: Ryuichi Isaka, Katsuhiko 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)

\* The chair and committee members are selected by the Board of Directors, and the observers are decided through discussion among Audit & Supervisory Board Members.

\* 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.

## **2. Requirements and qualities of Directors and Audit & Supervisory Board Members**

The Company has stipulated the requirements and qualities of the Directors and Audit & Supervisory Board Members in the Guidelines for Directors and Audit & Supervisory Board Members.

### **(1) Formulation of the Guidelines for Directors and Audit & Supervisory Board Members**

To improve the Company's corporate governance, the Governance Roundtable Talks have been held several times since January 2016 with the Outside Directors, Outside Audit & Supervisory Board Members, and Management Team to discuss corporate governance based on the main themes of Japan's Corporate Governance Code. This is a discretionary initiative to enable intensive discussion and receive free and open advice from the Outside Directors and Outside Audit & Supervisory Board Members.

The discussion at the meeting has included an examination of the standards for nomination of Directors and Audit & Supervisory Board Members to determine what kind of personnel are needed and desirable for the Group's Directors and Audit & Supervisory Board Members. The results of the discussion regarding the requirements and qualities for these personnel have been formulated as the Guidelines for Directors and Audit & Supervisory Board Members.

The Guidelines for Directors and Audit & Supervisory Board Members were approved by a meeting of the Nomination and Compensation Committee in April 2016, then by a meeting of the Board of Directors on April 7, 2016. (Some of the wording has been revised following a change in title names at the Board of Directors meeting held on May 26, 2016).

### **(2) Basic perspective on the requirements and qualities of Directors and Audit & Supervisory Board Members**

In the discussion of corporate governance concerning Directors and Audit & Supervisory Board Members, the Company begins with the assumption that "nobody is perfect."

The absolutely essential conditions for Directors and Audit & Supervisory Board Members have been clarified and established as universal "requirements." Meanwhile, as the "strong points" of each individual can vary, these are treated separately from the requirements as "qualities." This refers to a personnel selection analysis and perspective that allows for individual strengths and weaknesses.

The desirable "qualities" differ depending on the duties assigned to each Director and Audit & Supervisory Board Member. They have been classified as follows.

- i) Directors responsible for business execution
- ii) Directors and Audit & Supervisory Board Members responsible for oversight and audits
- iii) Group representative (Company President)

Each individual Director and Audit & Supervisory Board Member is assumed to have different strengths and weaknesses with regard to each of the "qualities." While emphasizing the diversity of the Directors and Audit & Supervisory Board Members, the Company considers it important to select a combination of personnel with individual strengths that it can utilize.



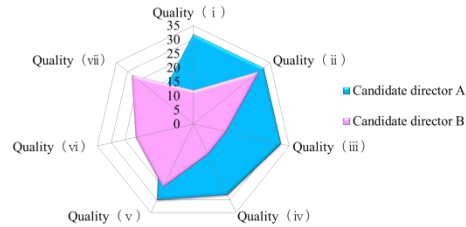
## Conceptual Drawing of Requirements and Qualities

(Reference)  
**Director and Audit & Supervisory Board Member**  
**“Requirements”**: essential conditions\* that must be met

|               | Candidate director A | Candidate director B | Candidate director C |
|---------------|----------------------|----------------------|----------------------|
| Requirement 1 | <b>Good</b>          | <b>Good</b>          | <b>Good</b>          |
| Requirement 2 | <b>Poor</b>          | <b>Good</b>          | <b>Good</b>          |
| Requirement 3 | <b>Good</b>          | <b>Poor</b>          | <b>Good</b>          |
| <b>Result</b> | <b>Poor</b>          | <b>Poor</b>          | <b>Good</b>          |

\*Conditions must all be met

(Reference)  
**Director and Audit & Supervisory Board Member**  
**“Qualities”**: Personnel selection analysis and perspective allowing for individual strengths and weakness.



(Reference information) **Separate document: Guidelines for Directors and Audit & Supervisory Board Members 1 – 4**

### 3. Basic policy regarding qualities and appointment of Group representative (Group representative succession plan)

The Company has stipulated the following qualities desired for Group representative (Company President) in the Guidelines for Directors and Audit & Supervisory Board Members.

#### Appropriate Qualities and Viewpoints for Group Representative

| Qualities                             | Viewpoints  |
|---------------------------------------|---|
| <b>Business management capability</b> | <ul style="list-style-type: none"> <li>• Has problem-solving capabilities</li> <li>• Has outstanding judgement, etc.</li> </ul>   |
| <b>Leadership ability</b>             | <ul style="list-style-type: none"> <li>• Sets constructive targets and leads the company to achieve beyond them</li> <li>• Strong ability to communicate with other Directors, Audit &amp; Supervisory Board Members, and employees</li> <li>• Ability to drive change, etc.</li> </ul> |
| <b>Personal qualities</b>             | <ul style="list-style-type: none"> <li>• Understands own strengths and weaknesses, able to collaborate with people that possess qualities to compensate for qualities he or she lacks</li> <li>• Always prepared to learn</li> </ul>  |

The basic policy regarding selection of Group representative is as follows.

- Evaluate the candidate through a sincere process using multifaceted and objective materials
- Examine in detail whether or not the candidate has the management capabilities required for solving management issues facing Seven & i Holdings’ Group companies
- Specifically check and evaluate the leadership style and ability of the candidate

#### **4. Explanation of reason for appointment in the appointment of the senior management and the nomination of Directors and Audit & Supervisory Board Member candidates (Principle 3.1 (v))**

When the Board of Directors nominates Director and Audit & Supervisory Board Member candidates, including candidates for Representative Director, the Company discloses the reasons for nomination in the convocation notices for the Annual Shareholders' Meeting.

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#### **(Reference information)**

**The Company's convocation notices "Shareholders' Meeting Reference Materials"**

**URL: <http://www.7andi.com/en/ir/stocks/general.html>**

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#### **5. Training for Directors and Audit & Supervisory Board Members**

##### **(Supplementary Principle 4.14.2)**

The Company has built and implements a training system tailored to each position for its Directors, Audit & Supervisory Board Members, executive officer, and other officers and employees.

Training for Directors covers corporate governance, relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, which is also provided for executive officers who have responsibility for administrative divisions. The expenses for the training are covered by the Company.

In addition, the Company's Directors and Audit & Supervisory Board Members make use of all opportunities to improve through their own efforts, and the Company works to provide such opportunities. The Company's training policy for Directors and Audit & Supervisory Board Members is set out in item 6. of the Guidelines for Directors and Audit & Supervisory Board Members as follows.

Outside Directors and Audit & Supervisory Board Members are provided with opportunities to visit the business sites of the major subsidiaries (Refer to page 38 2. Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members).

**《Policy on Training for Directors and Audit & Supervisory Board Members》**

**(1) Skills development**

**Group company Directors and Audit & Supervisory Board Members shall strive constantly on development of the following kinds of abilities.**

- (i) Develop and acquire the specialist knowledge and skills appropriate for a business manager**
- (ii) Deepen fundamental understanding of the field for each position and function as a basis for developing and acquiring the ability to analyze matters from a company-wide, comprehensive perspective**
- (iii) Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding issues in management and administration**
- (iv) Acquire methods for applying the necessary skills and techniques for business analysis, planning, and so forth**
- (v) Develop and acquire skills for effectively combining the individual efforts of organization members to achieve company targets, and for effectively developing and improving the latent potential of these people**
- (vi) Lift motivation for self-improvement**
- (vii) Improve other qualities required of Directors and Audit & Supervisory Board Members**

**(2) Provision of opportunities for improvement**

**Group company Directors and Audit & Supervisory Board Members shall make use of all opportunities to improve and foster the abovementioned capabilities.**

- (i) Encourage participation in external management training programs**
- (ii) Introduce appropriate specialists to resolve management issues**
- (iii) Provide information and hold seminars to assist understanding of economic, social, cultural, compliance, corporate governance, and other general affairs**
- (iv) Provide training opportunities**
- (v) Provide other self-development and training opportunities**

## **Part 4. Compensation for Board of Directors and Audit and Supervisory Board Members**

### **1. Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members (Principle 3.1 (iii))**

The Company has established a basic policy on compensation of Directors and Audit & Supervisory Board Members by resolution of the Board of Directors as follows.

The Company emphasizes the form of compensation of Directors and Audit & Supervisory Board Members as a mechanism for appropriate risk-taking. The Company will discuss specific details of the design for the compensation system in order to tailor it appropriately to future trends in legal regulations and society.

Furthermore, the Company will also make improvements to the Group business results evaluation system to ensure that compensation of the Representative Directors of operating companies functions as a sound incentive for sustainable growth.

#### **《Policy on Compensation of Directors and Audit & Supervisory Board Members》**

##### **1. 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 over the medium to long term, and to secure highly capable human resources who will support enhanced corporate governance through appropriate oversight and auditing of operational execution, the Company provides compensation levels and systems commensurate with responsibilities.**

##### **2. 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 at the General Shareholders' Meeting.**

- **Directors: Not more than ¥1.0 billion per year (not including amounts paid as salaries to Directors who serve concurrently as employees)**  
**(Resolved at the 1st Annual General Shareholders' Meeting held on May 25, 2006)**  
**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**  
**(Resolved at the 3rd Annual General Shareholders' Meeting held on May 22, 2008)**
- **Audit & Supervisory Board Members: Not more than ¥100 million per year**  
**(Resolved at the 1st Annual General Shareholders' Meeting held on May 25, 2006)**

### **3. Nomination and Compensation Committee**

The Company has established the Nomination and Compensation Committee to ensure objectivity and transparency in the procedures for deciding the compensation of officers (referring in this policy to Directors, Audit & Supervisory Board Members and executive officers). The committee's chair and the majority of its members are Independent Outside Directors.

### **4. Compensation of Directors**

#### **○System for compensation of Directors**

The basic components of compensation of 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 Directors does not include amounts paid as salaries to Directors who serve concurrently as employees.

The compensation of 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, compensation of Directors is determined in accordance with the evaluation of each Director's function and degree of contribution, as well as with the Group's results.

### **5. 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.

### **6. Abolition of severance payments to Directors and Audit & Supervisory Board Members**

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and no severance payments will be paid to Directors and Audit & Supervisory Board Members.

## Part 5. Monitoring by Outside Directors and Outside Audit & Supervisory Board Members

### 1. Status of main activities of Outside Directors and Outside Audit & Supervisory Board Members

(1) Attendance and remarks at meetings of the Board of Directors and the Audit & Supervisory Board during the 11th business year (from March 1, 2015 to February 29, 2016)

| Name of Outside Director | Number of Board of Directors Meetings attended during the 11th business year (of a total of 14) |
|--------------------------|---|
| Scott Trevor Davis       | 14  |
| Yoshio Tsukio            | 12  |
| Kunio Ito                | 12  |
| Toshiro Yonemura         | 13  |

Mr. Scott Trevor Davis expressed opinions mainly from the perspective of management and administration and corporate social responsibility (CSR), Mr. Yoshio Tsukio from the perspective of media policy, Mr. Kunio Ito from the perspective of accounting and management theory, and Mr. Toshiro Yonemura from the perspective of crisis management.

| Name of Outside Audit & Supervisory Board Member | Number of Board of Directors Meetings attended during the 11th business year (of a total of 14) | Number of Audit & Supervisory Board Meetings attended during the 11th business year (of a total of 22) |
|--|---|--|
| Yoko Suzuki                                      | 14  | 22   |
| Tsuguoki Fujinuma                                | 13  | 20   |
| Kazuko Rudy                                      | 14  | 20   |

Ms. Yoko Suzuki expressed opinions mainly from a legal perspective, Mr. Tsuguoki Fujinuma from a specialized finance and accounting perspective, and Ms. Kazuko Rudy from a marketing theory perspective.

### (2) Functions and Roles of Outside Directors and Outside Audit & Supervisory Board Members

The function and role of the Outside Directors and Outside Audit & Supervisory Board Members is to ensure appropriateness and correctness of the Board of Directors' decision making and business execution. To this end, they provide oversight and audits and offer advice and proposals from an external perspective. They have an objective and neutral standpoint with no risk of conflict of interest with general shareholders and make use of their respective specialist knowledge and wide-ranging, high-level experience and insight.

## **2. Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members**

In addition to meetings of the Board of Directors, Outside Directors and Outside Audit & Supervisory Board Members meet with the Representative Directors, Directors, Standing Audit & Supervisory Board Members, and others. Furthermore, meetings of the Outside Directors and Outside Audit & Supervisory Board Members are held on a regular and as-needed basis. The themes for each meeting are centered on material management issues and matters of high social concern. Reports are received from Directors, the Internal Control Division, and so forth, regarding the status of business execution and internal control at the Company and Group companies, and explanations are given in response to questions from the Outside Directors and Outside Audit & Supervisory Board Members, who also offer opinions regarding the Company's management, corporate governance, and other topics based on their respective expert knowledge and wide-ranging, high-level experience and insight into management. In these and other ways, the Outside Directors and Outside Audit & Supervisory Board Members coordinate with each other while conducting frank and lively exchanges of opinions.

The Outside Directors and Outside Audit & Supervisory Board Members also visit the business sites and so forth of major subsidiaries and exchange opinions with the Directors, Audit & Supervisory Board Members, and other officers of operating companies.

Through these activities, Outside Directors supervise operational execution, and Outside Audit & Supervisory Board Members perform audits of operational execution and accounting practices.

## **3. Support system for Outside Directors and Outside Audit & Supervisory Board Members**

The Company has assigned dedicated employees to assist the Outside Directors and Outside Audit & Supervisory Board Members in their duties, enabling close coordination and a smooth exchange of information. The Company has also concluded liability limitation agreements with the Outside Directors (4) and Outside Audit & Supervisory Board Members (3) to ensure they can perform their roles as expected.

## **Part 6. Auditing**

### **1. Audit & Supervisory Board Member Audits**

The Company's Audit & Supervisory Board determines an audit plan as a basic policy of establishing high-quality corporate governance systems at the Company and its Group companies. The systems are designed to ensure sound, sustainable growth and to uphold public trust. The board conducts audits with the key audit items being the systems for promoting development and operation of the internal control system, observation of laws and regulations, and risk management.

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. They also conduct audits through the following activities: exchanging opinions with the Representative Directors; receiving regular oral reports on the status of business execution from Directors and others; viewing important documents such as request forms; surveying the status of operations and assets at the Head Office and so forth. For subsidiaries, their activities include sharing information with the Directors and Audit & Supervisory Board Members of subsidiaries and visiting the subsidiaries' Head Offices, stores, logistics centers and other sites in accordance with the audit plan to survey the actual status of operations; and receiving regular oral reports.

#### **◎Appointment of Audit & Supervisory Board Members with considerable knowledge of finance and accounting**

**The Company has appointed the following Audit & Supervisory Board Members who have considerable knowledge of finance and accounting.**

- Standing Audit & Supervisory Board Member Masao Eguchi was engaged in operations relating to finance and accounting in the Accounting Management Headquarters of Seven-Eleven Japan Co., Ltd. for a total period of more than ten (10) years.**
- Audit & Supervisory Board Member Tsuguoki Fujinuma is a certified public accountant.**

### **2. Internal audits**

In order to enhance and reinforce its internal auditing function, the Company has appointed, within the Auditing Office, the operational auditing staff and the internal control evaluation staff, which are independent internal auditing divisions. The operational auditing staff has an oversight function of verifying and providing guidance on internal auditing, including the status of maintenance and operation of compliance systems by core operating companies, or directly auditing them, and an internal auditing function of auditing the holding company, Seven & i Holdings. The internal control evaluation staff evaluates internal controls regarding the financial reporting of all Group companies.



### **3. Coordination between Audit & Supervisory Board Member audits, internal audits, and accounting audits**

In order to improve the overall quality of audits, the Company ensures that the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the independent auditor proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tripartite meetings. In the meetings, Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) receive reports on the performance of accounting audits and related matters from the independent auditor and reports on the performance of internal audits and related matters from the Auditing Office, and request explanations as necessary.

Furthermore, the Company periodically holds reporting sessions for accounting audits that are attended by Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members, the Auditing Office and other relevant personnel. In the sessions, they receive reports from the independent auditor on accounting audits, and confirm the results of accounting audits and related matters.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office hold meetings once a month in principle. In the meetings, the Auditing Office reports on the results of operational audits, the progress of internal control evaluations, and related matters, and also actively exchanges opinions with the Standing Audit & Supervisory Board Members regarding priority matters that should be examined in order to improve the quality of audits and so forth. Through these efforts, the two parties aim to ensure a comprehensive exchange of audit information.

In the Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on the status of the reporting sessions for accounting audits and the proceedings of the meeting with the Auditing Office, respectively described above, and thereby share and discuss issues to be addressed and the like. Furthermore, by providing the Auditing Office and the independent auditor with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that (i) audits by Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, (ii) internal audits, and (iii) accounting audits are linked in a timely manner.

Furthermore, the Auditing Office reports on the performance and results of internal audits in the Audit & Supervisory Board meetings as necessary, and provides explanations in response to questions and so on from Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members).

At each audit, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm receive reports, materials, and so forth from the internal control divisions, and request explanations as necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

### **4. System for checking related party transactions (Principle 1.7)**

With regard to transactions with related parties, the Company surveys and identifies related parties and checks for the existence and details of transactions with them. These transactions are disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as the regulation of the Tokyo Stock Exchange.

Furthermore, with regard to competing transactions and conflict-of-interest transactions between the Company and the Directors, material facts of the transactions are reported to the Board of Directors when such transactions are carried out with the approval of the Board of Directors and in accordance with laws and regulations and the Board of Directors Regulations.

## Chapter 4 Communication (dialogue) with shareholders, General Shareholders' Meetings

### 1. Dialogue with shareholders and IR activity policy (Principle 5.1)

The Company conducts IR activities based on the following policy, aiming to contribute to the increase in corporate value over the medium to long term and sustainable growth of the Company, and to provide shareholders, investors, and all other stakeholders with a better understanding of the Company so that they can evaluate it appropriately.

#### 【Recent External Recognition】

19th Best IR Award Japan Investor Relations Association (JIRA)

2016 Institutional Investor : Most Honored Company

#### 【Main IR Events】

Quarterly Financial Results Presentation

Small meetings with the President after financial results presentations

Seven-Eleven Japan Merchandise Strategy Presentation

Ito-Yokado Business Presentation Meeting

One-on-One Meetings (including participation in overseas IR and securities company conferences)

#### (1) Basic Policy on Constructive Dialogue with Shareholders and Investors

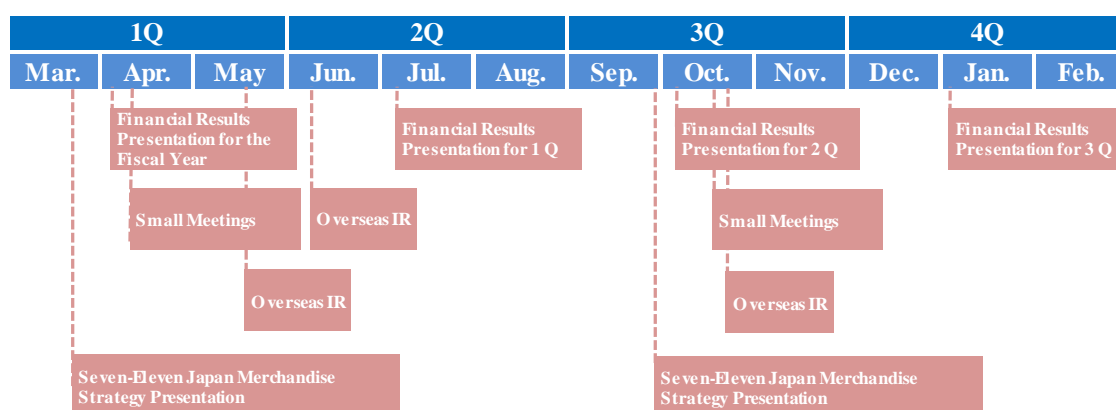
Constructive dialogue with shareholders and investors contributes to the increase in corporate value over the medium to long term and sustainable growth of the Company. Our policy on such dialogue is determined by the Board of Directors.

1. The Company has a dedicated department (the Investor Relations Department) responsible for planning and execution of activities for dialogue with shareholders and investors.
2. The Investor Relations Department is responsible for overall dialogue with shareholders and investors, and the president is in charge of it. The president, directors, and so forth strive to meet with shareholders and investors personally, in accordance with their wishes and the main topics of dialogue.
3. The Investor Relations Department has regular meetings with the departments in charge of corporate planning, financial planning, legal affairs, accounting, public relations, and so forth, to promote smooth dialogue with shareholders and investors. The meetings facilitate the

cooperation within the Company, such as information sharing, and the department also conducts appropriate exchange of information with the respective operating companies.

4. The opinions, wishes, concerns, and so forth gathered through dialogue with shareholders and investors are reported to management and the Board of Directors meetings as required, so that they can be reflected in management activities and business operation.
5. The Company strives to promote deeper understanding of its management activities and business operations among shareholders and investors. Specific activities include the Annual General Meeting of Shareholders and individual meetings, as well as proactive quarterly financial results briefings and briefings at operating companies.

### 【Annual IR Schedule (FY2016)】



6. To ensure that material information is not selectively presented only to certain people in the dialogue with shareholders and investors, the Company has determined the basic policy on information disclosure detailed in 2. below, and rigorously manages important information. The Information Management Department has been established under the information management supervisor of the Company, and strives to prevent external leakage of material information and insider trading.
7. The Company will assess the shareholder composition on the shareholders' registry at the end of the first half of the fiscal year and at the fiscal year-end. In addition, the Company will conduct a survey to determine the shareholders who effectively hold the Company's shares and use the results for constructive dialogue with shareholders and investors.

### (2) Basic Policy on Information Disclosure

The Company's basic policy is to provide fair and highly transparent information disclosure to shareholders, investors, and all other stakeholders. To obtain a correct evaluation of its corporate value, the Company conducts proper information disclosure in line with applicable

laws and regulations as well as securities exchange listing rules. Moreover, to assist all stakeholders to deepen their understanding of the Company, we also strive to actively disclose information judged likely to have an impact on shareholder and investor decisions, even if the information is not subject to disclosure obligations under applicable laws and regulations or securities exchange listing rules.

#### 1. Standard for Disclosure

The Company considers the following information to require disclosure.

##### i) Information for statutory or timely disclosure

Information requiring disclosure under laws and regulations such as the Financial Instruments and Exchange Act and the Companies Act

Information requiring disclosure under the securities exchange listing rules, such as those set out by the Tokyo Stock Exchange

##### ii) Information for discretionary disclosure

Information that is likely to have an impact on shareholders and investors investment decisions, even though it is not information described in i).

#### 2. Information Disclosure Methods

Statutory disclosures under the Financial Instruments & Exchange Act are disclosed through EDINET (electronic disclosure system for disclosure documents such as annual securities reports in accordance with the Financial Instruments and Exchange Act), while information disclosures required by securities exchange listing rules and so forth are disclosed through TDnet (timely disclosure information transmission system provided by the Tokyo Stock Exchange). Timely disclosure materials are also provided in English, so that information can be disclosed fairly and promptly not only with in Japan, but also to overseas markets. Furthermore, in principle, all disclosures are also promptly posted on the Company's website. Discretionary disclosures are made appropriately, such as by posting on the Company's website. The Company strives to help stakeholders gain a deeper understanding of its businesses by holding business strategy briefings for domestic analysts and institutional investors and publishing an Integrated Report, Corporate Outline, and so forth.

### 3. Quiet Period

The Company observes a quiet period from the day following the financial closing date until the day of announcement of financial results in order to prevent financial information leaks and ensure fair disclosure. During this period, the Company refrains from making comments or answering questions regarding its financial results.

However, even during the quiet period, the Company will respond to inquiries regarding information that does not relate to its financial results or information that has already been publicly disclosed.

Moreover, if any major event requiring disclosure under the securities exchange listing rules and so forth occurs during the quiet period, for example if the results are expected to deviate significantly from the earnings forecast, the Company makes a public announcement appropriately in line with the securities exchange listing rules and so forth.

#### 【Quiet Period】

| 1Q   |      |     | 2Q   |      |      | 3Q   |      |      | 4Q   |      |      |
|------|------|-----|------|------|------|------|------|------|------|------|------|
| Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. |
| ↔    |      |     | ↔    |      |      | ↔    |      |      | ↔    |      |      |

### 4. Forward-Looking Statements

The information disclosed by the Company may contain forward-looking statements. These statements are based on management's judgment in accordance with materials available to the Company at the time of disclosure, with future projections based on certain assumptions. The forward-looking statements therefore incorporate various risks, estimates, and uncertainties, and as such, actual results and performance may differ from the future outlook included in disclosed information due to various factors, such as changes in business operations and the financial situation going forward.

## 2. Ensuring shareholders' rights at General Shareholders' Meetings

### (1) Securing the Rights and Effective Equal Treatment of Shareholders

The Company strives to ensure the rights and effective equal treatment of shareholders.

The Company strives to practically ensure the rights of overseas and minority shareholders in terms of ensuring an environment where they can exercise their rights and their practical fair treatment.

#### 《Main Initiatives》

- i) The Company's Articles of Incorporation and the Rules for Handling Shares, which lay out procedures for exercising shareholders' rights, are posted on the Company's website.
- ii) Convocation Notices for the Annual General Shareholders' Meeting and timely disclosure documents are translated into English and disclosed on the Company's website.

### (2) General Shareholders' Meetings

The Company takes measures from the following perspectives to effectively secure the voting rights and other rights of shareholders at the General Shareholders' Meetings.

#### 《Main Initiatives》

- i) Convocation Notices for the Annual General Shareholders' Meeting are dispatched approximately three weeks prior to the meeting date, ahead of the statutory deadline for dispatch. Moreover, since 2016, prior to the dispatch of the Convocation Notice, about four weeks before the meeting, convocation information is disclosed on the Company's website and the Company strives to give shareholders time to consider the information.
- ii) English-language versions of Convocation Notices and the electronic voting platform are posted as quickly as possible on the Company's website following the posting of the Japanese-language versions.
- iii) For shareholders who cannot attend the Annual General Shareholders' Meeting, the Company provides the option to exercise voting rights by mail or electronic voting using the Internet.
- iv) To enable smooth exercise of voting rights by institutional investors, the Company has implemented an electronic voting platform.
- v) General Shareholders' Meetings are held at the Company's Head Office since it offers good transport access for shareholders.
- vi) Voting results for each proposal at General Shareholders' Meetings are confirmed by the Board of Directors after the meeting. In cases where the proportion of opposing votes exceeds a certain level, the board undertakes a causal analysis and discusses its response.

## **【Separate document】 “Internal Control Resolutions”**

### **<Systems for Ensuring Appropriate Operations>**

The Company has approved the following regarding “the development of systems for ensuring that the execution of duties by the Directors complies with laws, regulations, and the Articles of Incorporation and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation and by the corporate group comprised of the corporation and its subsidiaries,” as stipulated by the Companies Act.

#### **(1) Systems for ensuring that the execution of duties by the Company’s and its subsidiaries’ Directors and employees is compliant with laws, regulations, and the Articles of Incorporation**

(i) The Company and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, the Company and its 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 compliance systems, centered on the Company’s CSR Management Committee; operate help lines; promote fair trade; and disseminate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.

(ii) The Company and its 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.

(iii) The Company’s internal auditing division, which is independent from operating divisions, will internally audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.

(iv) The Company’s and its Group companies’ Audit & Supervisory Board Members will ensure that the execution of duties by their respective companies’ 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 the Company’s Directors and systems for reporting to the Company related to the matters concerning the execution of duties by the subsidiaries’ Directors**

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

(ii) The Company and its Group companies shall appoint an information management supervisor at each company to be responsible for supervising management of business information and also controlling planning, development and facilitation of initiatives related to the information

management. The information management supervisor of the Company shall be then responsible for business information management of the overall Group by setting the Company's Information Management Committee as the core function for the purpose, ensuring enhanced effectiveness of timely and accurate information disclosure by the function responsible for comprehensively collecting and disclosing important information, and integrated information management in view of the safe management of such important information as trade secrets and personal information. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the Audit & Supervisory Board Members.

(iii) Directors and employees of the Company and its Group companies shall report to the information management supervisor of the Company where any important matter relating to each Group company arises.

### **(3) The Company's and its subsidiaries' regulations and systems for loss risk management**

(i) In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize 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 the Company and its Group companies.

(ii) In regard to risk management, a system for periodic reporting to the Board of Directors and Audit & Supervisory Board Members shall be established, maintained, and utilized. The Board of Directors, Directors, and people responsible for operating divisions shall conduct sufficient analysis and evaluation of risks associated with operational execution, and improvement measures shall be implemented rapidly.

(iii) In the case where a business experiences a major disruption, a serious incident or accident, or a large-scale disaster, etc. to minimize damage to the Company and all Group companies when risk events occur, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

### **(4) The Company's and its subsidiaries' systems for ensuring the efficiency of the execution of duties by Directors**

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

(ii) To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as periodic reports from the Company's Directors and people responsible for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

(iii) The Company's Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid



decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

**(5) The Company's Systems for ensuring the appropriateness of financial reporting**

(i) In order to ensure the Company and its Group companies are able to provide shareholders, investors, creditors, and other stakeholders with highly reliable, timely financial reports in compliance with laws and regulations, the Company and its Group companies shall build, develop, and appropriately operate internal control systems that ensure appropriate accounting procedures and financial reporting, in accordance with the relevant rules, such as rules on establishing internal controls for financial reporting.

(ii) The Company's internal auditing division, which is independent from operating divisions, shall check and assess the effectiveness of the development and operational status of internal controls for the financial reporting of the Company and its Group companies.

(iii) Directors, Audit & Supervisory Board Members, and the accounting auditor shall appropriately exchange information about matters recognized as highly likely to have a significant effect on financial standing.

**(6) Matters related to the provision of support staff for the Company's Audit & Supervisory Board Members when so requested**

The Company shall provide full-time staff to support Audit & Supervisory Board Members.

**(7) Matters related to the independence from the Company's Directors of the support staff for the Company's Audit & Supervisory Board Members and securing effectiveness of instructions**

The selection (including subsequent replacements) of support staff to work exclusively for the Audit & Supervisory Board Members shall be subject to the approval of the Audit & Supervisory Board Members. In addition, the support staff shall comply with the Employment Rules of the Company. However, the Audit & Supervisory Board Members shall have the authority to provide directions and orders to the support staff and personnel matters such as working conditions and disciplinary actions shall be implemented upon prior consultation with the Audit & Supervisory Board Members.

**(8) Systems for reporting to the Company's Audit & Supervisory Board Members**

(i) Systems for Directors and employees of the Company to report to the Audit & Supervisory Board Members of the Company

Directors and employees of the Company shall promptly report to the Audit & Supervisory Board Members when matters that could cause significant damage to the Company, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation committed by a Director or an employee are found.

(ii) Systems for Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries, or persons who have received reporting from these people to report to the Audit & Supervisory Board Members of the Company

When matters that could cause significant damage to the Group companies, or malfeasances or violations of laws, regulations, or the Articles of Incorporation in the Group companies are found,

Directors, Audit & Supervisory Board Members and employees of the Group companies shall report to the Audit & Supervisory Board Members of the Company through the information management supervisor of the Company.

In addition, Directors and employees of the Group companies may report to the help lines, which should function as public-interest reporting mechanisms, at any time when acts constituting a violation of laws and regulations, social norms, internal rules or the like and acts that could cause the Group to lose confidence of society are found in the operations of the Group companies, and the CSR Management Committee of the Company shall provide regular reports to the Representative Director and President and to the Audit & Supervisory Board Members concerning the operation of the help lines.

**(9) Systems for ensuring that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made**

The Company shall establish provisions in the internal rules to ensure that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made, and shall appropriately enforce such provisions.

**(10) Matters concerning policies for processing prepayment or repayment of costs incurred in relation to execution of duties of the Audit & Supervisory Board Members of the Company and other processing of costs or liabilities incurred in relation to execution of duties thereof**

The Company shall bear the costs incurred in relation to the execution of duties by the Audit & Supervisory Board Members.

**(11) Other systems for ensuring that the Company's Audit & Supervisory Board Members can conduct their activities effectively**

(i) The Company's Audit & Supervisory Board Members shall meet regularly with the Representative Director and President, and exchange opinions concerning important audit matters.

(ii) The Company's Audit & Supervisory Board Members shall maintain close contact with the Company's internal auditing division, and may request the division to conduct inspections when necessary.

(iii) The Company's Audit & Supervisory Board Members shall meet regularly with the Audit & Supervisory Board Members of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.

(iv) The Company's Audit & Supervisory Board Members may consult with the accounting auditor and lawyers as needed, and the Company shall bear all of the costs of such consultation.

## **【Separate document】**

### **“Guidelines for Directors and Audit & Supervisory Board Members”**

#### **<Seven & i Holdings Co., Ltd. Guidelines for Directors and Audit & Supervisory Board Members>**

This guideline sets out the requirements, qualities, and basic policy on education of the Representative Directors, Directors (including Outside Directors), Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), executive officers, and other officers (hereinafter collectively the “officers”) of Seven & i Holdings Co., Ltd. (hereinafter the “Company”) and its Group operating companies (excluding listed Group operating companies)

#### **1. Requirements of officers**

Officers of the Group companies must satisfy the following requirements.

- (i) Understand and practice the Company’s corporate philosophy, and have sincerity that will be trusted by customers, business partners, shareholders, local society, and employees
- (ii) Observe laws and regulations, the Seven & i Holdings Corporate Action Guidelines, and internal and external ethics and norms, and have the knowledge and fairness required of an officer
- (iii) The Company’s independent officers must satisfy the Company’s Standards for Independence of Directors and Audit & Supervisory Board Members

#### **2. Qualities required of officers responsible for business execution (Representative Directors, executive officers, etc.)**

Officers of the Group companies responsible for business execution are required to have the following qualities.

- (i) The quality of being able to think from the customer’s perspective, personally implement responses to change and ensure fundamentals, and to serve as a role model for employees
- (ii) The quality of contributing to the proposal of a consistent strategic system by freely discussing matters in the Board of Directors, offering constructive advice and proposals, and comprehensively grasping the overall strategic guideline of the Group companies and the management environment and resources of each Group operating company
- (iii) The quality of possessing the skills to form, maintain, and revise an effective organization for executing strategies
- (iv) The quality of actively and effectively directing organizational activities for executing strategies and controlling management with appropriate decision-making
- (v) The quality of enabling the development of a future management team and creating an organization for future growth, aiming to continuously grow and develop indefinitely

- (vi) The quality of building and implementing compliance, internal control, and risk management
- (vii) In addition to the above, other qualities are required of officers responsible for business execution in management in each Group operating company

**3. The qualities required of officers responsible for oversight and auditing  
(Directors (including Outside Directors) and Audit & Supervisory Board Members  
(including Outside Audit & Supervisory Board Members))**

Officers of the Group companies responsible for oversight and auditing are required to have the following qualities.

- (i) The quality of being able to provide constructive opinions and advice regarding the Group companies from a layman's perspective (i.e., that of an ordinary consumer) without being unduly absorbed with past experiences
- (ii) The quality of having expert knowledge and so forth regarding important areas of consideration for management in the Group companies (i.e., corporate management, compliance, risk management, finance and accounting, internal control, macro policies, global management, marketing, etc.)
- (iii) The quality of being able to give advice and proposals that contribute to sustainable growth and an increase in the medium- to long-term corporate value of the Group companies, debate freely in the Board of Directors, and contribute to frank, constructive discussion
- (iv) (Regarding Outside Directors and Outside Audit & Supervisory Board Members) The quality of being able to appropriately supervise and audit conflicts of interest between Group operating companies and their management teams and controlling shareholders
- (v) (Regarding the independent officers of the Company) The quality of being able to appropriately reflect the opinions of stakeholders such as minority shareholders in the Board of Directors from a position that is independent from the management team and controlling shareholders
- (vi) Qualities required of officers responsible for oversight and auditing in the management of the Group companies other than the above

**4. Basic policy regarding qualities and appointment of the Group representative  
(Company President)**

- (1) The qualities required of Group representative (Company President) are as follows.

The Group representative (Company President) should have the following qualities as appropriate.

(i) Business management capability

(Focus points)

- Has problem-solving capabilities
- Has outstanding judgement, etc.
- Abundant knowledge of business
- Ability to bring added value in business development
- Ability to pursue innovation
- Ability to serve as the face of the Group

(ii) Leadership ability

(Focus points)

- Sets constructive targets and leads companies to achieve beyond them
- Strong ability to communicate with other Directors, Audit & Supervisory Board Members, and employees
- Ability to drive change
- Ability to bring together highly capable human resource to form a team, assign them appropriate work, and lead them to a successful result
- Serve as a role model in leadership for Group officers and employees

(iii) Personality

(Focus points)

- Understands own strengths and weaknesses and can compensate by cooperating with people who possess qualities he or she lacks
- Always prepared to learn

(2) The basic policy on appointment of the Group's representative (Company President) is as follows.

- Evaluate the candidate through a sincere process using multifaceted and objective materials
- Examine in detail whether or not the candidate has the management capabilities required for solving management issues facing the Seven & i Group companies
- Specifically check and evaluate the leadership style and ability of the candidate

## **5. Basic policy on composition of Directors and Audit & Supervisory Board**

### **Members in Group operating companies with a Board of Directors**

- Group operating companies with a Board of Directors shall have a composition of Directors and Audit & Supervisory Board Members with a good overall balance of knowledge, experience, and skill for effectively carrying out the roles and responsibilities of the board, and ensuring both diversity and an appropriate board size.

- With regard to the composition of Directors and Audit & Supervisory Board Members of the Company as a holding company, in particular, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Therefore, consideration of the board composition shall take into account not only diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members, but also the balance between knowledge, experience, and skill.
- When selecting the Company's Audit & Supervisory Board Members, care shall be taken to select people with appropriate knowledge of finance and accounting.

## **6. Provision of opportunities to develop and improve skills**

### (1) Skills development

Group operating company Directors and Audit & Supervisory Board Members shall strive constantly on development of the following kinds of abilities.

- (i) Develop and acquire the specialist knowledge and skills appropriate for a business manager
- (ii) Deepen fundamental understanding of the field for each position and function as a basis for developing and acquiring the ability to analyze matters from a Company-wide, comprehensive perspective
- (iii) Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding issues in management and administration
- (iv) Acquire methods for applying the necessary skills and techniques for business analysis, planning, and so forth
- (v) Develop and acquire skills for effectively combining the individual efforts of organization members to achieve targets, and for effectively developing and improving the latent potential of these people
- (vi) Lift motivation for self-improvement
- (vii) Improve qualities required of other executive officers

### (2) Provision of opportunities for improvement

Group operating company Directors and Audit & Supervisory Board Members shall make use of all opportunities to improve and foster the abovementioned capabilities.

- (i) Encourage participation in external management training programs
- (ii) Introduce appropriate specialists to resolve management issues
- (iii) Provide information and hold seminars to assist understanding of economic, social, cultural, compliance, corporate governance, and other general affairs
- (iv) Provide training opportunities
- (v) Provide other self-development and training opportunities