

**Response version to Japan's Corporate Governance Code (revised June 1, 2018)**

# **Corporate Governance Report**

**—Promoting Constructive Dialogue With Stakeholders—**

**Seven & i Holdings Co., Ltd.**

**November 2, 2018**

【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 10), 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,” through open and honest dialogue with our customers, we learn their constantly changing needs and view them as opportunities to create new retail services, and work toward the creation of new retail services in response to changing times.

In May 2016, the Group launched a new management structure. We believe that the core concept of corporate governance is “a system for being a sincere company that all stakeholders trust,” 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 have opportunities to create new 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 communicate our initiatives for, and our recognition of issues to be addressed about, corporate governance in a clear manner in order to enrich the “dialogue” with you. We hope that you will use this report and provide us with advice on our corporate governance.

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

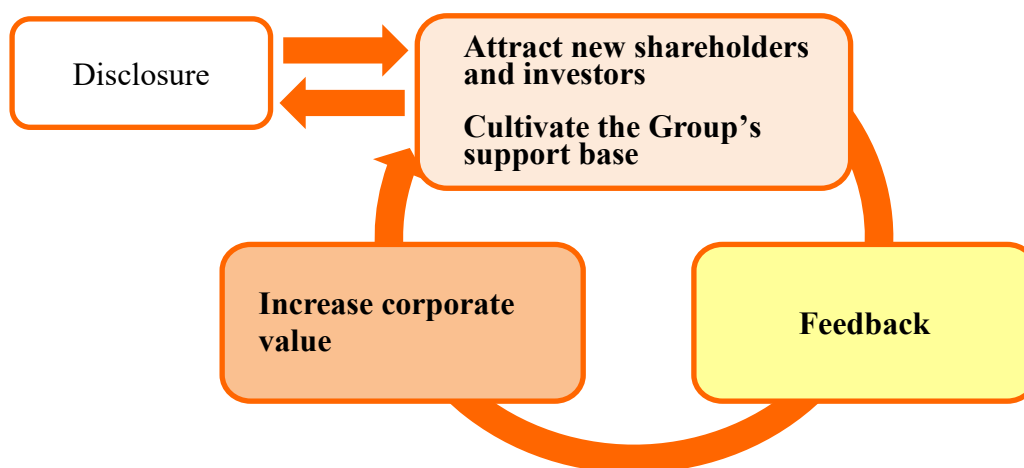
President and Representative Director  
Ryuichi Isaka

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

## Objective of this Report

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

In this report, we will gather, organize, and disclose as clearly as possible the main information on the Company's corporate governance that has been disclosed in various materials, such as our Annual Securities Report (*Yuho*), Report Concerning Corporate Governance, and other disclosure materials. Each point is provided with references to the separate documents or links to provide access to more detailed materials. We will utilize your 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” and to be the subject of continuous discussion. In this report, we will explain our initiatives and the issues to be addressed in “our own words” and will also explain our policy on the themes under discussion as far as possible.

### 3. We will also organize and disclose the “disclosure items” set forth in Japan’s Corporate Governance Code

The Company considers that the items set forth in Japan’s Corporate Governance Code (as revised on June 1, 2018) are “points in our dialogue” with our stakeholders. We will also explain (disclose) the so-called “Specific Disclosure Items” of the Code in this report.

Regardless of the order of items in the Corporate Governance Code, this report will provide explanations in the order devised in accordance with the Company’s basic corporate governance philosophy.

Areas of this report corresponding to the “Specific Disclosure Items” of the Corporate Governance Code are referenced in a separate table (page 5).

#### ◎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 (revised on June 1, 2018). It establishes fundamental principles for effective corporate governance at listed companies in Japan.

The principles include certain specified items that should be disclosed. We have referred to them as “Specific Disclosure Items.”

**Update** is marked on the revised points in this report.

《Board of Directors and Audit & Supervisory Board Members》 (As of June 4, 2018)



**Ryuichi Isaka**  
President and Representative  
Director

**Fumihiko Nagamatsu**  
Director and Executive  
Officer

**Yoshio Tsukio**  
Outside Director

**Noriyuki Habano**  
Full-time Audit &  
Supervisory Board Member

**Katsuhiko Goto**  
Vice President and  
Representative Director

**Kazuki Furuya**  
Director

**Kunio Ito**  
Outside Director

**Yoshitake Taniguchi**  
Full-time Audit &  
Supervisory Board Member

**Junro Ito**  
Director and Managing  
Executive Officer

**Joseph M. DePinto**  
Director

**Toshiro Yonemura**  
Outside Director

**Kazuko Rudy**  
Outside Audit &  
Supervisory Board Member

**Katsutane Aihara**  
Director and Executive  
Officer

**Tetsuro Higashi**  
Outside Director

**Kazuhiro Hara**  
Outside Audit &  
Supervisory Board Member

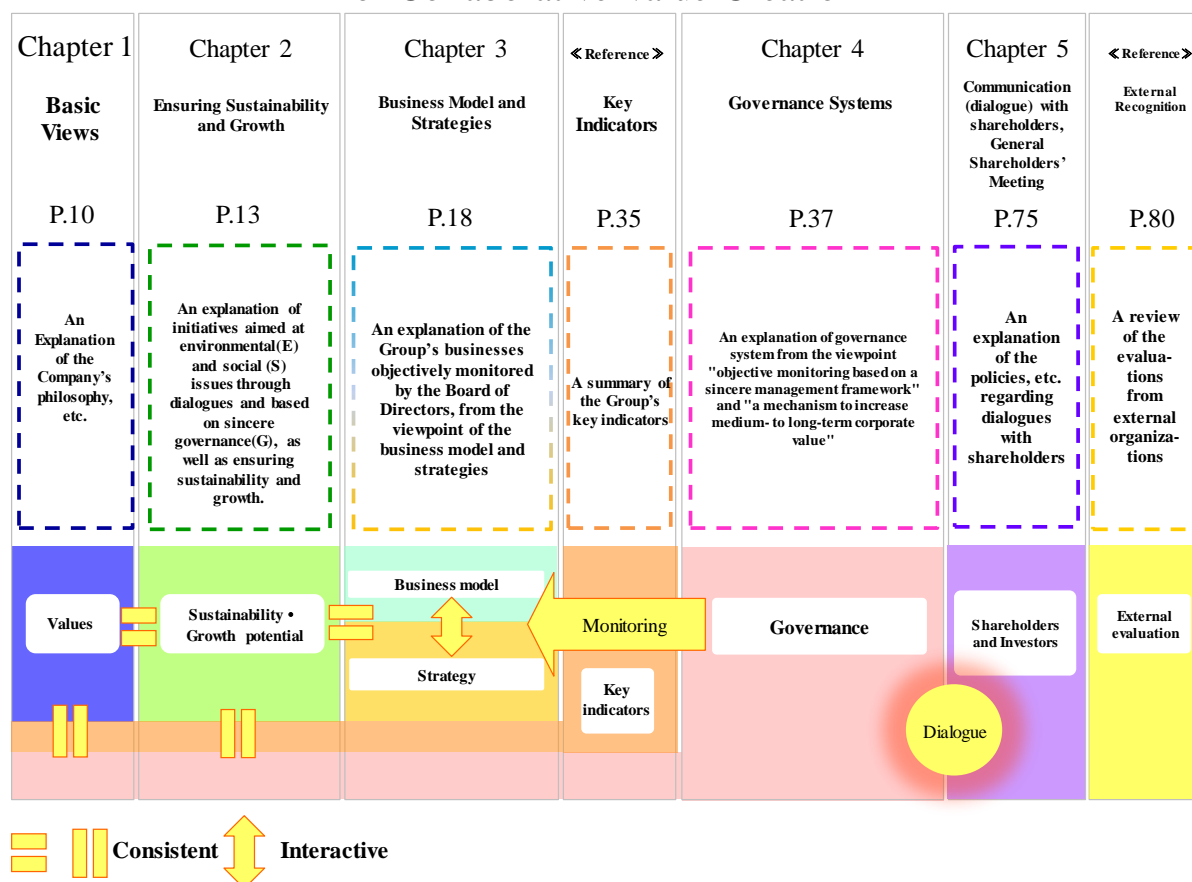
**Kimiyoshi Yamaguchi**  
Director and Executive  
Officer

**Mitsuko Inamasu**  
Outside Audit &  
Supervisory Board Member

(Correspondence Table for Specific Disclosure Items in Japan's Corporate Governance Code) **Update**  
(Revised on June 1, 2018)

Principle	Item requiring disclosure	Location in this report (PDF)	
Principle 1.4	Policy on cross-shareholdings, assessment of whether or not to hold individual cross-shareholdings, and specific standards for exercising voting rights	Page 47	Chapter 4, Part 2, 8. Cross-shareholdings
Principle 1.7	Appropriate procedures for related party transactions	Page 72	Chapter 4, Part 7, 4. Framework for checking related party transactions
Principle 2.6	Measures to improve human resources and operational practices in order to perform roles of corporate pension funds as asset owners	Page 73	Chapter 4, Part 8. Roles of corporate pension funds as asset owners
Principle 3.1	i) Company objectives (e.g., business principles), business strategies and business plans	Page 10	Chapter 1, 1. Corporate Philosophy
		Page 13	Chapter 1, 2. Corporate Action Guidelines
		Page 18	Chapter 2 Ensuring Sustainability and Growth
	ii) Basic views and guidelines on corporate governance	Page 11	Chapter 3 Business Model and Strategies
	iii) Board policies and procedures in determining the remuneration of the senior management and directors	Page 66	Chapter 1, 3. Basic views on corporate governance
	iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and <i>kansayaku</i> ("Audit & Supervisory Board Member") candidates	Page 59	Chapter 4, Part 5. 1. Policies and procedures in determining the compensation of Directors and Audit & Supervisory Board Members
	v) Explanations with respect to the individual appointments/dismissals and nominations when the Board of Directors appoints/dismisses senior management and nominates Director and Audit & Supervisory Board Member candidates	Page 64 (50)	Chapter 4, Part 4, 1. Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director 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 40	Chapter 4, Part 4, 4. Explanations of reasons for appointment/dismissal and nomination when the Board of Directors appoints/dismisses senior management and nominates Director and Audit & Supervisory Board Member candidates
Principle 4.9	Independence standards for independent directors established by the board	Page 53	Chapter 4, Part 2, 1. – Clarification of the scope of matters delegated to management
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 49	Chapter 4, Part 3, 3. View on independence of Outside Directors and Outside Audit & Supervisory Board Members and independence standards
		Page 59	Chapter 4 Part 3, 1. Composition of the Board of Directors (balance among knowledge, experience, and skills, and diversity and size, of the Board of Directors)
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 54	Chapter 4, Part 4, 1. Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates
Supplementary Principle 4.11.3	Summary of results of analysis and evaluation of the effectiveness of the board as a whole	Page 54	Chapter 4, Part 3, 4. Concurrent positions of Directors and Audit & Supervisory Board Members
Supplementary Principle 4.14.2	Training policy for directors and Audit & Supervisory Board Member	Page 64	Chapter 4, Part 3, 5. Evaluation of the Board of Directors' effectiveness
Principle 5.1	Policies concerning measures and organizational structures aimed at promoting constructive dialogue with shareholders	Page 75	Chapter 4, Part 4, 5. Training for Directors and Audit & Supervisory Board Members

## Report Composition and Use of the Guidance for Collaborative Value Creation



### 【Reference】 Guidance for Collaborative Value Creation

The formal name is “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” established by the Ministry of Economy, Trade, and Industry (METI) on May 29, 2017. This Guidance was established in order to deepen understanding between companies and investors through information disclosure and dialogue, and to encourage actions aimed at sustainable, collaborative value creation.

The Company hopes to utilize this Guidance to revitalize information disclosure and dialogue. This Report aims to use the Guidance to provide disclosure that is easy to understand, while emphasizing the governance’s point of view.



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# Chapter 1 Basic Views

## 1. Corporate Philosophy 【◎Principle 3.1 (i)】

The Company formulated its Corporate Creed as below in 1972. The Corporate Creed is unchanging and comprehensively symbolizes the Group's corporate philosophy; thus, the Company values it most as 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 in the Corporate Creed is our unchanging philosophy, which will remain undisturbed no matter how greatly the social environment changes in 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 and comprise 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 detailed guidelines and conduct rules appropriate for its business format at the concrete action level and, together with the Guidelines, will keep all new recruits and newly appointed managerial employees full informed through their training.

<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 establishing and maintaining a sincere management structure and continuously increasing the Group's corporate value over the medium- and long-term in both financial and non-financial (ESG) aspects to ensure 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, and the Company will strive to achieve this mission through the provision of support, oversight, and optimal resource allocation to its operating companies.

### **4. Establishment of a corporate governance “system” in accordance with advancement of group management stage**

The Group is improving every day under its slogan of “Responding to Change while Strengthening Fundamentals” and recognizes the importance of developing and establishing the corporate governance “system” in accordance with the advancement of the group management stage.

The Company launched a new management structure in May 2016, entering a new “group management stage” by transitioning to “a management structure that concentrates the Group's wisdom and enables a more robust Group governance system based on its organizational strength.”

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

### **5. 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 view the constantly changing needs of society and our customers as opportunities to create new retail services, and work toward the creation of new retail services in response to changing times.

Today, as various changes are accelerating, the Company recognizes the importance of constantly striving to accurately understand the expectations and interests that stakeholders have of the Group. For this reason, the Company will strive to respond quickly to “feedback” from its stakeholders—their opinions, requests, and so forth—that it receives through its dialogue with them, and at the same time, the Company emphasizes reflecting this “feedback” in its business activities and management decision-making process (stakeholder engagement).

Furthermore, toward sustainable growth and increasing corporate value, the Company is promoting initiatives to resolve social issues in line with the business characteristics of each Group company through its core operations. The Company will continue its efforts to remain a sincere company that is trusted by its stakeholders through the spirit embodied in the Corporate Creed.

In addition, at the “Management Policy Explanation Meeting” held each year, the Company’s Representative Directors directly explain and acquaint all its employees with the Company’s strategies for responding to social changes surrounding its customers and other stakeholders.

Seven & i Group Stakeholders



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**【Reference information】 Stakeholder Engagement**

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

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## Chapter 2 Ensuring Sustainability and Growth

### 【©Principle 3.1 (i)】

#### 1. Basic ideas and supporting governance system

The Company considers that being “a sincere company that all our stakeholders trust” as embodied in its Corporate Creed is the “heart” of corporate governance and at the same time is the “foundation” for securing the Company’s sustainability and growth.

With a “sincere” corporate governance structure that is highly transparent and compliant with laws, regulations, and social norms, we will accurately grasp society’s expectations and demands through dialogue with our stakeholders and earnestly undertake initiatives to contribute to solving social issues through our business, while reducing the negative social impact in environmental (E) and social (S) issues. We believe this approach will earn the long-term “trust” of our stakeholders and result in the “sustainable development of society” and the “sustainable growth of the Company.”

At present, as our governance system to support those initiatives, the Company stipulated various policies, such as the Corporate Action Guidelines, and established the group-wide CSR Management Committee and thereunder the Corporate Ethics and Culture Subcommittee, the Consumer Affairs and Fair Business Practices Subcommittee, the Environment Subcommittee, and the Social Value Creation Subcommittee, thereby setting up a system able to accurately grasp the external environment and situation around sustainability and properly execute the policies to ensure sustainability and growth, which is monitored by the Company’s Board of Directors from an objective standpoint. (For further information about the committee and subcommittees, see the Company’s CSR website.)

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#### 【Reference information】 CSR website

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

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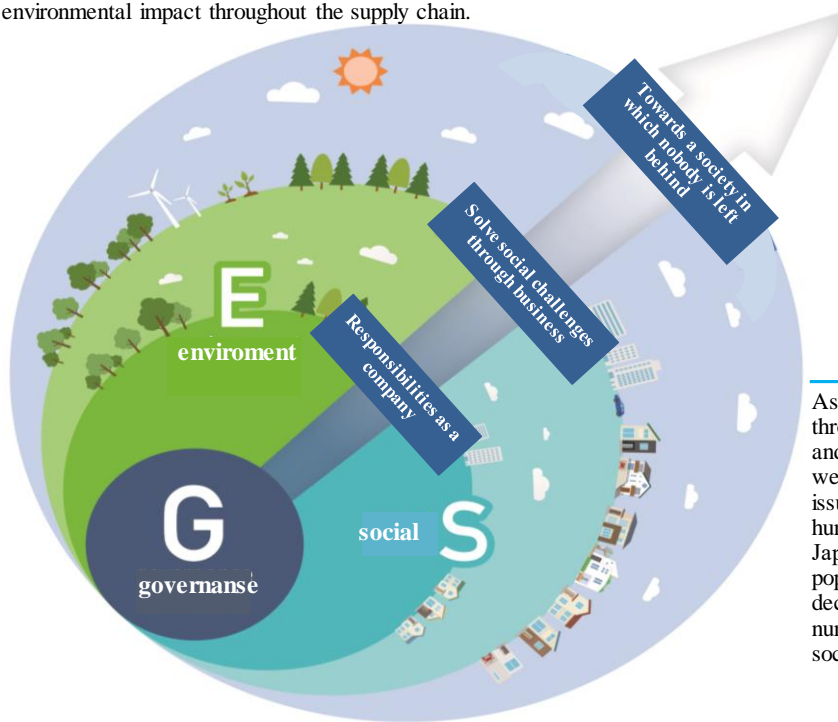
Recently, the role of companies in solving global issues has become emphasized in initiatives such as the Sustainable Development Goals (SDGs\*) and the Paris Agreement.

In order to respond to these demands from society and uphold its responsibilities as a company, the Company will promote global ESG initiatives in collaboration with our stakeholders focusing not only on the Company but on the entire supply chain.

\* The Sustainable Development Goals are international targets that were adopted at a United Nations summit held in September 2015. The Goals aim to achieve by 2030 17 goals and 169 targets common to the international community, such as eradicating poverty, correcting inequality, and countering climate change.

## Environment

We use products, raw materials and energy efficiently to combat challenges such as climate change and resource depletion, and we are working with customers and business partners to reduce the environmental impact throughout the supply chain.



## Social

As a member of society, through our products, stores and other business activities, we are working to resolve issues, such as global poverty, human rights problems, Japan's falling birthrate, aging population and population decline, and the drop in the number of retail stores and social bases.

## 2. Identification of material issues (Materiality) related to sustainability

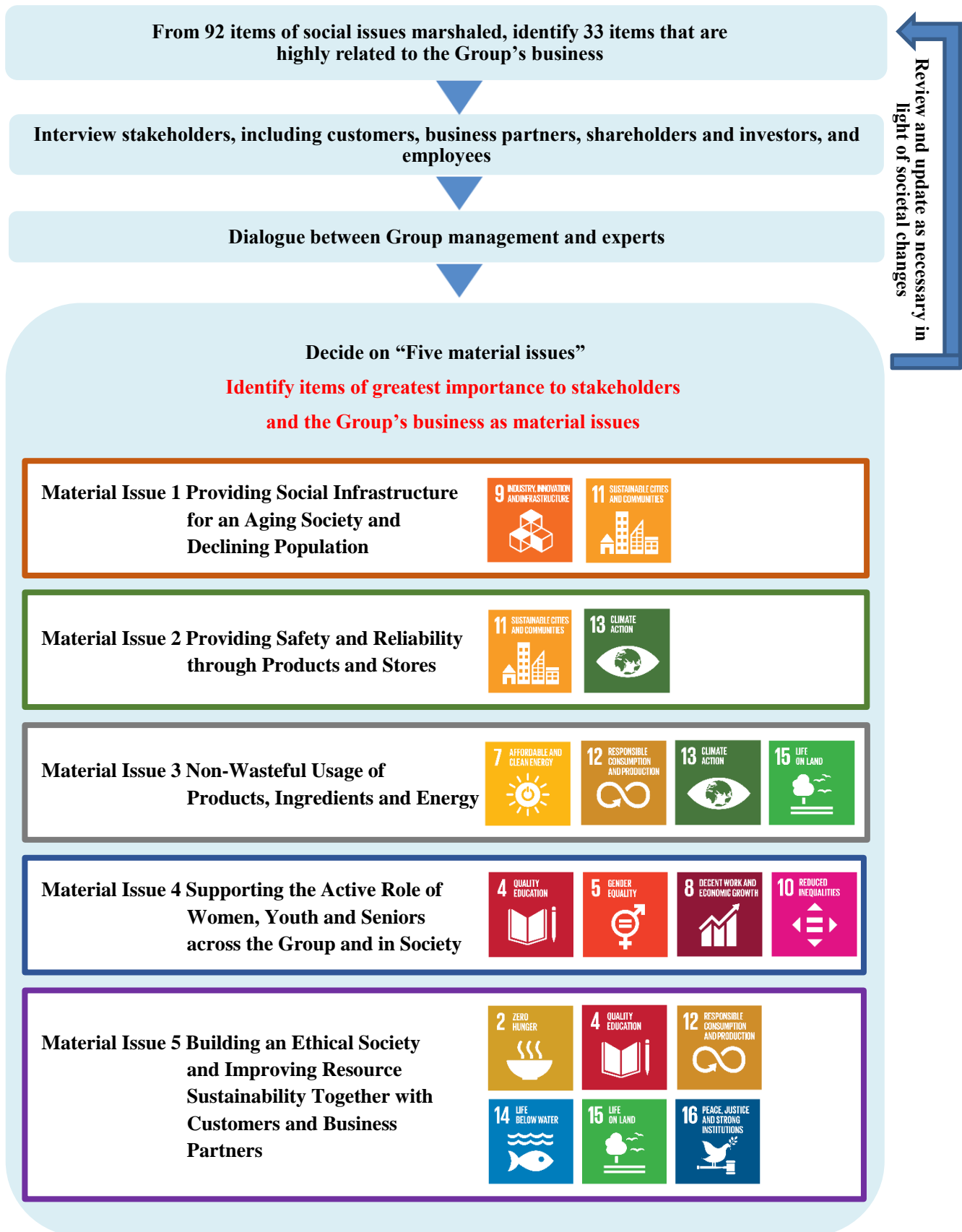
As our business domain expands, and related social issues and societal demands become increasingly diverse, in order to fully grasp the issues related to sustainability and respond as a group to the expectations and demands of our stakeholders, the Company engaged in dialogue with stakeholders to identify five material issues (Materiality) for the Group to address. The material issues will be updated as necessary in accordance with the changing times and changes in society, as well as new requests from stakeholders.

For each of the material issues, we are promoting CSV\* initiatives to solve these issues through our core businesses, including our products, services and stores, while promoting initiatives to reduce the Company's negative impacts.

In 2015, the U.N. adopted "Sustainable Development Goals (SDGs)" as common goals for the international community up to 2030. In order to contribute to achieving the SDGs through our business, the Company studied the relationship between each goal and our five material issues and incorporated these relationships into our sustainability initiatives.

\*Creating Shared Value: The creation of shared value that generates both social and economic value

【Material Issues Determination Process】





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**【Reference information】 CSR Website**

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

**【Reference information】 Examples of CSV (Creating Shared Value)**

URL: [http://www.7andi.com/dbps\\_data/template/user/SITE/localhost/res/en/ir/library/ar/pdf/2018\\_04.pdf](http://www.7andi.com/dbps_data/template/user/SITE/localhost/res/en/ir/library/ar/pdf/2018_04.pdf)

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### 3. Sustainability-related risks and opportunities

While various issues related to the environment and society threaten corporate sustainability, working on solving social issues leads to new business opportunities.

The Company aims to create both a sustainable society and sustainable corporate growth by grasping risks and opportunities related to the five material issues, working to reduce risks, and creating new business models to solve social issues.

#### 【Material Issues (Materiality) and Key Risks and Opportunities (Examples)】

##### Material Issue 1 Providing Social Infrastructure for an Aging Society and Declining Population

**【 Risks】**

Decline in people's motivation to visit stores if we are late in responding to changing needs due to the aging of society, etc.

**【 Opportunities】**

Expansion of sales opportunities by offering products that meet the needs of an aging population as well as creating helpful and convenient shopping environments and services, such as online initiatives, etc.

**【 Initiatives to Reduce Risk and Create Opportunities】**

- 1) Policies: Corporate Action Guidelines
- 2) Organizations: CSR Management Committee and its Social Value Creation Subcommittee, Digital Strategy & Planning Department

**Case Example: Seven Anshin Delivery**

The mobile sales service "Seven Anshin Delivery," which helps people who have difficulty doing their own daily shopping, is offered at Seven-Eleven stores (58 vehicles) and Ito-Yokado stores (5 vehicles) (as of the end of February 2018)

##### Material Issue 2 Providing Safety and Reliability through Products and Stores

**【 Risks】**

Decline in trust due to product issues, in-store accidents, or violations of laws, etc.

**【 Opportunities】**

Increase in sales opportunities through rigorous safety and quality control and by offering health products and other new products that match customers' needs, etc.

**【 Initiatives to Reduce Risk and Create Opportunities】**

- 1) Policies: Corporate Action Guidelines, Quality Policy
- 2) Organizations: CSR Management Committee and Group Quality Control Project

**Case Example: Low allergen menu**

At Denny's, we provided 43,405 hypoallergenic kids meals which do not include seven specific ingredients (FY 2018), and we indicate these ingredients in our menus

### Material Issue 3 Non-Wasteful Usage of Products, Ingredients and Energy

#### 【 Risks】

Physical damage to stores/distribution network due to climate change, etc.

#### 【 Opportunities】

Cost reductions by saving energy, reducing waste, recycling, changing energy sources, etc.

#### 【 Initiatives to Reduce Risk and Create Opportunities】

- 1) Policies: Corporate Action Guidelines, Environmental Declaration, Fundamental Policies Relating to Measures to Contribute to the Prevention of Global Warming
- 2) Organizations: CSR Management Committee and its Environment Subcommittee



#### Case Example: Plastic bottle collection machines

We installed 701 automated plastic bottle collection machines that make it easy for people to recycle, and collected 7,109 tons of plastic bottles (FY2018). Installed at Seven-Eleven, Ito-Yokado, York-Benimaru, and York Mart stores)

### Material Issue 4 Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

#### 【 Risks】

Lack of human resources and spike in labor costs due to a decline in the working population, etc.

#### 【 Opportunities】

Promote diversity to enhance competitiveness, develop new businesses, and acquire talented personnel

#### 【 Initiatives to Reduce Risk and Create Opportunities】

- 1) Policies: Corporate Action Guidelines
- 2) Organizations: CSR Management Committee and its Corporate Ethics and Culture Subcommittee, Diversity Promotion Project



#### Case Example: Seven Nana Iro Nursery School

We opened Seven Nana Iro Nursery School at two Seven-eleven stores (Hiroshima City and Ota-ku, Tokyo) for store employees as well as children in the community waiting to attend local nursery schools

### Material Issue 5 Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

#### 【 Risks】

It will become difficult to purchase raw materials due to the depletion of natural resources, including fishery resources

#### 【 Opportunities】

Enhancement of competitiveness through sustainable raw material procurement, and expansion of sales opportunities by offering products and services addressing ethical consumption, etc.

#### 【 Initiatives to Reduce Risk and Create Opportunities】

- 1) Corporate Action Guidelines, Business Partner Action Guidelines, Basic Policy on Sustainable Procurement
- 2) Organizations: CSR Management Committee and its Consumer Affairs and Fair Business Practices Subcommittee, Environment Subcommittee



#### Case Example: Business Partners' CSR Audits

We performed CSR audits on human rights, labor, and environmental matters at 229 plants, mainly at manufacturing centers of our private label product suppliers located in developing countries (FY 2018)

### 【Reference information】 Risks and Opportunities Related to Sustainability

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

## **Chapter 3 Business Model and Strategies** 【◎Principle 3.1 (i)】

### **Part 1. The Group's business model and sources of corporate value creation, as well as governance supporting these (objective monitoring by the Board of Directors)**

#### **1. Group business model based on management policy**

As its management policy, the Group aims to “enhance convenience in daily life by supplying products and services, while staying closely attuned to the life stages and settings of customers” and “become a caring Group indispensable to communities.”

Based on this management policy, in order to respond to a wide range of needs, from daily living to special events, having and utilizing a diverse range of business formats, including convenience stores, supermarkets, department stores, and specialty shops, are our unique “powerful strengths.”

For this reason, the Group's business model is to conduct a “Multi-business format Group management that responds to all customers' life stages,” and we are working to further develop the Group's businesses.

#### **2. Sources of the Group's corporate value creation directly linked to the business model**

Using a multi-business format Group management to bring together and utilize the diverse know-how and human resources cultivated in each business format as management resources is a source of the Group's corporate value creation which creates new products and services unique to the Group.

Also, accumulating information, including the purchase histories and opinions of our diverse customers who are patrons of the Group's various business formats and analyzing the data from multiple perspectives allow us to discover new needs and develop and expand our services; accordingly, the ability to utilize the information is another source for creating Group corporate value.

Further, the ability to innovate products and services created by building a joint development system in which teams work closely together between the Group companies and our business partners, including producers (agriculture), manufacturers, vendors (wholesalers), and logistics companies, and bringing together a diverse range of know-how and skills is another source of the Group's unique corporate value creation.

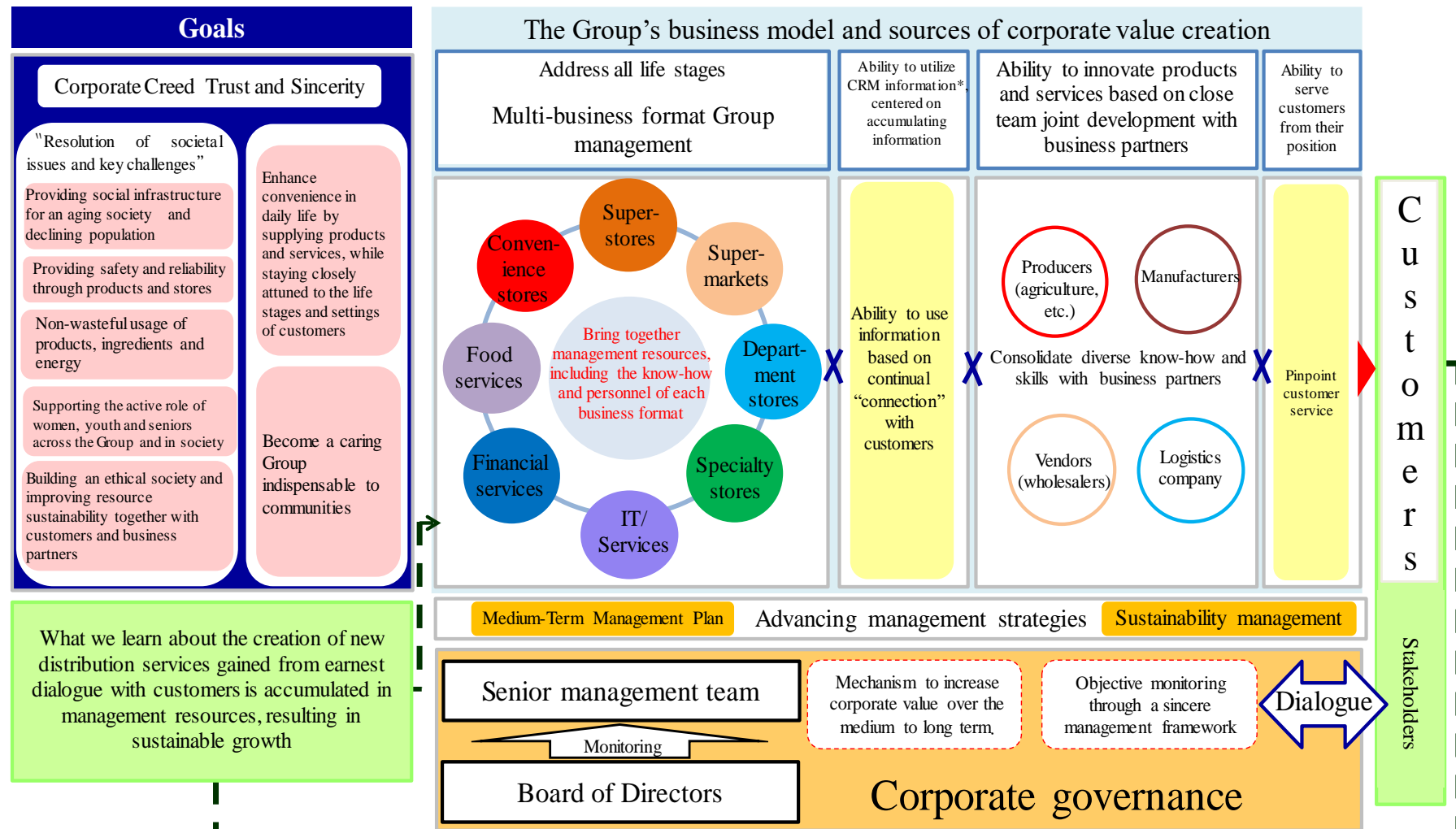
In addition, we look at things from our customers' point of view to gain an understanding of their various needs, subtle changes in preferences, and other matters to provide our diverse customers with pinpoint customer service. Our ability to do this has directly led to the patronage of customers that the Group has carefully cultivated since its founding.

#### **3. Governance supporting these (objective monitoring by the Board of Directors)**

The Group has established the “Medium-Term Management Plan” in order to proactively utilize the above business model and sources of corporate value creation, and is advancing management strategies aiming to promote sustainability management targeting an increase in corporate value over the medium- to long-term. At the same time, we have established a Group governance framework through close collaboration between the Company and the operating companies as a mechanism to support the steady implementation of these initiatives.

In addition, from an objective point of view that includes “validity as a medium-to-long-term corporate value enhancement process based on environmental (E) and societal (S) factors,” the

Company's Board of Directors continuously monitors "the consistency between the Company's management policy and the business model and strategies," as well as "the execution of business by the management team and the progress of management strategies," by checking the implementation status of specific projects.



※CRM (Consumer Relationship Management): A management system that uses customers' information (purchase histories, etc.) for personalized sales promotion and other uses, aiming to achieve a continual connection with customers

## Part 2. Group strategy and governance aimed at utilizing and bolstering management resources

### 1. Group strategy and monitoring by the Board of Directors

The Company seeks to give shape to the overall strategy for the Group based on the three-year medium-term plan beginning from fiscal year 2018 (referred to as the “Medium-Term Management Plan” in this report) established at the Board of Directors meeting held on October 6, 2016. Currently, the Group is working as one towards achieving the plan’s goals.

In addition to the Medium-Term Management Plan, the Company’s Board of Directors carries out detailed verifications and checks of the progress of each strategy and initiative to utilize and bolster management resources and intangible assets, and requests explanations from the presidents of operating companies as necessary. The Board of Directors also objectively monitors these activities from the standpoint of capital efficiency and other factors, based on the “basic strategy for capital policy.”

### 2. Basic strategy for capital policy

In order to increase its corporate value and realize sustainable growth over the medium- to long-term, the Company aims to achieve both “financial stability,” as the core focus, and also “an increase in 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 “an increase in capital efficiency,” the Company takes return on equity (ROE) as its key performance indicator, aiming to continuously achieve an ROE that exceeds the cost of capital. Specifically, by separating ROE into ROA and financial leverage, the Company conducts business management based on the ROA of operating companies and consolidated financial leverage.

In addition, as to shareholder returns, the Company’s basic policy is to return profits in line with consolidated operating results, aiming at stable and continuous shareholder returns.

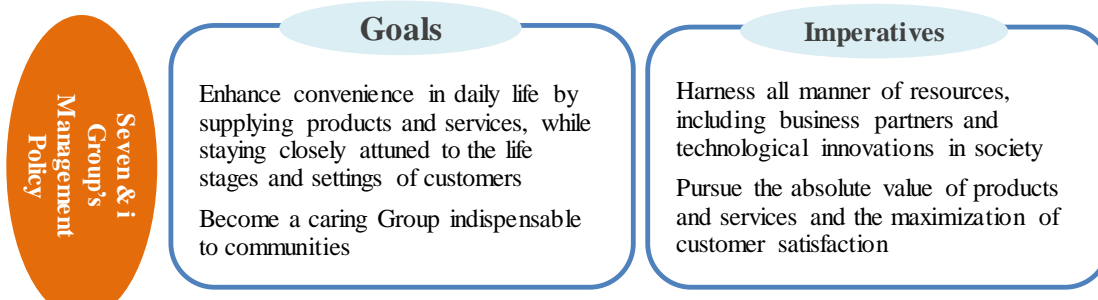
$$\begin{aligned} \text{ROE} &= \frac{\text{Net income}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Owners' equity}} \\ &= \text{ROA} \times \text{Financial leverage} \end{aligned}$$

### 3. Medium-Term Management Plan, financial strategy, and progress thereon

#### (1) The Company's Medium-Term Management Plan (Announced October 2016)

Through the new management structure, we will strengthen our role and function as a holding company, support and monitor the status of operating companies, promote optimal resource allocation, improve corporate value over the medium- to long-term and realize sustainable growth.

#### “Trust” and “Sincerity” “Responding to Change while Strengthening Fundamentals”



#### Operating income of ¥450.0 billion and ROE of 10% for FY2020

Overview of Medium-Term Management Plan	I	Concentrate management resources with a core focus on growth in CVS operations in both Japan and North America
	II	Promote “selection and concentration” of each geographic area and business category 1. Conclude Memorandum of Understanding on Capital and Business Alliance with H2O Retailing, advance succession of Sogo & Seibu department stores in Kansai region, advance concentration of management resources on major stores in Tokyo metropolitan area 2. Ito-Yokado: Start an examination of measures to focus on Tokyo metropolitan area and food business
	III	Adopt a perspective of property development in revival of general merchandise stores and department stores
	IV	Review the Omni-Channel Strategy, Prioritize customer lifetime value from the standpoint of the customer's strategy
	V	Formulate our strategy, and revise our segments from the perspective of our management approach by next spring

Financial Strategy	Capital expenditures	Disciplined investment aiming to achieve ROA that each operation set	<ul style="list-style-type: none"> <li>Examine investment efficiency through Portfolio Committee</li> <li>Priority allocation to growth businesses (M&amp;As will also be considered in the North American CVS business)</li> <li>Restructuring businesses will invigorate existing stores</li> </ul>
	Fund procure-ment	While maintaining the Group's AA rating,	<ul style="list-style-type: none"> <li>Procure interest-bearing debt if funds are required for growth strategies</li> <li>Tolerate a debt/equity ratio of around 0.5 based on expectations of growth in financial services</li> </ul>
	Shareholder returns	In line with the basic policy of return to shareholders matched to profit improvement, maintain a consolidated payout ratio of 40%	<ul style="list-style-type: none"> <li>Adopt flexible capital policies, while considering the balance with investments in growth businesses</li> </ul>

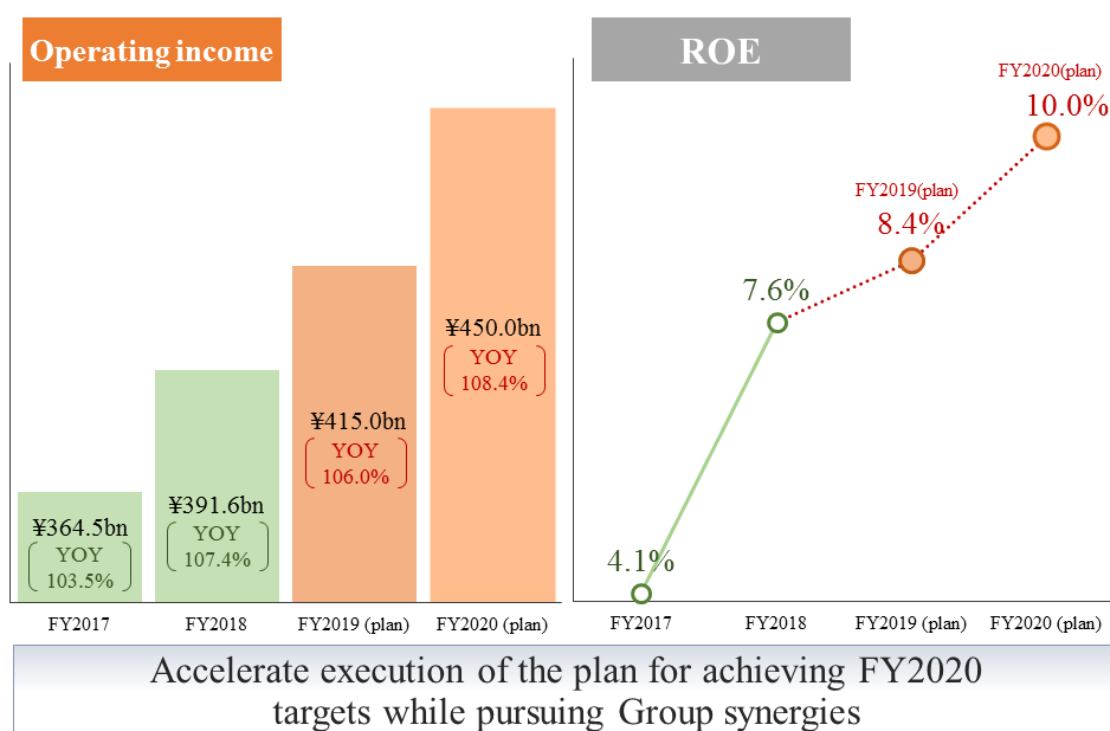


**(2) Progress on the Medium-Term Management Plan (up to the fiscal year ended February 2018)**

The progress on the Medium-Term Management Plan for the fiscal year ended February 2018 is as below. The Group will continue to bolster its governance towards achieving the Medium-Term Management Plan by strengthening segment management and pursuing group synergies, while appropriately executing the PDCA cycle with operating companies.

※ The PDCA cycle refers to the process of proactively making a hypothesis (Plan), executing it (Do), verifying the result (Check), and increasing the precision of the plan and taking new action (Action)

**Progress on the Medium-Term Management Plan**



**4. Utilization and enhancement of management resources, intangible assets, etc.**

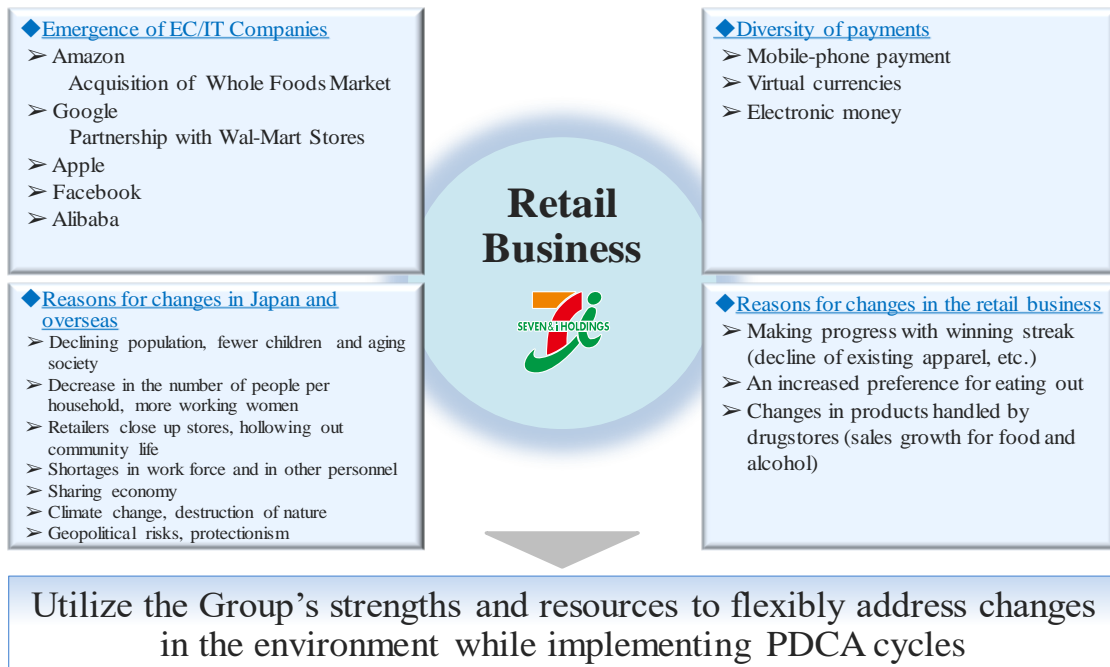
**(1) Recent Changes in the Environment Surrounding the Retail Industry, and Utilization and Enhancement of Management Resources and Intangible Assets, etc.**

Currently, the environment surrounding the retail industry is changing at an unprecedented pace. In addition to environmental and social “factors of change both in Japan and overseas,” such as the population decline and climate change, there has been a “rise of EC and IT companies,” a “diversification in means of payment” due to virtual currencies and other payment methods, as well as “factors of change in the retail industry” taking place as represented by the changes in products sold at drugstores.

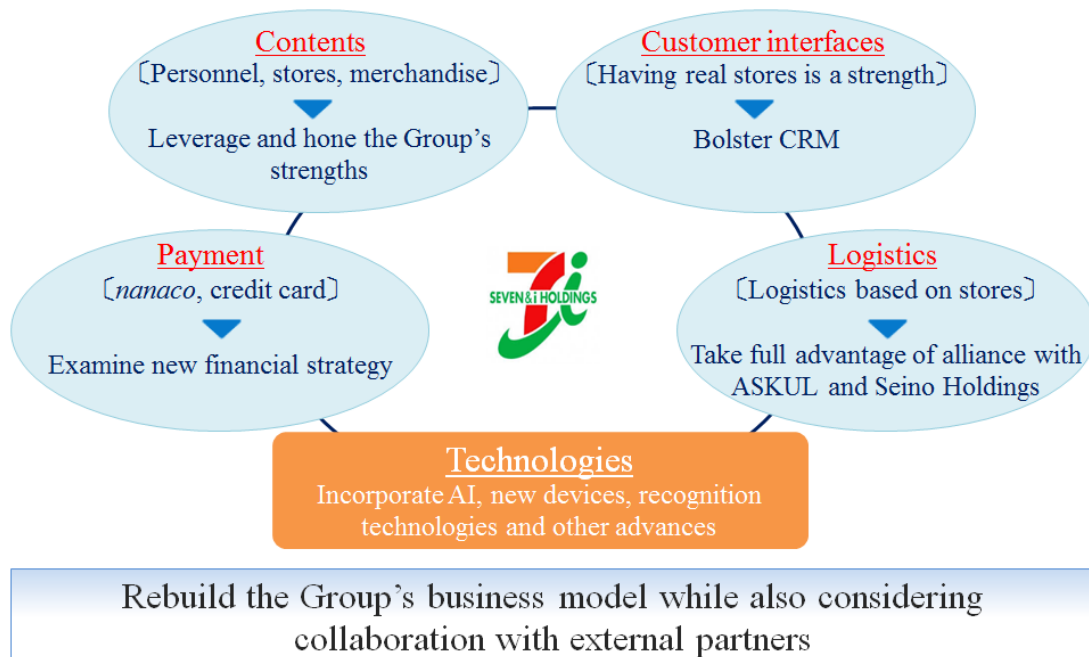
The Group will flexibly cope with such changes in the environment by utilizing the Group’s strengths as well as its management resources, intangible assets, and other resources, while implementing the PDCA cycle.



## Environmental changes surrounding retail business (Change is happening at unprecedented speed)



## Concept of a Group-wide strategy



◎New Cooperation with External Partners (since May 2016)

In order to realize the Medium-Term Management Plan, the Company is bolstering cooperation with external entities.

Medium-Term Management Plan	Promote “selection and concentration” of each geographic area and business category
Company name	Main details of business alliance
H2O Retailing Corporation	<ul style="list-style-type: none"> <li>• The transfer of the business regarding the Sogo Kobe store and Seibu Takatsuki store from Sogo &amp; Seibu to the H2O Group of the H2O Retailing Corporation (“H2O”)</li> <li>• The introduction by Seven-Eleven Japan (“SEJ”) of the “S Point” point program implemented by the H2O Group in SEJ stores in the Kansai area, etc.</li> </ul>
Odakyu Electric Railway Co., Ltd. Odakyu Shoji Co., Ltd.	<ul style="list-style-type: none"> <li>• Supermarket (“SM”) business Promote attractive store creation by collaboration on operations, sharing education expertise, and merchandising between the Seven &amp; i Group and Odakyu Shoji through personnel exchanges</li> <li>• Train station store business and Convenience store (“CVS”) business Promote conversion of train station store and CVS formats to 7-Eleven franchise stores, etc.</li> </ul>
IZUMI Co., Ltd.	<ul style="list-style-type: none"> <li>• Consideration of the integration of purchasing, joint procurement of imported products, local products and other items, joint procurement and supply of other products, joint operation and joint openings of stores in the West Japan region between Ito-Yokado and IZUMI Co., Ltd.</li> <li>• Cooperation on electronic money, studying the feasibility of carrying private-brand products, etc.</li> </ul>

Medium-Term Management Plan	Review the Omni-Channel Strategy, and emphasize customer lifetime value from the standpoint of customer strategies
Company name	Main details of business alliance
ASKUL Corporation	<ul style="list-style-type: none"> <li>• The two companies will mutually refer customers between the Company’s e-commerce website omni7 and ASKUL’s e-commerce website <i>LOHACO</i></li> <li>• <i>IY Fresh</i>, an e-commerce business centered on fresh foods utilizing the <i>LOHACO</i> platform, etc.</li> </ul>

## **(2) Utilization and Bolstering of Human Capital**

The Group has cultivated as strengths “live atmosphere, exciting floor space and stores,” “products and services that create value unique to the Group,” and “pinpoint customer service,” and these strengths are based on having “employees who can think from the customers’ point of view about what they can do to help customers enjoy their shopping experience and then are able to take concrete action.”

The Group will continue to focus on educating and nurturing employees, as well as embracing the diversity of each employee, actively utilizing the differences to improve the organization and working environment so that the Group companies are good places to work at and offer rewarding career opportunities.

### **I. Workstyle reform**

Today, more flexible ways of working are required against the backdrop of changes in the social environment, including the increase in dual-income households and trend towards nuclear families. The Group is responding to them by proactively promoting workstyle reform.

By allowing employees to flexibly adjust their work styles to match their individual lifestyles, we aim to raise the level of motivation towards work as well as improve work efficiency and productivity by bringing variety to the way people work.

The Group will continue to recognize its own role in society, and steadily promote work style reform, aiming for the Group companies to be comfortable places to work and to realize a society that is comfortable to live in.

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#### **[Reference] Introduction of staggered working hours**

URL: <http://www.7andi.com/company/news/release/002918.html>

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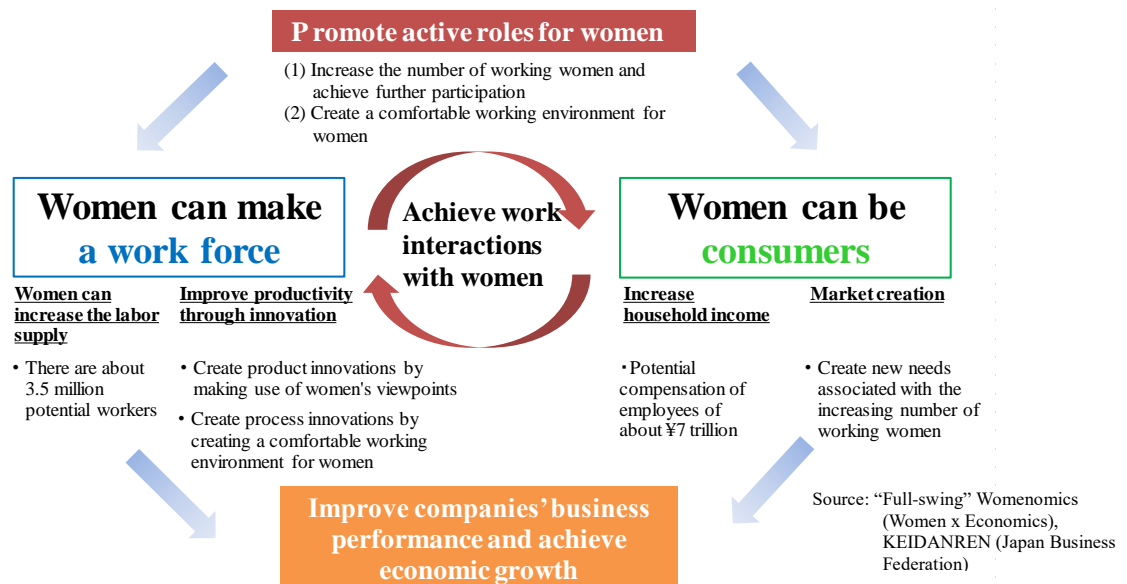
### **II. Ensuring in-company diversity, including active participation of women**

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 many customers who visit the Group’s stores are women, the Company identified promotion of active participation of women as a material diversity issue, and in 2012 established the “Diversity Promotion Project.”

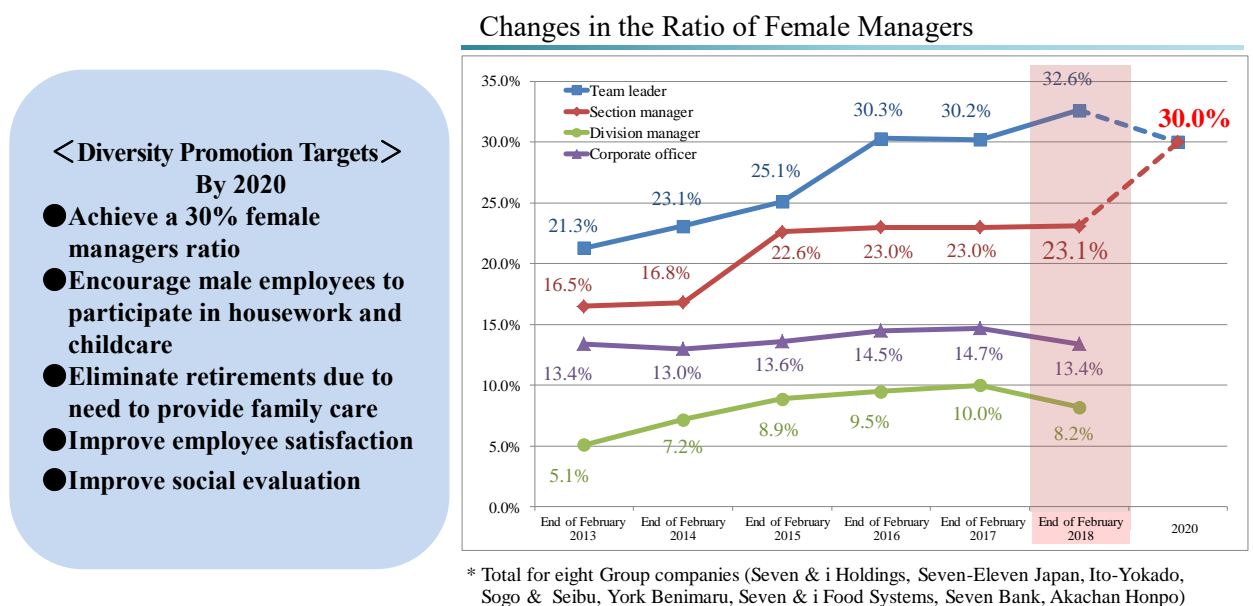
In 2017, in addition to confirming the importance of diversity in management with the presidents of Group companies, we further evolved and refined the initiatives previously in place by starting the “Nadeshiko Academy” with the view to increasing the number of female managers and developing women to succeed them in the future, as well as the “Child-Raising Community” with the hope of having men participate more in child-raising.

In 2018, to promote “Diversity & Inclusion,” we will recognize and understand the diversity of employees, maintain a viewpoint of “care” (giving consideration to people) and “fair” (treating people with fairness), and make additional efforts to ensure that all of the employees actively participate in the organization and can leverage their individuality and specific characteristics to help the Company grow.

【Improve companies' business performance and achieve economic growth by promoting women's active participation】



【Diversity Promotion Targets & Ratio of Female Managers】



### III. Personnel Development

The Group is focusing on training personnel in order to “Satisfy and win the trust of customers,” which is the mission of the retail industry, and to support employees' self-improvement and work satisfaction.

At the Ito Training Center, the Group's dedicated training facility, the Group provides employees with daily technical training, such as for sales and food preparation and delivers the Group's founding spirit, aiming at developing personnel who will lead the Group in the future.

### (3) Improving Technological and Intellectual Capital

#### I. Improving Contents of Brick-and-Mortar Stores

In order to respond to the diverse needs of customers, the Group is focusing on refining the contents of its brick-and-mortar stores (namely, customer service, stores and products), which are the foundation of the distribution and service industry; and Group companies are continuing to reform store spaces. The Group will pursue new challenges while building a framework able to share the goals, know-how, and knowledge across the Group organizations.

#### II. Development and Innovation of Next-Generation Stores that are both People-Friendly and Eco-Friendly

The Group is focusing on developing new technologies and installing facilities to solve environmental and social issues, such as reducing environmental impact and improving facilities that will help to make the work of employees easier.

For example, when renovating the 7-Eleven Chiyoda Nibancho store, we set three themes: “reducing environmental impact,” “making work easier,” and “creating a comfortable interior environment.” In this process, more than 300 of the newest technologies and equipment were studied in coordination with business partners, and 58 types of cutting-edge technology and equipment were brought together and used. The store is attracting much attention from both in and outside Japan as a next-generation store.

#### 【Reference】 Initiatives at the 7-Eleven Chiyoda Nibancho Store

##### Refrigerators and Freezers Using CO2 Refrigerant

Environmental impact was reduced by using CO2 refrigerant in all refrigerators and freezers. Also, using sliding-type display cases resulted in improved efficiency for work such as replenishing items and cleaning.

**Expected reduction in working time of approximately 54 minutes per day**



##### New Type of Walk-in Refrigerator

A walk-in refrigerator in which cooling wind was constantly being cycled through was changed so that the inside of the refrigerator is cooled by cycling cold water on the wall surfaces and shelves.

Reducing cool air to make it so that the cool air does not directly blow on employees makes it easier for them to work.



##### Road Surface-Type Solar Panels

Solar panels that can be installed in roads and parking lots are being used. The solar panels embedded in the floor are coated with a special coating offering high transmittance and high durability to ensure strength, while at the same time remaining flat and non-slip to keep customers safe.

**Will generate about 10,000kWh of electricity per year when installed on an area of 100sqm of panels**

(Equivalent to approximately 7.2% of the average amount of electricity consumed by stores in 2013)



##### Use of Power Generation from Pure Hydrogen Fuel Cells

Fuel cells generate electrical energy through the chemical reaction between hydrogen and the oxygen in the air, and offer high power generation efficiency and low environmental impact. The electricity generated will be used in the store.

**Will generate about 12,264kWh of electricity per year when used 24 hours per day**

(Equivalent to approximately 8.8% of the average amount of electricity consumed by stores in 2013)



##### Use of Sliding-type Shelves and Brackets

Shelf boards for fixed-type merchandise displays were changed to sliding types. Also, brackets that allow existing display shelves to be converted into sliding-type display shelves are used. This increases the efficiency of product re-stocking and cleaning.

**Expected reduction in working time of approximately 47 minutes per day**



##### Comfortable Restrooms

With universal design as a standard, toilets are equipped with a pre-misting function and automatic cleaning function, and uses floor, wall and ceiling material with odor prevention, odor elimination, and antibacterial action. The bathrooms also feature air purifiers that remove odors and automated faucets of



##### Air Supply and Exhaust System with New Type of Deep Fryer Unit

By adding an air supply function to the deep fryers, the inflow of outside air from the entrance and other places is reduced. This both makes the air conditioning/heating system more efficient, and prevents dust and pollen from entering the store.



### III. Higher Operating Efficiency with RFID

Ahead of the “Declaration of Plan to Introduce 100 Billion Electronic Tags for Products in Convenience Stores” formulated by the Ministry of Economy, Trade and Industry, the Group has been carrying out demonstration tests using radio-frequency identification (RFID\*) to reduce inspection work at stores since August 2017.

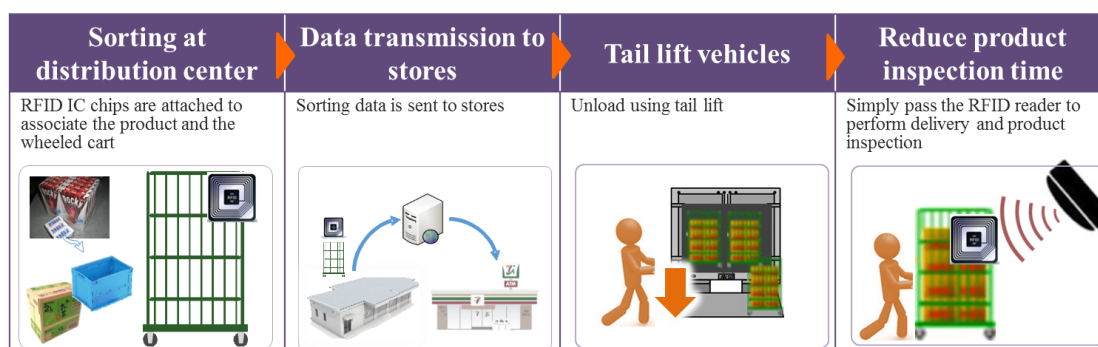
When products are sorted at a distribution center, each RFID IC chip is attached to each wheeled cart tied to the products, and at stores, inspections are completed simply by only passing the wheeled cart through the reader. By introducing this system, we can drastically reduce the time spent on product inspections at stores, which enables staff to use the time saved for other things like helping customers and managing the sales floor, leading in turn to better customer service.

Also, by using wheeled carts and tail lifts for loading and unloading goods into and from trucks, the workload of the delivery drivers is reduced.

We think that one of our important roles is to build a society in which diverse workers, including women and the elderly, can actively participate, by proactively creating working environments in which all people can work comfortably.

\* RFID: A technology for contactless reading of data from an IC chip through transmission of radio waves

#### 【Labor-saving system for product inspection at stores using RFIDs】



#### Effect from utilization of RFID

- Effect from energy saving system: Daily product inspection time 170 min. ⇒ **8 min.**  
(Corresponds to a personnel expense reduction of approx. 800 thousand yen/year)
- Effect from improvement the work efficiency of drivers:  
A major reduction in work for sorting and loading at the center, unloading goods from the vehicle to the cart, and unloading goods in the store had the following effects:
  - (1) Promotion of employment of female drivers
  - (2) Improved working conditions for drivers

#### IV. Enhancing Competitiveness by Making Use of IT and Customer Data

The Group welcomes approximately 23 million customers each day at its stores in Japan and collects more than 8 billion pieces of customer data each year. We will learn more about each customer utilizing IT from the data we collect and further enhance our competitiveness by using what we have learned to improve the quality of our products and services.

In addition, we will actively promote collaboration with external companies and mutually utilize information assets to more quickly make advanced use of data.

### Seven & i Group's digital strategy



\*Assuming completion of procedures with supervising government agency



#### (4) Governance Mechanisms Aimed at Building and Developing the Brand



Acquiring customers' "trust" is the Group's management philosophy, and the "brand" born from customers' "trust" is one of the Group's irreplaceable intangible assets.

For this reason, the Company's Board of Directors continuously discusses and confirms the development and enhancement of the "brand," as well as the mechanisms and organizations to realize them.

#### ◎ *The Seven Premium Initiative*

##### **I. Building Private Brands in Pursuit of "Quality" and "Value"**

"Seven Premium" was developed as the Group's first cross-group private brand (PB) product. Ever since its introduction, *Seven Premium*'s products have been developed with a focus on "high quality" and "affordability." In addition to eliminating the conventional image of private brand products as prioritizing price, we have worked with leading manufacturers in Japan and overseas to create a new private brand concept, by offering new value that addresses the changing times, including the declining birthrate, the aging population, the increase in working women, an increased health-consciousness, and an increased awareness of environmental issues.

##### **II. Development System for *Seven Premium* Products**

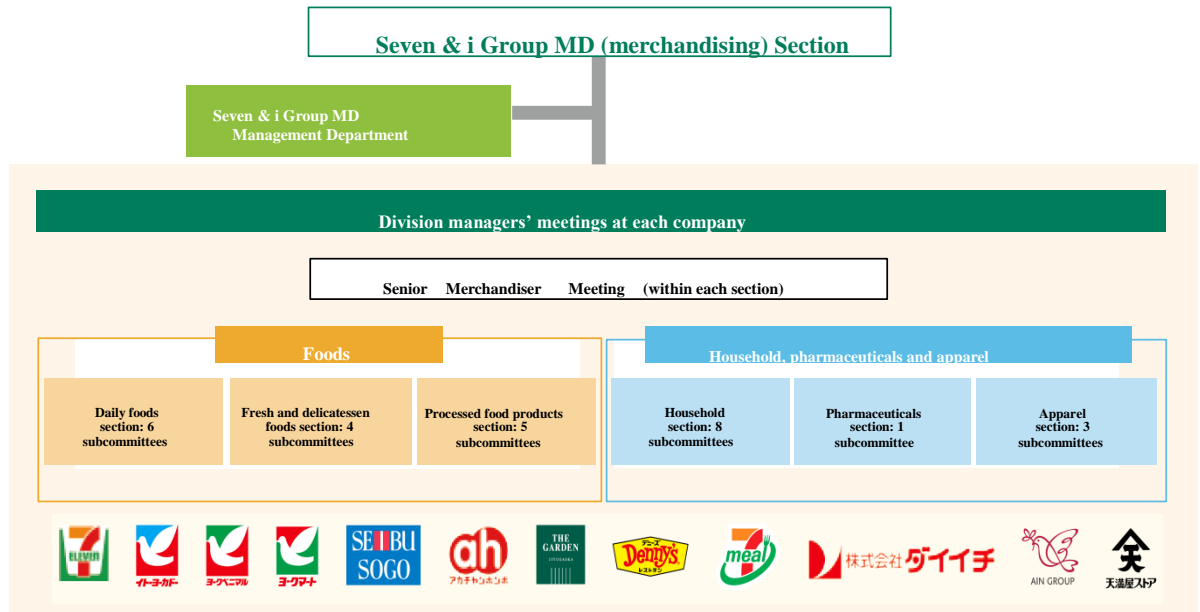
Based on the original product development method of team merchandising (MD) cultivated at Seven-Eleven Japan Co., Ltd., *Seven Premium* products are developed using the product knowledge and development know-how of Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., and other Group entities, and fully utilize the management resource strengths of the Group, which possesses a diversity of business formats.

The Group has successfully created new consumption patterns such that "people are going to their nearby convenience stores to buy side dishes for dinner," by developing products that go beyond the boundaries of operating companies in response to changes in society, such as the increase in single-person households and working women, as well as the aging of society.

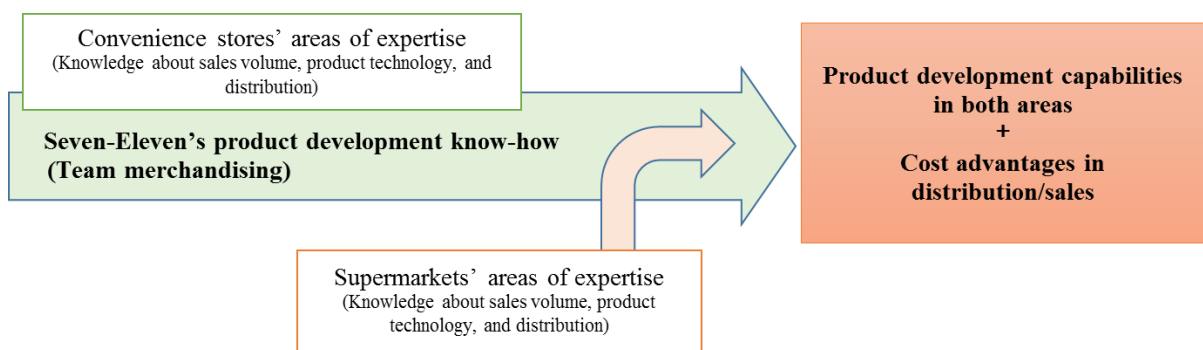
Convenience stores and supermarkets lead product development in their respective areas of expertise, thereby sharing their mutual strengths and creating synergies.



【Organization Chart of Development System and Supply Structure for *Seven Premium* Products】  
(As of June 4, 2018)



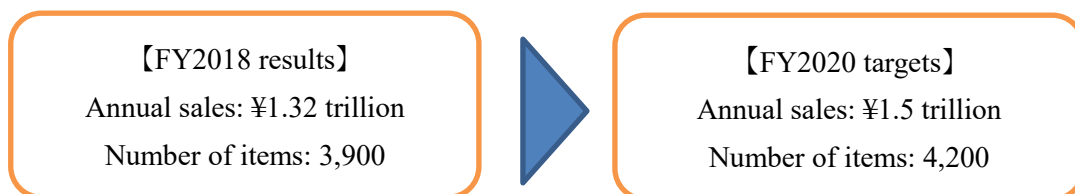
【Product Development Capabilities and Cost Advantages Leveraging Synergies】



### III. Strengthening the Brand and Group Development Platform

In March 2017, for further “evolution” of the brand, we expanded our product lineup, including the introduction of the “*Seven Premium Fresh*” brand for fresh foods.

In addition, management functions were systematized as the “Group Merchandise Management Department” within the Company. Under this department, we have further strengthened governance by clarifying responsibilities and authority.



### IV. Conducting CSR Audits of Business Partners

The Group conducts CSR audits on certain business partners to check their compliance with our Business Partner Action Guidelines once a year, centered on the manufacturing facilities of private brand product suppliers in developing countries.

The CSR audit is performed by an external third-party auditing organization using check sheets based on our independently established CSR audit program (about 114 items in 16 categories). The CSR audit items are based on the content of ISO 26000, and the audit examines whether a factory complies with the principles laid out in the Business Partner Action Guidelines in 16 categories. These categories are aligned with the international labor standards established by the International Labor Organization (ILO).

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**【Reference information】 Material Issue “Building an Ethical Society and Improving Resource Sustainability together with Customers and Business Partners”**

URL: [http://www.7andi.com/en/csr/theme/theme5/client.html#anc\\_1\\_3](http://www.7andi.com/en/csr/theme/theme5/client.html#anc_1_3)

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## ◎ Initiative for Protecting Trademarks

The Group's "trademarks" function not only to identify the Group's products and services, but also symbolize our brand image, specifically "the sense of trust and security" that our customers feel towards the Group, which has been cultivated through our sincere approach to business.

For this reason, the Group is actively working on strategies to protect and develop the brand through the protection and management of trademarks.




For example, the Company applied for registration of a "trademark consisting solely of colors," which was newly introduced by the Japan Patent Office for the purpose of helping companies diversify their branding strategies. Registration of the three corporate colors which have been used to symbolize Seven-Eleven stores was approved by the Japan Patent Office as of February 28, 2017 to be the first such trademark registered in Japan.

This is a recognition of the Company's use of its corporate colors for a long period of time, and that the corporate mark comprising only colors and no lettering is clearly identifiable as the Seven-Eleven brand, and is a gift from customers who support our brand.

The Group will continue to work to further enhance our corporate brand by growing the business through products and services that customers appreciate and also make efforts to preserve the value of brand intangible assets by utilizing the trademark system.

### 【Seven-Eleven's Trademark Consisting Solely of Colors】



	Seven orange Process C:0 M:60 Y:100 k:0
	Seven green Process C:100 M:0 Y:100 k:0
	Seven red Process C:0 M:100 Y:100 k:0

The three colors,  
"Sunrise" orange  
"Sunset" red  
"Oasis" green  
symbolize how Seven-Eleven strives  
to be an oasis for customers from  
morning until night.



## 【Reference】 Key indicators Update

Below are some of the Seven & i Group's key indicators (Example)

Financial	FY2015	FY2016	FY2017	FY2018
Revenues from operations	¥ 6.0 trillion	¥ 6.0 trillion	¥ 5.8 trillion	¥ 6.0 trillion
E-commerce sales*	-	¥ 85.4 billion	¥ 97.6 billion	¥ 108.7 billion
Operating income	¥ 343.3 billion	¥ 352.3 billion	¥ 364.5 billion	¥ 391.6 billion
Cash flows from operating activities	¥ 416.6 billion	¥ 488.9 billion	¥ 512.5 billion	¥ 498.3 billion
Owner's equity ratio	43.9%	43.6%	42.4%	44.2%
ROE	7.9%	6.9%	4.1%	7.6%
Dividend payout ratio	37.3%	46.7%	82.3%	43.9%

\* E-commerce sales including 7Net Shopping, Seven-Meal, Ito-Yokado, Akachan Honpo, Sogo & Seibu and THE LOFT, etc.

\* Sales through the omni7 website since September 2016

Non-financial		FY ended February 28, 2015	FY ended February 29, 2016	FY ended February 28, 2017	FY ended February 28, 2018
Social	Number of municipalities with which comprehensive alliance agreements have been concluded	47 municipalities	59 municipalities	76 municipalities	91 municipalities
	Percentage of female managers *1 <b>Update</b>	23.0%	26.3%	26.4%	26.9%
	Percentage of employees with disabilities *2 <b>Update</b>	2.29%	2.47%	2.51%	2.66%
	Number of audited factories for business partner CSR audits (Number conducted this year)	302 factories (256)	624 factories (322)	894 factories (270)	1,123 factories (229)
Environment	CO2 emissions from store operations *3 <b>Update</b>	2,561 thousand t-CO2	2,499 thousand t-CO2	2,472 thousand t-CO2	2,384 thousand t-CO2
	Electricity consumption in store operations <b>Update</b>	4,414 Gwh	4,471 Gwh	4,548 Gwh	4,534 Gwh
	Volume of plastic (PET) bottles collected from collection machines	3,827t	5,070t	5,952t	7,109t
	Number of <i>Seven Premium</i> eco-friendly packaging materials introduced	7 items	75 items	150 items	950 items

\*1 Total for eight companies (Seven & i Holdings, Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo and Seven Bank). The percentage of team leaders or higher positions, excluding executive officers.

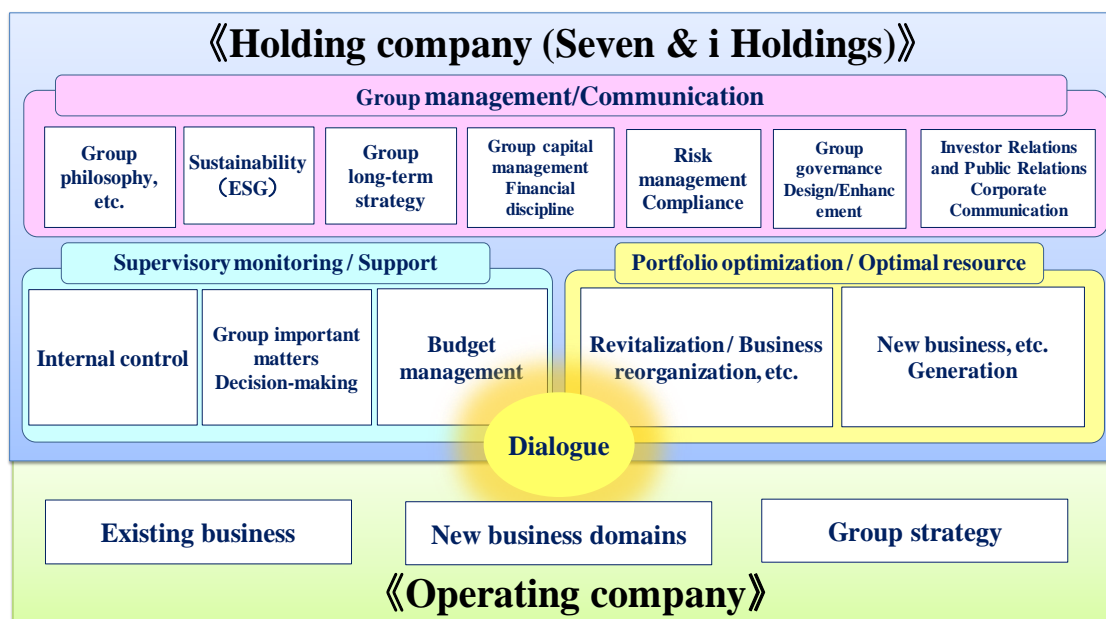
\*2 The rate for each fiscal year ending in February is the rate as of June 1 of the same year. The percentage of workers with disabilities is for the five qualified Group companies: Seven & i Holdings Co., Ltd., K.K. Terre Verte (special subsidiary for employees with severe disabilities), Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., and Seven & i Food Systems Co., Ltd.

\*3 For the fiscal year ended February 28, 2014 and the fiscal year ended February 29, 2016, the totals are for 9 companies (Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Sogo & Seibu Co., Ltd., York-Benimaru Co., Ltd., York Mart Co., Ltd., Seven & i Food Systems Co., Ltd., Akachan Honpo Co., Ltd., THE LOFT Co., Ltd. and SHELL GARDEN Co., Ltd.). For the fiscal year ended February 28, 2017, the totals are for 10 companies due to the addition of Life Foods Co., Ltd. For the fiscal year ended February 28, 2018, the totals are for 12 companies due to the addition of Life Foods Co., Ltd., IY Foods K.K., and Barneys Japan Co., Ltd. For the calculation methods, please refer to the environmental data of each operating company described in Data Section. <http://www.7andi.com/en/csr/index.html>

# Chapter 4 Governance Systems

## Part 1. Group governance framework driving corporate value creation

### 1. Group governance using a holding company system



Based on the Group’s philosophy and management policies, we employ a Group governance framework based on a holding company system as a mechanism to drive the creation of Group corporate value, not only in the short term but also over the medium to long term.

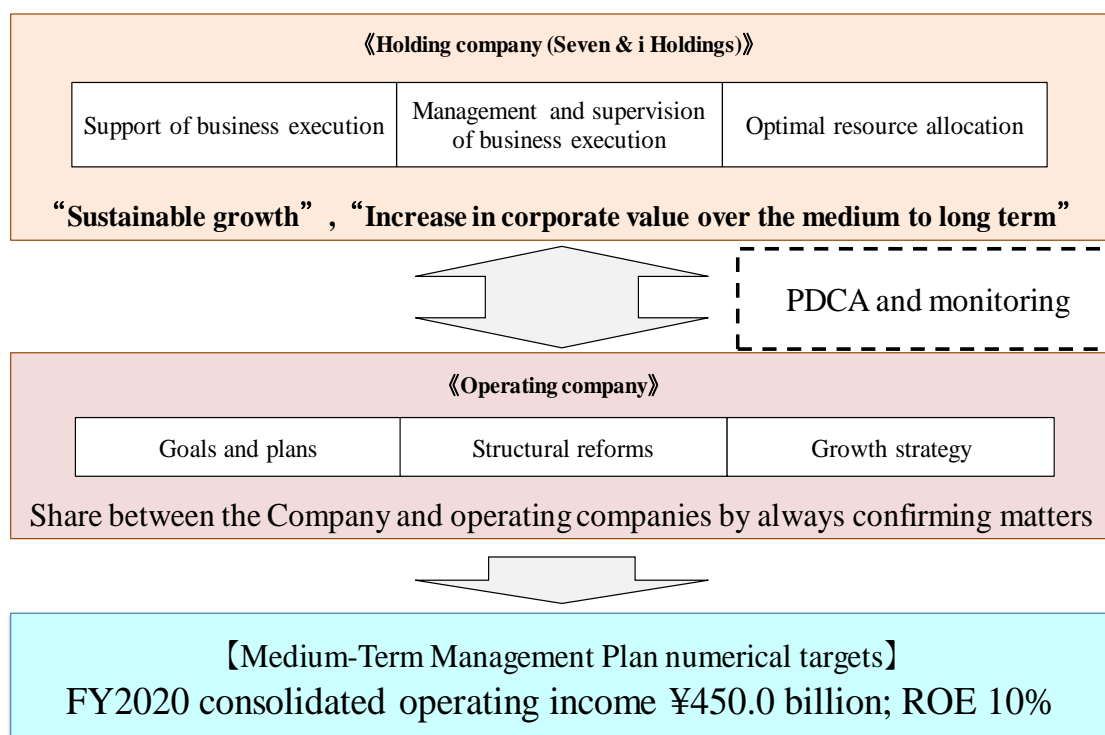
As the holding company overseeing the Group, in order to achieve sustainable growth for the Group and to increase corporate value over the medium to long term, the Company supports and supervises management execution by operating companies, as well as optimally allocates resources to them. In addition, the Company is responsible for “Group management,” including disseminating the Group philosophy, drawing up sustainability policies and long-term Group strategies, managing the Group’s capital and maintaining financial discipline, enhancing the risk management and compliance system, and enhancing Group governance, as well as “Group communication,” including investor relations and public relations activities.

Meanwhile, each operating company under the Company’s umbrella, while demonstrating autonomy, aggressively performs structural reforms and growth strategies utilizing the PDCA cycle with respect to its own business area, based on the goals and plans established through dialogue with the Company, and fulfills their own responsibilities, striving to increase corporate value and improve capital efficiency.

Based on the clear division of roles among the Group companies, we will steadily execute the Medium-Term Management Plan, realize the management philosophy and management policies, and strive to increase Group corporate value, by having closer and stronger dialogue and collaboration

between us, the holding company and operating companies.

【Mechanism for creating corporate value based on enhanced dialogue and collaboration with operating companies】



## 2. FY 2019 organizational changes to make Group governance more precise

Since March 2018, the Company has made the following organizational changes, in order to enhance its mobility as a holding company, to develop an organization for advancing the Group's priority policies, and to expand the functions of operating companies.

Going forward, the Company will implement the PDCA cycle and strive to become more functional as a holding company.

### 《FY2019 Organizational Changes》

#### • Faster information sharing through a six-division system

We have newly established “divisions” as parent organizations corresponding to the functions of each of our business segments. Shifting to an organizational structure that facilitates information-sharing will improve the density of information-sharing, and speedy reporting to management will promote efficient management.

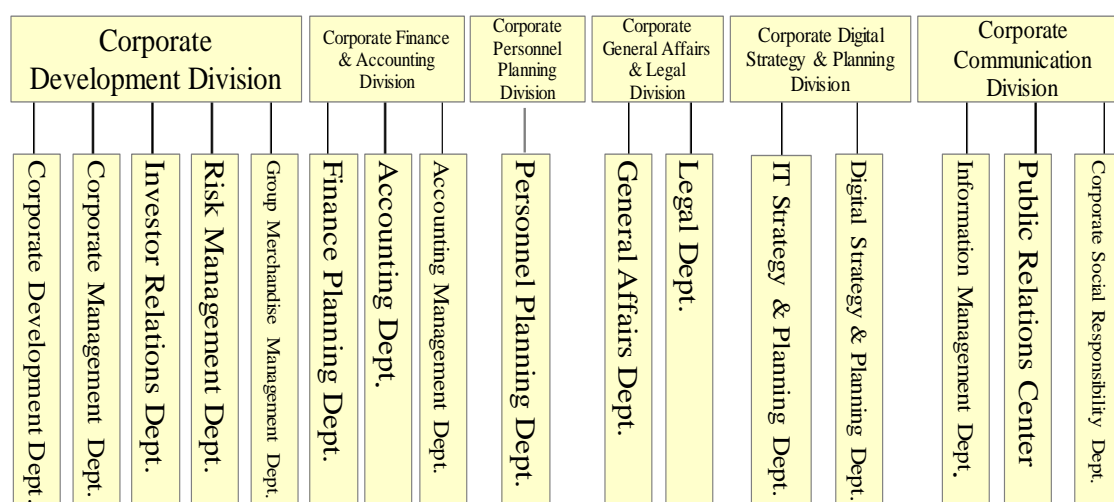
#### • Strengthen the digital strategy promotion system

We have newly formed a “Digital strategy promotion” organization for promoting product development which closely match customer needs and CRM strategies by utilizing IT and information on each customer and will create services integrating advanced IT and brick-and-mortar stores.

#### • Enhance front line capabilities of the operating companies by transferring administrative functions

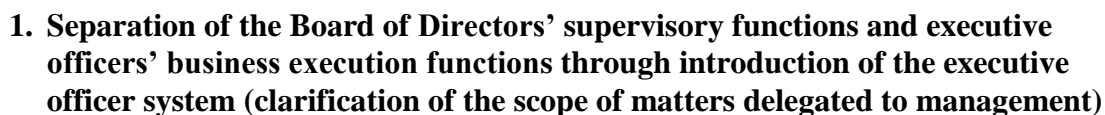
By redefining the role of the holding company to maximize the corporate value of the entire Group and the role of operating companies with the aim of building an efficient business operating structure for both sides, accelerating the ability of operating companies to make operational reforms, and strengthening governance, certain operations will be transferred to Seven-Eleven Japan Co., Ltd., thereby enhancing the capabilities on the frontlines.

### 【The Company's Divisional Structure (as of June 4, 2018)】





**【Corporate Governance System (as of June 4, 2018)】**



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 Board of Directors' supervisory functions from the executive officers' business execution functions. This developed an environment where the Board of Directors is able to focus on the "formulation of management strategies" and the "supervision of business execution," while the executive officers can focus on "business execution." The executive officers comprise 20 members (19 men and 1 woman).

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

**【◎Supplementary Principle 4.1.1】**

The Decision Authority Regulations clearly set forth 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 “audits” conducted by the Audit & Supervisory Board Members (Audit & Supervisory Board), including multiple Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting, through their actively cooperating with the accounting auditor and the internal audit division, and “formulation of management strategies” and “supervision of business execution” conducted by the Board of Directors, including multiple Outside Directors who maintain their independence and have advanced management knowledge and experience.

The Company has adopted this corporate governance structure because it judges the structure to be workable for realizing and ensuring the Company’s corporate governance and for conducting appropriate and efficient corporate management.

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

The Company considers the following characteristics and advantages of the Audit & Supervisory Board Member system to be effective for ensuring the appropriateness of the Company’s Group governance and has therefore adopted it as the corporate governance system:

- (1) Each Audit & Supervisory Board Member independently has its own auditing authority (individual independence system), which allows audits to be conducted from the perspectives of each Audit & Supervisory Board Member;
- (2) The independence of the Audit & Supervisory Board Members is clearly specified by law, which enables independent and objective audits; and
- (3) The Audit & Supervisory Board Members have legally specified authority to investigate subsidiaries, which is effective also from a Group audit perspective.

## **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, and by the committee’s deliberations on the nomination, compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers, utilizes the knowledge and advice of Outside Directors and Outside Audit & Supervisory Board Members and ensures objectivity and transparency in the procedures for deciding the nomination and compensation of Representative Directors, Directors, Audit & Supervisory Board Members and executive officers, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

#### 4. Advisors, etc. (as of June 4, 2018)

Status of the advisors for the Company and major operating companies is as below.

##### I. The Company

Name	Masatoshi Ito
Title/position	Honorary Chairman
Duties	Provide advice when needed by the Company's management team
Working arrangement/conditions	Full-time/with compensation
Term of office	1 year

Name	Toshifumi Suzuki
Title/position	Honorary Advisor
Duties	Provide advice when needed by the Company's management team
Working arrangement/conditions	Full-time/with compensation
Date of retirement of the Company's president, etc.	May 26, 2016
Term of office	1 year

##### II. Main operating companies

Name	Noritomo Banzai
Title/position	Advisor of Seven-Eleven Japan Co., Ltd.
Duties	Provide advice when needed by the company's management team
Working arrangement/conditions	Full-time/with compensation
Term of office	1 year

##### III. Others

- Regarding the assumption of office by advisors of the Company and major operating companies, the Company's Board of Directors deliberates and confirms matters and appropriately supervises their work.
- Upon consultation from the Company's Board of Directors, the Company's Nomination and Compensation Committee deliberates and confirms the duties, work arrangements, and conditions, such as compensation terms for the advisors of the Company and major operating companies.
- The roles of advisors of the Company and major operating companies are to provide advice when needed by the management team of each company, and advisors have no authority to affect the management decisions of each company.

## 5. Corporate governance by various committees

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

### **(CSR Management Committee)**

The Company has established the CSR Management Committee for the purpose of promoting, administrating and supervising the CSR activities of the entire Group. The Company has also established the “Corporate Ethics and Culture Subcommittee,” “Consumer Affairs and Fair Business Practices Subcommittee,” “Environment Subcommittee” and “Social Value Creation Subcommittee” as group-wide cross-organizational bodies under the CSR Management Committee tasked with the examination and execution of concrete measures to address the “five material issues” of the Group as a whole. With these subcommittees, the Company aims to realize more thorough practice of compliance, to contribute to solving social issues relating to stakeholders through operating activities, and from the perspective of ESG (environment, society, and governance), to work for the sustainable development of both society and the Group.

Furthermore, the Company has established a help line operated by external third-party bodies to provide a point of contact for internal reporting from the Group employees and business partners as part of the internal controls of the whole Group. The executive officer in charge of the CSR Management Committee regularly reports and confirms the help lines’ status of response at the Board of Directors’ meeting.

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

In accordance with the basic rules for risk management, the Company and its Group companies establishes, streamlines, and manages comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to 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 FY 2018, in order to strengthen risk management further, the committee collaborated with the Company’s divisions responsible for each risk, and through a system of sharing feedback regarding risk-related information with operating companies, the committee worked to identify the inherent risk issues for the Group as a whole and those for each individual company and to reduce those risks.

**(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 FY 2018, the committee continued initiatives carried on from FY 2017 and worked at strengthening information collection and management systems. While gathering important information from each company in an appropriate and timely manner and revamping the system for the cooperative framework for dealing with this, the committee centrally managed this information and strengthened the system for reporting that information without omission or delay to management and relevant divisions.

Furthermore, in order to address heightened social awareness of personal information protection and assure the safety and peace-of-mind of customers who use the Group's integrated EC site "omni7," the business sites within the Group that handle customers' personal information in relation to "omni7" have acquired the international information security management systems (the ISMS ) certification (ISO 27001), and the committee has taken steps to strengthen information security and expand the number of certified business sites as required. In addition, the committee formulated information security standards to be achieved by the Group, and has taken steps to further bolster information security by promoting the deployment of these standards at Group companies based on methods using the PDCA cycle for the ISMS certification.

**(Group Synergy Committee) 【Abolished effective September 17, 2017】**

The Group Synergy Committee had been formed from subcommittees tasked with examining themes that are commonly faced by the whole Group, and it has been a place where the Group shared knowhow in such issues as "product development" and "promotion" that has been accumulated by each operating company, and creating safe, reliable and convenient high-quality products and services represented by the Group-wide private brand "Seven Premium." The Group has since strengthened its development structure through the recent establishment of the Group MD Administration Department, and consequently, the Group Synergy Committee was progressively dissolved on September 17, 2017. Even without the organizational framework of a committee, cooperation between the Group companies is always being carried out flexibly and actively.

## **6. Risk management (Internal Control Resolutions, etc.)**

The Company has established, streamlines, and manages comprehensive risk management systems centered on the afore-mentioned Risk Management Committee.

The Company has resolved as the reference information below regarding “the development of systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by the Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a stock company and of operations of a group of enterprises consisting of said stock company and its subsidiaries,” (so-called the “Internal Control Resolutions”) set forth in the Companies Act.

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**【Reference information】 Separate document 1 “Internal Control Resolutions”**

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## **7. Internal reporting**

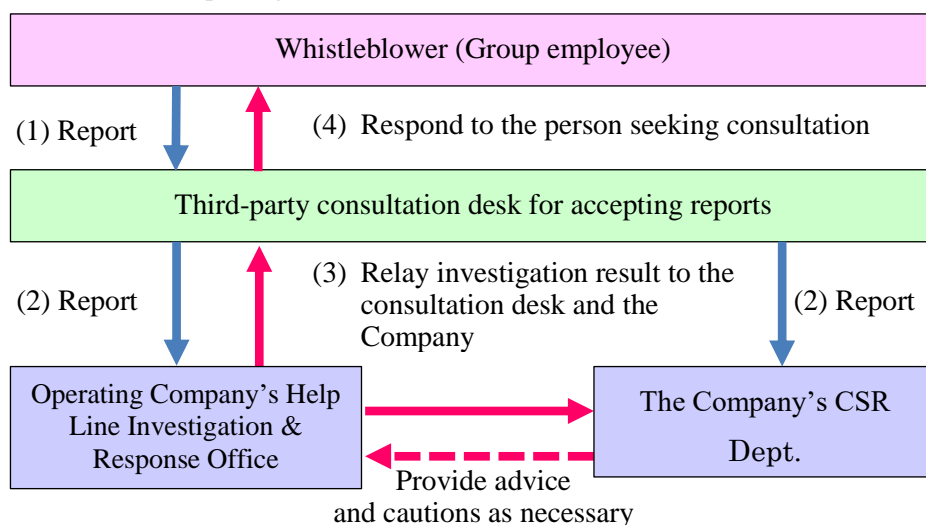
As part of the internal controls of the whole Group, the Company has established a point of contact (a help line) for internal reporting by employees of the Company and its domestic consolidated subsidiaries, both internally and at a third-party organization. The Company has also established a point of contact for internal reporting by the business partners of the Company and its domestic consolidated subsidiaries, at an outside third-party organization. When an internal report is received, the administrative office and relevant departments confer together regarding the method of investigation and response, propose and execute it; and further inform the reporting person (whistleblower) of the result of the response and confirm if the problem is corrected.

Under the rules of the internal reporting system, the personal information and privacy of whistleblowers are strictly protected, and at the whistleblowers’ desire, their name and department are kept within the third-party organization and they can make an anonymous report to the Company. Moreover, the Company and its domestic consolidated subsidiaries maintain systems to ensure that whistleblowers are not subjected to disadvantageous treatment for having used the 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 take necessary measures. Furthermore, the executive officer in charge of the CSR Management Committee at the Company regularly reports and confirms the operational status of internal reporting at the Board of Directors’ meeting.

## Internal Reporting System (Help Line) for Employees

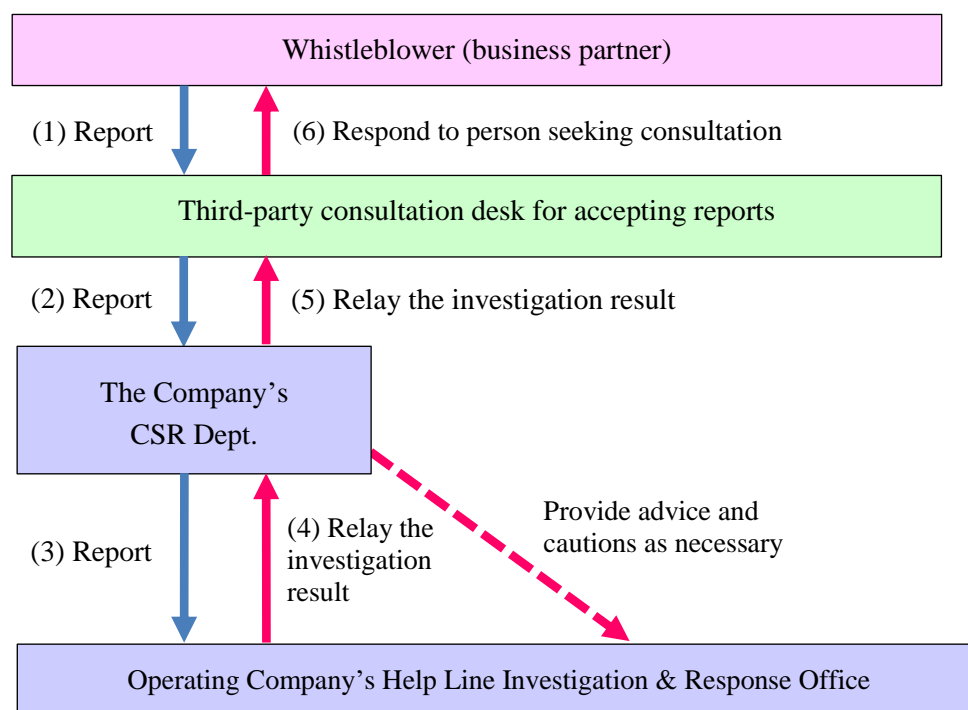
< Flow of internal reporting >



(Reference) Number of reports for FY2018: 1,047 (up 24% year on year)

## Internal Reporting (Help Line) for Business Partners

< Flow of internal reporting >



(Reference) Number of reports for FY2018: 31 (94% of the previous year)

## 8. Cross-shareholdings 【◎Principle 1.4】 Update

### (1) Policy on cross-shareholdings

Overall, the Group's cross-shareholdings as of the end of February 28, 2018 comprise 56 stocks, with a market value of ¥61.8 billion accounting for just over 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 maintaining or strengthening business alliances or business relationships, in order to maintain and strengthen business competitiveness.

Stocks held are reviewed annually and shares with less rationale are to be sold in view of the circumstances of the investee companies.

### (2) Method of assessing the rationale for the holdings

The Company's Board of Directors assesses the matters below regarding the rationale for holding listed cross-shareholdings and makes comprehensive decisions. The Company will continually review the matters to be assessed.

#### 【Matters Reviewed】

##### <Qualitative Matters>

- 1) Background of acquisition;
- 2) Presence or absence of business relationship;
- 3) Strategic significance at the time of holding;
- 4) Possibility of future business;
- 5) Risks related to survival or stability, etc. of business if shares are not held; and
- 6) Continuity of advantages, future outlook for business, and risks if shares continue to be held.

##### <Quantitative Matters>

- 1) The most recent amounts of transactions and profits if any business is conducted through business alliances, etc.;
- 2) Annual dividends received and gain or loss on valuation of shares; and
- 3) Whether the benefits and risks from each holding cover the Company's cost of capital.



**(3) FY2019 assessment of cross-shareholdings**

The results of the Board of Directors' FY2019 assessment of all of the Company's listed cross-shareholdings are as below. (The review was performed at the Board of Directors meeting on November 1, 2018.)

**【Results of the assessment of all of the Company's listed cross-shareholdings】**

Stock	Qualitative/quantitative decision	Rationale for holding	Response
AIN HOLDINGS INC.	○	Yes	Keep
Credit Saison Co., Ltd.	○	Yes	Keep
Mitsui Fudosan Co., Ltd.	○	Yes	Keep
SEIBU HOLDINGS INC.	○	Yes	Keep
Tokyo Broadcasting System Holdings, Inc.	○	Yes	Keep
Dai-ichi Life Holdings, Inc.	○	Yes	Keep

The Company's Board of Directors confirms that its group companies other than listed subsidiaries also assess cross-shareholdings based on the same shareholding policy as the Company.

**(4) Standards for exercising voting rights**

When exercising voting rights as to listed cross-shareholdings, the Company decides whether to vote for or against proposals from the perspective of increasing the medium- to long-term corporate value of the Company and the investee companies, and engages in dialogue with the investee companies about the proposals before exercising its voting rights if necessary.

From FY2019, the Company is exercising the voting rights based on newly established detailed rules to specifically examine the above standards.

(Detailed Rules regarding Standards for Exercising Voting Rights)

- Whether proposals at each General Shareholders' Meeting inure to mid- to long-term improvement of corporate value?
- Whether proposals at each General Shareholders' Meeting will maximize the benefits of shareholders of the company that convenes the General Shareholders' Meeting?
- Whether a convocation notice of General Shareholders' Meetings and other materials such as documents that explain proposals are timely and appropriate as information disclosure?

### Part 3. 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 among knowledge, experience, and skills, and diversity and size, of the Board of Directors)

##### 【◎Supplementary Principle 4.11.1】

The Company emphasizes the composition of Directors and Audit & Supervisory Board Members for the Board of Directors having a good overall balance of knowledge, experience, and skills to effectively perform the role and responsibilities of the Board and ensuring both diversity and an appropriate size.

In particular, as a holding company, the Company needs to conduct comprehensive and multifaceted management for diverse business domains. Therefore, the Company examines the Board composition, considering diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members as well as the balance among their knowledge, experience, and skills.

For the Company's Audit & Supervisory Board Members, the Company takes care to appoint such persons with appropriate knowledge of finance and accounting.

The Company stipulates the aforementioned policies in the “Guidelines for Directors and Audit & Supervisory Board Members (resolved at the Board of Directors meeting held on April 7, 2016).”

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【Reference】 Separate document 2 “Guidelines for Directors and Audit & Supervisory Board Members” “5. Basic policy on composition of Directors and Audit & Supervisory Board Members in companies with a Board of Directors”

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### ◎Composition of the Board of Directors for FY2019

With respect to the members of the Board of Directors for FY2019, considering the fact that this is the middle year of the Medium-Term Management Plan;

- 1) the Company continuously needs to track the progress on strategies, etc. set forth in the Medium-Term Management Plan; and
- 2) there are several ongoing issues from the previous fiscal year, including developing succession plan for Directors and Audit & Supervisory Board Members as well as the compensation system,

we made no major change and **examined appointing diverse members with a good balance of knowledge, experience, and skills, who are deemed appropriate for the Board of Directors of a holding company which formulates Group strategies, supervises business execution, and performs other functions, while maintaining an appropriate size.**

The Directors and Audit & Supervisory Board Members who have reached the age stipulated in the Company's regulations, and the Outside Directors and Outside Audit & Supervisory Board Members of whom a certain stipulated number of years have passed since their assumption of office, have stepped down. Based on the perspective that Outside Audit & Supervisory Board Members must have expertise related to tax, accounting, and legal affairs, we have appointed Outside Audit & Supervisory Board Members with abundant experience in these specialized fields respectively.

Further, as part of the evaluation of the Board of Directors' effectiveness, there was an opinion that Outside Directors must have management experience, in light of which, we have newly appointed an Outside Director with abundant management experience.

Comprising diversity-ensured members, the Company's Board of Directors will continue to effectively fulfill its roles and responsibilities.

### 【Reasons for Selection as Director (Internal)】

Name	Reasons for Selection
Ryuichi Isaka	He has broad knowledge of Group management cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for maximization of the Group's corporate value through swift generation of new business, and through activation of our existing business by means of using the collective capabilities of the retail group, which has various business categories.
Katsuhiro Goto	He has broad knowledge related to management administration cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for advancement of Group functions (integration of the Company's administrative divisions, aiming to provide high value-added services, and reduce costs), and for the Digital Strategy, etc., as new strategies.
Junro Ito	He has broad knowledge related to ESG (Environment, Social, Governance) cultivated as a director of the Company and its Group companies, and the Company would like him to utilize his knowledge for the enhancement of corporate value including non-financial aspects, and for the smooth execution of Group management, which the Company is aiming for.
Katsutane Aihara	He has broad knowledge related to system cultivated as an executive officer of the Company, and the Company would like him to utilize his knowledge for reinforcement of the information system of Group companies.
Kimiyoshi Yamaguchi	He has broad knowledge related to corporate communications cultivated as an executive officer of the Company, and the Company would like him to utilize his knowledge for the Group companies' entry into new businesses.

Fumihiko Nagamatsu	He has broad knowledge related to human resources, etc. cultivated as an executive officer of the Company and a director of its Group companies, and the Company would like him to utilize his knowledge for the Group companies' personnel strategy.
Kazuki Furuya	He has broad knowledge of franchise business cultivated as a director of our Group companies, and the Company would like him to utilize his knowledge for advancement of Group functions (pursuit of merchandising synergy in supply, logistics, product development, and sales, etc.), which the Company is aiming for.
Joseph M. DePinto	He has broad knowledge of franchise business cultivated as a director of our American Group companies, and the Company would like him to utilize his knowledge for providing advice to the Company's Board of Directors from an international perspective and for promotion of global management of the Company.

**【Reasons for Selection as Director (Outside)】**

Name	Reasons for Selection
Yoshio Tsukio	He has knowledge and experience from his long term work as a specialist in media policy, and the Company would like him to utilize his broad high level knowledge and experience, etc. for the Company management.
Kunio Ito	He has technical knowledge of accounting and management, etc. from his long term work as a professor, and the Company would like him to utilize his abundant experience as an outside director of other companies and his appropriate supervisory functions, etc. for the Company management.
Toshiro Yonemura	He has worked consecutively at such important positions as Superintendent General, Tokyo Metropolitan Police Department and Deputy Chief Cabinet Secretary for Crisis Management etc., and the Company would like him to utilize his broad high level experience and insight, etc. for the Company management.
Tetsuro Higashi	He has worked consecutively at such important positions as Representative Director, Chairman and President of Tokyo Electron Limited, etc., and the Company would like him to utilize his broad high level experience and insight, etc. as a corporate manager of the Company management.

**【Reason for Selection as Audit & Supervisory Board Member (Internal)】**

Name	Reasons for Selection
Noriyuki Habano	He has broad knowledge related to the overall operations of the Group cultivated as a Senior Officer of the Auditing Office of the Company, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust.
Yoshitake Taniguchi	He has abundant experience and technical knowledge related to finance and accounting from having been in charge of finance and accounting division in the Company and its Group companies, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust by utilizing his insight, etc. cultivated through his career.

**【Reason for Selection as Audit & Supervisory Board Member (Outside)】**

Name	Reasons for Selection
Kazuko Rudy	She has abundant experience and knowledge as a specialist in marketing theory, and the Company would like her to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust by utilizing her insight, etc. cultivated through her career.
Kazuhiro Hara	He has abundant experience and technical knowledge related to finance and accounting as a certified public accountant, and the Company would like him to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust by utilizing his insight, etc. cultivated through his career.
Mitsuko Inamasu	She has abundant experience and technical knowledge related to legal affairs as an attorney at law, and the Company would like her to contribute to the establishment of a good corporate governance structure that can realize robust and sustainable growth of the Company, creation of mid- to long-term corporate value, and respond to social trust by utilizing her insight, etc. cultivated through her career.

## 2. Numbers and composition ratios of Outside Directors and Outside Audit & Supervisory Board Members

The numbers and composition ratios of the Outside Directors and Outside Audit & Supervisory Board Members of the Company are: 4 Outside Directors out of 12 Directors and 3 Outside Audit & Supervisory Board Members out of 5 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, the composition of its Outside Directors and Outside Audit & Supervisory Board Members is to be examined considering not only ensuring diversity but also bearing in mind the overall balance of knowledge, experience, and skills. The Company therefore values having a diverse team of Outside Directors and Outside Audit & Supervisory Board Members to provide multifaceted management advice, including raising issues, and thereby ensures active discussion within the Board of Directors.

While being extremely conscious of the diversity of its Outside Directors and Outside Audit & Supervisory Board Members, we believe that the most important aspect is “personnel selection.” We have not yet reached the conclusion that setting formal numbers of Outside Directors and Outside 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 Outside Audit & Supervisory Board Members, including Independent Outside Directors.

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 Independent Audit & Supervisory Board Members**

The Company designates all Outside Directors and Outside Audit & Supervisory Board Members who satisfy the qualifications for independent officers as the Independent Outside Directors and Independent Outside Audit & Supervisory Board Members.

#### **(2) Independence standards for Outside Directors and Outside Audit & Supervisory Board Members**

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

The opinions of the Outside Directors and Outside 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 Outside 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 standards**

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

#### **2. De minimis thresholds for information disclosure regarding the attributes of Independent Directors and Independent 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 revenues from operations of the Company in the most recent accounting period”
- With regard to “donations,” “less than ¥10 million”

#### 4. Concurrent positions 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 of 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 the Board of Directors' effectiveness

##### 【◎Supplementary Principle 4.11.3】

##### (1) Fundamental approach to evaluation of the Board of Directors' effectiveness

The Company conducts the Board of Directors' effectiveness evaluation (referred to as "Board of Directors' evaluation") through objective analysis and thorough discussions by members of the Board of Directors regarding "whether the Board of Directors is effectively functioning to realize corporate value and improve corporate governance as the Company aims." The evaluation is positioned as an important factor in the PDCA cycle leading to specific actions for further improvements.

##### (2) FY2018 Board of Directors' evaluation process policy

###### ○Overview

###### <Previous time>

Because the FY2017 Board of Directors' evaluation was to be conducted shortly after the shift of the Company's management to a new structure, it was thought that the evaluation may not necessarily fit with the general evaluation process that assumes the target period to be one year; accordingly, it was conducted as a self-evaluation solely through a "discussion" in the Board of Directors.

In contrast, this time (in FY2018),

- More than one year had passed since the launch of the new structure, and the Board of Directors was able to deliberate on all of the items and matters to be discussed during the annual cycle; and
- During the regular deliberations at Board of Directors' meetings, attendees had commented on a range of proposals of various importance concerning how to run the Board of Directors, and it was necessary to sort out all of the issues.

Due to the above, the Company decided that the Directors would determine which evaluation method should be used through a discussion at the Board of Directors' meeting.

As a result,

<This time>

The FY2018 Board of Directors' evaluation was performed using the "self-evaluation" method. Specifically, while referring to advice from an outside consultant, the evaluation was conducted using a combination of a pre-evaluation survey, individual interviews and discussions. The Board of Directors' secretariat spent enough time to interview each Director and Audit & Supervisory Board Member about their opinions and listen to their improvement recommendations. After the key issues were sorted out, the Board of Directors' members spent enough time intensively discussing the way that the Board should function in the future.

### ○Scope of evaluation

In addition to the Board of Directors itself, the scope of evaluation also covered relevant meeting bodies such as the Nomination and Compensation Committee, an advisory body, as well as the Outside Director's meeting (renamed the Management Opinion Exchange Meeting as of April 5, 2018).

### ○Points of evaluation

The provisions related to the Board of Directors, etc. in the Corporate Governance Code were used as the points of focus for evaluation.

### 【Survey/Interview Topics】

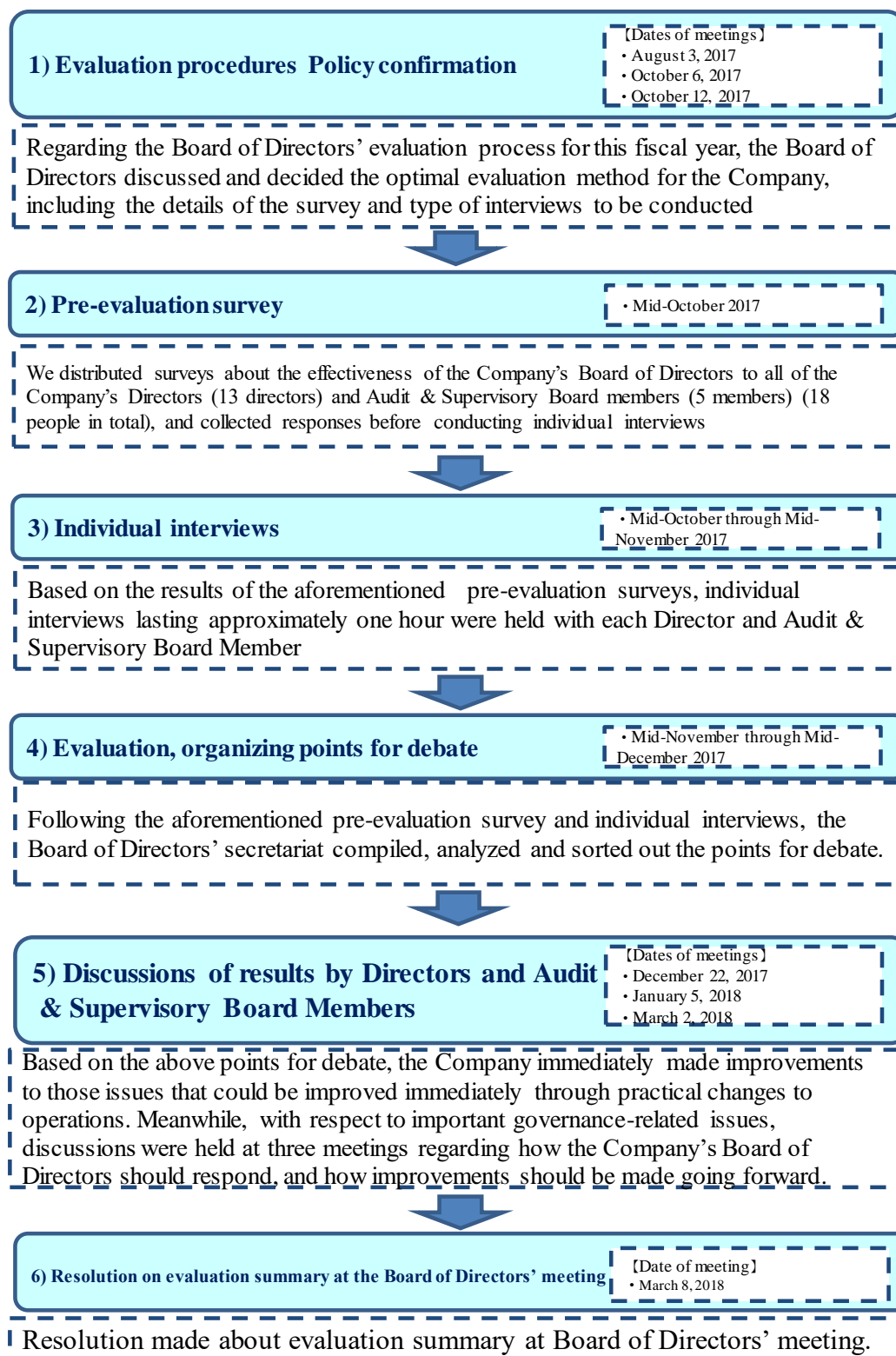
Topics	Sample question
A. Board of Directors' composition	• Is the number of internal and Outside Directors appropriate?
B. Advance preparation	• Is the volume of the Board of Directors' meeting materials appropriate, and are the contents easy to understand and appropriate?
C. Content of discussion	• Is the selection of proposals appropriate, and are substantive debates being held?
D. Committees, etc.	• Are the composition, operation, and reports of the Nomination and Compensation Committee appropriate?
E. Execution system	• Does the execution "speed" meet the Board of Directors' expectations?
F. Framework supporting the Board of Directors	• Do Directors and Audit & Supervisory Board Members have opportunities to obtain advice from outside experts as necessary?
G. Other	• Comments



### (3) Evaluation schedule and evaluation process

Overviews of the Board of Directors' evaluation schedule and process are as below.

【Overviews of evaluation schedule and process】



#### (4) Results of Board of Directors' evaluation

The overview of the aforementioned Board of Directors' evaluation is as below.

##### 【Overview of results of the FY2018 Board of Directors' evaluation】

- 1) The Board of Directors has made significant progress on quantitative aspects**  
(Number of statements by Directors and Audit & Supervisory Board members, debate time, and volume of information shared, etc.)
- 2) The Board of Directors has also made significant progress on qualitative aspects**  
(Content of debates, meeting proceedings, atmosphere encouraging open discussion, transparency, etc.)
- 3) The Board of Directors values dialogue and operates toward being an “open Board of Directors”**
- 4) The Board of Directors will set and work on important topics aiming for further improvement of its effectiveness**

##### 【FY2019 Important Topics (Examples)】

Important topics	
Enhancement of Group governance	In addition to confirming the main roles that the holding company should fulfill, put reporting matters on the annual deliberation schedule in advance with respect to confirming and strengthening the management situation of each major operating company
Successor planning, etc.	Discuss and check the operating status several times a year at the Board of Directors' meetings
Governance at overseas subsidiaries	Increase the number of reports regarding governance at overseas subsidiaries at the Board of Directors meetings, etc., and monitor them
Deliberation of complex M&A and other matters	Continuously provide preliminary reports and engage in discussions at Board of Directors' meetings before contents thereof are fixed, and promote understanding in step with the progress on the matter
Matters related to the Nomination and Compensation Committee	Continuously examine the following items, while maintaining its status as a voluntary advisory committee to the Board of Directors: <ul style="list-style-type: none"><li>• Separation of the Nomination Committee and the Compensation Committee;</li><li>• Further clarification of nomination and compensation standards.</li></ul>
Composition of the Board of Directors	Continuously examine the following items: <ul style="list-style-type: none"><li>• At least 1/3 Outside Directors</li><li>• Election of female Director(s)</li></ul>
Method for prior distribution of materials	Devise ways of providing meeting materials beforehand; e.g., by using systems

**(5) Important topics**

As a company in the retail business, the Company's basic policy is to immediately start working on issues to be addressed and then to devise and improve approaches toward solutions. We consider this also applicable to the operation of the Board of Directors.

Among the important topics, we have already addressed those issues that were able to be improved through practical changes to operations, while for matters that require separate discussions, we have included them in the detailed annual schedule and have started working on them.

We will confirm and evaluate the progress on these important topics at upcoming and future evaluations of the Board of Directors.

Based on the results of this evaluation of the Board of Directors' effectiveness, we will work to further improve the effectiveness of the Board of Directors in order to achieve sustainable growth and increase corporate value over the medium to long term.

## **Part 4. Policies and procedures for appointment/dismissal and nomination of Directors and Audit & Supervisory Board Members, and training** Update

### **1. Board policies and procedures in the appointment/dismissal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates** 【◎Principle 3.1 (iv)】 【◎Supplementary Principle 4.11.1】

Update

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

The Company established the “Nomination and Compensation Committee” with an Independent Outside Director as the Chair to be an advisory committee to the Board of Directors, and by the committee’s deliberations on the nomination, compensation, etc. of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers (in this paragraph, “Officers, etc.”) utilizes the knowledge and advice of Outside Directors and Outside Audit & Supervisory Board Members and ensures objectivity and transparency in the procedures for deciding the nomination and compensation of Officers, etc., thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

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

The Company’s “Nomination and Compensation Committee” deliberates on the nomination and compensation of not only the Company’s Officers, etc. but also the Representative Directors of the core operating companies.

The Representative Directors of the core operating companies occupy an important position for the Group’s management and are included within the purview of deliberations by the Nomination and Compensation Committee from the perspective of emphasizing the objectivity and transparency of the principal nomination and compensation procedures for the management of not only the Company but also the Group.

Currently, the “core operating companies” are the companies that grant stock options, and 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. are designated as such (as of June 4, 2018).

The Company will also appropriately determine the companies to be “core operating companies” with an emphasis on the objectivity and transparency of the Group management procedures, in accordance with the Group’s business portfolio strategy and governance system.

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

One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member act as observers at the “Nomination and Compensation Committee.”

This is because deliberations by the “Nomination and Compensation Committee” include nomination of candidate Audit & Supervisory Board Members, whose duty is to audit the performance of duties by the Directors, and it is important to ensure due process at the “Nomination and Compensation Committee” as an advisory committee to the Board of Directors.

#### **(4) Main items for deliberation by 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, etc. and candidates for the Representative Directors of the core operating companies
- Contents of appointment proposals for candidates for the Company's Officers, etc. and candidates for the Representative Directors of the core operating companies
- Basic policies and standards for compensation, etc., for Officers, etc. of the Company and of the core operating companies
- Contents of compensation, etc. for Officers, etc. (excluding Audit & Supervisory Board Members) of the Company and for the Representative Directors of the core operating companies

##### **ii) Composition (as of June 4, 2018)**

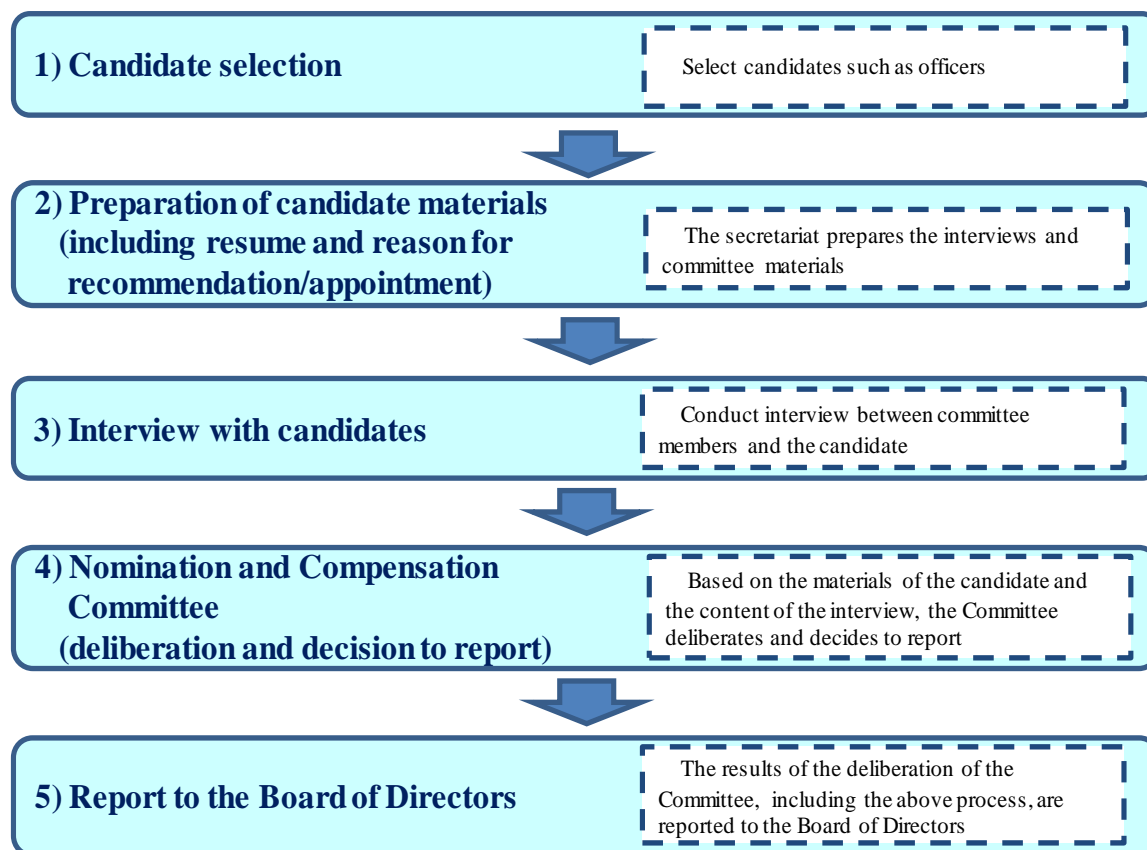
Chair	Kunio Ito (Independent Outside Director)
Members	Ryuichi Isaka and Katsuhiro Goto (two internal Directors), Kunio Ito and Toshiro Yonemura (two Independent Outside Directors)
Observers	One internal Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member

- \* The chair and committee members are selected by the Board of Directors, and the observers are selected through discussion among Audit & Supervisory Board Members.
- \* The decisions of the committee are made by a majority of the members in attendance, and in the event of a tie vote, the decision is made by the Chair.

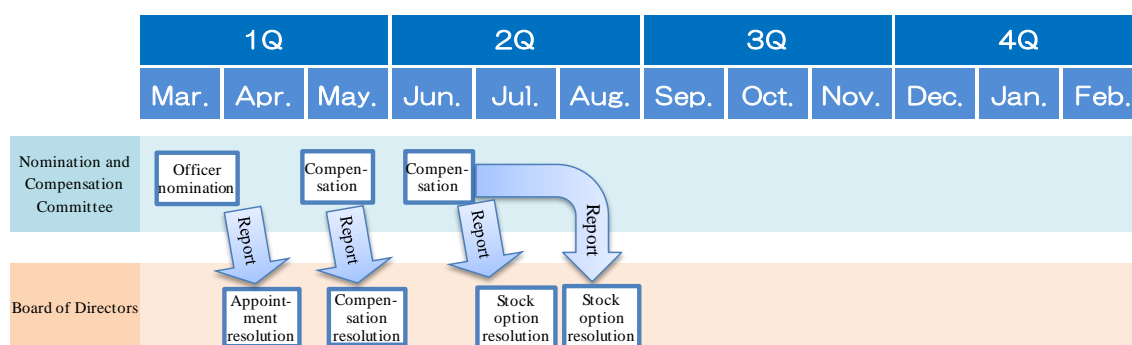
**[Status of the Nomination and Compensation Committee in FY2018]**



**(5) Reporting process (an example of the nomination process)**



**【Annual Schedule of Committee Meetings】**



\* The foregoing is an annual schedule of meetings, and the Committee may also hold extraordinary meetings.

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

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 comprising all of the Outside Directors and Outside Audit & Supervisory Board Members and the 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.

In the above process, the members discussed 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 formulated with the approval of the Nomination and Compensation Committee meeting held in April 2016 and of the Board of Directors meeting held on April 7, 2016. (Some of the wording was revised at the Board of Directors meetings held on May 26, 2016 and November 1, 2018).

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

The Company believes that discussion of corporate governance concerning Officers, etc. should begin with the assumption that “nobody is perfect.”

Thus, the Company has clarified “absolutely essential conditions for Directors and Audit & Supervisory Board Members” as universal “requirements.” Meanwhile, the “strengths” of each individual can vary; thus, the Company has treated these “personnel selection analysis and perspective that allows for individual strengths and weaknesses” as “qualities” separately from the requirements.

The desirable “qualities” differ depending on the duties assigned to each Director and Audit & Supervisory Board Member, and have been set separately depending on the positions as set forth below:

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

On the assumption that each individual Director and Audit & Supervisory Board Member has different strengths and weaknesses with regard to his/her “qualities,” the Company considers it important to select Board members by utilizing and combining individual “strengths” while emphasizing the diversity of the Directors and Audit & Supervisory Board Members.

If any Director or Audit & Supervisory Board Member has come to lack these “requirements” or “qualities,” the Company shall consider dismissing such Director or Audit & Supervisory Board Member.

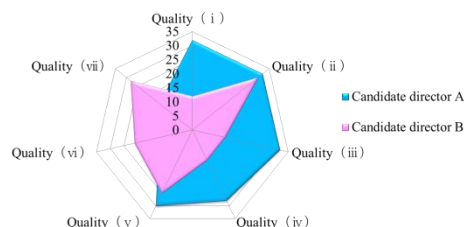
## Conceptual Drawing of “Requirements” and “Qualities”

(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	Good	Good	Good
Requirement 2	Poor	Good	Good
Requirement 3	Good	Poor	Good
Result	Poor	Poor	Good

\*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 2: “Guidelines for Directors and Audit & Supervisory Board Members” 1 – 4

### 3. Basic policy regarding qualities and appointment/dismissal of Group representative (Company President) (Group representative succession plan) Update

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>• Have problem-solving capabilities</li> <li>• Have outstanding judgement, etc.</li> </ul>
<b>Leadership ability</b>	<ul style="list-style-type: none"> <li>• Set constructive targets and lead 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>• Understand own strengths and weaknesses, able to collaborate with persons who possess qualities to compensate for qualities he or she lacks</li> <li>• Always prepared to learn</li> </ul>

The basic policy regarding appointment/dismissal of Group representative is as follows.

- Evaluate the candidate through a sincere process using multifaceted and objective materials
- Examine in detail whether the candidate has the management capabilities required for solving management issues facing the Group companies
- Specifically check and evaluate the leadership style and ability of the candidate



#### **4. Explanations of reasons for appointment when the Board of Directors appoints senior management and nominates Director and Audit & Supervisory Board Member candidates** **【©Principle 3.1 (v)】** **Update**

When the Board of Directors nominates Director and Audit & Supervisory Board Member candidates, including candidates for Representative Director, the Company discloses the reasons for these nominations on page 50 of this report, and detailed information about the candidates is disclosed in the Convocation Notice of the Annual Shareholders' Meeting.

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#### **【Reference information】**

**The Company's Convocation Notice of the Shareholders' Meeting, "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 officers, 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 borne by the Company.

In addition, the Company's Directors and Audit & Supervisory Board Members make use of all opportunities to train themselves through their own efforts, and the Company affords opportunities for improvement. 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 (see below).

The Company provides Outside Directors and Audit & Supervisory Board Members with opportunities to visit the places of business of the major subsidiaries (please refer to page 69, "2. Exchange of opinions with Outside Directors and Outside Audit & Supervisory Board Members").

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

### **(1) Skills development**

**The Directors and Audit & Supervisory Board Members of the Group companies shall constantly strive to develop the following skills.**

- (i) Develop and acquire expertise and skills appropriate for a business manager**
- (ii) Deepen their fundamental understanding of each position and function, and based thereon develop and acquire the ability to analyze and decide matters from a company-wide and comprehensive perspective**
- (iii) Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding management and administration issues**
- (iv) Acquire methods to utilize skills and techniques necessary for business analysis, business planning, and so forth**
- (v) Develop and acquire skills to effectively combine individual efforts of organization members to achieve company objective and to effectively develop and improve the latent potential of these persons**
- (vi) Lift motivation for self-improvement**
- (vii) Improve other qualities required of Directors and Audit & Supervisory Board Members**

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

**In order to improve and foster the abovementioned abilities, the Directors and Audit & Supervisory Board Members of the Group companies shall make use of all opportunities to train themselves, and the Company shall afford opportunities for improvement.**

- (i) Encourage their participation in external management training programs**
- (ii) Introduce appropriate specialists to resolve management issues**
- (iii) Provide information and hold seminars to assist their 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 5. 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 compensation system for Directors and Audit & Supervisory Board Members as one of the mechanisms for appropriate risk-taking and will continue to consider the design of a specific compensation system to tailor it more appropriately in light of future trends in legal systems and society.

Furthermore, the Company will also improve the performance evaluation system within the Group to ensure that compensation of the Representative Directors of the operating companies serves 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 of the Company (in this Policy, “officers”), the Company emphasizes compensation that is linked with financial results and enterprise value. To further increase motivation and morale to contribute to improved financial results and increased corporate value continuously over the medium to long term, and to secure highly capable human resources who will support enhanced corporate governance through appropriate supervision and auditing of operational execution, the Company provides compensation levels and systems commensurate with responsibilities.

##### **2. Compensation limit for Directors and Audit & Supervisory Board Members**

The amounts of compensation of Directors and Audit & Supervisory Board Members are decided within the following compensation limits resolved at the Shareholders’ Meeting.

○Directors: Not more than ¥1 billion per year (not including employee salaries paid to Directors who serve concurrently as employees)

(Resolved at the 1st Annual Shareholders’ Meeting held on May 25, 2006)

Upper limit of the total issue price for stock options for stock-linked compensation share subscription rights for Directors awarded under the compensation limit: ¥200 million per year

(Resolved at the 3rd Annual Shareholders’ Meeting held on May 22, 2008)

○Audit & Supervisory Board Members: Not more than ¥100 million per year

(Resolved at the 1st Annual Shareholders’ Meeting held on May 25, 2006)

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

The Company has established a nomination and compensation committee (the “Nomination and Compensation Committee”) to ensure objectivity and transparency in the procedures for deciding the compensation of Officers, etc. (referring in this policy to

Directors, Audit & Supervisory Board Members, and executive officers). The committee's chair and half of its members are Independent Outside Directors.

**4. Compensation of Directors**

**○System for compensation of Directors**

The basic components of compensation of Directors are a fixed monthly compensation and performance-based compensation (bonuses and 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 employee 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 performance-based compensation (bonuses and stock options for stock-linked compensation).

**○Method of determining compensation of Directors**

Through deliberations by the Nomination and Compensation Committee, the compensation of Directors is determined in accordance with the evaluation of each Director's function and degree of contribution, as well as the Group's business 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 performance-based compensation (bonuses and 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 6. Monitoring by Outside Directors and Outside Audit & Supervisory Board Members

### 1. 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 13th fiscal year (from March 1, 2017 to February 28, 2018)

Name of Outside Director	Attendance at the meetings of the Board of Directors during the 13th fiscal year (out of 14 meetings in total)
Scott Trevor Davis	14
Yoshio Tsukio	14
Kunio Ito	14
Toshiro Yonemura	13

These Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making. More specifically, Mr. Scott Trevor Davis expressed opinions mainly from the perspective of business 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	Attendance at the meetings of the Board of Directors during the 13th fiscal year (out of 14 meetings in total)	Attendance at the meetings of the Audit & Supervisory Board during the 13th fiscal year (out of 25 meetings in total)
Yoko Suzuki	14	24
Tsuguoki Fujinuma	14	25
Kazuko Rudy	13	24

Ms. Yoko Suzuki asked questions and expressed opinions as appropriate mainly from a legal perspective, Mr. Tsuguoki Fujinuma from a 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 Outside Directors and Outside Audit & Supervisory Board Members provide supervision or audits and advice and proposals from an external perspective based on their respective expertise and wide-ranging, high-level experience and insight into management from an objective and neutral standpoint with no risk of conflict of interest with general shareholders, and fulfill the function and role of ensuring valid and appropriate decision-making and business execution by

the Board of Directors.

## **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 at the Management Opinion Exchange Meetings or other meetings held on a regular and as-needed basis. The themes are set for each of the meetings, centered on various management issues and matters of high social concern. Reports are provided by Directors, the Internal Control Division, and so forth, regarding the status of business execution and internal control at the Company and its Group companies, and explanations are given in response to questions from the Outside Directors and Outside Audit & Supervisory Board Members, who also express their 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 exchanging frank and lively opinions. The Outside Directors and Outside Audit & Supervisory Board Members also visit the places of business, etc. of major subsidiaries and exchange opinions with the Directors, Audit & Supervisory Board Members, etc. of operating companies.

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

### **◎ What is the Management Opinion Exchange Meeting?**

Comprising all the Company's Directors and Audit & Supervisory Board Members, the Management Opinion Exchange Meeting is a meeting body aimed at explaining in advance the proposals at the Board of Directors meetings to the Directors and the Audit & Supervisory Board Members, as well as sharing information on the management and business strategies of the Company and operating companies.

## **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 smooth exchange of information with the internal Directors and internal Audit & Supervisory Board Members. The Company has also concluded liability limitation agreements with four Outside Directors and three Outside Audit & Supervisory Board Members to ensure they can perform their roles as expected.

## Part 7. Auditing

### 1. Audits by the Audit & Supervisory Board Members

The Company's Audit & Supervisory Board develops audit plans with the basic audit policies of ensuring sound and sustainable growth of the Company and its Group companies and establishing high-quality corporate governance systems to respond to public trust. The Audit & Supervisory Board sets the establishment and management of internal control systems, and the system to promote legal compliance and risk management, as key audit items.

The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings. They conduct audits in the following manner: exchanging opinions with the Representative Directors and periodically interviewing Directors and others on the status of business execution; viewing important documents for approval such as request forms; and surveying the status of operations and assets at the Head Office and others. For subsidiaries, they share information with the Directors and Audit & Supervisory Board Members of subsidiaries, visit the subsidiaries' Head Offices, stores, logistics centers and other sites to survey the actual status of operations in accordance with the audit plans, and receive reports.

#### ◎ Key audits of overseas business locations

Based on the growing importance of overseas business in the Group, the Company's Audit & Supervisory Board has formulated "Confirmation of the management framework for overseas business" as one of its key audit items, and conducts audits.

In FY2018, all of the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members, visited each business location (stores and offices, etc.) of Seven-Eleven (China) Co., Ltd. (including the Chinese subsidiaries owned by that company) and Chengdu Ito-Yokado Co., Ltd. The members held dialogues directly with local officers and employees about the business and management situation of each company, and conducted audits.

These kinds of audits at overseas locations are not only straightforwardly effective for strengthening the internal controls in overseas businesses, but also provide an opportunity for the Audit & Supervisory Board Members to directly confirm and learn about the new ways that each overseas subsidiary is continuing to devise, in order to establish and manage appropriate internal controls according to the requirements of each business locations, leading to an overall improved level of auditing by the Audit & Supervisory Board Members, including in Japan.

Looking ahead, the Company's Audit & Supervisory Board will continue to work closely with the Audit & Supervisory Board Members and other officers of domestic and overseas subsidiaries, to establish and maintain high-quality corporate governance systems with the emphasis on visiting and conducting on-site audits of overseas locations.

### **◎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

Having been in charge of finance and accounting division in the Company and its Group companies, Mr. Yoshitake Taniguchi, Standing Audit & Supervisory Board Member, has been engaged in operations relating to finance and accounting, and has abundant experience and technical knowledge related to finance and accounting.

Mr. Kazuhiro Hara, Audit & Supervisory Board Member, has abundant experience and technical knowledge related to finance and accounting as 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 to verify and provide guidance on internal auditing, including the status of the maintenance and management of compliance systems, by core operating companies or to directly audit them, and an internal auditing function for auditing the Company, the holding company, and performs these operations. The “internal control evaluation staff” evaluates internal controls regarding the financial reporting of the whole Group.

## **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 auditing firm proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings. In the meeting, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members) receive reports from the auditing firm on, among other matters, the performance of accounting audits, and reports from the Auditing Office on, among other matters, the performance of internal audits, respectively, and request explanations as necessary.

Furthermore, the Company periodically holds reporting sessions for accounting audits, which are attended by the Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members and the Auditing Office, etc. In the sessions, they receive reports from the auditing firm on the accounting audits, and confirm, among other matters, the results of accounting audits.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office hold meetings, basically once a month. In the meetings, the Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc., and also actively exchanges opinions with the Standing Audit & Supervisory Board Members regarding, among other matters, priority matters that should be examined in order to improve the quality of audits. With these efforts, the two parties aim to ensure comprehensive sharing of audit information between each other.

In the Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the status of the reporting session for accounting audits and the contents 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 auditing firm with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that (i) audits by the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members; (ii) internal audits; and (iii) accounting audits are linked with each other in a timely manner.

Further, the Auditing Office reports on the performance and the results of internal audits in the Audit & Supervisory Board meetings from time to time, and provides explanations in response to questions and so on from the Audit & Supervisory Board Members (including the 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 and materials, etc. from the internal control divisions, and request explanations as deemed necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

#### **4. Framework for checking related party transactions 【◎Principle 1.7】**

With regard to transactions with related parties, the Company investigates and identifies related parties and checks if there are any transactions with related parties and the details thereof. The Company discloses the transactions 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 any competing transactions and conflict-of-interest transactions between the Company and any Directors, the Company makes it a rule for the Directors to obtain approval of the Board of Directors in accordance with laws and regulations and the Board of Directors Regulations and to report material facts if the Directors carry out such transactions.

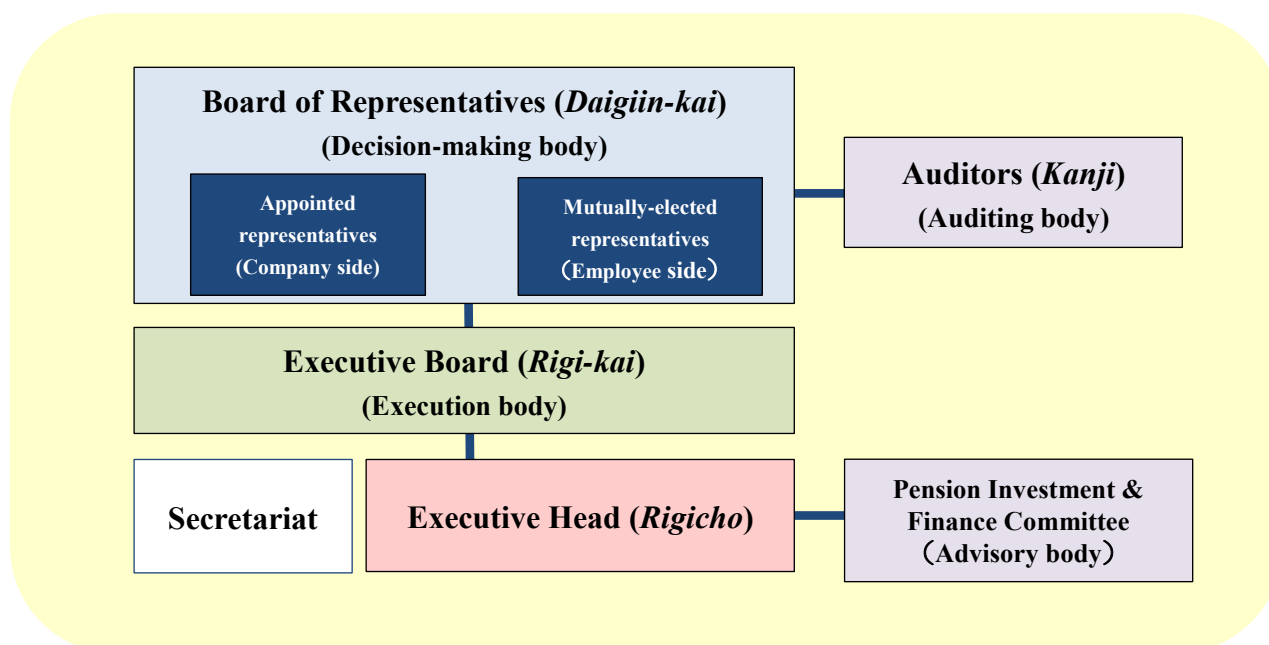
## Part 8. Roles of Corporate Pension Funds as Asset Owners 【◎Principle 2-6】 Update

Investment management of the Group's corporate pensions is operated mainly by Seven & I Holdings Employees' Pension Fund (the "Corporate Pension Fund").

The Company confirms that the Corporate Pension Fund performs the roles of corporate pension funds as asset owners.

### 1. Scheme of the Corporate Pension Fund

<Organizational chart of the Corporate Pension Fund (as of November 2, 2018)>



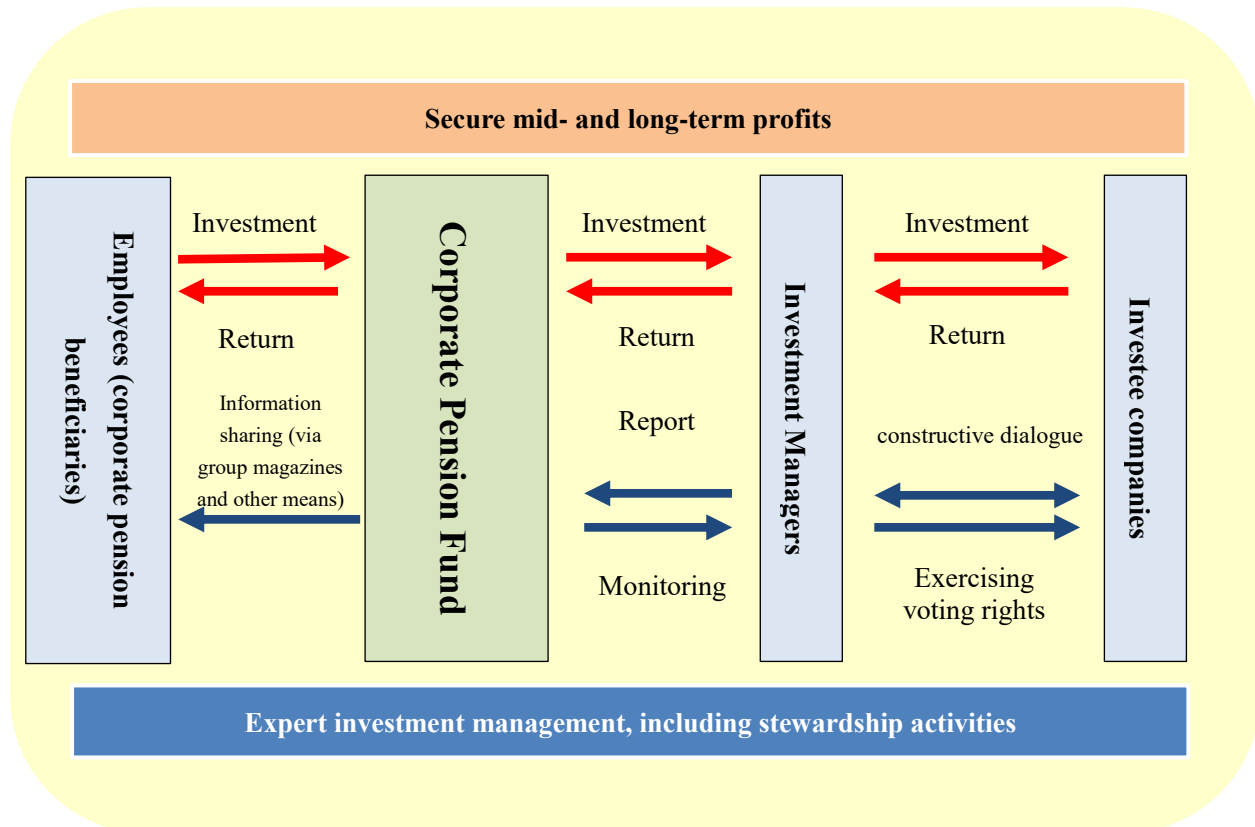
The Board of Representatives consists of an equal number of appointed representatives (company side) and mutually-elected representatives (employee side); the Board confirms the status of asset management twice a year and resolves the investment policy for investment portfolios as necessary. The Executive Board executes business based on the investment policy.

As an advisory body to the Executive Head, the Pension Investment & Finance Committee consists of members belonging to finance and accounting divisions of the Group and performs monitoring every two months based on their expert knowledge.

The Secretariat has staff members with knowledge of finance and human resources, which enables expert investment management, including monitoring of investment managers.

## 2. Management of the Corporate Pension Fund

<Investment flow>



The Corporate Pension Fund confirms that all investment managers for domestic shares have accepted the Stewardship Code.

The Company monitors investment managers regarding their constructive dialogue with investee companies and status of exercising voting rights, and on those occasions, confirms their status, including specific instances of stewardship activities. Further, the Company shares information on these activities and investment results with employees via group magazines and other means.

Conflicts of interest are appropriately managed by executing a discretionary agreement with each investment manager for selection of individual investee companies and exercise of voting rights.

## **Chapter 5 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. Our aim is 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.

#### **(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 to the extent reasonable, 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 General Meeting of Shareholders and individual meetings, as well as proactive quarterly financial results briefings and briefings at operating companies.
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 material 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.

### 【Annual IR Schedule (FY2018)】

Q 1	Mar.	Securities company conference, Seven-Eleven Japan(SEJ) Merchandise Strategy Presentation
	Apr.	Financial Results Presentation for the Fiscal Year, Small Meetings, Overseas IR
	May	
Q 2	Jun.	Securities company overseas conference
	Jul.	Financial Results Presentation for Q1, Overseas IR
	Aug.	7&i Holdings Business Presentation Targeted for Individual Investors
Q 3	Sep.	Ito-Yokado Business Presentation, SEJ Merchandise Strategy Presentation Securities company conference
	Oct.	Financial Results Presentation for Q2, Small Meetings, Overseas IR
	Nov.	Securities company conference
Q 4	Dec.	Securities company conference
	Jan.	Financial Results Presentation for Q3
	Feb.	7-Eleven, Inc. Business Presentation (Teleconference)

### 【External Recognition】

2014 Best IR Award from Japan Investor Relations Association

2016 Institutional Investor: Most Honored Company

2017 Award for Excellence in Corporate Disclosure from The Securities Analysts Association of Japan: “Companies with Notable Improvements in Disclosure”; By industry: 3rd place in retail industry

Nikko Investor Relations: All Japanese Listed Companies’ Website Ranking in 2016; Overall: Best website; By industry: Excellent website

## **(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). In principle, all disclosures are also promptly posted on the Company's website. Timely disclosure materials are also provided in English, so that information can be disclosed fairly and promptly not only within Japan, but also to overseas markets. 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.

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#### **【Reference information】 IR website**

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

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## **2. Securing shareholders' rights at General Shareholders' Meetings**

### **(1) Initiatives to Secure the Rights and Substantial Equality of Shareholders**

The Company makes effort to secure the rights and substantial equality of shareholders.

The Company strives to practically secure the rights of non-Japanese and minority shareholders in terms of securing an environment where they can exercise their rights and enjoy substantial equality.

#### **《Main Initiatives》**

- i) The Company's "Articles of Incorporation" and the "Rules for Handling Shares," which set forth procedures for exercising shareholders' rights, are posted on the Company's website.
- ii) Convocation Notices of the 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 substantially secure the voting rights and other rights of shareholders at the General Shareholders' Meetings.

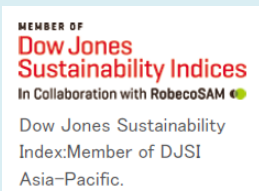
#### **《Main Initiatives》**

- i) Convocation Notices of the 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, the Convocation Notice is disclosed on the Company's website to give shareholders time to consider the information.
- ii) Following the posting of the Japanese-language versions, English-language versions of Convocation Notices are posted as quickly as possible on the Company's website and the Platform for Electronic Exercise of Voting Rights.
- iii) For shareholders who cannot attend the General Shareholders' Meeting, the Company provides the option to exercise voting rights in writing through mail of Voting Instructions Form or electronic voting via the Internet.
- iv) To facilitate exercise of voting rights by institutional investors, the Company has implemented the Platform for Electronic Exercise of Voting Rights.
- v) General Shareholders' Meetings are held at the Company's Head Office since it has good access to various transportations and convenient to 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.



## **【Reference】 External Recognition (As of April 30, 2018)**

### **◆Dow Jones Sustainability Index**



The Dow Jones Sustainability Index was launched in 1999 as the first global sustainability benchmark. It is offered by RobecoSAM and S&P Dow Jones Indices. The series tracks the stock performance of the world's leading companies in terms of economic, environmental and social perspectives. The Company has been selected as a component of the DJSI Asia Pacific index, which focuses on the Asia-Pacific region.

### **◆FTSE4Good Index**



The FTSE4Good Index is created by global index provider FTSE Russell. The index is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good Index is widely used for creating and evaluating responsible investment funds and other financial instruments. The Company has been selected as a component stock of the index.

### **◆FTSE Blossom Japan Index**



The FTSE Blossom Japan Index is created by global index provider FTSE Russell. The index is designed to measure the performance of Japanese companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE Blossom Japan Index is widely used for creating and evaluating sustainable investment funds and other financial instruments. The Company has been selected as a component stock of the index.

### **◆MSCI ESG Leaders Indexes**



The MSCI ESG Leaders Indexes is a free float-adjusted market capitalization weighted index targeting companies that have high environmental, social and governance (ESG) rated performance. The Company is a constituent stock of this index.

※ Neither the inclusion of the Company in the MSCI indexes nor use of the MSCI logo, trademark, service mark or index name is an endorsement, recommendation, or promotion of the Company by MSCI or its affiliates. The MSCI Indexes are the exclusive property of MSCI.

### **◆MS-SRI (Morning Star Socially Responsible Investing Index)**



MS-SRI (Morning Star Socially Responsible Investing Index) is Japan's first domestic SRI stock price index, created by Morningstar Inc. and comprised of 150 companies listed in Japan, which are selected for the superior social responsibility. The Company has also been selected as a component stock of this index.

## 【Separate document 1】

### “Internal Control Resolutions”

#### <Systems for Ensuring Appropriate Operations>

The Company has adopted the following resolutions 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 2】**

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

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

These guidelines set 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) (hereinafter the “Group operating companies”; the Company and the Group operating companies collectively, the “Group 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 is trusted by customers, business partners, shareholders, local communities, and employees
- (ii) Comply with laws and regulations, the Company’s Corporate Action Guidelines, and internal and external ethics and norms, and have the knowledge and fairness required of officers
- (iii) Candidates for the Company’s independent officers must satisfy the Company’s independence standards for 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, responding to change while strengthening fundamentals at his/her initiative, and serve as a role model for employees
- (ii) The quality of freely and vigorously discussing matters in the Board of Directors meetings, offering constructive advice and proposals, comprehensively grasping the overall strategic guideline of the Group as a whole and the management environment and resources of each Group company, and proposing a consistent strategic system
- (iii) The quality of organization; i.e., forming, maintaining, and modifying an effective organization to implement strategies
- (iv) The quality of actively and effectively operating and directing organizational activities to implement strategies and controlling management with appropriate decision-making

- (v) The quality of being able to foster a future management team and create an organization for future growth, aiming for sustainable growth and long-lasting development
- (vi) The quality of building and implementing compliance, internal control, and risk management
- (vii) In addition to the above, other qualities required of officers responsible for business execution in management in each Group company

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

Officers of the Group companies responsible for supervision 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' business from a layman's perspective (i.e., that of an ordinary consumer) without being constrained by past experiences
- (ii) The quality of having deep insight and so forth regarding important areas of consideration for management in the Group companies (e.g., 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 inuring to sustainable growth and increase of corporate value of the Group companies in the medium to long term, freely and vigorously discuss matters in the Board of Directors meetings, and contribute to frank, constructive examination
- (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 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 meetings in a position independent of the management team and controlling shareholders
- (vi) In addition to the above, other qualities required of officers responsible for supervision and auditing in the management of the Group companies

### **4. Basic policy regarding qualities and appointment/dismissal 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

(Viewpoints)

- Have problem-solving capabilities
- Have outstanding judgement, etc.
- Have abundant knowledge of business
- Able to add value in business development
- Able to pursue innovation
- Able to serve as the front man of the Group

(ii) Leadership ability

(Viewpoints)

- Set constructive targets and lead to achieve beyond them
- Have strong ability to communicate with other officers and employees
- Able to drive change
- Able to bring together highly capable human resource to form a team, assign them appropriate work, and lead them to a successful result
- Have leadership that is a goal for Group officers and employees

(iii) Personality

(Viewpoints)

- Understand own strengths and weaknesses, and able to collaborate with persons who possess qualities to compensate for qualities he or she lacks
- Always prepared to learn

(2) The basic policy on appointment/dismissal 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 the candidate has the management capabilities required to solve management issues that the Group companies are facing
- 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 companies with a Board of Directors**

- As for the Group companies with a Board of Directors, the composition of Directors and Audit & Supervisory Board Members will have a good overall balance of knowledge, experience, and skills to effectively perform the roles and responsibilities of the board and ensuring both diversity and an appropriate 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, the Company examines the Board composition, considering diversity in terms of female and non-Japanese Directors and Audit & Supervisory Board Members as well as the balance among their knowledge, experience, and skills.

- For the Company's Audit & Supervisory Board Members, the Company takes care to appoint such persons with appropriate knowledge of finance and accounting.

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

### **(1) Skills development**

Officers of the Group companies shall constantly strive to develop the following skills.

- Develop and acquire expertise and skills appropriate for a business manager
- Deepen their fundamental understanding of each position and function, and based thereon, develop and acquire the ability to analyze and decide matters from a Company-wide and comprehensive perspective
- Develop and acquire the ability for flexible thinking and rapid, accurate decision-making regarding management and administration issues
- Acquire methods to utilize skills and techniques necessary for business analysis, business planning, and so forth
- Develop and acquire skills to effectively combine individual efforts of organization members to achieve company objectives, and to effectively develop and improve the latent potential of these persons
- Lift motivation for self-improvement
- Improve qualities required of other executive officers

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

In order to improve and foster the abovementioned abilities, the officers of the Group companies shall make use of all opportunities to train themselves, and the Company shall afford opportunities for improvement.

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

## 【Separate document 3】 Data Book

- Symbols for the period covered are as follows:  
○ As of June 4, 2018  
■ March 1, 2017 ~ February 28, 2018
- Display of units  
Figures for percentage displays, rounded down to the first decimal place

Corporate Governance			Period covered		Units	
About the Directors						
Number of Directors	In-house	Women	○	0		
		Men	○	8		
		Total	○	8		
	Independent and outside	Women	○	0		
		Men	○	4		
		Total	○	4		
	Overall total		○	12		
	Number of executive officers also serving as Director (including Representative Director)		○	6		
	Ratio of executive officers also serving as Director (Number of executive officers also serving as Director/Number of Directors)		○	50.0		%
Ratio of Independent Outside Directors (Number of Independent Outside Directors/ Number of Directors)		○	33.3	%		
Ratio of Female Directors (Number of female Directors/Number of Directors)		○	0	%		
Director's term of office		○	1	Year		
Number of Board of Directors' meetings held		■	14	Times		
Attendance ratio of Outside Directors at Board of Directors' meetings		■	98.2	%		
Regarding Audit & Supervisory Board Members						
Number of Audit & Supervisory Board Members	In-house	Women	○	0		
		Men	○	2		
		Total	○	2		
	Independent and outside	Women	○	2		
		Men	○	1		
		Total	○	3		
	Overall total		○	5		
	Ratio of Independent Outside Audit & Supervisory Board Members (Number of Independent Outside Audit & Supervisory Board Members/Number of Audit & Supervisory Board Members)		○	60.0		%
	Ratio of female Audit & Supervisory Board Members (Number of female Audit & Supervisory Board Members/Number of Audit & Supervisory Board Members)		○	40.0		%
Audit & Supervisory Board Member's term of office		○	4	Years		
Number of Audit & Supervisory Board meetings held		■	25	Times		
Attendance ratio of Outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings		■	97.3	%		
Attendance ratio of Outside Audit & Supervisory Board Members at Board of Directors' meetings		■	97.6	%		
About the Nomination and Compensation Committee						
Number of Nomination and Compensation Committee members	In-house	Women	○	0		
		Men	○	2		
		Total	○	2		
	Independent and outside	Women	○	0		
		Men	○	2		
		Total	○	2		
	Overall total		○	4		

- Symbols for the period covered are as follows:  
○ As of June 4, 2018  
■ March 1, 2017 ~ February 28, 2018
- Display of units  
Figures for percentage displays, rounded down to the first decimal place

## Corporate Governance

Period covered				Units
<b>About the executive officers</b>				
Number of executive officers	Women	○	1	
	Men	○	19	
	Total	○	20	
Ratio of female executive officers (Number of female executive officers/Number of executive officers)		○	5.0	%
Executive officer's term of office		○	1	Year
<b>Regarding the Committees</b>				
Number of CSR Management Committee meetings held		■	2	Times
Number of Information Management Committee meetings held		■	2	Times
Number of Risk Management Committee meetings held		■	2	Times

## Compensation\*1

Compensation of Directors (Total amount) (excluding Outside Directors)	Fixed compensation	■	163	Millions of yen
	Bonus	■	58	
	Stock options for stock-linked compensation	■	59	
	Total	■	281	
Compensation for Outside Directors (Total amount)	Fixed compensation	■	48	Millions of yen
	Bonus	■		
	Stock options for stock-linked compensation	■		
	Total	■	48	
Compensation for Audit & Supervisory Board Members (Total amount) (excluding Outside Audit & Supervisory Board Members)	Fixed compensation	■	53	Millions of yen
	Bonus	■		
	Stock options for stock-linked compensation	■		
	Total	■	53	
Compensation for Outside Audit & Supervisory Board Members (Total amount)	Fixed compensation	■	35	Millions of yen
	Bonus	■		
	Stock options for stock-linked compensation	■		
	Total	■	35	

## Accounting auditor compensation\*2

Compensation for the accounting auditor (Total amount)	Amount of compensation, etc., for services as accounting auditor for the Company's 13th fiscal year	■	767	Millions of yen
	Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	■	781	

\*1

Directors (excluding Outside Directors) include two (2) Directors who resigned upon the conclusion of the 12th Annual Shareholders' Meeting, held on May 25, 2017. The aggregate amounts of compensation, etc., of Directors shown above do not include amounts paid as salaries for employees to Directors who serve concurrently as employees. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to Directors shall not exceed ¥1,000 million (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥100 million. Stock options for stock-linked compensation were issued to six (6) directors (excluding outside directors).

\*2

Under the audit contract concluded between the Company and the accounting auditor, the amounts of compensation, etc. for audits as per the Companies Act and the amounts of compensation, etc. for audits as per the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot practically be separated; therefore, the aggregate of those amounts is shown as the amount of compensation, etc., for services as an accounting auditor for the 13th fiscal year. The Audit & Supervisory Board of Corporate Auditors performed necessary verification to see whether the audit plan prepared by the accounting auditor, the status of the performance of their duties during the accounting audit, and the basis for calculating the estimated amount of compensation and the like were appropriate; thereafter, it decided to consent to the amount of compensation, etc. for services as an accounting auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.