

Corporate Governance

Fundamental Approach

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance and maximize the enterprise value of the Group.

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

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

Corporate Governance System

The Company uses the corporate auditor system. As of May 28, 2009, the Company's Board of Directors comprises 15 members, of whom three are outside directors. To facilitate prompt decision-making and execution in a rapidly changing management environment, we have introduced the executive officer system. Under this system, the supervisory functions of the Board of Directors are separate from the execution functions of the executive officers. The Board of Directors is able to focus on the formulation of management strategies and the supervision of business execution while the executive officers can focus on business execution. To ensure prompt reflection of the wishes of shareholders, the term of directors has been set at one year.

Auditing System

The Company monitors management through the corporate auditor system. As of May 28, 2009, the Board of Corporate Auditors comprises five members, including three outside corporate auditors. Each corporate auditor takes steps to audit the work of the directors, such as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office. Information is also actively exchanged with the independent auditors, and a close relationship with the independent auditors is maintained.

The Company assigns employees to assist the outside directors and outside corporate auditors and facilitates smooth information exchange and close interaction with the inside directors and standing corporate auditors.

Previously, the Company established the Auditing Office as an independent office that conducts internal audits. In February

2009, as one facet of responses to the internal control reporting system under the Financial Instruments and Transaction Law of Japan, the Company reorganized auditing operations in each core operating company, expanded the Company's Auditing Office to 24 people, and established within the Auditing Office two positions: internal audits and internal control evaluation. The Office continues to have general responsibility for verifying the internal auditing of each of the core operating companies and providing guidance to them. The Office also has internal auditing responsibility for the Company itself. The Office conducts evaluations of Groupwide internal control systems. In addition, the Office actively exchanges information with the corporate auditors and works closely with them while strengthening its general and internal auditing responsibilities.

Internal Control Systems

The Board of Directors has approved the following regarding "the development of systems for ensuring that the execution of duties by the directors comply 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," as stipulated by the Companies Act.

- (1) Systems for ensuring that the execution of duties by directors and employees is compliant with laws, regulations, and the *Articles of Incorporation***
- (i) All Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*. In order to continue to be trusted and known for integrity, all Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on the Compliance Committee; operate helplines; promote fair trade; and reevaluate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.
 - (ii) All Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.
 - (iii) The Auditing Office, which is independent from operating departments, will audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.
 - (iv) Corporate auditors will ensure that the execution of duties by directors is compliant with laws, regulations, and the *Articles of Incorporation* and work to raise the effectiveness of the supervisory function.

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

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

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

(iii) To ensure the appropriate production, storage, management, and timely, accurate disclosure of important administrative documents, and to also conduct integrated information management, with consideration for the safe management of such important information as trade secrets and personal information, all Group companies shall establish, maintain, and operate information management systems, centered on the Information Management Committee; inspect the status of the maintenance and utilization of information management systems; and continue initiatives targeting further improvements. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the corporate auditors.

(3) Regulations and systems for loss risk management

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

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

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

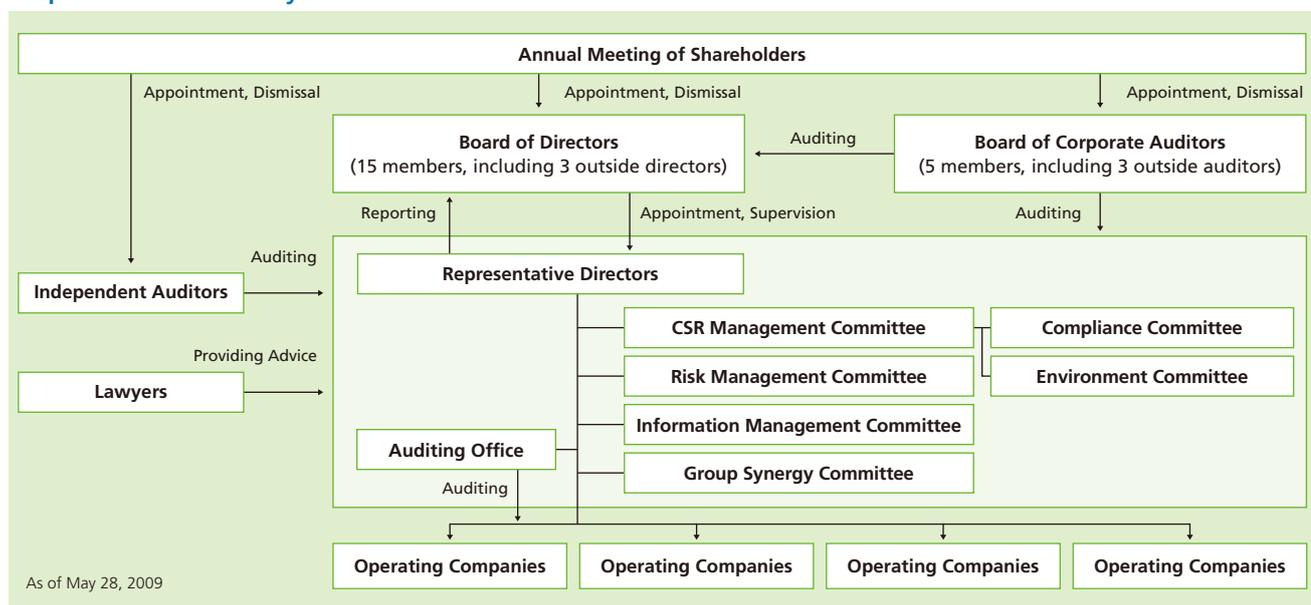
(4) Systems for ensuring the efficiency of the execution of duties by directors

(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, all Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

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

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

Corporate Governance System



(5) Systems for ensuring the appropriateness of financial reporting

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

(ii) In regard to issues that are judged to have a high possibility of majorly influencing financial conditions, information shall be shared in an appropriate manner among the directors, corporate auditors, and independent auditors.

(6) Systems for ensuring the appropriateness of the operations performed by the corporate group comprised of the Company, its parent companies, and subsidiaries

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

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

(iii) The Auditing Office will audit all Group companies.

(7) Matters related to the provision of support staff for corporate auditors when so requested

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

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

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

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

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

In addition, the Compliance Committee shall provide regular reports to the President and Representative Director and to the corporate auditors concerning the operation of the helplines, which should function as public-interest reporting mechanisms.

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

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

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

(iii) The corporate auditors shall meet regularly with the corporate auditors of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.

(iv) The corporate auditors may consult with the independent auditors and with lawyers as needed, and the Company shall bear all of the costs of such consultation.

Main Activities of Outside Directors and Outside Corporate Auditors

In regard to the outside directors, the Board of Directors met 13 times during the fiscal year (of which, 10 meetings were held after the 3rd Annual Meeting of Shareholders, held on May 22, 2008). Noritaka Shimizu attended 13 of those meetings, Scott Trevor Davis attended 12, and Ikujiro Nonaka, who was newly appointed as a director at the 3rd Annual Meeting of Shareholders on May 22, 2008, attended 10 meetings. The outside directors gave advice and made proposals to ensure the suitability and appropriateness of the Board's decision-making, by expressing their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka.

In regard to the outside corporate auditors, the Board of Directors met 13 times during the fiscal year, and Yoko Suzuki attended 13 of those meetings, Hiroshi Nakachi attended 12, and Megumi Suto attended 13. The Board of Corporate Auditors met 20 times during the fiscal year, and Ms. Suzuki attended 20 of those meetings, Mr. Nakachi attended 19, and Ms. Suto attended 19. The outside corporate auditors asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, an account and tax perspective for Mr. Nakachi, and a corporate governance perspective for Ms. Suto.

The outside directors and outside corporate auditors met regularly and as necessary with representative directors and directors, and directly exchanged opinions regarding the Company's management, corporate governance, etc. The outside corporate auditors also visited the places of business of major subsidiaries and exchanged opinions with the directors and corporate auditors of operating companies.