

CORPORATE GOVERNANCE

1 FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

The mission of Seven & i Holdings, as a holding company that oversees operating subsidiaries, is to bolster corporate governance and maximize the enterprise value of the Group. In corporate governance, the Company takes a logical approach to four issues: (1) operational effectiveness and efficiency, (2) reliability of financial reporting, (3) strict legal and regulatory compliance in operating activities, and (4) appropriate preservation of assets. The ultimate objective is long-term growth in enterprise value.

In taking steps to achieve this objective, the Company primarily pursues Group synergies and implements careful monitoring to ensure the appropriate allocation of management resources. On the other hand, the operating companies have complete responsibility within their business fields, where they act independently in pursuit of higher profits, growth, and capital efficiency.

2 PROGRESS IN IMPLEMENTING MEASURES RELATED TO CORPORATE GOVERNANCE

System Details

The Company monitors management through a system of corporate auditors. The Board of Corporate Auditors comprises five corporate auditors, including three outside corporate auditors. The corporate auditors take 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, and periodically receiving reports from directors and others regarding operational execution. The Company has established the Auditing Office, which has general responsibility for verifying the internal control systems of each of the core operating companies and

providing guidance to them as well as responsibility for the internal control function in the Company itself.

In addition, the Auditing Office actively exchanges information with the corporate auditors and works closely with them while strengthening its general and internal control functions. Independent auditing offices have been established in the core operating companies, providing them with strong internal control systems.

The Board of Directors comprises 16 members, of whom 2 are outside members. We have introduced the executive officer system to promote rapid decision making and administrative execution in a rapidly changing management environment. We separated the supervisory functions of the Board of Directors from the operational functions of the executive officers, enabling directors to focus on the formulation of management strategies and the supervision of operational execution while executive officers can focus on operational execution.

The Company has concluded an auditing contract with ChuoAoyama Audit Corporation, which serves as the independent auditors of the Company's accounts. In addition, we have concluded advisory contracts with multiple legal offices, from which we receive advice and guidance as needed.

Internal Control Systems

In regard to the establishment of systems to ensure that directors' duties correspond to laws, regulations, and the articles of incorporation, as required by Japan's company law and related enforcement regulations, and to the establishment of systems to ensure that corporate activities are appropriate, as required by Ministry of Justice ordinance, the Company is moving ahead with the establishment and furtherance of the following systems:

1. Systems related to the preservation and management of information concerning the duties of directors

To ensure that documents and information (including electronic media) regarding operational execution are properly maintained and managed, we formulate document control guidelines, inspect operational conditions, and strive for appropriate improvement, led by the CSR Promotion Committee's Information Management Subcommittee.

In regard to information management for the Group as a whole, we confirm and standardize existing regulations and verify their application.

2. Regulations and systems related to management of the risk of losses

Under the Risk Management Committee, which is led by the president, we have launched the Internal Control Promotion Project. To ensure that risks related to the operations of the Company and Group operating companies are properly recognized and that countermeasures are properly implemented, the project entails the formulation of risk management principles and, in accordance with those principles, the verification of risk management conditions.

3. System for ensuring efficient implementation of the duties of directors

We conduct operations appropriately in accordance with various regulations, such as those regarding decision-making authority, operational authority, and organizational issues. Through the Internal Control Promotion Project mentioned above, we verify operational efficiency and implement appropriate corrective measures.

4. System for ensuring that the duties of employees are executed in conformity with laws, regulations, and the articles of incorporation

In order to be companies that are trusted and known for integrity, in line with the articles of incorporation and the Corporate Action Guidelines, Group companies have

endeavored to implement ethical corporate activities; to strictly observe laws, regulations, and social standards; to announce their fulfillment of corporate social responsibilities; to establish corporate ethics committees, which also operate helplines; and to establish fair trade committees that promote fair transactions. The CSR Promotion Committee's Corporate Ethics and Compliance Subcommittee is carrying on this commitment, reevaluating the Corporate Action Guidelines and each company's guidelines and compliance systems to further enhance compliance.

5. System to ensure appropriate operations in the Company's corporate group, including parent company and subsidiaries

As covered in sections 1. to 4., in regard to all such matters as operational efficiency and compliance, the Company is responsible for administrative control of the Group as a whole, communicates general policy outlines to Group companies, and directs concrete policy formulations. In addition, as necessary, the Company provides support and guidance for the internal control activities of operating companies. Each operating company conducts its activities while cooperating with operating departments, centered on the Corporate Ethics Committee, and sharing information with the Company's Internal Control Promotion Project.

6. Matters related to employees who assist corporate auditors

The Company will grant the requests of corporate auditors for the assignment of employees to provide assistance in the execution of the auditors' duties.

7. Matters related to the independence from directors of employees covered in the previous section

Personnel decisions regarding employees assigned to assist the corporate auditors will require the approval of the corporate auditors.

8. System regarding reports to corporate auditors made by directors or employees and system regarding other reports to corporate auditors

When directors or employees discover such matters as situations that have the potential to cause significant damage to the Company, wrongdoing on the part of directors or employees, or violations of laws, regulations, or the articles of incorporation, they shall promptly report these matters to the corporate auditors, and they will not suffer any negative consequences for making such reports.

Moreover, the Corporate Ethics and Compliance Subcommittee will periodically report to the president and representative director and the corporate auditors regarding the operation of the helpline, which should function as a public interest reporting mechanism.

9. System to ensure that other corporate auditors' audits are conducted effectively

Corporate auditors will meet periodically with the president and representative director to discuss important auditing issues.

The corporate auditors will maintain close contact with the Auditing Office and can request investigations from the Auditing Office as necessary.

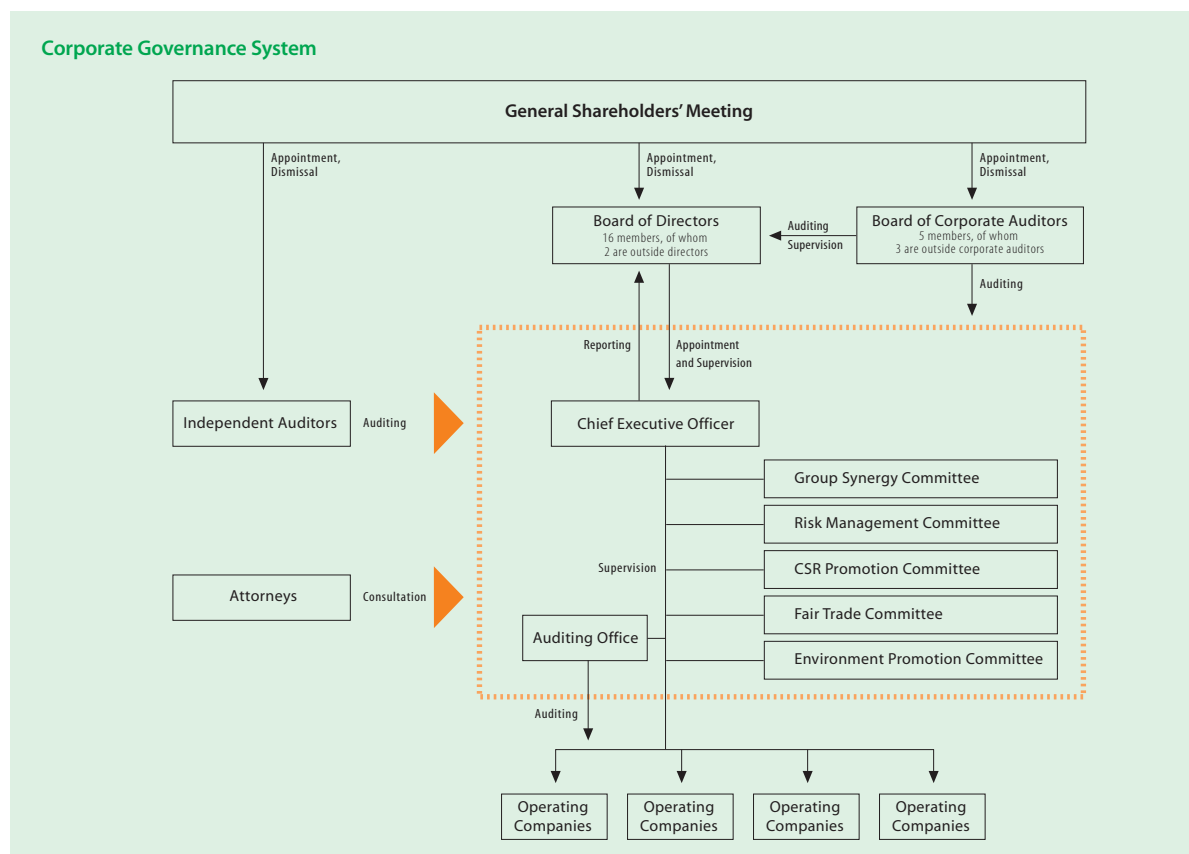
The corporate auditors can consult with the independent auditors of the Company's accounts and with lawyers as necessary, with the costs of such consultation paid by the Company.

10. Responsibility for internal control systems

Internal control systems are the responsibility of the General Affairs Department.

3 OVERVIEW OF PERSONAL, EQUITY, AND BUSINESS RELATIONSHIPS AND OTHER VESTED INTERESTS BETWEEN THE COMPANY AND ITS OUTSIDE DIRECTORS AND OUTSIDE AUDITORS

There are no particular vested interests between the Company and its two outside directors and three outside auditors.



(As of May 25, 2006)