



April 9, 2020

To whom it may concern:

Company name: Seven & i Holdings Co., Ltd.
Representative: Ryuichi Isaka
President and Representative Director
(Code No. 3382/First Section of the Tokyo Stock Exchange)

**Notification of Reinforcement of the Company's Corporate Governance Systems
and Partial Amendment of the Articles of Incorporation Associated Therewith**

Seven & i Holdings Co., Ltd. (the "Company") hereby announces that it adopted a resolution regarding its corporate governance systems, in order to further reinforce the effectiveness of its corporate governance systems, at its Board of Directors meeting held today.

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 to long term in both financial and non-financial (ESG) aspects to ensure the trust of all stakeholders, based on the Corporate Creed (Trust and Sincerity); and the Company is working to further improve its effectiveness.

As part of the efforts to further improve corporate governance effectiveness, the Company conducts the Board of Directors' effectiveness evaluation, while ensuring its objectivity with involvement of third-party organizations, through consolidation of frank opinions from the members of the Board of Directors and repeated discussions; and the Company established the Investor & Shareholder Relations Department, thereby working to enhance constructive dialogue with its shareholders and investors in and outside Japan and conducting dialogue regarding the medium to long term management strategies, capital policies, corporate governance, responses to environmental and social issues, and so forth.

* The Company had a dedicated department (the Investor Relations Department) responsible for planning and conducting dialogue with shareholders and investors in and outside Japan. In this regard, the Company decided to establish the Investor & Shareholder Relations Department on March 5, 2020, expanding the function of the Investor Relations Department to include shareholder relations. For details of the establishment of the Investor & Shareholder Relations Department, please see "Enhancing Constructive Dialogue with Shareholders (Establishment of the Investor & Shareholder Relations Department)" announced on March 5, 2020.

As a result of discussions through the Board of Directors' effectiveness evaluation based on the opinions of its shareholders and investors, the Company has decided to reinforce the corporate governance systems from the following perspectives:

1. Separation of the Nomination and Compensation Committee to the Nomination Committee and the Compensation Committee, on each of which the majority of committee members are independent outside committee members;
2. Partial amendment of the Articles of Incorporation to decrease the maximum number of Directors and to enable separation between the chairman of the Board of Directors and the President;

3. Introduction of a non-financial indicator (CO2 emissions) in the compensation for Directors (performance-based and stock-based compensation); and
 4. Improvement of the Company's corporate structure to increase corporate value over the medium to long term, including ESG, and financial discipline of the Group.
1. Separation of the Nomination and Compensation Committee to the Nomination Committee and the Compensation Committee, on each of which the majority of committee members are independent outside committee members

In 2016, the Company established the "Nomination and Compensation Committee" to be an advisory committee to the Board of Directors, and 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, etc. of Representative Directors, Directors, Audit & Supervisory Board Members, and executive officers ("Officers, etc."), thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.

As a result of discussions through the Board of Directors' effectiveness evaluation based on the opinions of its shareholders and investors, the Company has decided to improve the advisory committee to the Board of Directors after its annual shareholders' meeting to be held on May 28, 2020 ("This Year's Annual Shareholders' Meeting"), in order to utilize more varied knowledge of Outside Directors and Outside Audit & Supervisory Board Members in deliberations of the committees and to further improve objectivity and transparency, as below.

- (1) Overview
 - (i) The Nomination Committee and the Compensation Committee are separated;
 - (ii) Each committee is composed of three Independent Outside Directors and two internal Directors (the majority of committee members are Independent Outside Directors);
 - (iii) Each committee is chaired by an Independent Outside Director; and
 - (iv) Internal committee members of the Compensation Committee are selected from among Directors other than Representative Directors.
- (2) Composition of the Nomination Committee and main items for deliberation

Chair: Kunio Ito (Independent Outside Director)

Members: Yoshio Tsukio (Independent Outside Director), Toshiro Yonemura (Independent Outside Director)
Ryuichi Isaka (President and Representative Director), Katsuhiro Goto (Vice President & Representative Director)

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 composition of the committee above is conditioned on each Director to be a committee member being appointed as Director at This Year's Annual Shareholders' Meeting.

* 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; and
 - Contents of appointment proposals for candidates for the Company's Officers, etc. and candidates for the Representative Directors of the core operating companies.

- (3) Composition of the Compensation Committee and main items for deliberation
- Chair: Kunio Ito (Independent Outside Director)
- Members: Tetsuro Higashi (Independent Outside Director), Kazuko Rudy (Independent Outside Director)
Junro Ito (Director & Managing Executive Officer), Kimiyoshi Yamaguchi (Director & Executive Officer)
- 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 composition of the committee above is conditioned on each Director to be a committee member being appointed as Director at This Year's Annual Shareholders' Meeting.
- * Main items for deliberation:
- Basic policies and standards for compensation, etc., for Officers, etc. of the Company and of the core operating companies;
 - Contents of proposals for the limit on the total amount of compensation, etc. for Directors and Audit & Supervisory Board Members of the Company and of the core operating companies; and
 - Contents of individual compensation, etc. for Officers, etc. (excluding Audit & Supervisory Board Members) of the Company and for the Representative Directors of the core operating companies; and
 - Development of a stock-based compensation system for Officers, etc. of the Company and its subsidiaries, the establishment and change of criteria for granting stocks, and important matters regarding operation thereof (including determination of renewal of the stock-based compensation system).
- * Currently, the "core operating companies" in (2) and (3) above are 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. 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 systems.
2. Partial amendment of the Articles of Incorporation to decrease the maximum number of Directors and to enable separation between the chairman of the Board of Directors and the President

The current Articles of Incorporation of the Company provide that the number of Directors shall not exceed 18. However, considering the recent situation where discussions at the Board of Directors meetings of the Company are more lively, and as a result of deliberation through the Board of Directors' effectiveness evaluation, the Company concluded that in order for each Director to engage in free and vigorous questions and answers and constructive discussions, and for more rapid decision-making responding to changes in the business environment and for strengthening the management supervisory function of the Board of Directors, the maximum number of Directors should be within a certain number. Therefore, the Company decided to change the number of Directors as provided in the Articles of Incorporation as follows, subject to approval by This Year's Annual Shareholders' Meeting.

In addition, the current Articles of Incorporation of the Company provide that the President and Director shall act as chairman of the Board of Directors. However, considering the opinions of its shareholders and investors, and as a result of deliberation through the Board of Directors' effectiveness evaluation, the Company decided to look into other options regarding the chairman of the Board of Directors from a medium to long term perspective, including the option to select the chairman from among non-

operating Directors including Outside Directors. Accordingly, in order to enable a flexible response to the operation of the Board of Directors, the Company decided to change the relevant provisions of the current Articles of Incorporation as follows, so as to enable separation between the chairman of the Board of Directors and the President, subject to approval by This Year's Annual Shareholders' Meeting.

(1) Reasons for amendment

- (i) For more rapid decision-making responding to changes in the business environment and to strengthen the management supervisory function of the Board of Directors, the Company will change the maximum number of Directors provided in Article 19 of the current Articles of Incorporation from 18 to 15.
- (ii) In order to enable a flexible response to the operation of the Board of Directors, the Company will change the convener and chairman of the Board of Directors provided in Article 23 of the current Articles of Incorporation to the Director predetermined by the Board of Directors.

(2) Details of amendments

The proposed amendments are as follows (amended portions are underlined):

Current provisions of the Articles of Incorporation	Proposed amendments
Article 19 (Number of Directors) The number of Directors shall not exceed <u>18</u> .	Article 19 (Number of Directors) The number of Directors shall not exceed <u>15</u> .
Articles 20 - 22 (Omitted)	Articles 20 - 22 (Unchanged)
Article 23 (Convener and Chairman of the Board of Directors' Meetings) 1. Unless otherwise provided by law, <u>the President and Director</u> shall convene the Board of Directors' meetings and act as chairman thereat. 2. If the office of <u>the President and Director</u> is vacant or he is unable to so act, one of the other Directors shall convene the Board of Directors' meetings and act as chairman thereat in the order predetermined by the Board of Directors.	Article 23 (Convener and Chairman of the Board of Directors' Meetings) 1. Unless otherwise provided by law, <u>the Director predetermined by the Board of Directors</u> shall convene the Board of Directors' meetings and act as chairman thereat. 2. If the office of <u>the Director determined per the preceding paragraph</u> is vacant or he is unable to so act, one of the other Directors shall convene the Board of Directors' meetings and act as chairman thereat in the order predetermined by the Board of Directors.

(3) Schedule

Date of the Shareholders' Meeting to resolve the amendment of the Articles of Incorporation:	May 28, 2020 (planned)
Effective date of amendment of the Articles of Incorporation:	May 28, 2020 (planned)

- 3. Introduction of a non-financial indicator (CO2 emissions) in the compensation for Directors (performance-based and stock-based compensation)

The Company has introduced a new stock-based compensation system, the "Board Incentive Plan Trust" ("BIP Trust") for its Directors and executive officers (excluding Outside Directors), based on each

resolution at the Board of Directors meeting held on April 4, 2019, and at the annual shareholders' meeting of the Company held on May 23, 2019.

The BIP Trust is a stock-based and performance-based compensation structure, under which the Company delivers its shares to eligible Directors based on their position and performance target for each fiscal year. Persons eligible for the BIP Trust will be granted points at a certain time every year during the trust period; the number of points to be granted will be calculated by multiplying the standard points based on the position by a performance-based coefficient derived from the achievement level of the business performance targets for each fiscal year.

Aiming for the balance of corporate value and social value, the Company decided to add a target to reduce the amount of CO2 emissions under the environmental declaration called "GREEN CHALLENGE 2050" made in May 2019, as a non-financial indicator of the Key Performance Indicator (KPI) for the stock-based compensation from the fiscal year ending February 28, 2021. For the Company's "Policy on Compensation of Directors and Audit & Supervisory Board Members" as revised upon addition of the target to reduce the amount of CO2 emissions to the KPI for the stock-based compensation, etc., please see the "Reference material."

- * For the target level of the amount of CO2 emissions for each fiscal year as the KPI for the stock-based compensation, it will be the target level for each fiscal year calculated based on the assumption of the actual amount of emission for the fiscal year ending February 28, 2019 to be equally reduced for each fiscal year to achieve the target level for the fiscal year ending February 28, 2031 (reducing emissions from Group store operations by 30% compared to the fiscal year ending February 28, 2014).
- 4. Improvement of the Company's corporate structure to increase corporate value over the medium to long term, including ESG, and financial discipline of the Group
 - (1) Functional enhancement of the Corporate Development Division to increase corporate value over the medium to long term, including ESG

The Company seeks to balance improvement in corporate value with solutions to social issues and strives to be a company that is indispensable to society by realizing sustainability that is also a global social issue. The Company decided to transfer the Sustainability Development Department, which was established to promote resolution of mainly environmental (E) and social (S) issues under the Corporate Communication Division, so that it falls under the Corporate Development Division.

Under this plan, through more seamless cooperation between the Sustainability Development Department and the Corporate Development Department which is in charge of corporate governance (G), and the Investor & Shareholder Relations Department, the Company will improve the power of planning and promoting Group policies (including ESG) and the capability of dialogue for an increase in corporate value over the medium to long term; furthermore, the Company will positively use the knowledge gained from constructive dialogue for the Group policies.

- (2) Functional enhancement of the Corporate Finance & Accounting Division to increase financial discipline of the Group

Aiming to maintain a sound financial structure and boost capital efficiency to ensure sustainable increase in corporate value, the Company calls for effective allocation of capital and investment efficiency with capital cost in mind to improve capital efficiency. The Company will transfer the Corporate Management Department that is in charge of the budget and performance management service of the Company and the Group companies, so that it falls under the Corporate Finance & Accounting Division; and it will change the current structure to one that would facilitate the Company to centrally manage the determination of the priorities of the Group's capital allocation and the subsequent progress thereof from the budgeting stage.

As a result, the Company will promote greater visualization of medium to long term return on investment and reinforce the structure to facilitate timely and accurate management decisions. Also, the Company will improve the financial discipline for each Group companies including the Company itself.

(3) Schedule

Effective date of the corporate structure above:

April 20, 2020 (planned)

《Seven & i Holdings Co., Ltd., Policy on Compensation of Directors and Audit & Supervisory Board Members》

* This Policy will apply effective from the fiscal year ending February 28, 2021.

1. Basic Views on Compensation for Directors and Audit & Supervisory Board Members

The Company considers the compensation system for Directors and Audit & Supervisory Board Members of the Company (in this Policy, “officers”) to be “an important mechanism to appropriately take risks for the sake of the continued growth of the medium- and long-term corporate value and sustainable growth of the Group, based on our basic views on corporate governance,” and builds and operates the system based on the points set forth below.

- ◇ Emphasis is placed on the link between the financial results and corporate value of the Group, and establishing a system that further increases the motivation and morale to contribute to improved financial results and increased corporate value continuously over the medium to long term.
- ◇ To secure highly capable human resources who will support enhanced corporate governance through appropriate oversight and auditing of operational execution, provide compensation levels and systems commensurate with responsibilities.
- ◇ Ensure the objectivity and transparency of the compensation decision process, and establish a compensation system trusted by all stakeholders.
- ◇ With regard to the design of a specific compensation system for officers, continue to consider tailoring it more appropriately in light of future trends in legal systems and society.

2. Compensation Levels

The levels of compensation for officers will be determined, taking into consideration various fundamentals in the business content and the business environment of the Company, with reference to the compensation levels of officers in major companies of the same size as the Company based on market capitalization and operating income levels, etc.

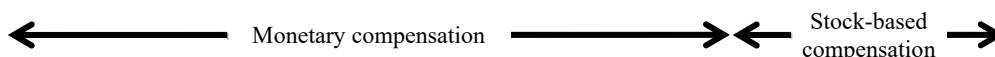
3. Compensation Composition

(1) Operating Directors

(a) Compensation composition ratios

The compensation composition ratios for operating Directors (*) are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
60 %	20 %	20 %



* Calculated under the assumption that bonuses and stock-based compensation are based on a standard compensation amount.

(b) Composition

(i) Fixed Compensation

A fixed monetary compensation commensurate with the responsibilities of each position will be paid.

(ii) Performance-based compensation (bonuses)

- Short-term incentive compensation will be a performance-based compensation that varies based on the company's business performance and individual evaluations, etc., for the relevant fiscal year.
- The Key Performance Indicators (KPIs) for performance-based compensation (bonuses) are per the table below. While evaluating the degree of improvement of profit-making capability in the main business, for incorporating the shareholders' viewpoint, consolidated ROE and consolidated net income are also used together as KPIs.

【Key Performance Indicators for performance-based compensation (bonuses)】

KPIs	Ratio	Purpose of evaluation
(a) Consolidated Operating Income	60%	Evaluation of the degree of improvement of the capability of making profit
(b) Consolidated ROE	20%	Evaluation of profitability against equity
(c) Consolidated Net Income	20%	Evaluation of the degree of achievement of budgeted net income

(iii) Stock-based compensation

- Medium- and long-term incentive compensation will be a performance-based and stock-based compensation that varies based on the company's business performance, management indicators, non-financial indicators, etc., (introduction of the BIP Trust system* as a stock-based compensation system was resolved at the Annual Shareholders' Meeting held in May 2019).
- Performance-based and stock-based compensation will enhance sharing profits and risks with our shareholders who have medium- and long-term perspectives by providing points during the term of office based on which shares will be delivered.
- The covered period will be four fiscal years starting from the fiscal year ending February 29, 2020.
- Shares will be delivered to Directors upon their retirement.
- Points to be granted for each fiscal year will be calculated by multiplying the standard points based on their position by a performance-based coefficient and will vary between 0% and 200% depending on the achievement level of targets, etc.
- The KPIs for stock-based compensation are per the table below. In order to incorporate medium- and long-term shareholder perspectives, consolidated ROE and consolidated EPS are used as indicators, and in order to evaluate that these can be achieved by strengthening the capability for making profit by the main business, consolidated operating income is also used together as a KPI.
- The Company, aiming for the balance of corporate value and social value, added a target to reduce the amount of CO2 emissions under the environmental declaration called "GREEN CHALLENGE 2050" made in May 2019, as a non-financial indicator of the

KPI for stock-based compensation from the fiscal year ending February 28, 2021.

* A BIP (Board Incentive Plan) trust is an incentive plan for officers established with reference to a performance share plan and a restricted share compensation plan in the U.S.

【Key Performance Indicator for stock-based compensation】

KPIs	Ratio	Purpose of evaluation
(a) Consolidated Operating Income	40%	Evaluation of the degree of improvement of the capability of making profit
(b) Consolidated ROE	40%	Evaluation of profitability against equity
(c) Consolidated EPS	20%	Evaluation of net income from shareholders' viewpoint
(d) CO2 Emissions	*See the formula below	Evaluation of the degree of promotion of reducing the environmental burden

*Formula of the performance-based coefficient:

Performance-based coefficient = $\{(a) + (b) + (c)\} \times (d)$

(a) “Consolidated operating income” related coefficient $\times 40\%$

(b) “Consolidated ROE” related coefficient $\times 40\%$

(c) “Consolidated EPS” related coefficient $\times 20\%$

(d) “CO2 emissions” related coefficient

- When evaluating KPIs, the range of compensation of Representative Directors is set wider by using different performance-based coefficients from other Directors, so that the compensation of Representative Directors will be more affected by the link to performance.

- If an eligible Director commits a material illegal or unlawful act, no shares under this system will be delivered to such Director (malus) or the Company may request that such Director refund money corresponding to the shares delivered to him (clawback).

(2) Outside Directors and Audit & Supervisory Board Members

(a) Compensation composition ratios

The compensation composition ratios for Outside Directors and Audit & Supervisory Board Members are as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
100 %		

← Monetary compensation →

(b) Composition

Fixed Compensation

With an emphasis on further strengthening the independence of Outside Directors and Audit & Supervisory Board Members from management, the compensation of Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation. Performance-based compensation (bonuses and stock-based compensation) will not be paid to Outside Directors and Audit & Supervisory Board Members.

4. Compensation Governance

(1) 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.

In order to utilize more varied knowledge of Outside Directors and Outside Audit & Supervisory Board Members in deliberations of the committees and to further improve objectivity and transparency, the Company decided to separate the Nomination and Compensation Committee to the Nomination Committee and the Compensation Committee, each of which the majority of committee members are independent outside committee members and the members of the Compensation Committee are selected from among Directors other than Representative Directors, effective from the end of the Annual Shareholders’ Meeting in May 2020.

(2) Method of determining compensation

This Policy, the basic policy on compensation of officers, is determined by the Board of Directors through deliberations by the Nomination and Compensation Committee. Based on this Policy, the Nomination and Compensation Committee deliberates on the amount of each Director’s compensation based on the evaluation of each Director’s function, degree of contribution, and the Group’s results, as well as the degree of achievement of KPIs. Based on the Nomination and Compensation Committee’s deliberations, the amount of each Director’s compensation is determined by the Representative Director, who is entrusted with that responsibility by the Board of Directors, to which the Nomination and Compensation Committee provides the outcome of its deliberations.

Each Audit & Supervisory Board Member’s compensation is determined through discussions by the Audit & Supervisory Board Members.

5. Compensation Limit for Directors and Audit & Supervisory Board Members

The amount of compensation of officers is decided within the following compensation limits, determined at the Shareholders’ Meeting.

The Company has already abolished the severance payment system for officers, and no severance payments will be paid.

(1) Directors

- Monetary compensation

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)

- Stock-based compensation

3 fiscal years/not more than ¥600 million (not more than ¥200 million per 1 fiscal year)

Limit on the points granted per 1 fiscal year: 40,000 points (1 point = 1 common stock)

(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)

(2) Audit & Supervisory Board Members

- Monetary compensation

Not more than ¥200 million

(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019)