April 4, 2019

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)

Establishment of Policy on Compensation of Directors and Audit & Supervisory Board Members in connection with Introduction of New Stock-Based Compensation System

Seven & i Holdings Co., Ltd. (the "Company") hereby announces that, at a meeting of the Board of Directors held on April 4, 2019, the Company resolved to introduce a new "Policy on Compensation of Directors and Audit & Supervisory Board Members" in connection with introduction of new stock-based compensation system as set forth below.

1. Purpose of the Establishment of Policy on Compensation of Directors and Audit & Supervisory Board Members

(1) Formulation of Compensation of Directors and Audit & Supervisory Board Members Based on Basic Views on Corporate Governance

The Company considers corporate governance to be a system for sustainable growth by establishing and maintaining a sincere management structure and continuously increasing the medium- and long-term corporate value of our group to ensure the trust of various stakeholders, based on the Corporate Creed of the Company. Based on this basic view on corporate governance*, the Company considers a compensation system for Directors and Audit & Supervisory Board Members to be one of the important measures to enhance the motivation and morale of Directors and Audit & Supervisory Board Members and to take appropriate risk for the sake of continued growth of the medium- and long-term corporate value and sustainable growth of our group, and build and operate the system.

*Reference: "Basic Views on Corporate Governance"
Please refer to page 11 of the Corporate Governance Report (February 4, 2019)
https://www.7andi.com/en/ir/management/governance.html

(2) History of Compensation System of the Company and Introduction of New Stock-Based Compensation System

The Company has already abolished the severance payment system for Directors and Audit & Supervisory Board Members, and granted bonuses and stock options for stock-linked compensation to Directors as performance-based compensation.
Starting from fiscal year 2018, however, the Board of Directors and the Nomination and Compensation Committee have repeatedly reviewed the effective compensation system in line with the Company's business status from the viewpoint of (1) above.
Through these examinations, for the purpose of clarifying the link between the compensation of Directors and Audit & Supervisory Board Members and the business performance and stock price, raising willingness to contribute to the improvement of medium- and long-term corporate value, and sharing interests with shareholders, the Company decided to establish a new "Policy on Compensation of Directors and Audit & Supervisory Board Members," including the transition from the existing stock options for stock-linked compensation to a new stock-based compensation system more closely linked to medium- and long-term business performance.
The new "Policy on Compensation of Directors and Audit & Supervisory Board Members" will come into effect on the condition that the proposal for the new stock-based compensation system is approved at the Annual Shareholders' Meeting of the Company scheduled to be held on May 23, 2019.

2. Contents of New Policy on Compensation of Directors and Audit & Supervisory Board Members of the Company

The contents of the new policy on compensation of Directors and Audit & Supervisory Board Members are as attached.

3. Details of Contents of New Stock-Based Compensation System of the Company

Please refer to the Company's news release entitled "Introduction of New Stock-Based Compensation System for Directors and Executive Officers of the Company and its Subsidiaries" dated April 4, 2019.

End

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

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 (the "Directors and Audit & Supervisory Board Members") to be "the important measures to enhance the motivation and morale of Directors and Audit & Supervisory Board Members and to take appropriate risk for the sake of continued growth of the medium- and long-term corporate value and sustainable growth of our group based on a basic view on corporate governance," and build and operate the system based on the points set forth below.

◇ Emphasis is placed on the link between the business performance and corporate value of our group, and establishing a system that further enhances the motivation and morale to contribute to the continuous improvement of business performance and corporate value over the medium to long term.

◇ To secure highly capable human resources who will enhance corporate governance through appropriate supervision and auditing of the execution of operations, and 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 Directors and Audit & Supervisory Board Members, continue to consider to tailor it more appropriately in light of future trends in legal systems and society.

2. Compensation Levels

The levels of compensation for Directors and Audit & Supervisory Board Members will be determined, taking into consideration various fundamentals in the business content and the business environment of the Company, with reference to the compensation level of directors and audit & supervisory board members 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) Ratio of compensation composition

The ratio of compensation composition of operating Directors (※) is as follows:

Fixed compensation	Performance-based compensation	
	Bonuses	Stock-based compensation
100 %	20 %	20 %

← Monetary compensation → ← Stock-based compensation →

（※） Calculated on the assumption that bonuses and tock-based compensation are based on a standard compensation amount.

（b）Composition

（ⅰ）Fixed Compensation

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

（ⅱ）Performance-based compensation

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.

（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 and management indicators, etc., (the BIP Trust system will be the stock-based compensation system).

・ 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.

・ It will vary between 0% and 200% depending on the achievement level of targets, etc.

・ The Company will transit from the stock options for stock-linked compensation system to the new stock-based compensation system, on the condition that the proposal for the introduction of the new stock-based compensation system is approved at the Annual Shareholders' Meetings to be held on May, 2019.

・ The KPI for stock-based compensation is as follows. 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.

【Key Performance Indicator for stock-based compensation】

KPI	Ratio	Purpose of Evaluation
(a) Consolidated Operating Income	40%	Evaluation for the degree of improvement of capability for making profit
(b) Consolidated ROE	40%	Evaluation for the efficiency of profitability
(c) Consolidated EPS	20%	Evaluation for profitability and corporate value

・ The Company, aiming for corporate value and social value at the same time, will consider adding a non-financial indicator, such as the amount of CO2 emissions, to "KPI for stock-based compensation."

・ When evaluating KPI, the Company aims to reinforce incentives for the target achievement by steepening the payment coefficient curve when the budget target achieves 100%.

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

（2）Outside Directors and Audit & Supervisory Board Members

（a）Ratio of compensation composition

The ratio of compensation composition of Outside Directors and Audit & Supervisory Board Members is 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.

（2）Method of determining compensation

Through deliberations by the Nomination and Compensation Committee, the amount of compensation of Directors is determined in accordance with the evaluation of each Director's function, degree of contribution, and the group's results, as well as the degree of achievement of KPI.

The compensation of Audit & Supervisory Board Members 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 Directors and Audit & Supervisory Board Members is decided within the following compensation limit determined at the Shareholders' Meeting.

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.

（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) (planned)

（2）Audit & Supervisory Board Members

・Monetary compensation

Not more than ¥200 million
(Resolved at the 14th Annual Shareholders' Meeting held on May 23, 2019) (planned)

End