April 6, 2017

To whom it may concern,

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

Notice Regarding 1% Special Discount on Seven-Eleven Franchise Royalty Fees at the Company's Subsidiary (Seven-Eleven Japan Co., Ltd.)

Seven & i Holdings Co., Ltd. ("the Company") announced today (April 6, 2017) that its subsidiary Seven-Eleven Japan Co., Ltd. ("SEJ") has decided to conduct 1% special discount on Seven-Eleven franchise royalty fee in order to realize sustained growth.

1. Background to 1% special discount on Seven-Eleven franchise royalty fees

   SEJ operates 19,422 stores as of February 28, 2017, and is continuing its challenge of transformation under the philosophy of mutual benefit with franchised store owners. Meanwhile, the employment environment in Japan is becoming more adverse, impacted by an increase in the minimum wage, an increase in the jobs-to-applicants ratio, and a widening of the scope of people eligible for social insurance.

   In this environment, SEJ has decided to conduct 1% special discount on Seven-Eleven franchise royalty fees for the time being, aiming to provide an environment that allows franchised store owners to concentrate on achieving expanding equilibrium in store management, and as a measure to encourage future new owners to become franchisees.

2. Start date: September 1, 2017 for the foreseeable future

3. Measures for sustainable growth

   SEJ will approach a variety of changes in the social structure as growth opportunities. These changes include the aging population, an increase in single-person households, and an increase in working women. Expanding the merchandise lineup in response to an increase in demand for eating out will contribute to increasing sales and improving the gross profit margin. Looking ahead, in response to further expansion in demand, from the fiscal year ending February 28, 2018, SEJ will begin changing to a new store layout with expanded sales areas of categories whose sales have been growing, including counter products such as deep-fried foods, daily foods, and frozen foods.

Up to this point, SEJ has introduced new store equipment in step with the expansion in sales of *SEVEN CAFÉ* and chilled products, and undertaken continuous measures to promote growth. In July 2009, SEJ started to cover 15% of the disposal loss (food product disposal) cost of franchised stores, and has maintained strong sales at existing stores through continued efforts to innovate stores, products, and services under a policy of "close-by, convenient" stores.

In January 2017, SEJ started installing commercial dishwashers to wash the sales equipment for counter products such as deep fryers, aiming to improve the work efficiency of store staff and increase the quality of customer service.

SEJ will continue taking measures to promote sustainable growth, eyeing further operational improvements such as a trial for a system designed to save energy on product inspections by using RFID, a technology for contactless reading of data from an IC chip though transmission of radio waves.

4. Impact on financial results

The impact of this initiative on Seven & i Holdings' consolidated financial results and SEJ's non-consolidated financial results for the fiscal year ending February 28, 2018 is expected to be approximately 8.0 billion yen in the second half of the year.

The impact is already incorporated into the figures announced in the Medium-Term Management Plan through to the fiscal year ending February 29, 2020.