



August 1, 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)

Discontinuation of the “7pay” Service

Seven & i Holdings Co., Ltd. (the “Company”) hereby announces that, at a meeting of the Board of Directors held on August 1, 2019, the Company resolved to discontinue the “7pay” service (the “7pay”), as set forth below.

1. Discontinuation of the 7pay Service

The Company took the unauthorized access to some of the accounts at 7pay, the barcode settlement service operated by Seven Pay Co., Ltd. (Location of the Head Office: Chiyoda-ku, Tokyo, President and Representative Director: Tsuyoshi Kobayashi) introduced on July 1, 2019, seriously; consequently, it newly established an emergency countermeasures headquarters. Further, as well as temporarily suspending log-ins to apps of each Group company by outside IDs on July 11, 2019, the Company proceeded to ascertain the damage and investigate the cause of the occurrence under the security countermeasures project, while cooperating with external information security companies, and repeated examinations including future responses, etc.

As a result of the above, (1) it would take a considerable amount of time to complete fundamental responses sufficient to restart the entire service including 7pay charges, (2) during the period, a partial service of “use (payment) only” can only be provided, if the service is to be continued, and (3) customers are still concerned about the service; therefore, it was resolved at the Company’s meeting of the Board of Directors held today to discontinue the 7pay service as of end of September 30, 2019.

Even after the discontinuation of the 7pay service, settlement agent service businesses, among others, operated by Seven Pay Co., Ltd. will continue as before. Therefore, other than the matters announced today, the Group’s finance/settlement service other than the 7pay service will not be particularly affected.

We sincerely apologize for any serious inconvenience and concern caused.

2. The Group’s Efforts to Prevent Recurrences

(1) Security countermeasures project

After the occurrence of the foregoing unauthorized access case (the “Case”), in order to identify the cause thereof, the Group set up a security countermeasures project in cooperation with external

information security companies, to check its internal control system, ascertain the damage, recheck the vulnerability of the member authentication method, and plan a new authentication method.

(2) How the Case occurred

While the investigation authorities are still conducting an investigation into the Case, based on the investigation undertaken so far, the Company has concluded that the method that was used in the Case is likely to be a so-called list-type account hacking(*). Further, the Company believes that the main reason why it was not able to prevent the perpetrations that used these methods is that, although the Company discussed and verified the *7pay* system authentication levels from various viewpoints since the start of its development, “countermeasures against log-ins from several terminals” or “consideration of additional authentication systems including a two-element authentication” were not sufficient. These have consequently weakened the system’s ability to defend against list-type account hacking. Underlying this, the Company considers that further verification is required to determine in relation to the development structure of *7pay* whether optimization of the entire system was verified sufficiently while various Group companies participated in the development of the *7pay* system, and to determine in relation to the system risk management structure of *7pay* whether the system to mutually verify and check risks has worked well with respect to risk management within Seven Pay Co., Ltd.

(3) Establishment of a study team

The Company established a study team mainly comprising lawyers, so as to objectively investigate “governance backgrounds in terms of organization and decision-making process” which led to the occurrence of the Case, identify the causes, and establish recurrence prevention measures. The Group will work to prevent recurrences of this issue, based on the results of future investigations by the study team.

(4) Forced reset of 7iD passwords

Given that the direct method that was used in the Case is likely to be a list-type account hacking, in order to enable customers to use the service more safely, the Company decided as of July 30, 2019, to force the users of 7iD, which is used commonly in the Seven & i Group, to log-out of the service and reset their respective passwords, as part of enhancing security.

(5) Future security measures

Reflecting the Case, the Company will establish an organization to supervise and control information security cross-sectionally throughout the Group. The Company believes that this will improve the information security level of the entire Group, mainly at the Company’s initiative.

(*) A list-type account hacking means a method to attempt an unauthorized log-in to other websites using an ID and password that were leaked from or illegally acquired from a website. It is noted that in order to defend against list-type account hacking, it is important for users not to use the same passwords for other websites, and Internet service providers have been asked to raise public awareness of the need not to use the same IDs and passwords, and introduce, e.g., two-element authentication.

3. Future Settlement Service Business of the Group

In the settlement service business (which is one of the centerpieces of the Group’s financial strategy), in light of the finance/settlement services situation in a rapidly progressing cashless society, the Group will comprehensively deliberate on improving customer satisfaction while using its affluent business platforms and build a system that aims to provide customers with new value across the retail and finance fields. Measures to be implemented for this purpose include strengthening not only barcode

settlement services, which the *7pay* service belongs to, but also the *nanaco* electronic money service, which has already been introduced by the Group and widely used by customers. The Company has taken the *7pay* service attack through unauthorized access seriously and decided to discontinue the service. However, the Company thinks that the social need for cashless transactions is extremely high and that the importance of measures to meet that need will continue to increase in the future. Thus, the Group intends to provide customers with an environment for shopping comfortably by proactively promoting alliances with various settlement services.

From the service development phase, the Company will ensure its employees are appropriately informed that implementing thorough security countermeasures, such as preventing unauthorized access, is one of the most important tasks in the finance/settlement services of the Group, and will improve necessary internal organizational structures. By those means, the Company will establish a finance/settlement service business that customers can use without any concerns.

4. Impact on Financial Results

The impact of this discontinuation of service on the consolidated financial results for this fiscal year is negligible.

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