



October 10, 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)

Regarding Group Strategy and Structural Reform of Businesses

Seven & i Group (the “Group”) has listed “Reliability and Sincerity” and “Responding to Change while Strengthening Fundamentals” as part of its basic policies, and is undertaking initiatives to realize improvements to corporate value and sustainable growth in the medium to long term. In order to realize further growth, Seven & i Holdings Co., Ltd. (the “Company”) hereby announces that a resolution has been passed at the Board of Directors meeting held today regarding the structural reform of businesses within the Group’s strategy.

As the specific content of the resolution pertains to Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., and Sogo & Seibu Co., Ltd., the Company also announces that the aforementioned three companies have passed resolutions incorporating a variety of measures.

1. Group Strategy

(1) Basic Approach

The Group has adopted the basic approach of maximizing life time value through the pursuit of further Group synergy in order to achieve growth while staying closely attuned to the life stages and settings of customers.

(2) Overview

Along with the strengthening of North American and global development via 7-Eleven, Inc., the Company is engaged in digital strategies, financial strategies, procurement and logistics strategies, and food strategies as part of Groupwide strategies.

Furthermore, Seven-Eleven Japan Co., Ltd. aims to build a foundation for regrowth and will implement further structural reform, while Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. stabilize profits by slimming down foundation creation.

2. Overview of Structural Reform

(1) Seven-Eleven Japan Co., Ltd.

As the harsh environment surrounding store operations intensifies through factors such as staff shortages and a rise in personnel expenses. In line with the Action Plan that was announced on April 25 this year, Seven-Eleven Japan Co., Ltd. is carrying out measures toward sustainable growth for franchisees, such as enhancing the owner help system and other systems, continuously implementing labor-saving investments, and strengthen communication by sending out surveys for franchisees. In addition, as part of creating an environment in which franchisees can feel secure and concentrate on

their management tasks, Seven-Eleven Japan Co., Ltd. is implementing the following, including a review of the incentive discount, etc.

- (i) Review of the Incentive Discount (expected to be applied starting from March 2020)
Review of incentives for Seven-Eleven charges (royalties) in franchise contracts.

Current

Predetermined charge reduced by 2% for stores with 24-hour operations
Special discount of 1% on Seven-Eleven charges (Started from September 1, 2017)

After reform

(Stores with 24-hour operations)

Gross profit on sales / more than ¥5,500 thousand a month

(i)	Predetermined charge reduced by 2% for stores with 24-hour operations
	Special discount of 1% on Seven-Eleven charges
	Monthly amount of ¥35,000 reduction

Gross profit on sales / ¥5,500 thousand a month or less

(ii)	Monthly amount of ¥200,000 reduction
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(Stores without 24-hour operations)

Gross profit on sales / more than ¥5,500 thousand a month

(i)	Special discount of 1% on Seven-Eleven charges
	Monthly amount of ¥15,000 reduction

Gross profit on sales / ¥5,500 thousand a month or less

(ii)	Monthly amount of ¥70,000 reduction
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Due to the review of the incentive discount, the forecast for annual profit of each franchisee is expected to improve on average by approximately ¥500 thousand. As a result, we will aim to maintain and improve profitability by implementing following measures despite the impact of ¥10.0 billion on Head Office profit.

(ii) Store Initiatives

Accelerate closure of unprofitable stores (Implement closure and relocation of approximately 1,000 stores from the second half of FY2020 onward, including relocations)

(iii) Personnel Initiatives

Optimize Head Office personnel (Implement accounting reform and optimize store development personnel and non-sales personnel)

(iv) Sales Area Initiatives

Develop new store layouts (Roll out at 7,000 stores in FY2020) and implement labor-saving investments

(2) Ito-Yokado Co., Ltd.

Ito-Yokado Co., Ltd. continuously implemented structural reforms at stores in line with closures and remodels based on the 100-Day Plan that was announced in October 2016 and achieved a certain results. The following structural reforms will be continued to carry out by advancing the “selection and concentration” initiative in order to further improve their value as retail facilities.

(i) Store Initiatives

Consider business partnerships with entities inside and outside the Group and closures for unprofitable 33 stores

(ii) Merchandising Initiatives

Reorganize merchandise for the lifestyle business* and reduce sales area

*The business that handles apparel and household goods (excluding events)

(iii) Reorganization

The *Shokuhinkan* (food specialty store) business will take steps to improve profitability through collaboration within the Group with a view to a company split

(iv) Personnel Initiatives

Comparing the number of employees at the end of FY2023 to the end of FY2019, reduce approximately 1,700 people after labor management consultations including natural reductions

(3) Sogo & Seibu Co., Ltd.

As with Ito-Yokado Co., Ltd, Sogo & Seibu Co., Ltd. continuously implemented structural reforms at stores in line with store closures and transfers based on the 100-Day Plan that was announced in October 2016. The following structural reforms will be continued to carry out by advancing the “selection and concentration” initiative further in order to improve their value as retail facilities.

(i) Store Initiatives

Closures

Store names	Implementation period (planned)
SEIBU Okazaki	August 2020
SEIBU Otsu	August 2020
Sogo Seishin	August 2020
Sogo Tokushima	August 2020
Sogo Kawaguchi	February 2021

Reductions of sales area

Store names	Implementation period (planned)
SEIBU Akita	February 2021
SEIBU Fukui	February 2021

(ii) Personnel Initiatives

Comparing the number of employees at the end of FY2023 to the end of FY2019, reduce approximately 1,300 people after labor management consultations including natural reductions

(iii) Sales Area Initiatives

Introduce property management at key stores, strengthen growth fields (cosmetics, luxury goods, food products, etc.) while strengthening property management at suburban stores

3. Outlook

The impact of this structural reform on the Company's consolidated financial results for FY2020 is currently being examined. Going forward, the Company will promptly make an announcement should there be any impact on financial results.