

Cease and Desist Order against Seven-Eleven Japan Co., Ltd.
(Tentative Translation)

June 22, 2009
Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC) investigated Seven-Eleven Japan Co., Ltd. (hereinafter referred to as Seven-Eleven Japan) in accordance with the provision of the Antimonopoly Act and found that Seven-Eleven Japan was in violation of Article 19 of the Act (falling under the Item 4, Paragraph 14 [Abuse of Dominant Bargaining Position] of Designation of Unfair Trade Practices) as follows. Accordingly, the JFTC issued today a cease and desist order in accordance with the provision of Paragraph 1, Article 20 of the Act.

1. Violating Party

Name	Seven-Eleven Japan Co., Ltd.
Address	8-8 Nibancho, Chiyoda-ku, Tokyo
Business Outline	Franchising business ^(Note 1) for convenience stores

(Note 1) Franchising business refers to a business where a franchisor grants the right to use a specific trademark etc. to entrepreneurs participating in its franchise chain and controls, guides and assists such entrepreneurs in the management of convenience stores by a unified method, and receives royalty fee in consideration for such actions from such entrepreneurs (including same businesses in the management of convenience stores operated by franchisor itself.).

2. Outline of the Violation

Under the situation that Seven-Eleven Japan is at a dominant bargaining position over its franchisees^(Note 2), it has a scheme where the amount equivalent to the costs of the disposed goods at the franchisee stores^(Note 3) is entirely borne by the franchisees^(Note 4). Under this scheme, Seven-Eleven Japan forces some franchisees, which practice or intend to practice discount sales^(Note 7) of daily goods^(Note 6) among recommended goods^(Note 5) (hereinafter referred to as the “Discount Sales”), to stop such Discount Sales and thereby has them lose opportunities to reduce the loss of the amount equivalent to the cost of such disposed daily goods according to their own rational business judgment.

(Note 2) Refers to the entrepreneurs which are participating in the franchise chain of Seven-Eleven Japan

(Note 3) Refers to the convenience stores managed by franchisees

(Note 4) The amount equivalent to the costs of the disposed goods at a franchisee store is entirely borne by the franchisee under the basic franchise agreement executed between Seven-Eleven Japan and the franchisee. Seven-Eleven Japan calculates the royalty fee received from a franchisee in consideration for franchising of the convenience store by subtracting the amount equivalent to the costs of the goods sold by the franchisee store from the sales amount of the goods and multiplying the difference by a certain ratio in accordance with the basic franchise agreement so that the royalty amount does not depend on the amount equivalent to the costs of the disposed goods at the franchisee store.

(Note 5) Refers to the goods recommended by Seven-Eleven Japan for selling at the franchisee stores

(Note 6) Refers to foods and drinks vulnerable to quality deterioration which are delivered to the stores every day in principle

(Note 7) Refers to the sale of goods close to the sell-by date/time set by Seven-Eleven Japan according to its unique standard at a price lower than before to consumers. Seven-Eleven Japan sets the sell-by date/time prior to the use-by or best-before date/time specified by the manufacturer for daily goods among its recommended goods. Under the basic franchise agreement, the franchisee shall dispose of all unsold daily goods after such sell-by date/time.

3. Outline of the Cease and Desist Order

- (1) Seven-Eleven Japan shall stop taking the action described in 2. above.
- (2) Seven-Eleven Japan shall resolve at a meeting of its Board of Directors that it will stop taking the action described in 2. above and will not take any similar action in the future.
- (3) Seven-Eleven Japan shall have the measures taken according to (1) and (2) above disseminated among the franchisees and among its employees.
- (4) Seven-Eleven Japan shall not take any action similar to that described in 2. above in the future.
- (5) Seven-Eleven Japan shall take measures required to perform the following matters in the future:
 - A. Revision of the behavior policy for compliance with the Antimonopoly Act in relation to the dealings with the franchisees
 - B. Preparation of materials for franchisees and employees on the method of discount sales performed by franchisees
 - C. Periodic training for officers and employees and periodic audit by the legal staff on compliance with the Antimonopoly Act in relation to the dealings with the franchisees