

December 10, 2019

SEVEN-ELEVEN JAPAN CO., LTD.

PARTIAL UNDERPAYMENTS OF OVERTIME PAY IN THE STORE STAFF WAGE
PAYMENT AGENCY SERVICE PROVIDED BY SEVEN-ELEVEN JAPAN CO., LTD.

Seven-Eleven Japan Co., Ltd. (hereinafter “the Company”) has ascertained that there were partial underpayments of overtime pay for the “Regular Attendance Allowance*1” and “Work Responsibilities Allowance*2” in the store staff wage payment agency service we provide to Seven-Eleven franchisees.

We sincerely apologize for the inconvenience and concern the occurrence of this situation has caused to store staff, franchisees and other stakeholders. We will ensure the store staff are paid to cover the shortfall in their overtime pay according to the prescribed procedures.

The Company takes this situation very seriously. Under our Corporate Creed of “Trust and Sincerity,” we will promptly make these payments to store staff together with our franchisees. We will also strive to strengthen the check system of our wage payment agency service and to ensure such a situation does not arise again.

*1: The Regular Attendance Allowance is generally an allowance for employees attending work without taking time off and employees working diligently.

*2: The Work Responsibilities Allowance is generally an allowance for work responsibilities.

(Franchisees decide as to whether or not to pay these allowances.)

1. Overview

The Company provides a wage calculation and wage payment agency service for the franchisees to pay the wages for their store staff. This is to support store management under our franchise agreement with our franchisees.

We ascertained that there were partial underpayments of overtime pay due to an indication made to a franchisee (one store) by the Labor Standards Inspection Office in September 2019. The Labor Standards Inspection Office indicated that the numerical figure used in the overtime pay calculation formula for the Regular Attendance Allowance and Work Responsibilities Allowance of hourly wage staff was incorrect (a premium pay rate with a multiple of 0.25 was used instead of the correct multiple of 1.25) for the period from October 2001 to November 2019.

Furthermore, as a result of checking back in the past, it was found that, even before September 2001, among the store staff, overtime pay for the hourly wage staff's Regular Attendance Allowance (introduced in 1978) and Work Responsibilities Allowance (introduced in 1980), as well as overtime pay for the fixed salary staff's Regular Attendance Allowance (introduction uncertain) had not been paid in our wage payment agency service. This issue was discovered in October 2001, however, we had not announced the issue and the payment was not made to the store staff.

Details of Facts Confirmed Based on the Data*³ Possessed by the Company

Period: Payments for March 2012 to payments for November 2019
(Seven years and nine months*⁴)

No. of stores: 8,129 stores

No. of staff: 30,405*⁵ staff

The average underpayment per staff member is approximately 16,000 yen. The amount of underpayment is 10,000 yen or less for 83.5% of the staff.

Amount of underpayment: Approx. 490 million yen (including delay damages of 110 million yen)

This is equivalent to 0.02% of the total amount of wages paid to all staff.

*3: This data refers to names and wire transfer information (addresses and contact information are not listed).

*4: We possess data for seven years and nine months. Seven years is the statutory storage period, but because we store data on a yearly basis, data for nine months is added.

*5: Staff who receive overtime pay, among the hourly wage staff who receive Regular Attendance Allowance and Work Responsibilities Allowance, are eligible.

This includes staff in corporate stores (385 staff in 135 stores).

2. Cause of the Occurrence

An incorrect numerical figure (a premium pay rate with a multiple of 0.25 was used instead of the correct multiple of 1.25) was used in the calculation formula for overtime pay for the Regular Attendance Allowance and Work Responsibilities Allowance of hourly wage staff in October 2001 due to insufficient interpretation of the applicable laws and ordinances at that time.

In addition, the checking system for operations in our store staff wage payment agency service was not thorough enough to detect the underpayment, which was revealed when a franchisee received a notification from the Labor Standards Inspection Office in September 2019.

3. Voluntary Return of Director's Compensation

Taking into consideration the inconvenience and concern caused to store staff, franchisees and other stakeholders, we have decided to have our President and Representative Director voluntarily return some of his compensation as follows.

Name	Current position	Details of compensation reduction
Fumihiko Nagamatsu	President and Representative Director, Seven-Eleven Japan Co., Ltd.	30% reduction in monthly compensation for three months

4. Recurrence Prevention Measures

The Company will take the following recurrence prevention measures to ensure that a similar incident does not occur again in the future.

- Strengthen internal training of labor-related laws and ordinances in the relevant departments – including the department in charge of the wage payment agency service.

- Strengthen the internal check system concerning the store staff wage payment agency service for franchisees, together with periodic checks being conducted by a third-party external organization.
- Clarification of the items subject to overtime pay by reviewing the payment statements for store staff.

5. Future Payment Procedures

[Current Staff]

Check Method

The franchisee, where the staff are currently working, will directly notify those staff eligible for a payment.

Payment Method

From December 11, 2019 onward the franchisee will pay each eligible staff member by wire transfer or in cash once necessary paperwork between the franchisee, where the staff is currently working, is completed. We will do this under agreement between the Company and the franchisees who are the original wage payers.

[Retired Staff]

Check Method

The Company will establish a “Hotline for the PARTIAL UNDERPAYMENT OF OVERTIME PAY for 7-Eleven Store Staff” to answer inquiries from eligible staff, from 2 p.m. on December 10, 2019.

**“Hotline for the PARTIAL UNDERPAYMENT OF OVERTIME PAY for
7-Eleven Store Staff”
TEL: 0120-386-076
(24 hours – including Saturdays, Sundays and public holidays)**

Payment Method

The Company will make a wire transfer, after confirmation of necessary documentation, for retired staff (staff whose stores have closed) and for cases in which it is difficult for staff to contact the franchisee.

We will, after confirmation of necessary documentation, pay the shortfall for staff who worked in stores prior to February 2012. Please also contact us on the above hotline if you have any other questions.

Because this case occurred due to reasons attributable to the Company, we will pay the franchisees the same amount as they pay to eligible staff, and at the same time, we will also pay the costs incurred by franchisees as a result of this matter.