



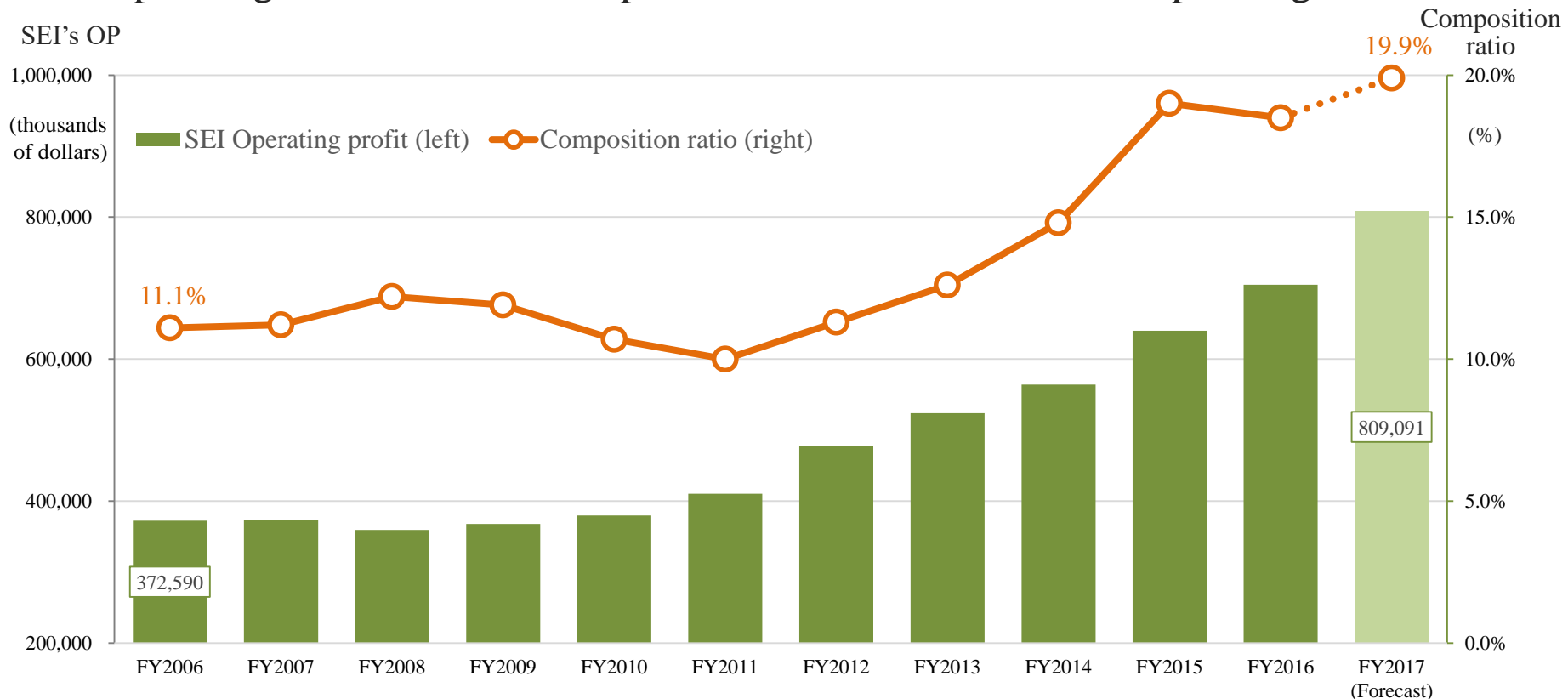
7-Eleven, Inc.
Presentation on the Medium-Term Management Plan
and Acquisition of Part of the Business from Sunoco LP

February 19, 2018

Seven & i Holdings Co., Ltd.

7-Eleven, Inc.(SEI) Growth and Profit Contribution

◆ SEI's operating income and its composition ratio* to consolidated operating income



- | | |
|---|--|
| (1) Enhanced product lineups based on fresh foods | (2) Conduct effective M&A |
| (3) Promote conversion to franchised stores | (4) Stabilize gasoline business earnings |

Has grown into a growth driver for the Group

*Ratios are calculated on a yen basis, after amortization of goodwill

Growth Strategy: 6 Point Plan

To achieve further growth, the following 6 actions are considered as priority measures, and these initiatives are promoted

Grow Food and Beverage



Expand the Assortment Regional and Local Products



Build Private Brands



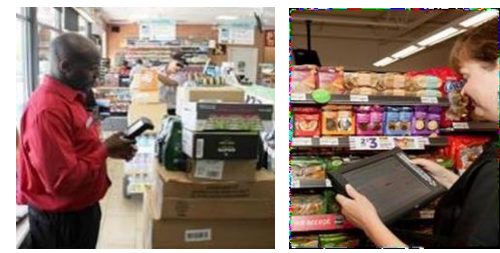
Become a Digitally Enabled Organization



Improve the Store Base



Simplify Store Operations

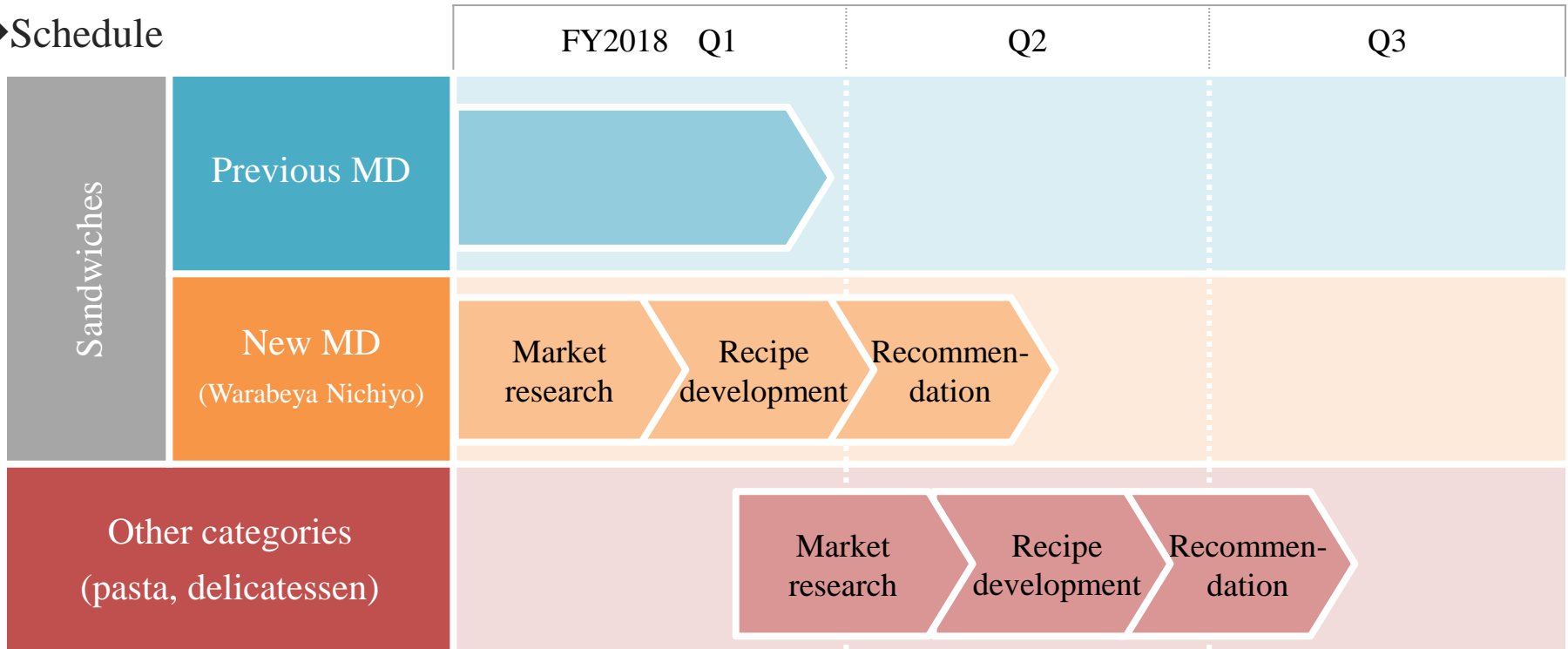


Grow Food and Beverage

◆ Manufacture high-quality and high-value-added products following introduction of Japanese Group merchandising approach

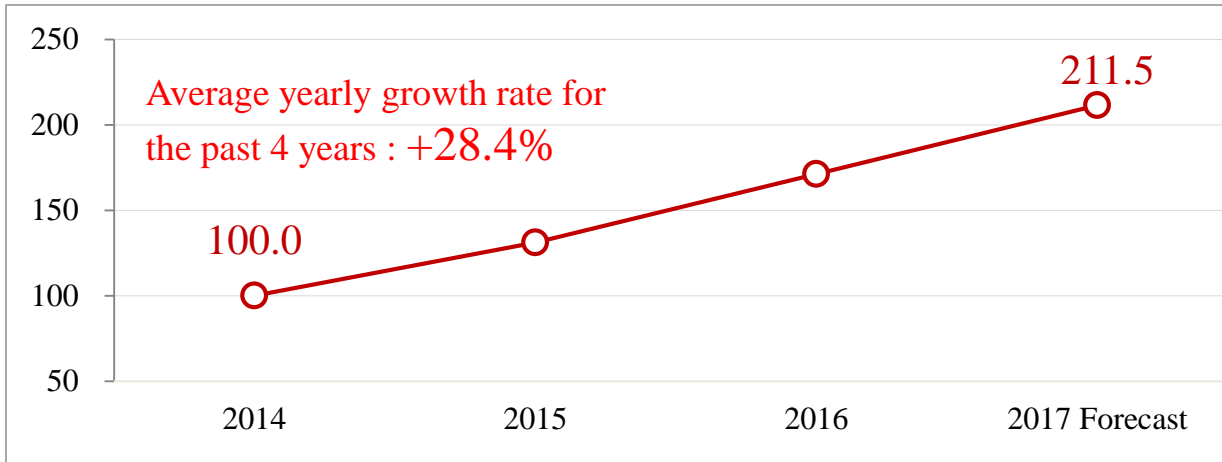
- Initiative with Warabeya Nichiyo Holdings Co., Ltd. and strengthen team merchandising
- Plans call for starting development of categories (pasta, delicatessen, rice products, etc.) besides sandwiches
- After test sales these products are recommended to each store
⇒ After verifying the impact, develop horizontally throughout the US factories

◆ Schedule



Build Private Brands

◆ Sales of PB products “7-Select” *Taking 2014 value as 100



FY2017 Forecast

PB Products sales growth: +24%

GPM difference YOY: +0.7%

Boost total GPM by approx. 0.1%



◆ Example of contribution to gross profit from private brand products

Top five selling beverages (over 20 oz (591 ml))

| | 2015 | 2017 |
|---|----------------------------------|----------------------------------|
| 1 | Lipton Brisk Strawberry Melon 1L | 7-Select Mango Juice |
| 2 | Simply Orange Juice 59oz | 7-Select Fruit Punch Juice |
| 3 | Tropicana Orange Juice 32oz | Lipton Brisk Strawberry Lemon 1L |
| 4 | Lipton Brisk Fruit Punch 1L | 7-Select Watermelon Juice |
| 5 | AriZona Mucho Mango 23oz | Simply Orange Juice 59oz |

GPM improvement

vs. 2015
+2.72%

Contributed to overall gross profit margin for soft drinks (+0.45%)

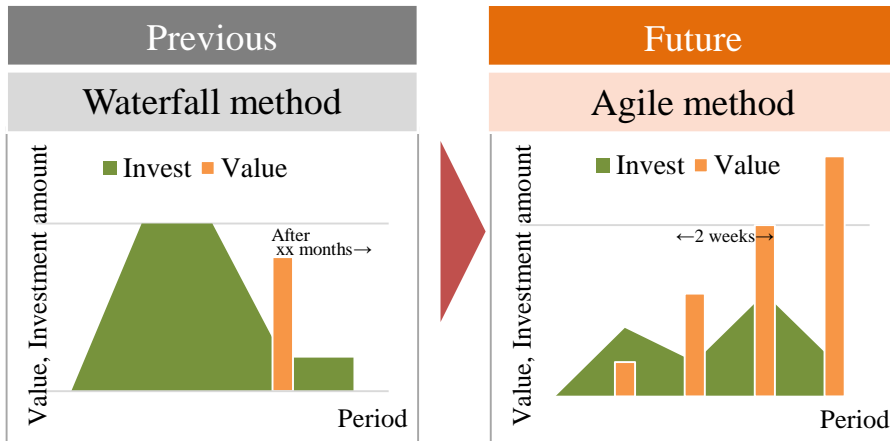
Become a Digitally Enabled Organization-1

Digital technology innovation

Changes in convenience required

Create a digital organization to strengthen the strategy promotion structure
Create and provide a shopping never experienced

◆ Approach to development: Introduce MVP* approach = Transition to Agile Development



- Conventional development involves large initial investment = flexibility issues
- Agile development involves multiple tests with small investment

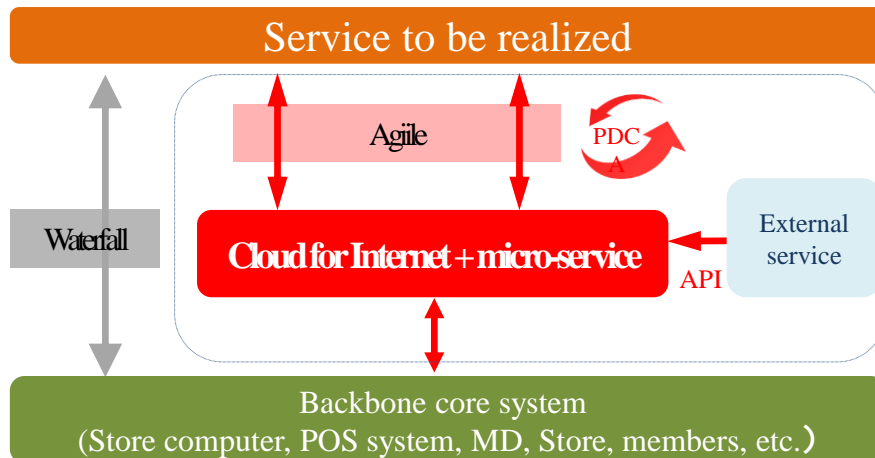
⇒ Short-term results are not a factor in the initial stage

⇒ Priority on verifying customer convenience and functionality

⇒ High speed rotation through the PDCA cycle to refine products and services

*MVP: Minimum Viable Product

◆ Micro-service architecture



- Systems are built on the cloud separately from the core system



- Functions are finely delineated into blocks

- Systems can be combined as needed to create diverse products

- Systems can link effectively with external services

Become a Digitally Enabled Organization-2

◆ Key trials

| Details | Area | Stores | Period |
|--|--------|--------|------------------------------------|
| Bonus point program  | Canada | 647 | From Sep. 2017 |
| Delivery, Pick up at 7-Eleven stores  | Dallas | 10 | From Dec. 2017 Test with 100 items |
| Self-checkout | - | - | Scheduled for test within FY2018 |

◆ Example: 7REWARDS App – Introduced point program

Previous loyalty program

- App required when purchasing counter served beverages
- Use to scan at cashier
- Buy six proprietary beverages get one free

Add point program

- Get points on purchase
- Bonus offers
- Trade your points for merchandise (the 7-Eleven original items or manufacture sponsorship)
- Buy six proprietary beverages get one free (continue at the current)

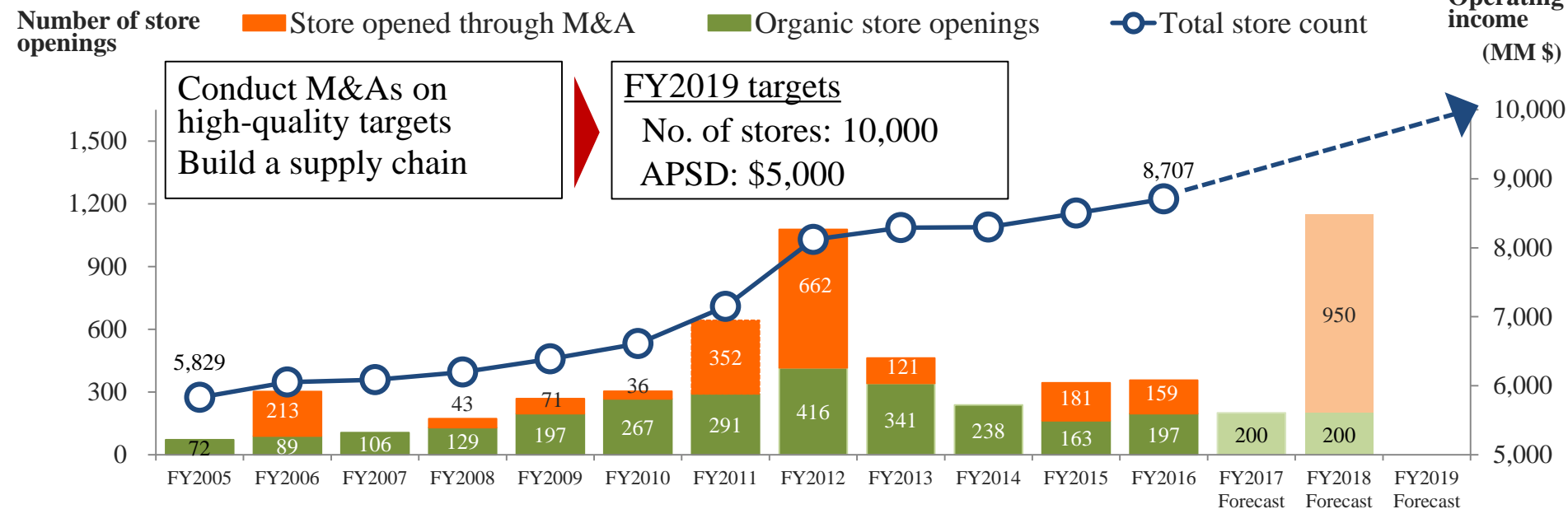
Results for Dec. 2017

| | |
|---|-----------|
| Rewards basket size (vs. non-rewards basket size) | +9% |
| Scan % | 11.9% |
| (Compare with prior to execution) | +6.4% |
| New members (Compare with prior to execution) | 8.2 times |

Plan to expand throughout the U.S. within FY2018 and CRM strategy to start

Improve the Store Base

◆ Number of stores and operating income



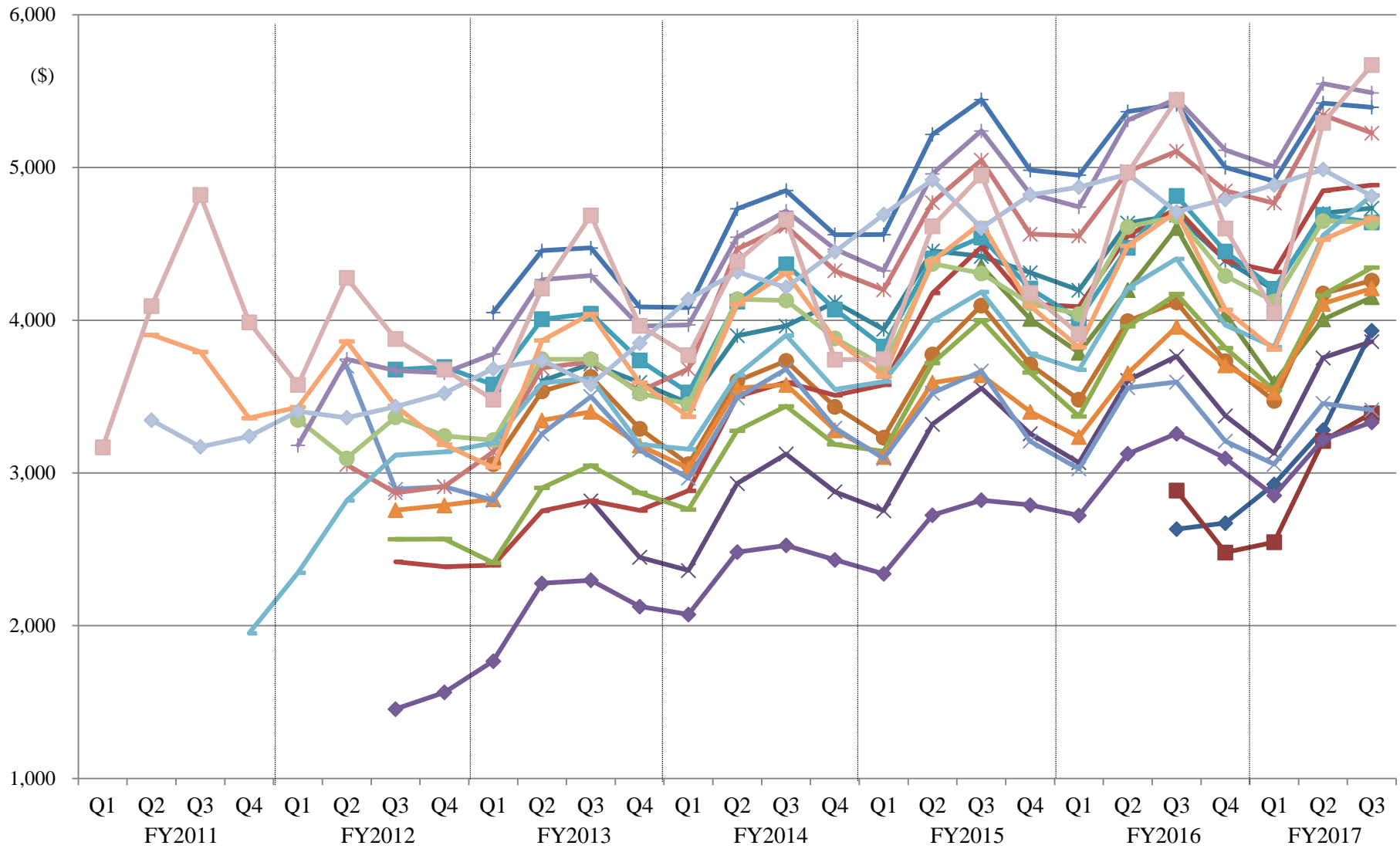
◆ M&A successful example (Exxon Mobil Florida)

| | |
|------------------------|-------------------------|
| Acquisition date | April 2011 |
| No. of stores acquired | 131 |
| Current store count | 81 |
| Remodel | Complete in second year |
| Franchised ratio | 80.2% |

| | At closing | 2017 Results for Q1-Q3 | Difference |
|-------------------|------------|------------------------|------------|
| MDSE APSD (\$) | 3,250 | 4,900 | +1,650 |
| MDSE GPM (%) | 28.0 | 35.2 | +7.2 |
| Gas APSD (gallon) | 5,370 | 6,340 | +970 |

*Store count and franchised ratio: As of the end of September 2017

Merchandise APSD for Acquired Stores



Previously acquired stores have all seen sales growth with renovation and improved product lineups

CVS Market in the North America

A major transformative period = Opportunity

◆ Top ranking U.S. convenience store chains by store numbers

| 2013 Approx. 149,000 stores | | | 2017 Approx. 155,000 stores | | |
|-----------------------------|--------------------------|-------------|-----------------------------|-------------|---|
| Rank | Company | Composition | Company | Composition | |
| 1 | 7-Eleven, Inc. | 5.2% | 7-Eleven, Inc. | 5.4% |  |
| 2 | Shell | 3.3% | Couche-Tard | 4.7% | |
| 3 | BP | 3.0% | Marathon (Speedway) | 1.8% | |
| 4 | Chevron | 2.7% | Casey's | 1.2% | |
| 5 | Couche-Tard | 2.5% | Murphy | 0.9% | |
| 6 | Exxon Mobil | 2.3% | Sunoco LP | 0.9% | |
| 7 | Energy Transfer Partners | 1.3% | GPM | 0.7% | |
| 8 | Casey's | 1.2% | BP | 0.6% | |
| 9 | CITGO Petroleum | 1.1% | Chevron | 0.5% | |
| 10 | The Pantry | 1.1% | Kroger | 0.5% | |

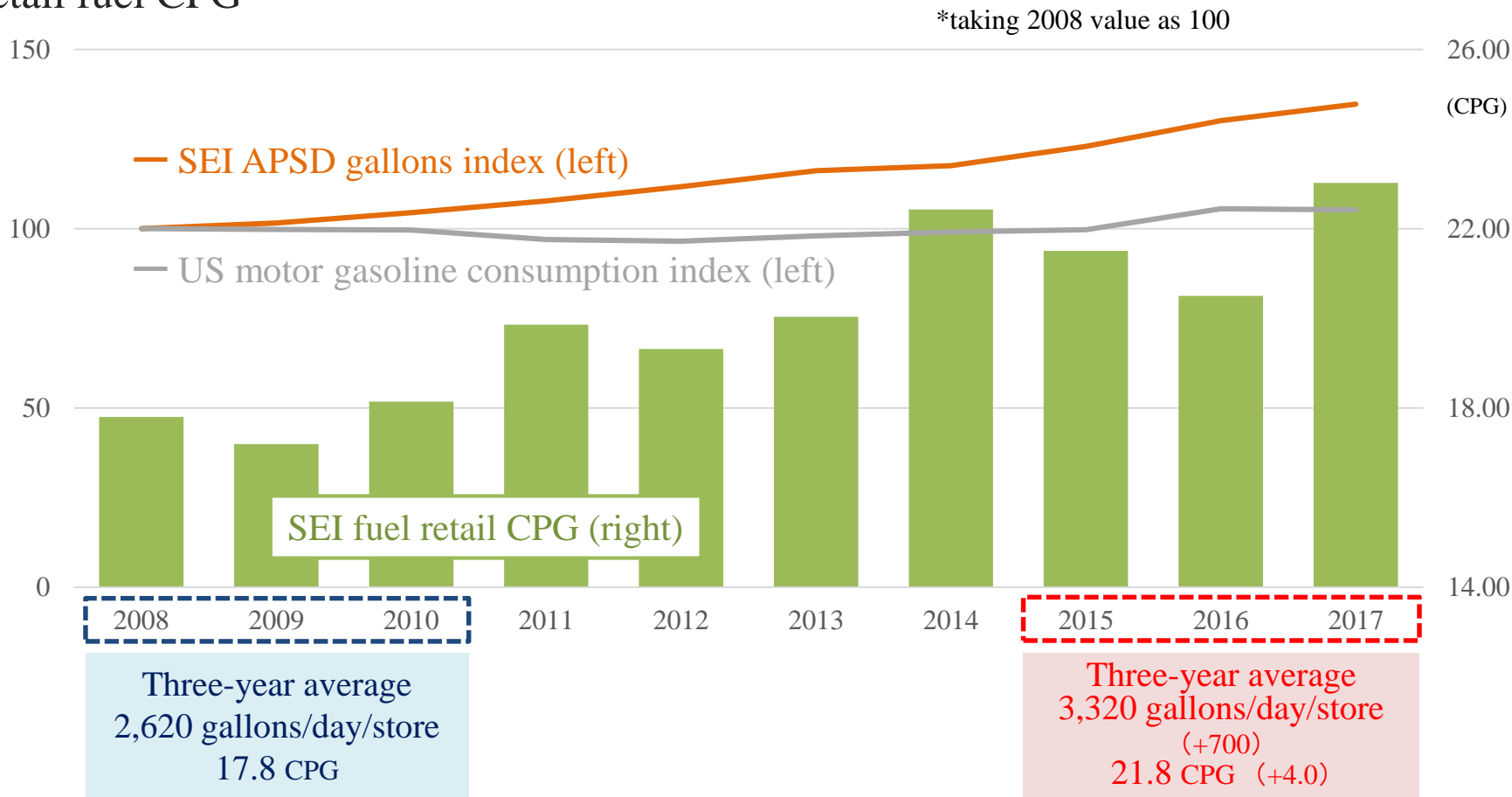
■ Withdrawal from retailing by gasoline majors
 ⇒ Change of the competitive environment

■ Despite the ongoing shakeup in the sector, the market is still highly fragmented
 (Top ten companies have a 17% share)

The North American CVS business offers significant growth potential

Contribution from Gasoline Earnings

◆ Gasoline sales volume index, consumption index, WTI crude oil price index and retail fuel CPG



Steady growth in the gasoline business through effective M&As, etc.

Future Potential of Gasoline-1

◆ Gasoline retail price and consumption

Gasoline retail price per gallon

Consumption

6.00
(\$)

30
(Quad/btu)

Historical gasoline retail price

Projected gasoline retail price

3.00

20

0.00

10

0

1995 2000 2005 2010 2015 2020 2025 2030 2035 2040 2045 2050

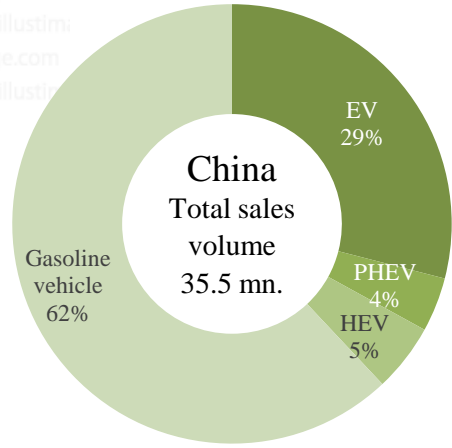
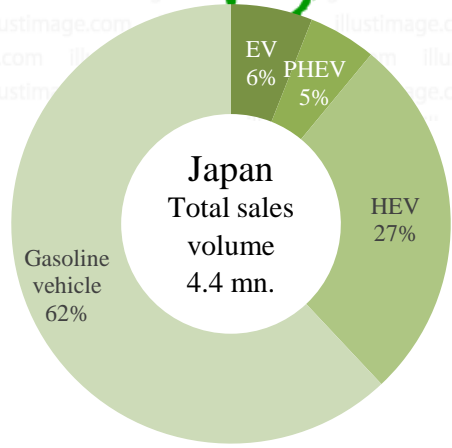
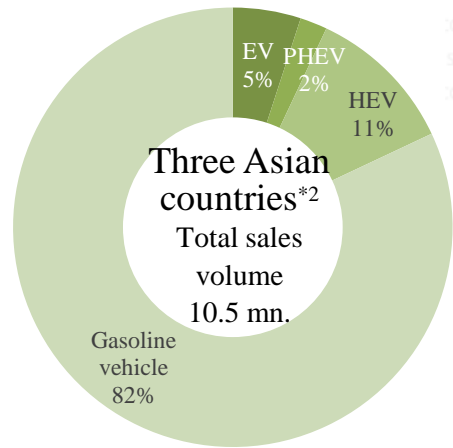
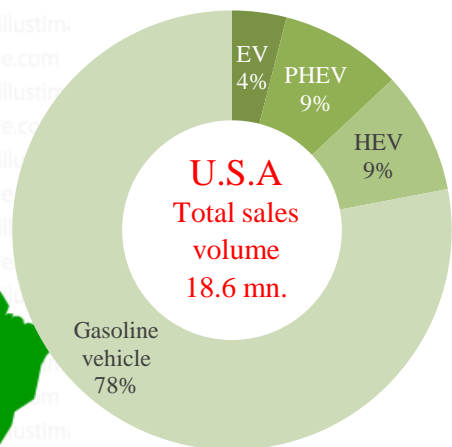
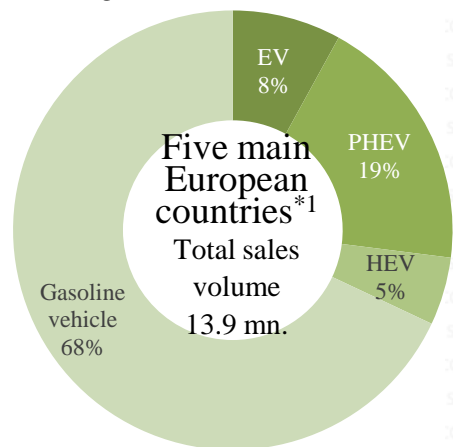
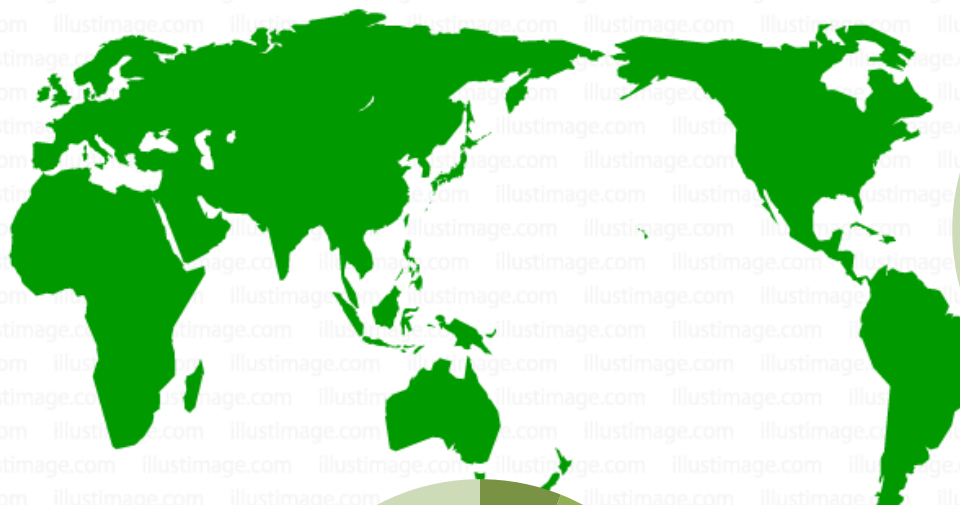
Historical gasoline consumption

Projected gasoline consumption

Gasoline consumption is not expected to fall sharply over the next few decades

Future Potential of Gasoline-2

◆ Projected annual automobile sales volume in the main five areas in 2030



Significant regional differences in the advance of electrification, with PHEV and HEV projected to become mainstream in the U.S.

We will closely monitor various environmental changes and respond to customer needs

Acquisition of Part of the Business from Sunoco LP

-Overview of the stores-

◆ Acquired 1,030 stores' characteristics (results from Oct. 2016 to Sep. 2017)

| | | |
|----------------|------------------------|-------------------------------|
| MDSE Sales | \$4,800 /store/day | Similar to SEI average |
| Gasoline Sales | 5,000 gallon/store/day | Approx. 1.5 times SEI average |



◆ Expanding sales of fast foods

527 of the acquired locations have existing food service businesses

Includes 363 Laredo Taco Company (“LTC”) restaurants

- Fresh prepared Mexican Food meals
- High-quality meals with strong support from local customers
- Significant source of customer store traffic
- 22% of merchandise sales in stores with the food program

SEI will own LTC brand and recipes

Longer-term opportunity to expand LTC into existing 7-Eleven locations



Acquisition of Part of the Business from Sunoco LP -Background & Objective-

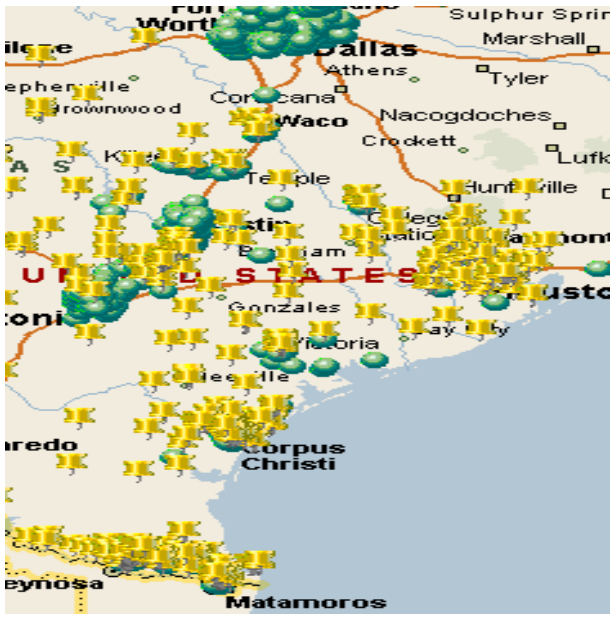
◆ Background & objective of the acquisition

- (1) Major gasoline company withdrawing from retail business leaves rare opportunity to acquire high quality stores
- (2) Sales increase through expansion of high quality stores
- (3) Increase logistics efficiency in existing store-opening areas by strengthening the store network in existing store areas

◆ Store development (SEI ● + Sunoco ★)

Texas
(fastest population-growing state)

$685 + 524 = 1,209$



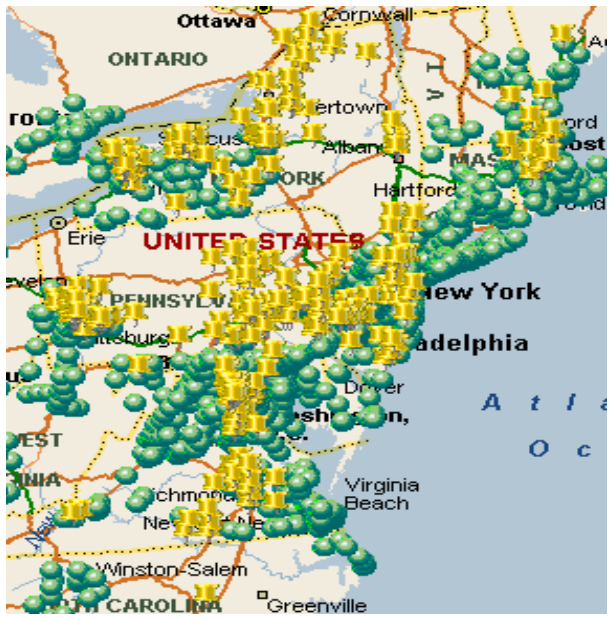
Florida
(second population-growing state)

$825 + 61 = 886$



Northeast, etc.
(densely populated areas)

$2,953 + 445 = 3,398$



*SEI store count: As of December 2017

Acquisition of Part of the Business from Sunoco LP

-Overview of the Transaction-

| | |
|------------------------|---|
| Acquisition price | \$ 3,114 mn (as of announcement on April 2017: \$3,305 mn.) |
| No. of stores acquired | <p>1,030 (as of announcement on April 2017: 1,108)</p> <ul style="list-style-type: none"> ▪ 33 stores are to continue to be held by Sunoco LP as instructed by the U.S. Federal Trade Commission ▪ 45 stores will not be acquired as a result of due diligence |
| Remodel | <p>Approx. 950 stores will be renovated into 7-11 stores</p> <ul style="list-style-type: none"> ▪ Approx. 80 stores will be sold or become contracted gasoline stand operations |
| Fuel supply | <p>Sunoco LP will continue to supply motor fuel to the acquired locations through a 15-year supply agreement</p> <ul style="list-style-type: none"> ▪ 2.0 billion annual volume (Up to 2.5 billion of annual volume over a couple of years) ▪ Basically, supply to acquired stores ▪ In future, examine supply to existing 7-Eleven stores as well |
| Transition services | <p>Sunoco LP will provide transition services to facilitate store system, back office, and other support processes</p> <ul style="list-style-type: none"> ▪ Ranges: from 6-months to 2-years depending on service |

Post Merger Integration

◆ Remodel and franchising plan for acquired stores



◆ Impact on earnings improvement

| | | |
|--------------------|--|--|
| Information system | Improve GPM | Online ordering and order receipt, combined delivery |
| Remodel | Sales growth | Remodels begin in East Texas remodels begin in 2019 |
| Franchising | Receive franchise fee Reduce sales expenses | Franchising begins in stores that do not have Laredo Tacos |

Outlook of Profit Contribution (through FY2019)

(MM\$)

| | FY2017 (Plan) | | | FY2018 | | | FY2019 | | |
|--------------------------------------|---------------|---------|--------|--------|--------|---------|---------|--------|---------|
| | SEI | Sunoco | Total | SEI | Sunoco | Total | SEI | Sunoco | Total |
| Total store sales | 28,500 | - | 28,500 | 29,000 | 7,000 | 36,000 | 30,100 | 7,200 | 37,300 |
| Merchandise | - | - | - | 16,100 | 1,700 | 17,800 | 16,800 | 1,800 | 18,600 |
| Gasoline | - | - | - | 12,900 | 5,300 | 18,200 | 13,300 | 5,400 | 18,700 |
| Operating income | 844 | (35) | 809 | 884 | 116 | 1,000 | 976 | 139 | 1,115 |
| Growth (%) | +19.8 | - | +14.8 | +4.7 | - | +23.6 | +10.4 | +19.8 | +11.5 |
| Operating income (MM¥) | 92,850 | (3,850) | 89,000 | 97,240 | 12,760 | 110,000 | 107,360 | 15,290 | 122,650 |
| Growth (%) | +21.1 | - | +16.1 | +4.7 | - | +23.6 | +10.4 | +19.8 | +11.5 |
| Amortization of goodwill (MM¥) | 12,000 | - | 12,000 | 12,500 | 7,073 | 19,573 | 13,000 | 7,073 | 20,073 |

◆ Impact on the consolidated financial results (Operating income after amortization of goodwill)

| | | | | | | | | | |
|---------------------------|--------|---------|--------|--------|-------|--------|--------|-------|---------|
| Operating income (MM¥) | 80,850 | (3,850) | 77,000 | 84,740 | 5,687 | 90,427 | 94,360 | 8,217 | 102,577 |
| Growth (%) | +19.9 | - | +14.2 | +4.8 | - | +17.4 | +11.4 | +44.5 | +13.4 |

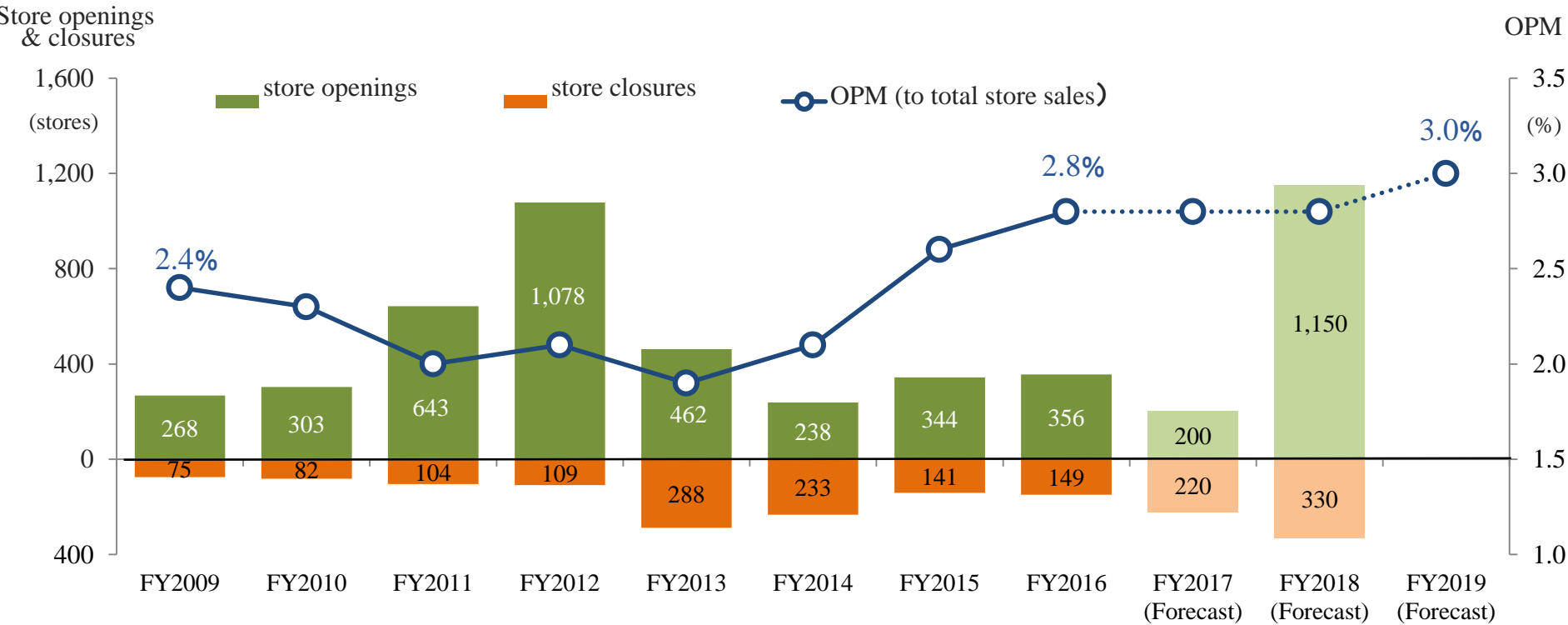
* Exchange rate: US\$1=¥110.00

* Estimated amortization of goodwill regarding Sunoco transaction: \$1,286 million (¥141,460 million) 20-year amortization

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Improve Profitability

◆ Store openings & closures and operating profit margin



- | | |
|--|---|
| (1) Store-openings with a focus on quality | Raise store-opening standards, Develop stores that can be opened as franchised stores from the start |
| (2) Close unprofitable stores | Close proactively stores with low profitability |
| (3) Promoting remodel and franchising | Planned remodel and franchising |

Aim for further growth with profitability improvement by expanding store network

Appendix

Financing Strategy

◆ Initial Funding (at closing)

| | |
|---|------------------|
| Bank Bridge Loans (floating-rate term loans) | \$2.4 bn. |
| SEJ Asset Management & Investment Co. (10-yr fixed rate intercompany term loan) | \$0.9 bn. |
| Total Funding | \$3.3 bn. |



◆ \$2.4 Billion Bridge Repayment

| | | | |
|----------------------|-----------|------------------|------------------|
| Sale Leasebacks | \$0.9 bn. | Commercial Paper | \$0.1 bn. |
| Bank Term Loans | \$0.9 bn. | Available Cash | \$0.5 bn. |
| Total Funding | | | \$2.4 bn. |

◆ Strong Resulting Credit Profile

Rating

| | |
|---------|------|
| S&P | AA- |
| Moody's | Baa1 |

After completing the fund procurement plan, leverage will be within the appropriate investment standard

Impact of US Corporate Tax Rate Cut

◆ Overview of tax reform

- Federal income tax rate: 35% ⇒ 21% (from FY2018)

◆ Assumptions

- Assuming the tax rate is reduced from 35% to 21%
- Not including tax on surplus funds outside of the U.S. or state tax reforms, etc.

◆ Provisional calculation based on FY2016 results

| | 35% | 21% | Difference |
|----------------------------|-------------|-------------|--------------|
| Income before income taxes | \$643.1 mn. | \$643.1 mn. | - |
| Income taxes | \$225.1 mn. | \$135.1 mn. | \$(90.0) mn. |
| Net income | \$418.0 mn. | \$508.0 mn. | +\$90.0 mn. |

◆ Impact on financial results for FY2017

| | |
|------------------------------------|------------------------|
| Reversal of deferred tax liability | Approx. +\$160 million |
|------------------------------------|------------------------|

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