October 6, 2016

To whom it may concern:

Company Name: Seven & i Holdings Co., Ltd.
Representative: Ryuichi Isaka
President & Representative Director
(Code No. 3382/First Section of the Tokyo Stock Exchange)

Notice Regarding Memorandum of Understanding on Capital and Business Alliance with H2O Retailing Corporation

As Seven & i Holdings Co., Ltd. (the "**Company**") and H2O Retailing Corporation ("**H2O**") have executed a Memorandum of Understanding on Capital and Business Alliance (the "**MOU**"), the Company hereby notifies you of the following:

1. Purpose and Grounds of the Alliance

The Seven & i Group operates more than 60,000 stores in and outside Japan and encompasses an assortment of businesses to respond to the needs of a wide range of customers, in the field of convenience stores, general merchandise stores, department stores, food supermarkets and food services, financial services and IT services, and is actively engaged in enhancing customer service, expanding store networks, and strengthening product development capabilities, procuring power and brand power on a daily basis.

The H2O Group, on the other hand, has developed a broad retail business ranging from department stores, GMS, and food supermarkets in the Kansai area and is promoting the "Kansai Dominant Strategy" to realize the expansion of its market share in the Kansai area, which is its management base, and is currently implementing its medium-term plan "GP 10-II Phase 1, ver. 2," by pursuing the establishment of a food business, such as food supermarkets, and the development of infrastructure for a settlement and point systems, etc., and is implementing the "Establishment of Life General Industry" in the Kansai area.

The Company aims to realize the medium- to long-term enhancement of its enterprise value and achieve sustainable growth by strengthening its role and function as a holding company, providing support and guidance for group companies and promoting an optimal allocation of resources with the new management team approved at the 11th Annual Shareholders' Meeting held on May 26, 2016.

In the medium-term management plan announced today, regarding the allocation of group management resources, our management reached the decision that it is imperative to promote the "selection and concentration" of each geographic area and business category in the future, while focusing on comprehensive product and service development at the Japanese level as a whole. Based on this management decision, it was decided that building a relationship as a "strategic business partner" in the Kansai area with the H2O Group, which aims to obtain a dominant market share in the Kansai area, with the goal of re-allocating resources, particularly in the department store business that is facing continued difficulties, and effectively utilizing both groups' store networks, products and services, etc. and enhancing the convenience and satisfaction of customers in the Kansai area will lead to the maximization of the enterprise values of both companies. Therefore, the Company and H2O executed the MOU on Capital and Business Alliance today.

2. Details of the Capital and Business Alliance

(1) Contents of Business Alliance

Both companies will confer with each other to execute definitive agreements on the following matters:

- The succession of the business regarding the Sogo Kobe store, Seibu Takatsuki store and Sogo Seishin store from Sogo & Seibu Co., Ltd. to H2O.
- The introduction by Seven-Eleven Japan Co., Ltd. (“**SEJ**”) of the “S Point” point program implemented by the H2O Group in SEJ stores in the Kansai area.
- The implementation of other services that would be beneficial for the customers of both companies.

(2) Capital Alliance

In order to smoothly implement the business alliance above and to further strengthen the relationship between both companies, the companies will discuss the cross-holding of the other company’s shares, values of which amount to the equivalent of 3% of the total issued shares of H2O each (reference: approximately 5.7 billion yen as of October 5, 2016).

3. Outline of the Counterparty to the Alliance (as of March 31, 2016)

(1)	Name	H2O Retailing Corporation	
(2)	Location	8-7 Kakuda-cho, Kita-ku, Osaka-shi, Osaka	
(3)	Title and Name of Representative	President and Representative Director: Atsushi Suzuki	
(4)	Details of the Business	Management planning and control of group companies	
(5)	Stated Capital	17,796 million yen	
(6)	Date of Incorporation	March 7, 1947 (corporate name changed on October 1, 2007)	
(7)	Major Shareholders and Shareholding Ratio	Hanshin Electric Railway Co., Ltd. 11.78% Hankyu Hanshin Holdings, Inc. 8.26% Takashimaya Company, Limited 5.0%	
(8)	Relationship between the Company and H2O	Capital Relationship	None
		Personnel Relationship	None
		Trading Relationship	None
		Status of Applicability to Relevant Parties	None

(9) H2O’s Management Performance and Financial Status for the Past Three (3) Years

Accounting Period	Year ended March 2014	Year ended March 2015	Year ended March 2016
Consolidated Net Assets	182,277 million yen	251,659 million yen	252,587 million yen
Consolidated Gross Assets	377,716 million yen	631,877 million yen	597,041 million yen
Consolidated Net Assets per Share	929.18 yen	2,033.25 yen	2,038.83 yen
Consolidated Sales	576,852 million yen	844,819 million yen	915,690 million yen
Consolidated Operating Income	17,313 million yen	21,358 million yen	23,825 million yen
Consolidated Ordinary Income	18,160 million yen	21,219 million yen	23,060 million yen
Current Net Earnings Attributed to Parent Company Shareholders	295 million yen	11,586 million yen	14,053 million yen
Consolidated Current Net Earnings per Share	1.52 yen	98.06 yen	113.93 yen
Dividend per Share	12.5 yen	25.00 yen	35.00 yen

4. Schedule

Execution of the MOU on Capital and Business Alliance: October 6, 2016

Based on the MOU, both companies will confer with each other about the details and negotiate on the execution of the definitive agreements.

5. Future Outlook

If matters to be disclosed arise in the process of the negotiations on the capital and business alliance to be conducted between both companies, relevant disclosures will appropriately be made in a timely manner.