



For Immediate Release

January 10, 2006

Company Name: Seven & I Holdings Co., Ltd.
Name of Representative: Noritoshi Murata, President and COO
(Code No. 3382/First Section of the Tokyo Stock Exchange)

Announcement of Corporate Demerger of Subsidiary and Merger

Seven & I Holdings Co., Ltd. (“Seven & I Holdings”) and Ito-Yokado Co., Ltd. (“Now IY”), a wholly owned subsidiary of Seven & I Holdings, have decided at their respective Boards of Directors meetings held today that on March 1, 2006 (planned), (i) Now IY will effect a corporate demerger (the “Corporate Demerger”) in order for a new company (“New IY”) to be incorporated thereupon to assume virtually all of Now IY’s business, (ii) Seven & I Holdings and Now IY will effect a merger (the “Merger”), whereby Seven & I Holdings will be the surviving company and Now IY will be the company that ceases to exist, and (iii) Now IY will change its company name, subject to its respective necessary procedures. Details are provided below.

1. Objectives of the Corporate Demerger and the Merger

In the joint stock transfer whereby Seven & I Holdings was established on September 1, 2005 by Now IY, Seven-Eleven Japan Co., Ltd. (“Seven-Eleven”) and Denny’s Japan Co., Ltd. (“Denny’s”), the shares of Seven & I Holdings were allotted to the shares of Seven-Eleven and Denny’s, which had been held by Now IY, as well as to the treasury shares of Now IY; consequently, Now IY holds a large number of shares of Seven & I Holdings, which presently is Now IY’s parent company.

In cases like that described in the preceding paragraph, a subsidiary company shall be required to dispose of the shares of the parent company within a reasonable period under the Commercial Code of Japan. The Corporate Demerger and the Merger will be effected in order to comply with such legal obligation of Now IY.

After the Corporate Demerger and the Merger scheduled to take place on March 1, 2006, the shares of Seven & I Holdings currently held by Now IY will become treasury shares of Seven & I Holdings; however, the management system and corporate structure relating to the superstore business of Now IY will not substantially change, as this business will continue to be operated by a wholly owned subsidiary of Seven & I Holding.

2-1. Outline of the Corporate Demerger

(1) Schedule for the Corporate Demerger

Board of Directors meetings for approval of corporate demerger plan (Now IY)	January 10, 2006 (today)
Shareholders’ meeting for approval of corporate demerger plan (Now IY)	January 25, 2006 (planned)
Scheduled corporate demerger date	March 1, 2006 (planned)
Registration of corporate demerger	March 1, 2006 (planned)

(2) Structure of the Corporate Demerger

(a) Structure of the Corporate Demerger

Corporation-type demerger, whereby Now IY will be the company effecting the Corporate Demerger

(b) Reason for adopting such structure

Seven & I Holdings and Now IY determined that the best way to bolster corporate governance and to increase the corporate value of the entire Group was for the superstore business and other businesses related to the affiliate companies of Now IY (the “Business”) to be continued to be operated by a wholly owned subsidiary of Seven & I Holdings. It is for this reason that Seven & I Holdings and Now IY will adopt the structure of the Corporate Demerger described above for the purpose of achieving the objectives described in section 1.

(3) Allotment of shares

Upon the Corporate Demerger, New IY will issue 400 million common shares, and will allot all of the shares to Seven & I Holdings, the sole shareholder of Now IY.

(4) Matters related to the amount of stated capital or reserves to be reduced upon the Corporate Demerger

Now IY will reduce, upon the Corporate Demerger, the amounts below:

- | | |
|---------------------------------|---|
| (i) Stated capital | 0 yen |
| (ii) Capital surplus reserve | The amount of the assets assumed upon the Corporate Demerger from Now IY to New IY minus the amount of the liabilities assumed upon the Corporate Demerger and the amounts in provisions (iii) and (iv) of this article |
| (iii) Retained earnings reserve | 11,700 million yen |
| (iv) Other surplus reserve | 473,258 million yen |

(5) Cash payment upon the Corporate Demerger

There will be no cash payment upon the Corporate Demerger.

(6) Rights and obligations assumed by New IY

Upon the Corporate Demerger, New IY will assume all assets, liabilities, rights, obligations and contracts related to the Business, excluding the items below (provided, however, that the item (iv) will be excluded only in the case where an ordinance of the Ministry of Justice of Japan which allows a *kabushiki-kasisha* that does not have its latest balance sheet to pay interim dividends and other surplus (the “Ordinance of the Ministry of Justice”) is not enacted before March 1, 2006) :

- (i) All of the common shares of Seven & I Holdings
- (ii) All of the common shares of SEVEN & i Financial Center Co., Ltd.
- (iii) All of the common shares of SEVEN & i Life Design Institute Co., Ltd.
- (iv) Scheduled interim dividends for the business year ending February 28, 2007 (the “Scheduled interim dividends for 2007”) equivalent of the deposits

(7) Prospect of discharging liabilities

Now IY has determined that Now IY and New IY will be able to discharge the liabilities borne or to be borne by it.

(8) Senior management that will accede to New IY

The senior management that will accede to New IY are provided below:

- (i) Directors
Toshifumi Suzuki, Nobutake Sato, Sakae Isaka, Akihiko Hanawa, Atsushi Kamei, Sakue Mizukoshi, Minoru Inaoka, Yoshiaki Ota, katsuhiro Goto, Scott T. Davis, Yoji Okamura, Yoshihiro Tanaka, Shigetada Aoki, Yasuo Takaha, Yukio Fujimaki
- (ii) Corporate auditors
Ikuo Kanda, Toshiro Ikadai, Yoko Suzuki, Hiroshi Nakachi

2-2. Overview of Now IY and New IY

(1) Company name	Ito-Yokado SHC Co., Ltd. *1 (company effecting the Corporate Demerger)	Ito-Yokado Co., Ltd. (New Co)
(2) Area of operation	general retail business	general retail business
(3) Date of establishment	April 1, 1958	March 1, 2006 (planned)
(4) Original location	8-8, Nibancho, Chiyoda-ku, Tokyo	8-8, Nibancho, Chiyoda-ku, Tokyo
(5) Business representative	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President
(6) Stated capital	47,987 million yen *2	40,000 million yen
(7) Total shares issued	418,717,685 shares *2	400 million shares
(8) Shareholders' equity	708,400 million yen *2	606,435 million yen (planned)
(9) Total assets	1,034,556 million yen *2	996,141yen (planned) *4
(10) Business year end	End of February	End of February
(11)Total number of employees	12,849 employees *2	12,849 employees (planned)
(12) Main customer base	domestic manufacturers of clothing, housing goods or grocery	domestic manufacturers of clothing, housing goods or grocery
(13) Major shareholders and their percentage holdings	Seven & I Holdings (100.0%) *3	Seven & I Holdings (100.0%)
(14) Main banks	Sumitomo Mitsui Banking Corporation, etc.	Sumitomo Mitsui Banking Corporation, etc.(planned)

*1 : Now IY has decided that it will change its company name to "Ito-Yokado SHC Co., Ltd." on March 1, 2006.

*2 : as of August 31, 2005

*3 : as of September 1, 2005

*4 : provided that the total assets will be 996,141 million yen (planned) minus the amount of the Scheduled interim dividends for 2007 if the Ordinance of the Ministry of Justice is not enacted before March 1, 2006

(15) Results during the last three business years

	Ito-Yokado SHC Co., Ltd. *1 (company effecting the Corporate Demerger)		
Financial term	Feb/03	Feb/04	Feb/05
Net sales	1,506,131 million yen	1,474,808 million yen	1,455,358 million yen
Operating income	34,559 million yen	24,103 million yen	8,800 million yen
Ordinary income	49,242 million yen	42,317 million yen	27,081 million yen
Net income	42,767 million yen	28,695 million yen	17,509 million yen
Net income per share	101.79 yen	68.65 yen	41.74 yen
Annual dividend per share	34.00 yen	34.00 yen	34.00 yen
Shareholders' equity per share	1,755.67 yen	1,791.92 yen	1,801.25 yen

*1 : Now IY has decided that it will change its company name to "Ito-Yokado SHC Co., Ltd." on March 1, 2006.

2-3. Outline of areas of business for the Corporate Demerger

(1) Outline of areas of the Business

- (i) General retail business, such as sales business of clothing, housing goods and grocery, etc.
- (ii) Control and management of operating companies (mainly superstore companies)

(2) Results of areas of the Business for the business year ending February 28, 2005

	(million yen)		
	Areas of the Business (a)	Now IY Feb/05, actual (b)	Ratio (a/b)
Net sales	1,455,358	1,455,358	100.0%
Gross profit	395,276	395,276	100.0%
Operating income	8,800	8,800	100.0%
Ordinary income	9,193	27,081	33.9%

(3) Assets and liabilities to be assumed by type and total amount (planned)

(million yen)			
Assets		Liabilities	
Type	Book value	Type	Book value
Current assets	313,666 *1	Current liabilities	164,428
Fixed assets	682,475	Fixed liabilities	161,727
Total	996,141	Total	326,156

*1 : provided that the current assets will be 313,666 million yen (planned) minus the amount of the Scheduled interim dividends for 2007 and the total assets will be 996,141 million yen (planned) minus the amount of the Scheduled interim dividends for 2007 if the Ordinance of the Ministry of Justice is not enacted before March 1, 2006

2-4. Prospects of Now IY after the Corporate Demerger

(1) Company name	Ito-Yokado SHC Co., Ltd.
(2) Original location	8-8, Nibancho, Chiyoda-ku, Tokyo
(3) Business representative	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President
(4) Stated capital	47,987 million yen (planned)
(5) Total assets	78,525 million yen (planned)
(6) Business year end	End of February
(7) Impact on consolidated results	There will be no impact on consolidated results since Now IY is a consolidated subsidiary of Seven & I Holdings and New IY will also be a consolidated subsidiary of Seven & I Holdings.

3-1. Outline of the Merger

(1) Schedule for the Merger

Board of Directors meetings for approval of merger agreement (Seven & I Holdings)	January 10, 2006 (today)
Board of Directors meetings for approval of merger agreement (Now IY)	January 10, 2006 (today)
Execution of merger agreement	January 10, 2006 (today)
Shareholders' meeting for approval of merger agreement (Now IY)	January 25, 2006 (planned)
Scheduled merger date	March 1, 2006 (planned)
Registration of merger	March 1, 2006 (planned)

(2) Structure of the Merger

Seven & I Holdings will be the surviving company and Now IY (after the Corporate Demerger) will be the company that ceases to exist.

Moreover, Seven & I Holdings will not be required to obtain the Shareholders' meeting's approval of the merger agreement, mentioned in Article 408, paragraph 1 of the Commercial Code of Japan, regarding the Merger since the Merger will be a summary merger mentioned in Article 413-3, paragraph 1 of the Commercial Code of Japan.

(3) Merger ratio

Upon the Demerger, Seven & I Holdings will issue no new shares or not transfer the shares that it owns since Seven & I Holdings has held all issued shares of Now IY.

(4) Cash payment upon the Merger

There will be no cash payment upon the Merger.

3-2. Overview of Seven & I Holdings Co., Ltd. and Ito-Yokado SHC Co., Ltd.

(1) Company name	Seven & I Holdings Co., Ltd. (the surviving company)	Ito-Yokado SHC Co., Ltd. *2 (the company that ceases to exist, Before the Corporate Demerger)	Ito-Yokado SHC Co., Ltd. (the company that ceases to exist, After the Corporate Demerger)
(2) Area of operation	Control and management of operating companies	general retail business	-
(3) Date of establishment	September 1, 2005	April 1, 1958	April 1, 1958
(4) Original location	8-8, Nibancho, Chiyoda-ku, Tokyo	8-8, Nibancho, Chiyoda-ku, Tokyo	8-8, Nibancho, Chiyoda-ku, Tokyo
(5) Business representative	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President	Toshifumi Suzuki, Representative Director and Chairman Sakae Isaka, Representative Director and President
(6) Stated capital	50,000 million yen *1	47,987 million yen *3	47,987 million yen (planned)
(7) Total shares issued	1,346,383,002 shares *1	418,717,685 shares *3	418,717,685 shares (planned)
(8) Shareholders' equity	-	708,400 million yen *3	78,525 million yen (planned)
(9) Total assets	-	1,034,556 million yen *3	78,525 million yen (planned)
(10) Business year end	End of February	End of February	End of February
(11) Total number of Employees	32 employees *1	12,849 employees *3	-
(12) Main customer base	-	domestic manufacturers of clothing, housing goods or grocery	-
(13) Major shareholders and their percentage holdings (as of September 1, 2005)	1. Ito-Yokado Co., Ltd. (33.0%) 2. Ito-kogyo Yugen Kaisha (5.0%) 3. Seven-Eleven Japan Co., Ltd. (3.5%) 4. Japan Trustee Services Bank, Ltd. (trust accounts) (3.4%) 5. The Master Trust Bank of Japan, Ltd. (trust accounts) (2.8%)	Seven & I Holdings (100.0%)	Seven & I Holdings (100.0%)
(14) Main banks	Sumitomo Mitsui Banking Corporation, etc	Sumitomo Mitsui Banking Corporation, etc.	-
(15) Relationship among the relevant companies	Capital relationship	Seven & I Holdings holds all issued shares of Ito-Yokado .SHC Co., Ltd.	
	Personal relationship	Seven & I Holdings send to Ito-Yokado .SHC Co., Ltd. 2 persons as its representative director, 3 persons as its director and 3 persons as its corporate auditors.	
	Trading relationship	Ito-Yokado .SHC Co., Ltd. pay some management fee to Seven & I Holdings holds.	

*1: as of September 1, 2005

*2: Now IY has decided that it will change its company name to "Ito-Yokado SHC Co., Ltd." on March 1, 2006.

*3: as of August 31, 2005

(16) Results during the last three business years

Seven & I Holdings (the surviving company) has no results for the whole business year.

	Ito-Yokado SHC Co., Ltd *1 (the company that ceases to exist)		
Financial term	Feb/03	Feb/04	Feb/05
Net sales	1,506,131 million yen	1,474,808 million yen	1,455,358 million yen
Operating income	34,559 million yen	24,103 million yen	8,800 million yen
Ordinary income	49,242 million yen	42,317 million yen	27,081 million yen
Net income	42,767 million yen	28,695 million yen	17,509 million yen
Net income per share	101.79 yen	68.65 yen	41.74 yen
Annual dividend per share	34.00 yen	34.00 yen	34.00 yen
Shareholders' equity per share	1,755.67 yen	1,791.92 yen	1,801.25 yen

*1 : Now IY has decided that it will change its company name to "Ito-Yokado SHC Co., Ltd." on March 1, 2006.

3-3. Prospects of Seven & I Holdings after the Merger

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| (1) Company name | Seven & I Holdings Co., Ltd. |
| (2) Area of operation | Control and management of operating companies |
| (3) Original location | 8-8, Nibancho, Chiyoda-ku, Tokyo |
| (4) Business representative | Toshifumi Suzuki, Representative Director and Chairman
Noritoshi Murata, Representative Director and President |
| (5) Stated capital | No increase upon the Merger |
| (6) Total assets | Now being calculated |
| (7) Business year end | End of February |
| (8) Impact on results of Seven & I Holdings and consolidated results | There will be no impact on results of Seven & I Holdings and consolidated results since the Merger is between Seven & I Holdings and a consolidated subsidiary of Seven & I Holdings. |

Cautionary Statement Concerning Forward-Looking Information

This material contains forward-looking statements that involve risks and uncertainties. These statements include statements concerning projections, outlooks, objectives, and plans of Seven & I Holdings and Now IY. Certain statements contained in this material are not purely historical, including statements regarding our expectations, beliefs, intentions or strategies regarding the future that are forward-looking. Actual results could differ materially from those forward-looking statements contained in this material as a result of a number of risk factors and uncertainties. You should carefully consider these risks.

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