

**KOHYO Co., Ltd.**

**AEON Co., Ltd.**

## **AEON Co., Ltd. Agrees to Spin Off Grocery Supermarket Businesses in the Kyoto-Osaka-Kobe Region to KOHYO Co., Ltd.**

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**April 4, 2008** — Under the terms of a decision made by company president Motoya Okada today, AEON Co., Ltd. (“AEON” or “the Company”) will transfer the operations of 15 directly-managed AEON Group grocery supermarket stores (“SM”) in the Kyoto-Osaka-Kobe region of the Kinki District of Japan to KOHYO Co., Ltd., a consolidated AEON subsidiary. The transfer will take place on June 21, 2008 (one of the 15 stores is scheduled to open before the transfer date). The Company cites the opportunity to strengthen their SM division as the impetus behind this move. An agreement for an absorption-type split has been signed to execute the business transfer. The absorption-type split agreement between AEON and KOHYO is a simple demerger conducted in cooperation with a consolidated subsidiary; therefore, certain disclosures are not mandatory.

### Details

#### 1. Objective

The competitive environment of the retail industry in Japan today has become incredibly fierce, spurred by a declining birthrate and an aging population, as well as the entry of historically non-retail firms into the market.

The SM division is a core business of AEON, which owns SM companies throughout Japan. The Company has been engaged in the pursuit of growth strategies, building a strong management foundation, and positioning its SM businesses toward strong ties with their respective local communities.

In promoting a stronger, more fully developed regional business structure in the Kinki District, AEON brought in KOHYO as a consolidated subsidiary in December of last year, using the opportunity to expand the Company’s directly managed MaxValu business, while at the same time building a stronger retail network and business structure to enhance its competitive position.

This business integration will unite KOHYO, and its particular strengths in fresh produce and deli, with MaxValu stores in the Kinki district. The MaxValu brand is particularly strong in terms of product lineup, pricing, and financial services. This new integration will create a core company to

take over AEON's SM business in the region. KOHYO will find itself in an even stronger competitive position, and will realize greater management efficiencies through a more robust management foundation, and a business structure to support high-growth strategies.

By having access to the management resources of both companies, KOHYO will be able to pursue location expansion, and take advantage of an IT and logistics infrastructure leading to even higher levels of products and services. As a stronger overall company, KOHYO will offer greater customer satisfaction, secure steady growth and development, and contribute even more to improving the corporate value of the group as a whole.

2. Overview

(1) Schedule

April 4, 2008	(AEON) Demerger decision made by the president
April 4, 2008	Both companies signed absorption-type split agreement
April 14, 2008 (Scheduled)	General shareholders' meeting to approve demerger agreement (KOHYO)

As this absorption-type split is being conducted by AEON (demerged company) as a simple absorption-type split under the provisions of Article 784 Paragraph 3 of the Company Law, AEON will not be required to submit the demerger agreement to a general shareholders' meeting for approval.

June 21, 2008 (Planned)	Date of demerger (effective date)
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(2) Procedures

An absorption-type demerger, with the Company as the demerged company, and KOHYO as the Successor Company (simplified demerger).

(3) Allocation of Shares

As the Successor Company, KOHYO will issue 347,760 shares at the time of the absorption-type split, all of which will be granted to AEON.

(4) Calculation of Number of Allotted Shares

To ensure fairness and propriety, KPMG FAS Co., Ltd. ("KMPG FAS"), a third-party agency, was requested to calculate the number of shares to be issued by KOHYO before entering into the absorption-type demerger agreement. Having determined that the calculation results were appropriate, AEON and KOHYO concluded negotiations, with AEON agreeing to the decision made by company president Motoya Okada, and KOHYO passing a board meeting resolution.

KPMG FAS calculated the number of allotted shares using the DCF method, based on business

plans supplied by AEON and KOHYO. The calculation was made as follows indicated below.  
 KPMG FAS (a valuation company) employs no personnel considered to be an interested party at either AEON or KOHYO.

Analysis Method	Range of Allotted Shares
DCF Method	333,850 shares to 368,626 shares

(5) Change in Paid-In Capital

N/A.

(6) Treatment of Warrants and Bonds with Stock Purchase Warrants

While the Company does issue stock purchase warrants, this demerger will not cause changes in the treatment of such. The Company does not issue bonds with stock purchase warrants attached.

(7) Rights and Obligations to be succeeded by the Absorption-Type Split Successor Company

Those business assets, obligations, contractual standing and other associated rights and obligations succeeded by KOHYO shall be those deemed necessary for KOHYO to execute the business subject to demerger from AEON.

KOHYO will succeed a total of 15 retail locations as described below, including the operations of associated commercial facilities.

<Osaka> Nanba-Minatomachi Store, Hirano-Ekimae Store, Yodogawa-Mikuni Store, Hyotanyama Store, Kosaka Store, Suita-Senrigaoka Store, Esaka Store, Takatsuki-Minami Store, Toyonaka-Midorigaoka Store, Minoh-Gein Store, Hakurazaki Store, Higashi-Konoike Store (Scheduled to open in late April, this year)

<Nara> Ikoma-Minami Store

<Shiga> Zeze Store

<Hyogo Prefecture>

Muko-Motomachi Store

\*All locations operated under the “MaxValu” trade name.

(8) Fulfillment of Obligations

Both AEON and KOHYO (successor company) are expected to perform their various obligations subsequent to the effective date of the demerger.

### 3. Overview of Companies

	Demerged Company (as of February 20, 2007)	Successor Company (as of January 31, 2008)
(1) Business Name	AEON Co., Ltd.	KOHYO Co., Ltd.
(2) Description of Business	General retailer	Grocery supermarket chain
(3) Incorporation Date	September 21, 1926	January 18, 1973
(4) Address of Head Office	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture	4-4-8 Kitahorie, Nishi-ku, Osaka City, Osaka
(5) Company Representative	Motoya Okada, president	Katsuhiko Ochiai, president
(6) Paid-In Capital	¥198,791,000,000	¥197,000,000
(7) Number of Shares Issued	800,208,000	348,000
(8) Net Assets	¥1,200,783,000,000 (consolidated)	¥1,284,000,000 (non-consolidated)
(9) Total Assets	¥3,534,346,000,000 (consolidated)	¥12,944,000,000 (non-consolidated)
(10) Fiscal Year End	February 20	January 31
(11) Number of Employees	231,116 (consolidated) (part-time workers converted to 8-hour equivalent)	1,653 (non-consolidated) (part-time workers converted to 8-hour equivalent)
(12) Major Vendors	Manufacturers and wholesalers throughout Japan and the world	Ryoshoku Ltd., Asahi Shokuhin Co., Ltd., Umezawa Corporation, JA Shokuniku Kagoshima Co., Ltd. Others
(13) Major Shareholders and Ownership Ratios	The Master Trust Bank of Japan, Ltd. 8.26% Japan Trustee Services Bank, Ltd. 5.24% Mizuho Corporate Bank, Ltd. 2.99% AEON Environmental Foundation 2.64% The Cultural Foundation of	AEON 89.93% Katsuhiko Ochiai 4.02% Umehiko Ochiai 2.98% Ryoji Ochiai 2.98%

	Okada 2.51%	
(14) Main Banking Relationships	Mizuho Corporate Bank, Ltd. The Norinchukin Bank Sumitomo Mitsui Banking Corporation Resona Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Others	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Resona Bank, Ltd. Others
(15) Inter-Company Relations	Capital	AEON owns 89.93% of the successor company's outstanding shares.
	Management	None at present; however, three directors (two full-time) and one corporate auditor will be proposed at the successor company's April 14 regular shareholders' meeting for approval. After the demerger, AEON intends to assign AEON employees to KOHYO.
	Business Transactions	None at present; however, transactions related to real estate leases and product supplies will occur subsequent to the demerger.

(16) Operating Results for Last Three Fiscal Periods

(Units = ¥millions)

Fiscal Period	[Consolidated] AEON Co., Ltd. (Demerged Company)		
	FYE Feb 2005	FYE Feb 2006	FYE Feb 2007
Net Sales	3,813,635	4,040,600	4,345,308
Operating Income	146,777	166,105	189,728
Ordinary Income	156,099	175,989	188,303
Net Income	62,066	28,932	57,656
Net Income/ Share (¥)	88.71	39.61	77.31
Dividends/ Share (¥)	12.00	15.00	15.00
Net Assets/ Share (¥)	871.63	932.50	1,141.40

(Units = ¥millions)

	[Non-Consolidated] KOHYO Co., Ltd (Successor Company)		
Fiscal Period	FYE Aug 2006	FYE Aug 2007	FYE Jan 2008
Net Sales	39,322	42,295	17,807
Operating Income	973	1,131	472
Ordinary Income	1,011	1,343	619
Net Income	266	606	-435
Net Income/ Share (¥)	1,232.54	1,861.05	-1,252.10
Dividends/ Share (¥)	-	-	-
Net Assets/ Share (¥)	4,637.27	5,438.07	3,689.83

(Note) Fiscal year end has been changed to January (from August 31 to January 31)

#### 4. Overview of Demerged Divisions

##### (1) Description of Demerged Business

Operations of 15 SM (grocery supermarket) stores in the Kyoto-Osaka-Kobe region of Japan's Kinki District

##### (2) FYE February 2008 Management Results for Demerged Divisions

	Demerged Division (a)	[Consolidated] Demerged Company (b) *	Ratio (a/b)
Net Sales	¥27,950,000,000	¥4,345,308,000,000 *	0.64%

(Note) At FYE February 2008, the demerged division consisted of 13 retail locations.

\* This chart indicates management results for the demerged division for FYE February 2008. The Net Sales figure for "[Consolidated] Demerged Company (b)" is the figure for FYE February 2007.

##### (3) Demerged Assets, Liabilities (As of January 20, 2008)

Assets		Liabilities	
Category	Book Value	Category	Book Value
Current Assets	¥916,000,000	Current Liabilities	¥1,796,000,000
Fixed Assets	¥2,370,000,000	Long-Term Liabilities	¥62,000,000
Total	¥3,286,000,000	Total	¥1,858,000,000

(Note) The figures above do not reflect any increases/ decreases prior to the date of effect of the

demerger.

#### 5. Status of Absorption-Type Split Successor Company

With the exception of the business division to be absorbed, this demerger will have no change on the company name, business lines, head office location, representative titles/ names, capital stock or financial year end of KOHYO.

#### 6. Status of AEON subsequent to Demerger

- (1) With the exception of the business division to be demerged, this demerger will have no change on the company name, business lines, head office location, representative titles/ names, capital stock or financial year end of AEON.
- (2) This absorption-type split falls under Common Control Transactions related to Accounting Standards for Business Combinations.
- (3) This absorption-type split is expected to have no significant effect on the consolidated operating results for FYE February 2009.

End