



Corporate Demerger (Simplified Demerger) into Group Common Services Companies

April 18, 2008 — AEON Co., Ltd. (“the Company” or “AEON”) has determined to transfer PB product development, product purchasing (mainly national brand purchasing), and SCM functions to three subsidiary companies established on May 21 of last year. The transfer of operations will be accomplished through a simplified demerger, effective June 21, 2008.

As this is a simplified demerger with the successor companies being wholly owned subsidiaries, certain disclosures have been omitted.

Details

1. Objective

AEON established three subsidiaries in May of last year that will be responsible for Group common services for the purpose of further strengthening ties among Group companies and partner firms, as well as to pursue stronger Group synergies. These subsidiaries began operations in August of last year.

During the intervening period, AEON engaged in advanced systems development and rationalization for the services company mechanism supplying products to each of the companies in the Group. The system is planned for launch in June of this year. In conjunction with this launch, certain assets, etc. of products and logistics centers managed by AEON Co., Ltd. will be transferred to each of the three subsidiaries via corporate demerger.

The support system provided by these three subsidiaries as Group common services companies will continue to be improved, resulting in significantly higher efficiencies in product purchasing, as well as reduction in overall Group costs, leading to the development of stores that offer extremely advanced levels of customer satisfaction.

2. Overview of the Corporate Demerger

(1) Demerger Schedule

Demerger Agreement Approval by Representative	April 18, 2008
Demerger Agreement Approval Board Meeting (Successor Companies)	April 18, 2008
Demerger Agreement Finalization	April 18, 2004
Demerger Date (Effective Date)	June 21, 2008

(2) Procedures

An absorption-type demerger, with AEON being the demerged company and AEON TOPVALU Co., Ltd., AEON GLOBAL MERCHANDISING Co., Ltd., and AEON GLOBAL SCM Co., Ltd. each being Successor Companies. As this will be a simplified demerger according to the provisions of Paragraph 3 Article 784 of the Company Law, the demerger will be conducted without approval in a general shareholders' meeting.

(3) Allocation of Shares

The number of shares issued by each successor company in connection with this demerger shall be as follows, with all shares being allocated to the Company:

AEON TOPVALU Co., Ltd.	Common Stock	2,000 shares
AEON GLOBAL MERCHANDISING Co., Ltd.	Common Stock	2,000 shares
AEON GLOBAL SCM Co., Ltd.	Common Stock	2,000 shares

(4) Decrease in Paid-In Capital

No changes to paid-in capital will occur.

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

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

(6) Rights and Obligations to be succeeded by the Successor Companies

The rights and obligations succeeded by the Successor Companies shall be those assets, liabilities, contracts and related rights and obligations deemed necessary for the execution of the business operations subject to demerger. All employees engaged in work related to the business operations subject to demerger shall be considered as being temporarily transferred from the Company. With certain exceptions, the Company shall undertake responsibility for transferred obligations without further explicit liability.

(7) Fulfillment of Obligations

All parties expect that each will be able to perform the obligations undertaken subsequent to the effective date of demerger.

3. Company Overview

(1) Company Name	AEON Co., Ltd. (Demerged Company) [non-consolidated]	AEON TOPVALU Co., Ltd. (Successor Company) [non-consolidated]
(2) Business Description	General retailer	PB product planning, development, retail sales
(3) Incorporation Date	September 21, 1926	May 21, 2007
(4) Address of Head Office	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture
(5) Company Representative	Motoya Okada, president	Tetsu Tomonaga, president
(6) Paid-In Capital	¥199,054,000,000	¥10,000,000
(7) Number of Shares Issued	800,446,000 shares	2,000 shares
(8) Net Assets	¥552,526,000,000	¥(309,000,000)
(9) Total Assets	¥1,340,546,000,000	¥91,000,000
(10) Fiscal Year End	February 20	February 20
(11) Number of Employees	76,624 (part-time workers converted to 160-hour monthly equivalent)	113
(12) Major Vendors	Manufacturers and wholesalers in Japan and throughout the world	AEON Co., Ltd.
(13) Major Shareholders and Ownership Ratios	Japan Trustee Services Bank, Ltd. 4.35% The Master Trust Bank of Japan, Ltd. 4.04% Mizuho Corporate Bank, Ltd. 3.13% AEON Environmental Foundation 2.76% The Cultural Foundation of Okada 2.62%	AEON Co., Ltd. 100%

(14) Operating Results for the Past Three Fiscal Periods	FYE 2/2006	FYE 2/2007	FYE 2/2008	FYE 2/2006	FYE 2/2007	FYE 2/2008
Operating Revenues (¥ millions)	1,892,909	1,960,265	2,068,712	--	--	280
Operating Income (¥ millions)	24,297	33,576	31,718	--	--	(328)
Ordinary Income (¥ millions)	31,117	44,045	49,534	--	--	(329)
Net Income (¥ millions)	2,282	24,452	2,821	--	--	(329)
Net Income/Share (¥)	3.15	32.79	3.58	--	--	(164,740)
Dividends/Share (¥)	15.00	15.00	17.00	--	--	--
Net Assets/Share (¥)	586.41	786.63	721.51	--	--	(154,740)

(1) Company Name	AEON GLOBAL MERCHANDISING Co., Ltd. (Successor Company) [non-consolidated]	AEON GLOBAL SCM Co., Ltd. (Successor Company) [non-consolidated]
(2) Business Description	Wholesaler	Logistics
(3) Incorporation Date	May 21, 2007	May 21, 2007
(4) Address of Head Office	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture
(5) Company Representative	Yoshitomo Suzuki, president	Takao Iwamoto, president
(6) Paid-In Capital	¥10,000,000	¥10,000,000
(7) Number of Shares Issued	2,000 shares	2,000 shares

(8) Net Assets	¥(24,000,000)			¥55,000,000		
(9) Total Assets	¥73,000,000			¥186,000,000		
(10) Fiscal Year End	February 20			February 20		
(11) Number of Employees	53			105		
(12) Major Vendors	AEON Co., Ltd.			AEON Co., Ltd.		
(13) Major Shareholders and Ownership Ratios	AEON Co., Ltd. 100%			AEON Co., Ltd. 100%		
(14) Operating Results for the Past Three Fiscal Periods	FYE 2/2006	FYE 2/2007	FYE 2/2008	FYE 2/2006	FYE 2/2007	FYE 2/2008
Operating Revenues (¥ millions)	--	--	267	--	--	540
Operating Income (¥ millions)	--	--	(44)	--	--	67
Ordinary Income (¥ millions)	--	--	(44)	--	--	67
Net Income (¥ millions)	--	--	(44)	--	--	35
Net Income/ Share (¥)	--	--	(22,349)	--	--	17,637
Dividends/ Share (¥)	--	--	--	--	--	--
Net Assets/ Share (¥)	--	--	(12,349)	--	--	27,637

4. Demerged Businesses

	Successor Companies		
	AEON TOPVALU Co., Ltd.	AEON GLOBAL MERCHANDISING Co., Ltd.	AEON GLOBAL SCM Co., Ltd.
(1) Demerged Businesses	Planning, development and retail promotion of private brand products; certain operations related to	National brand product purchasing; certain operations related to supplying Group companies	Certain logistics operations between AEON Co., Ltd. and Group companies

	supplying Group companies			
(2) Management Results of Demerged Businesses (Operating Revenues)				
Demerged Business Division (a)	¥34,006,000,000	¥89,000,000	¥2,772,000,000	
Company FYE 2/2008 Results (b)	¥2,068,712,000,000			
Ratio (a/b)	1.64%	0.00%	0.13%	
(3) Value of Demerged Assets, Liabilities (as of February 20, 2008)				
Category		Book Value		
Assets	Current Assets	¥5,667,000,000	¥2,268,000,000	¥5,000,000
	Fixed Assets	¥19,000,000	¥5,000,000	¥515,000,000
	Total Assets	¥5,686,000,000	¥2,274,000,000	¥520,000,000
Liabilities	Current Liabilities	0	0	0
	Long-Term Liabilities	0	0	0
	Total Liabilities	0	0	0

(Note)

The figures for assets and liabilities to be demerged are calculations based on balance sheets as of February 20, 2008. Increases or decreases occurring prior to the day before the effective date of the demerger will be added to/ subtracted from demerged assets and/ or liabilities.

5. Status of Company (Demerged Company) subsequent to Demerger

(1) No changes will occur in company name, business lines, head office address, representative, paid-in capital or fiscal year end

(2) Net Assets

The difference between assets and liabilities transferred to the successor companies will result in a decrease in net assets.

6. Future Outlook

As this demerger will take place with wholly owned subsidiaries as successor companies, there will only be minor effects on Company consolidated operating results.

End