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Financial Results

for the Three Months Ended May 20, 2008

July 8, 2008

Company name	Aeon Co., Ltd.
Listings	The First Section of Tokyo Stock Exchange
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1. Consolidated Financial Results for the Three Months Ended May 20, 2008

(February 21, 2008 to May 20, 2008)

(Amounts rounded down to the nearest million yen;
percentage figures represent year-on-year changes)

(1) Operating Results

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 20, 2008	1,279,215	4.1	22,649	(20.2)	23,450	(22.7)	(9,271)	-
Three months ended May 20, 2007	1,228,260	8.7	28,375	(15.9)	30,325	(12.2)	8,019	(38.2)
Year ended February 20, 2008	5,167,366	-	156,040	-	166,326	-	43,932	-

	Net income per share	Net income per share – fully diluted
	yen	yen
Three months ended May 20, 2008	(12.12)	-
Three months ended May 20, 2007	10.03	10.03
Year ended February 20, 2008	55.75	55.75

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Three months ended May 20, 2008	3,682,451	1,144,172	23.0	1,108.00
Three months ended May 20, 2007	3,749,378	1,194,604	24.1	1,129.21
Year ended February 20, 2008	3,591,406	1,167,477	24.2	1,136.73

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Three months ended May 20, 2008	12,504	(83,005)	108,584	194,006
Three months ended May 20, 2007	28,309	(120,689)	34,126	324,963
Year ended February 20, 2008	200,050	(291,283)	(141,266)	159,744

2. Dividends

	Dividend per share
(Record date)	End of the first three months
	yen
Three months ended May 20, 2008	-
Three months ended May 20, 2007	-

3. Forecast of Consolidated Earnings for the Year Ending February 28, 2009 (Reference)

(February 21, 2008 to February 28, 2009)

	Operating revenue	Operating income	Ordinary income	Net income	Net income per share
	million yen	million yen	million yen	million yen	yen
Full year	Over 5,400,000	165,000 to 175,000	165,000 to 175,000	11,000 to 15,000	14 to 19

A change in fiscal year date (closing date) was decided at the board meeting held on April 7, 2008, and approved at the 83rd general shareholders' meeting held on May 15, 2008.

4. Other Information

- (1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation): None
- (2) Use of simplified accounting methods: Yes
- (3) Changes in accounting procedures from the most recent fiscal year: Yes

Notes: For details, see "4. Other Matters" (p. 6) in the "Review of Operating Results and Financial Statements" section.

The above forecasts are based on information available to the company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

Review of Operating Results and Financial Statements

1. Consolidated Operating Results

Scrap and Build

Aeon Co., Ltd., continued its scrap-and-build efforts during the quarter, opening two new general merchandise stores (GMS), 23 supermarkets, and two supercenters, and shutting down eight GMSs and nine supermarkets.

Pursuing Group Synergy

TOPVALU, Aeon's private brand, enjoyed a surge in sales at all companies stocking the brand as a result of developing new products and ensuring that customer feedback is reflected in the way existing products are renewed. Surging fuel and raw materials prices have driven prices on foods and everyday items higher. The increase in TOPVALU sales is proof of customer support for the brand, through which Aeon provides affordable day-to-day items backed by product safety assured by strict quality-control standards. Sales of TOPVALU products rose 32.2% from the first quarter last year to 79.5 billion yen. The Daiei, Inc., also began selling TOPVALU products.

With regard to national brands as well, Aeon continued utilizing the Group's common functions to offer quality products at special low prices.

The three companies launched last fiscal year—Aeon Topvalu Co., Ltd., Aeon Global Merchandising Co., Ltd., and Aeon Global SCM Co., Ltd.—took over products, logistics centers, and other assets spun off from Aeon Co., Ltd. With this transfer, the Group's management resources and know-how will be concentrated in each of these functional companies, and the Group will further boost procurement efficiency and reduce costs.

Group Reorganization

As part of efforts to integrate the Group's supermarket businesses, Maxvalu Hokkaido Co., Ltd., and Joy Co., Ltd. (a consolidated subsidiary of Aeon Co., Ltd.) were merged, with Maxvalu Hokkaido Co., Ltd., as the surviving entity. In addition, Kohyo Co., Ltd., a consolidated subsidiary of Aeon Co., Ltd., signed a merger-demerger agreement that will enable Kohyo Co., Ltd., to succeed and run 15 supermarkets in the Keihanshin area that are currently directly run by Aeon Co., Ltd. The demerger is scheduled to be completed by July 21, 2008 (tentative).

Aeon Co., Ltd., Tsuruya Shoe Store Co., Ltd., and Nustep Co., Ltd., signed a basic agreement to merge Tsuruya Shoe Store Co., Ltd., and Nustep Co., Ltd., by January 21, 2009 (tentative), with Tsuruya Shoe Store Co., Ltd., as the surviving entity. The three firms also came to a basic agreement on turning Tsuruya Shoe Store Co., Ltd.—the surviving entity—into a consolidated subsidiary of Aeon Co., Ltd., soon after the merger.

Aeon Co., Ltd., and CFS Corporation signed a capital and business partnership agreement to further strengthen cooperation between the two companies and to boost the corporate value of CFS Corporation.

New Businesses

Aeon has expanded coverage for its WAON e-money service. At the end of the first quarter, WAON was accepted at a total of around 25,000 stores, and some 4.45 million WAON cards had been issued (roughly 4.90 million cards as of June 30, 2008).

Through sales activities at in-store branches within Aeon shopping centers, the Aeon Bank, Ltd.—an equity-method affiliate of Aeon Co., Ltd.—focused on building its customer base, primarily through new account openings, while working to enhance its product lineup, which includes investment trusts, insurance policies, and loans. At the end of Aeon Bank's last fiscal year (March 31, 2008), the bank had 21 in-store branches, roughly 280,000 accounts, and total deposits of 150 billion yen.

Segment Information

GMS and Other Retail Store Operations

The Aeon Group made group-wide efforts to strengthen sales of the TOPVALU private brand as well as to expand use of Group infrastructure, such as product-demand aggregation functions, to boost price competitiveness and improve earnings. Led by Aeon Co., Ltd., the Group also began working on GMS reform, a key policy under Aeon's medium-term management plan.

Amid weak consumption in the first quarter, the parent company, Aeon Co., Ltd., saw comparable store sales grow 0.6% compared with the first quarter of the previous fiscal year (breakdown: sales of clothing fell 2.7%, sales of foods grew 2.5%, while sales of housing and recreational products slipped 1.2%). Gross margins at directly operated stores improved for housing and recreational products as well as clothing after seasonal products were disposed of in line with plans. However, gross margins at directly operated stores overall dipped 0.2% from the first quarter of last fiscal year because foods—sales of which grew because of Aeon's efforts to offer quality at low prices—made up a larger portion of total sales as consumers became increasingly cautious in their spending. Selling, general and administrative expenses inched up 0.5% compared with the first quarter of the previous fiscal year due to spending primarily to revitalize existing stores. As a result, although operating revenue increased 6.3% year on year, operating income declined by 2.3 billion yen.

Mycal Corporation saw comparable store sales remain flat, and gross margins at directly operated stores improve from the first quarter of last fiscal year. However, Mycal Corporation posted higher revenue but lower earnings due to investments in information technology related to the installation of a group-wide common infrastructure system, as well as changes to store formats and the revitalization of existing stores.

In addition to group-wide efforts, Aeon's domestic supermarket operators made efforts to enhance the range of regional products available. Maxvalu Nishinohon Co., Ltd., and Maxvalu Kyushu Co., Ltd., both enjoyed revenue and earnings growth during the quarter under review, but Maxvalu Hokkaido Co., Ltd., and Maxvalu Tohoku Co., Ltd., suffered declines in earnings, and as a result the domestic supermarket operations business, as a whole, posted higher revenue but lower earnings.

In Japan, Ministop Co., Ltd., opened new stores, mainly in the three major Japanese cities, and shut down unprofitable ones in an effort to boost revenue. However, gross margins declined due to the rising cost of fryer oils for store-cooked snacks and other factors. This resulted in higher

revenue but lower earnings. Overseas, Ministop Korea Co., Ltd., posted revenue and earnings growth in local currency terms, but due to the unfavorable exchange rate, consolidated revenue and earnings for Ministop Co., Ltd., both declined.

In China, Aeon Group companies continue to enjoy growth due to improved store-management skills of local employees, appropriate responses to local community events, contributions from stores opened last fiscal year, and other factors. As a result, operating revenue jumped 8.5% year on year, while operating income surged 32.0% overall for China and the rest of Asia.

Specialty Store Operations

Of Aeon's overseas specialty stores, U.S.-based The Talbots, Inc., saw comparable store sales drop 9.8% compared with the first quarter of the previous fiscal year due to weak consumption in the U.S. However, inventory control and a review of sale strategies helped gross margins advance 2.6% year on year in the core ladies' clothing business. Talbots, Inc., concentrated on revitalizing and boosting revenue in the ladies' clothing division, and shut down 20 stores, including 13 stores that offer children's and men's clothing. Talbots, Inc., posted declines in both revenue and earnings in the first quarter, but is proceeding smoothly with corporate rebuilding plans amid a tough U.S. retail market.

Of Aeon's domestic specialty stores, Nustep Co., Ltd., and Mega Petro Co., Ltd., secured increases in both revenue and earnings. But clothing specialty shop operator Blue Grass Co., Ltd., Cox Co., Ltd., and other companies suffered declines in operating revenue due to weak personal consumption and unfavorable weather conditions. As a result, Aeon's domestic specialty stores, as a whole, saw higher revenues but lower earnings.

Developer Business

Aeon Mall Co., Ltd., focused on renewing and increasing floor space at existing shopping centers and improving services to boost competitiveness. Due to the merger with Diamond City Co., Ltd., last fiscal year (on August 21, 2007), the opening of stores last fiscal year, and other factors, Aeon Mall Co., Ltd., split off its insurance agency business to Aeon Insurance Service Co., Ltd., as part of the group's plans to integrate activities, but still achieved growth in both revenue and earnings.

Services Operations

Aeon Delight Co., Ltd., enjoyed revenue and earnings growth after obtaining work from both Aeon group and non-group companies, reviewing the revenue structures of its existing businesses, and improving cost structure by centralizing systems and adjusting outsourcing costs through integration.

Aeon Credit Service Co., Ltd., saw credit card shopping transaction volume increase steadily as newly launched alliance cards resulted in stronger cardholder sign-ups in Japan. The company continued strengthening fee businesses such as its e-money business and banking services agency activities. Overseas operations grew smoothly on the back of increased credit card shopping transaction volume, driven by sales promotions at Aeon Group stores, and an increase in policies in force issued under the company's insurance agency activities as a result of stronger consultation-based sales efforts. However, both consolidated revenue and earnings of Aeon Credit Service declined due to a number of factors. Domestic businesses were hurt by the effects of last year's enforcement of the revised Money Lending Act, which lowered the interest rate cap;

the company continued investing in new businesses; and revenue and earnings from overseas operations grew on a local currency basis but suffered from unfavorable exchange rates.

As a result, Aeon's first-quarter consolidated operating revenue rose 4.1% year on year to 1,279,215 million yen, while group operating income fell 20.2% to 22,649 million yen. Consolidated ordinary income dipped 22.7% to 23,450 million yen. The quarter saw a net loss of 9,271 million yen after accounting for extraordinary losses of 2,020 million yen on estimated future redemptions of unredeemed gift coupons, as well as corporate tax adjustment of 15,640 million yen along with the change to tax-effect accounting standards, and other factors.

2. Consolidated Financial Condition

At the end of the first quarter, total assets were up 91,044 million yen compared with the end of last fiscal year, while net assets were down 23,304 million yen.

Growth in total assets was mainly a result of an increase in operating receivables due to the expansion of business by financial subsidiaries. Net assets decreased due to the distribution of retained earnings and net losses recorded in the first quarter.

Net cash provided by operating activities was 12,504 million yen. This primarily reflects increases in operating receivables at financial subsidiaries as well as an increase in quarterly pre-tax net income excluding the non-cash costs of depreciation costs.

Net cash used in investment activities was 83,005 million yen, primarily due to the acquisition of tangible fixed assets.

Net cash provided by financing activities was 108,584 million yen, primarily due to a net increase in short-term debt and other items.

3. Consolidated Earnings Forecasts

This fiscal year is the first year of Aeon's current medium-term management plan, and the Group will therefore begin implementing measures aimed at achieving numerical targets for the fiscal year ending February 2011. The first quarter saw weak earnings, but these results were within expectations. Therefore, the company has not made any changes to the earnings forecasts announced on April 7, 2008.

Note: Earnings forecasts are based on information available to the company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

4. Other Matters

(1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation)

None

(2) Use of simplified accounting methods

Aeon is implementing simple accounting methods for booking corporate taxes and reserves. In addition, the company is adopting simple accounting methods for some categories where the effects will be minimal.

(3) Changes in accounting procedures from the most recent fiscal year

Changes to accounting procedures

Tax-effect Accounting in Consolidated Financial Accounts

Starting this fiscal year, Aeon will follow article 30-2 of the revised implementation guidance for tax-effect accounting in consolidated accounts issued by the Japanese Institute of Certified Public Accountants (Accounting Systems Committee No. 6; originally issued May 12, 1998; final revision March 29, 2007).

Because of this change, during this fiscal Aeon will draw down deferred tax that, until last fiscal year, were recorded when unrealized gains resulting from the sale of subsidiary stock between consolidated group companies were eliminated. For this reason, Aeon recorded 15,640 million yen in corporate tax adjustments related to drawing down deferred tax assets, which ultimately increased this quarter's net losses by 15,101 million yen compared to the figure that would have resulted with the previous accounting treatment.

Additional Information

Allowance for Unredeemed Gift Coupons

In the past, unredeemed gift coupons issued more than a certain time were transferred from liabilities and recorded as non-operating revenue by Aeon and some of Aeon's consolidated subsidiaries. However, the Japanese Institute of Certified Public Accountants recently released a position statement on the auditing treatment of reserves stipulated in the Special Tax Measures Act, statutory allowances or reserves, and reserves for directors' retirement benefits (Audit and Assurance Practice Committee No. 42; April 13, 2007). In accordance with this, this fiscal year Aeon has started setting aside allowances for losses on the redemption of gift coupons that had been removed from liabilities. Provisions are based on reasonable forecasts of the value of coupons redeemed.

Due to this, Aeon recorded an extraordinary loss of 2,020 million yen for provisions for losses on unredeemed gift coupons required to be recorded at the beginning of the current consolidated fiscal year. As a result, quarterly ordinary income was 156 million yen higher and pre-tax quarterly net income was 1,864 million yen lower compared to the figures that would have resulted with the previous accounting treatment.

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets

	As of May 20, 2008 (A)	As of May 20, 2007 (B)	(A) - (B)	(Millions of yen) As of February 20, 2008 (Reference)
	Amount	Amount	Amount	%
Assets				
I Current assets				
1.Cash and time deposits	210,059	342,168	(132,108)	(38.6)
2.Notes and accounts receivable-trade	399,041	411,539	(12,498)	(3.0)
3.Marketable securities	5,931	4,180	1,750	41.9
4.Merchandise inventories	354,112	340,765	13,347	3.9
5.Deferred tax assets	44,901	36,611	8,290	22.6
6.Financial loan	500,656	526,247	(25,590)	(4.9)
7.Other	130,078	113,631	16,447	14.5
Allowance for doubtful accounts	(59,740)	(49,597)	(10,142)	20.4
Total current assets	1,585,042	1,725,547	(140,504)	(8.1)
II Fixed assets				
1.Property, buildings and equipment				
1) Buildings and structures	805,030	735,765	69,265	9.4
2) Furniture and fixtures	119,499	118,286	1,212	1.0
3) Land	322,348	296,364	25,984	8.8
4) Construction in progress	30,236	52,776	(22,540)	(42.7)
5) Other	2,813	1,740	1,072	61.6
Total property, buildings and equipment	1,279,928	1,204,933	74,994	6.2
2.Intangible fixed assets	139,605	149,145	(9,540)	(6.4)
3.Investments and other assets				
1) Investment securities	219,223	196,746	22,477	11.4
2) Deferred tax assets	37,704	48,896	(11,191)	(22.9)
3) Fixed leasehold deposits to lessors	355,724	357,494	(1,770)	(0.5)
4) Deposits for stores in progress	5,398	5,464	(65)	(1.2)
5) Other	76,787	87,616	(10,828)	(12.4)
Allowance for doubtful accounts	(17,529)	(27,430)	9,900	(36.1)
Total investments and other assets	677,309	668,788	8,521	1.3
Total fixed assets	2,096,843	2,022,867	73,976	3.7
III Deferred assets	565	964	(398)	(41.3)
Total assets	3,682,451	3,749,378	(66,926)	(1.8)

	As of May 20, 2008 (A)	As of May 20, 2007 (B)	(A) - (B)		As of February 20, 2008 (Reference)
	Amount	Amount	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Notes and accounts payable-trade	576,504	569,672	6,832	1.2	569,889
2. Short-term borrowings	204,533	121,583	82,949	68.2	106,363
3. Current portion of long-term debt	186,263	146,711	39,552	27.0	156,188
4. Bonds due within one year	24,996	32,670	(7,673)	(23.5)	25,410
5. Commercial paper	5,000	62,934	(57,934)	(92.1)	3,000
6. Income taxes payable	14,883	18,465	(3,582)	(19.4)	38,006
7. Provision for bonuses	26,857	24,129	2,727	11.3	17,216
8. Provision for store closing expenses	8,570	4,248	4,321	101.7	7,791
9. Allowance for point program	6,017	4,209	1,807	42.9	5,272
10. Current portion of secured and unsecured obligations under reorganization proceedings of subsidiaries	1,904	1,903	0	0.0	1,904
11. Notes payable, construction	72,281	74,794	(2,512)	(3.4)	102,251
12. Other	329,794	359,960	(30,165)	(8.4)	300,465
Total current liabilities	1,457,607	1,421,283	36,324	2.6	1,333,760
II Long-term liabilities					
1. Bonds	201,708	199,589	2,118	1.1	202,186
2. Long-term debt	537,159	582,087	(44,928)	(7.7)	548,118
3. Deferred tax liabilities	8,541	14,468	(5,927)	(41.0)	6,983
4. Liability for employees' retirement benefits	46,984	48,088	(1,103)	(2.3)	46,830
5. Liability for directors' retirement benefits	1,286	1,388	(101)	(7.3)	1,387
6. Provision for store closing expenses	8,554	13,107	(4,553)	(34.7)	9,869
7. Provision for contingent liabilities	1,492	1,692	(200)	(11.9)	1,505
8. Allowance for loss on refund of interest received	8,340	6,755	1,585	23.5	8,540
9. Allowance for loss on redemption of gift coupons	1,882	-	1,882	-	-
10. Secured and unsecured obligations under reorganization proceedings of subsidiaries	9,802	11,819	(2,016)	(17.1)	9,845
11. Lease deposits from lessees	223,166	216,909	6,256	2.9	221,468
12. Other	31,750	37,582	(5,831)	(15.5)	33,434
Total long-term liabilities	1,080,670	1,133,490	(52,819)	(4.7)	1,090,169
Total liabilities	2,538,278	2,554,773	(16,495)	(0.6)	2,423,929
Net assets					
I Shareholders' equity					
1. Common stock	199,054	198,791	263	0.1	199,054
2. Capital surplus	264,968	264,704	263	0.1	264,968
3. Retained earnings	431,174	415,569	15,604	3.8	453,399
4. Treasury stock	(61,520)	(851)	(60,668)	-	(61,515)
Total shareholders' equity	833,677	878,213	(44,536)	(5.1)	855,906

II Valuation and translation adjustments					
1. Unrealized gain on available-for-sale securities	18,798	17,715	1,082	6.1	14,977
2. Deferred gain (loss) on derivatives under hedge accounting	(711)	(77)	(633)	-	(916)
3. Foreign currency translation adjustments	(4,002)	7,031	(11,034)	-	(220)
Total valuation and translation adjustments	14,084	24,669	(10,585)	(42.9)	13,839
III Stock acquisition rights	794	446	347	78.0	427
IV Minority interests	295,617	291,274	4,342	1.5	297,302
Total net assets	1,144,172	1,194,604	(50,431)	(4.2)	1,167,477
Total net assets and liabilities	3,682,451	3,749,378	(66,926)	(1.8)	3,591,406

Condensed Consolidated Statements of Income

(Millions of yen)

	Three months ended May 20, 2008	Three months ended May 20, 2007	(A) - (B)		Year ended February 20, 2008
	(A)	(B)			(Reference)
	Amount	Amount	Amount	%	Amount
I Net sales	1,150,605	1,105,091	45,513	4.1	4,650,088
II Cost of sales	827,563	785,776	41,787	5.3	3,313,381
Gross profit on sales	323,041	319,315	3,725	1.2	1,336,707
III Rental and other revenues	128,610	123,168	5,442	4.4	517,277
Gross profit from operating	451,652	442,484	9,168	2.1	1,853,985
IV Selling, general and administrative expenses	429,002	414,108	14,894	3.6	1,697,944
1. Advertising expense	30,394	29,790	604	2.0	115,820
2. Provision of allowance for doubtful accounts	8,760	11,633	(2,872)	(24.7)	44,784
3. Employees' salaries and bonuses	142,896	135,207	7,688	5.7	584,557
4. Provision for bonuses	9,641	9,428	213	2.3	17,216
5. Statutory welfare benefit expense	21,941	20,908	1,033	4.9	86,603
6. Utilities expense	21,017	18,644	2,372	12.7	88,136
7. Depreciation and amortization	32,042	30,711	1,330	4.3	128,659
8. Repairs and maintenance expense	26,350	26,284	65	0.2	97,979
9. Rent expense	68,394	64,984	3,409	5.2	260,464
10. Amortization of goodwill	2,104	2,074	29	1.4	8,346
11. Other	65,459	64,438	1,020	1.6	265,374
Operating income	22,649	28,375	(5,726)	(20.2)	156,040
V Other income	6,334	6,608	(274)	(4.1)	28,486
1. Interest and dividend income	875	1,065	(189)	(17.8)	5,461
2. Amortization of negative goodwill	2,889	2,824	65	2.3	11,226
3. Equity in gains of associated companies	-	468	(468)	-	-
4. Other	2,568	2,250	318	14.1	11,798
VI Other expenses	5,532	4,658	874	18.8	18,200
1. Interest expense	2,962	3,422	(460)	(13.5)	12,774
2. Equity in losses of associated companies	1,413	-	1,413	-	548
3. Other	1,157	1,235	(78)	(6.3)	4,877
Ordinary income	23,450	30,325	(6,875)	(22.7)	166,326
VII Extraordinary gains	10,202	4,111	6,091	148.1	41,058
1. Gain on sale of property, buildings and equipment	56	218	(162)	(74.4)	4,979
2. Other	10,146	3,892	6,253	160.7	36,079
VIII Extraordinary losses	13,729	5,708	8,020	140.5	82,810
1. Loss on disposal of property, buildings and equipment	927	592	335	56.6	4,452
2. Other	12,801	5,116	7,684	150.2	78,357
Income before income taxes and minority interests	19,924	28,728	(8,804)	(30.6)	124,575
Income taxes	22,632	13,281	9,351	70.4	56,611
Minority interests	6,563	7,428	(865)	(11.6)	24,031
Net income	(9,271)	8,019	(17,290)	-	43,932

Condensed Consolidated Statements of Changes in Shareholders' Equity

Three months ended May 20, 2008 (February 21, 2008, to May 20, 2008)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of February 20, 2008	199,054	264,968	453,399	(61,515)	855,906
Changes during period					
Cash dividends			(13,008)		(13,008)
Net income (loss)			(9,271)		(9,271)
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Other			55		55
Net change in items other than shareholders' equity during period					
Total changes during period	-	0	(22,224)	(4)	(22,229)
Balance as of May 20, 2008	199,054	264,968	431,174	(61,520)	833,677

	Valuation and translation adjustments							Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock acquisition rights	Minority interests		
Balance as of February 20, 2008	14,977	(916)	(220)	13,839	427	297,302	1,167,477	
Changes during period								
Cash dividends							(13,008)	
Net income (loss)							(9,271)	
Purchase of treasury stock							(5)	
Disposal of treasury stock							0	
Other							55	
Net change in items other than shareholders' equity during period	3,820	205	(3,781)	244	366	(1,685)	(1,074)	
Total changes during period	3,820	205	(3,781)	244	366	(1,685)	(23,304)	
Balance as of May 20, 2008	18,798	(711)	(4,002)	14,084	794	295,617	1,144,172	

Three months ended May 20, 2007 (February 21, 2007, to May 20, 2007)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of February 20, 2007	198,791	264,704	419,438	(848)	882,086
Changes during period					
Cash dividends			(11,994)		(11,994)
Net income			8,019		8,019
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Other			106		106
Net change in items other than shareholders' equity during period					
Total changes during period	-	0	(3,869)	(3)	(3,872)
Balance as of May 20, 2007	198,791	264,704	415,569	(851)	878,213

	Valuation and translation adjustments							Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock acquisition rights	Minority interests		
Balance as of February 20, 2007	23,547	(135)	7,139	30,551	305	287,840	1,200,783	
Changes during period								
Cash dividends							(11,994)	
Net income							8,019	
Purchase of treasury stock							(4)	
Disposal of treasury stock							0	
Other							106	
Net change in items other than shareholders' equity during period	(5,831)	57	(107)	(5,881)	141	3,433	(2,306)	
Total changes during period	(5,831)	57	(107)	(5,881)	141	3,433	(6,179)	
Balance as of May 20, 2007	17,715	(77)	7,031	24,669	446	291,274	1,194,604	

Condensed Consolidated Statements of Cash Flows

		(Millions of yen)	
		Three months ended May 20, 2008	Three months ended May 20, 2007
		Amount	Amount
I	Cash flows from operating activities		
	Income before income taxes and minority interests	19,924	28,728
	Depreciation and amortization	34,445	32,499
	Amortization of goodwill	2,104	2,074
	Amortization of negative goodwill	(2,889)	(2,824)
	Increase in allowance for doubtful accounts	16,327	11,247
	Increase in allowance for loss on redemption of gift coupons	1,882	-
	Increase in provision for bonuses	9,178	9,435
	Increase in liabilities for retirement benefits	367	1,751
	Increase (decrease) in provision for store closing expenses	(534)	951
	Interest and dividend income	(875)	(1,065)
	Interest expense	2,962	3,422
	Equity in losses (gains) of associated companies	1,413	(468)
	Gain on sales of property, buildings and equipment	(56)	(218)
	Loss on disposals and sales of property, buildings and equipment	966	705
	Impairment losses	486	804
	Net gain (loss) on sales of securities	(6,473)	(2,371)
	Increase in notes and accounts receivable - trade	(46,520)	(86,916)
	Increase in merchandise inventories	(9,965)	(9,367)
	Increase in financial loan receivable	(10,624)	(19,656)
	Increase in notes and accounts payable - trade	11,494	43,285
	Other assets and liabilities	26,735	65,518
	Other - net	277	2,487
	Sub total	50,627	80,024
	Interest and dividends received	1,002	771
	Interest paid	(2,522)	(2,975)
	Income taxes paid	(36,602)	(49,510)
	Net cash provided by (used in) operating activities	12,504	28,309

	(Millions of yen)	
	Three months ended May 20, 2008	Three months ended May 20, 2007
	Amount	Amount
II Cash flows from investing activities		
Purchase of marketable securities	(1,032)	(1,000)
Proceeds from sales of marketable securities	2,418	2,000
Purchase of property, buildings and equipment	(91,693)	(67,356)
Proceeds from sales of property, buildings and equipment	928	8,204
Purchase of investment securities	(77)	(76,286)
Proceeds from sales of investment securities	6,596	2,910
Cash paid in conjunction with the purchases of consolidated subsidiaries	-	7,543
Payments for fixed leasehold deposits to lessors	(4,647)	(9,512)
Collection of fixed leasehold deposits to lessors	5,408	11,492
Proceeds from lease deposits from lessees	6,867	7,076
Repayments of lease deposits from lessees	(6,045)	(3,878)
Other - net	(1,727)	(1,882)
Net cash provided by (used in) investing activities	(83,005)	(120,689)
III Cash flows from financing activities		
Net increase in short-term borrowings and commercial paper	102,208	66,473
Proceeds from long-term debt	59,635	17,360
Repayments of long-term debt	(34,128)	(30,841)
Payments for redemption of bonds	(310)	(350)
Repayments of secured and unsecured obligations under reorganization proceedings of subsidiaries	(75)	(131)
Proceeds from issuance of subsidiaries' stock to minority shareholders	90	35
Repurchase of subsidiaries' stock from minority shareholders	(28)	(17)
Dividends paid to shareholders	(13,008)	(11,994)
Dividends paid to minority shareholders	(4,599)	(4,849)
Other - net	(1,199)	(1,557)
Net cash provided by (used in) financing activities	108,584	34,126
IV Foreign currency translation adjustments on cash and cash equivalents	(3,822)	365
V Net increase (decrease) in cash and cash equivalents	34,261	(57,887)
VI Cash and cash equivalents, beginning of year	159,744	382,851
VIIICash and cash equivalents, end of year	194,006	324,963

Segment Information

1. Operating Segment Information

	(Millions of yen)			
	Three months ended May 20, 2008		Three months ended May 20, 2007	
	Amount	%	Amount	%
(1) Operating revenue				
GMS and Other Retail Store Operations	1,034,350	73.6	975,864	73.2
Specialty Stores	149,772	10.7	155,667	11.7
Developer	36,895	2.6	33,649	2.5
Services and Other	184,235	13.1	168,597	12.6
Total	1,405,254	100.0	1,333,778	100.0
Elimination	(126,039)		(105,518)	
Consolidated	1,279,215		1,228,260	
(2) Operating income				
GMS and Other Retail Store Operations	941	4.2	4,770	16.8
Specialty Stores	1,073	4.7	2,286	8.0
Developer	8,615	38.0	8,625	30.3
Services and Other	12,044	53.1	12,770	44.9
Total	22,674	100.0	28,453	100.0
Elimination	(25)		(77)	
Consolidated	22,649		28,375	

Notes:

1. Classification of business segments

The Company's businesses are classified based on business operations carried out within the Group.

2. Business in each segment

- (1) GMS and Other Retail Store Operations includes general merchandise stores (GMS), supermarkets, convenience stores, and department stores.
- (2) Specialty Stores includes ladies apparel, family casual apparel, health & beauty care, and shoe stores.
- (3) Developer includes shopping center and mall development, leasing, and operation.
- (4) Services and Other includes financial services, amusement services, food services, maintenance services, wholesale, etc.

2. Geographical Segment Information

	(Millions of yen)			
	Three months ended May 20, 2008		Three months ended May 20, 2007	
	Amount	%	Amount	%
(1) Operating revenue				
Japan	1,144,423	89.4	1,090,780	88.7
North America	56,163	4.4	68,086	5.5
Asia and other	79,957	6.2	71,082	5.8
Total	1,280,545	100.0	1,229,948	100.0
Elimination	(1,329)		(1,688)	
Consolidated	1,279,215		1,228,260	
(2) Operating income				
Japan	15,941	70.4	22,354	78.7
North America	1,956	8.6	2,138	7.5
Asia and other	4,745	21.0	3,899	13.8
Total	22,643	100.0	28,393	100.0
Elimination	5		(17)	
Consolidated	22,649		28,375	

Notes:

Country and geographical segmentation; and major countries and regions in each segment

(1) Geographical segmentation is based on geographical proximity.

(2) Major countries or regions in each segment

North America: U.S., Canada

Asia and other: China, South Korea, Taiwan, Malaysia, Thailand, Singapore, Indonesia,
Australia