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FOR IMMEDIATE RELEASE

Aeon Company Limited

Aeon Reports Earnings for the Fiscal Year Ended February 20, 2008

Tokyo, Japan April 7, 2008—Aeon Co., Ltd., (TSE Security Code: 8267) announced consolidated operating revenue of 5,167,366 million yen for the fiscal year ended February 20, 2008, consolidated operating income of 156,040 million yen, and consolidated net income of 43,932 million yen, or 55.75 yen per share. The company also announced non-consolidated operating revenue of 2,068,712 million yen, non-consolidated operating income of 31,718 million yen, and non-consolidated net income of 2,821 million yen, or 3.58 yen per share.

Summary of Operating Results

Consolidated operating revenue for Aeon Co., Ltd., and its 140 consolidated subsidiaries rose 7.1% from the previous fiscal year to 5,167,366 million yen. Group operating income fell 17.8% to 156,040 million yen. Consolidated ordinary income, including the 28 affiliates accounted for under the equity method, fell 11.7% to 166,326 million yen. As a result, consolidated net income for the fiscal year under review was down 23.8% from a year earlier to 43,932 million yen.

Aeon achieved record-high revenues, but suffered a decline in consolidated operating income for the first time in 10 years partly due to US firm Talbots, Inc., being hurt by weak consumption, Aeon Credit Service Co., Ltd., posting poor results in Japan following the implementation of the revised Money Lending Act, and the company failing to meet expected profit levels due to unfavorable weather conditions. In addition, net income for the period also fell below the previous year's level for the first time in two years after the group recognized a revaluation loss on the goodwill related to an acquisition of Daiei shares.

Starting this fiscal period, actual goodwill amortization of 8,346 million yen will be booked under selling, general and administrative expenses rather than non-operating income due to a change in accounting standards.

Scrap and Build

During this fiscal year, Aeon opened 15 new general merchandise stores (GMS) and 69 supermarkets. It also opened 11 mall-type shopping centers in which the above mentioned stores were core establishments. The group also shut down 14 GMSs and 32 supermarkets, continuing to pursue its scrap-and-build strategy.

Pursuing Group Synergies

Aeon launched three new companies on May 21, 2007, after spinning off from the parent company three functions, common across the entire Group, that promise to create the greatest synergies—private-brand product development, demand aggregation, and supply chain management. To ensure that the strengths and know-how available are fully harnessed, these three spin-off firms have recruited a wide range of skilled employees from Group and partner firms, such as Daiei, Inc., and Maruetsu, Inc.

As Japanese consumers become more defensive in the face of rising materials costs, rising prices, and the abolishment of the fixed-rate tax cut, Aeon has been using group-wide synergies to freeze prices on daily necessities since August 7, 2007. The group is also lowering prices on frequently purchased foods in its private brand TOPVALU.

Consolidated sales of TOPVALU products jumped 20.3% to 264.7 billion yen. Aeon will continue to ensure that customer feedback is reflected in development efforts so as to continue creating safe and affordable TOPVALU products.

Capital and Business Partnerships

Aeon Co., Ltd., formed business and capital partnerships with Daiei, Inc., and Marubeni Corp. It also formed business ties with Maruetsu, Inc., and Marubeni Corp. The Daiei, Inc., and Maruetsu, Inc., became equity-method affiliates from the fiscal year under review.

In a bid to further expand Aeon's supermarket operations in the Kinki Region, the group has purchased shares in Kohyo Co., Ltd.—a company that operates 27 metropolitan supermarkets catering to local communities in Osaka and Hyogo prefectures—making it a consolidated subsidiary.

Group Reorganization

Aeon Mall Co., Ltd., merged with Diamond City Co., Ltd., remaining as the surviving entity to realize group synergy.

Aeon Co., Ltd., executed a corporate divestiture to transfer its general retailing operation in Hokkaido to Posful Corporation. Posful Corporation altered its name to Aeon Hokkaido Corporation.

Aeon Kyushu Co., Ltd., merged with Mycalkyushu Corporation, both of which operate GMS and other retail store in Kyushu, with Aeon Kyushu remaining as the surviving entity.

A decision was made to integrate the insurance agency activities of Aeon Co., Ltd., Aeon Mall Co., Ltd., and Aeon Credit Service Co., Ltd. This decision led to the birth of Aeon Insurance Co., Ltd., on February 21, 2008.

New Businesses

Aeon has expanded coverage for its e-money service, WAON—which Aeon launched in Tokyo metropolitan stores on April 27, 2007. Starting March 1, 2008, WAON was accepted at a total of 24,000 stores at Aeon Group shopping centers and other locations nationwide. Some 3.8 million WAON cards have been issued to date.

Aeon and Japan Airlines have agreed to a wide-ranging business partnership with the goal of expanding sustainable businesses for both companies. Under this agreement, the two firms began accepting membership applications on March 1, 2008, for the JMB WAON card—which partners Japan Airline's frequent flyer mileage card, JAL Mileage Bank, with Aeon's e-money service, WAON—as well as the Aeon JMB Card, which combines the JMB WAON card and the Aeon card.

Aeon and Sumitomo Mitsui Card Co., Ltd., have come to a basic agreement on forming a business partnership relating to the WAON service with the goal of expanding business and improving the customer services of both firms. The two firms intend to work jointly to expand the number of WAON member stores and also plan to issue the Sumitomo Mitsui WAON Card (tentative name) to Sumitomo Mitsui card holders.

Aeon is aiming to boost the convenience offered by WAON, turning it into a form of "local currency" that can be used in commercial facilities and shopping arcades nationwide, including those outside of Aeon. The Group plans to make WAON e-money services available for consumers to use whenever, wherever they wish.

The Aeon Bank, Ltd., began operations in October 2007. As of the end of this fiscal year, the bank is off to a smooth start, with 13 in-store branches, roughly 250,000 accounts, and total deposits of 140 billion yen.

Businesses in China

Aeon established Beijing Aeon Co., Ltd., to operate mall-type shopping centers in the Chinese capital of Beijing. Aeon Delight Co., Ltd., also established a local subsidiary with its own capital named Aeon Delight (Beijing) Co., Ltd.

Aeon Fantasy Co., Ltd., also launched Aeon Fantasy (Beijing) Co., Ltd., in China. Going forward, Aeon is committed to working as a whole to promote the development of shopping centers in China. In addition, to accelerate the opening of stores in China, the group formed a business partnership with SIIC Shanghai (Holdings) Co., Ltd., which offers considerable experience and know-how in comprehensive urban development in China.

Segment Information

General Merchandise Services Retail Operations

General Merchandise Stores

Aeon has pursued a scrap-and-build strategy to adapt to changing conditions in each store's location. The group opened 12 new stores and shut down 12 during the fiscal year under review. It now operates 569 GMSs in Japan.

The parent company, Aeon Co., Ltd., saw comparable store sales slip 0.4% due primarily to unseasonable weather conditions and weak consumption in rural Japan. Gross margins of directly operated stores improved for housing and recreational products but fell 0.2% overall from the previous year due to increased clearing of clothing inventories and other factors. Selling, general and administrative expenses at comparable stores were held to 98% of the previous year's level, in line with plans. For these reasons, Aeon's non-consolidated revenues increased by 5.5% to 2,068,712 million yen, and operating income fell 5.5% to 31,718 million yen.

Mycal Corporation saw gross margins at its directly operated stores improve from the previous fiscal year, thanks to an increased proportion of sales accounted for by TOPVALU private-brand products and good utilization of common business functions across the Group. Mycal Corp. posted higher revenue but lower earnings due to investments in information technology to introduce Group-wide administrative processes for the purpose of enhancing group synergies.

As a result, revenues for domestic general merchandise store (GMS) business of Aeon subsidiaries grew 9.5% from the previous fiscal year to 3,204,963 million yen, while operating income declined 13.3% from the year before to 41,419 million yen.

Supermarket Operations

In its domestic supermarket operations, Aeon launched 62 new stores and closed down 32 to finish the fiscal year with a total of 1,165 supermarkets in operation.

Supermarket operating Group firms improved profitability and offered more competitive prices by increasing sales of TOPVALU private-brand products and pursuing demand aggregation efforts. They also further boosted localization efforts, offering product lineups that meet regional needs and promoting local consumption of locally grown foods.

Maxvalu Tokai Co., Ltd., Maxvalu Nishinohon Co., Ltd., and Maxvalu Kyushu Co., Ltd., all enjoyed revenue and earnings growth during the fiscal year under review. But due to declining profit at Maxvalu

Tohoku Co. and Maxvalu Chubu Co., although consolidated revenues rose by 6.5% to 694,510 million yen for the domestic supermarket operations of Aeon subsidiaries, operating income slipped by 0.5% to 17,214 million yen.

Ministop Co., Ltd., enjoyed revenue and earnings growth during the fiscal year. Its sales at comparable stores in Japan grew by 0.8% on the year due to the active development of original products and increased sales. Ministop enjoyed revenue and earnings growth overseas as well. Its South Korean subsidiary, Ministop Korea Co., Ltd., which operates around 1,000 stores, enjoyed strong business.

GMS Retail Operations In China and the rest of Asia

Aeon Group companies in China and the rest of Asia outside of Japan opened a total of 10 new stores, closed down two stores, and operated a total of 68 stores at the end of the fiscal year. They enjoyed significant increases in revenues and earnings. Total revenues of Asian subsidiaries jumped 17.5% from the previous fiscal year to 205,843 million yen, while consolidated operating income surged 28.4% to 10,606 million yen.

In China, Aeon opened a single GMS, and two supermarkets during this fiscal year. Revenues in China rose 14.2% on the year to 95,696 million yen, while consolidated operating income jumped 46.4% to 5,607 million yen.

In Malaysia, Aeon Co. (M) Bhd. enjoyed profit and revenue growth. In addition to opening two GMSs and three supermarkets, the company renovated existing stores and continued efforts to invite attractive tenants to its shopping centers. The supermarkets of Aeon Co. (M) Bhd. were renamed Maxvalu—the name Aeon uses for its supermarkets in Japan—in a bid to further improve the brand value.

Specialty Store Operations

Of Aeon's overseas specialty stores, Talbots, Inc., enjoyed revenue growth after acquiring the J. Jill Group, Inc. But due to unseasonable weather conditions and overall weak consumption in the U.S., sales (mainly of casual clothing) failed to meet expectations. Comparable store sales slipped by 5.5% and the company suffered a significant earnings decline. The company aims to improve earnings under a new CEO by concentrating on expanding sales of brand-name women's clothing—its mainstay business—and withdrawing from children's and men's clothing by September 2008.

Of Aeon's domestic specialty stores, Aeon Forest Co., Ltd., which operates The Body Shop stores in Japan, enjoyed profit and revenue growth thanks to improved sales efforts and stronger brand name recognition.

Clothing specialty shop operator Blue Grass Co., Ltd., suffered a 10.7% decline in comparable store sales due to weak sales of its mainstay products following a change in fashion trends and unfavorable weather conditions.

Developer Business

Aeon Mall Co., Ltd.—which merged with Diamond City Co., Ltd., on August 21, 2007—opened a total of three mall-type shopping centers, utilizing the know-how of both firms in tenant leasing and location development strategies. The company operated 46 shopping centers at the end of the fiscal year. The company has also been making efforts to boost revenue, for example, by renovating existing shopping centers, and succeeded in posting revenue and earnings growth. Specialty store sales within existing shopping centers rose by 2.3%.

Of Aeon's equity-method affiliates, Loc Development Co., Ltd., opened five new shopping centers to bring the total number of stores operated to 38 at the end of the fiscal year.

Services Operations

Aeon Delight Co., Ltd., enjoyed profit and revenue growth after managing non-group commercial facilities on behalf of client firms, expanding financial facility services, and streamlining operations in the sales and administrative division through structural reform.

Certo Corporation also enjoyed profit and revenue growth. The company cultivated new clients in its business supply operations, which includes the business of buying materials on behalf of clients. In its refreshments business, which focuses on vending services, the company improved sales efforts and boosted efficiency after seeking better vending machine locations and enhancing its product lineup to meet the specific needs of individual locations.

Aeon Fantasy Co., Ltd., enjoyed revenue growth but suffered an earnings decline. Comparable store sales failed to grow as the popular game machines were removed from the company's operations and card games peaked out. These businesses had led revenue growth in the previous fiscal year. Revenues recovered slightly in the second fiscal half but did not make up for the earnings decline in the first half.

Aeon Credit Service Co., Ltd., saw credit card shopping transaction volume increase as newly issued cards—which combine e-money and credit card functions—resulted in stronger cardholder sign-ups in Japan. But operating revenue dipped slightly due to the enforcement of the revised Money Lending Act, which lowered the cap interest rates. Operating income fell due partly to increasing costs associated with starting new businesses. In overseas operations, revenues were brisk for services in Thailand, Malaysia, and Hong Kong—where Aeon celebrated its 20th anniversary. Although revenues grew at the Aeon Credit Service Group, earnings declined. In December 2007, Aeon Credit Service (M) Berhad—the local subsidiary in Malaysia—was listed on the main board of the Bursa Malaysia.

Aeon Bank, Ltd., opened its doors in October 2007 and has been offering customer-centered services, such as issuing multifunctional cards that double as e-money and cash cards and installing in-store branches in shopping centers. The bank aims to offer retail services that combine both commercial and financial services. Aeon Credit Service Co., Ltd., also obtained a banking services agency license and began opening ordinary accounts for Aeon Bank, Ltd. Utilizing credit screening expertise, it also offers credit guarantees for credit card loans. On October 19, 2007, Aeon Bank, Ltd., was shifted from subsidiary status to an equity-method affiliate of Aeon following an *allocation of new shares to a third party*.

Outlook for the Coming Year

Overview

For the full year ending February 21, 2009, Aeon expects consolidated revenues to exceed 5,400,000 million yen, consolidated operating income to be between 165,000 and 175,000 million yen, consolidated ordinary income of between 165,000 and 175,000 million yen, and consolidated net income to total between 11,000 and 15,000 million yen. The forecast for net income incorporates an extraordinary loss of around 18,000 million yen stemming from restructuring efforts, such as store closures and revisions to sales floor space, and around 18,000 million yen to account for the impact of tax-effect accounting and other changes to accounting standards.

Aeon has been reviewing methods of disclosing estimated earnings since the fiscal year ending February 2006, and has decided to disclose earnings forecasts in the form of ranges (instead of as a single figure) that take into consideration variables such as weather conditions and economic trends. The group hopes to improve disclosure by presenting the relevant views and assumptions employed in producing forecasts, and enhancing monthly and quarterly forecasts. The group will also disclose, as early as possible, any news concerning earnings results. The group releases forecasts of consolidated earnings but not of non-consolidated earnings.

Structural Reform

Aeon will become a pure holding company on August 21, 2008, subject to approval at the ordinary shareholders meeting scheduled for May 15, 2008, and necessary permission from relevant government bodies. Through this change, the company aims to raise the corporate value of the entire Aeon by building a new growth model for the group, restructuring its business, and further strengthening efforts to concentrate and decentralize. A pure holding company devises strategies for the entire group from a global perspective. It supports each group company's financial, legal, and human resources departments and serves as a group headquarters. Each group company works to maximize corporate value through localization and specialization in certain businesses or products.

Pursuing Economies of Scale

Aeon will seek to boost revenue by strengthening existing stores and efficiently using group resources, while promoting growth through strategies for domestic and overseas shopping centers. The group will also bolster the capabilities of the three new companies that took over key group functions when they were launched on August 21, 2007. The group intends to reduce costs and boost revenue by developing private-brand merchandise, which have produced total sales of 6 trillion yen (including sales at equity method affiliates Daiei, Inc., and Maruetsu, Inc.); procuring products that meet the common demands of group firms; and promoting the establishment of a more efficient supply chain. Each company will boost sales efforts by developing regional specialties or procuring local-brand products.

Outlook by Segment

GMS Operations

In Japan, Aeon plans to open 11 new GMSs and 62 supermarkets, promoted by the active opening of shops by Maxvalu firms.

Parent firm Aeon Co., Ltd., will make efforts to reform the revenue structure to revive GMSs. For the next fiscal year, the group expects to maintain the current level of sales at existing stores, improve profit margins at directly operated stores by 0.2%, and reduce selling, general and administrative expenses at comparable stores by 1.5%.

In China, Aeon plans to open six GMSs, including a shopping center in Beijing in the summer of 2008 and one supermarket. The group will open 11 stores (including GMSs, supermarkets, and other facilities) in China and the rest of Asia.

Specialty Store Operations

U.S. firm The Talbots, Inc., is devising a new medium-term business plan under a new CEO, reducing costs, withdrawing from unprofitable businesses, and implementing various reforms including the revival of the Talbots and J. Jill brands. It aims to improve earnings by concentrating on its mainstay women's clothing business.

Developer Business

Aeon Mall Co., Ltd., and Loc Development Co., Ltd., plan to open eight new shopping centers. Aeon Mall Co. plans to increase sales space and renovate its six existing shopping centers to boost competitiveness.

Services Operations

Service operation subsidiaries including Aeon Delight Co., Ltd., and Aeon Fantasy Co., Ltd., which have established local subsidiaries in China, will be pursuing strategies to promote further growth in operations outside of Japan.

Financial Services

In addition to its e-money and gift card business, Aeon Credit Service Co., Ltd., plans to strengthen new businesses, such as its banking agency activities and the credit guarantee business. As a credit card subsidiary of a retail corporation, the company will focus on Customer Relationship Management services that take advantage of the Group's proximity to its cardholders. In overseas businesses, the group will strengthen its credit card services as well as related services, such as its insurance agency and loan servicing activities. The group will also start a credit card business and other businesses in Vietnam.

Aeon Bank, Ltd., will establish a customer base that takes advantage of Aeon's business infrastructure—stores and shopping centers and the ability to attract customers. Specific strategies include providing financial services products linked with retail businesses and benefits based on WAON e-money points. Aeon Bank, Ltd., also plans to open 70 new in-store branches.

Consolidated Financial Condition

Assets

Consolidated net assets at the end of the fiscal year under review totaled 3,591,406 million yen, an increase of 57,060 million yen from the end of the previous fiscal year.

Current assets were down 152,176 million yen from the end of the previous fiscal year to 1,509,930 million yen. Although trade notes and accounts receivable increased by 34,129 million yen due to expanded operations of financial subsidiaries, the decline was due mainly to the 223,101 million yen drop in cash and time deposits stemming from investment spending and stock repurchases.

Fixed assets were up 209,635 million yen from the end of the previous fiscal year to 2,080,810 million yen. Property, buildings and equipment increased 115,397 million yen to 1,258,705 million yen due to the acquisition of newly opened stores and the Aeon Hokkaido Corp. becoming a consolidated subsidiary. Investment securities increased 79,278 million yen due to the acquisition of Daiei and Maruetsu shares.

Liabilities

Consolidated liabilities were up 90,367 million yen from the end of the previous fiscal year to 2,423,929 million yen.

This was mainly due to (i) the 52,420 million yen increase in trade notes and accounts payable stemming from expansions in operations at financial subsidiaries and Aeon Hokkaido Corp. becoming a consolidated subsidiary and (ii) a 37,687 million yen increase in construction notes payable for the opening of new stores. Interest-bearing liabilities declined 322 million yen to 1,041,266 million yen from the end of the previous year.

Consolidated Cash Flows

Cash and cash equivalents

Cash and cash equivalents amounted to 159,744 million yen at the end of the fiscal year under review, a decrease of 223,106 million yen from the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was 200,050 million yen. This represents an increased inflow of 58,405 million yen from the end of the previous fiscal year due primarily to an increase in operating receivables at financial subsidiaries.

Cash flow from investment activities

Net cash used in investment activities was 291,283 million yen, due primarily to spending on the acquisition of tangible fixed assets, purchases of investment securities, and other factors. Purchases of investment securities were up compared with the previous fiscal year. This represents a decrease in

outflows of 72,964 million yen, due to decreased spending related to obtaining subsidiaries' shares in conjunction with the change in consolidated grouping structure.

Cash flow from financing activities

Net cash used in financing activities was 141,266 million yen, primarily due to the decline in income from both long-term bank loans and stock issuance compared with the previous fiscal year. Although financing activities provided 314,348 million yen last year, the group experienced an outflow from this year due primarily to the repayment of long-term debt, the redemption of corporate bonds, share repurchasing, and other factors.

Dividend Policy and Dividends for the Current and Next Fiscal Years

Basic Medium- to Long-Term Strategies

Aeon Co., Ltd., considers it crucial to maintain the best balance between paying dividends and improving corporate value through medium- to long-term growth. It believes in returning profits to shareholders, whom it considers partners in business management.

Dividends

Aeon Co., Ltd., provides dividends based on consolidated earnings results, with the perspective of rewarding shareholders appropriately for their support. Specifically, the company has set a target dividend payout ratio of more than 15%, setting a lower limit of 15 yen per share on annual dividends. The group will work to return profits to shareholders even more in line with business expansion.

Use of retained earnings

Retained earnings are used as essential funding for investment in future growth. By improving our corporate value through medium- to long-term growth, Aeon Co., Ltd., plans to meet shareholder expectations.

Start Date for Dividend Payments for the Fiscal Year Ended February 20, 2008

Aeon Co., Ltd., will pay an annual per-share dividend of 17 yen for the fiscal year ended February 20, 2008. Dividend payouts will begin Tuesday, April 22, 2008.

Dividend Forecast for the Fiscal Year Ending February 20, 2009

Aeon Co., Ltd., does not pay interim dividends. But the company plans to pay annual dividends over the medium- to long-term and to use retained earnings in accordance with the policies outlined above.

Consolidated Financial Statements

Consolidated Balance Sheets

	As of February 20, 2008		As of February 20, 2007	
	Amount	%	Amount	%
Assets				
I Current assets				
1. Cash and time deposits	175,274		398,375	
2. Notes and accounts receivable-trade	357,118		322,989	
3. Marketable securities	7,282		4,478	
4. Merchandise inventories	346,682		322,182	
5. Deferred tax assets	37,432		35,773	
6. Financial loan	503,814		507,115	
7. Other	131,527		112,875	
Allowance for doubtful accounts	(49,201)		(41,681)	
Total current assets	1,509,930	42.1	1,662,107	47.0
II Fixed assets				
1. Property, buildings and equipment				
1) Buildings and structures	786,075		719,892	
2) Furniture and fixtures	120,347		117,775	
3) Land	316,649		282,069	
4) Construction in progress	33,172		22,431	
5) Other	2,459		1,138	
Total property, buildings and equipment	1,258,705	35.0	1,143,307	32.3
2. Intangible fixed assets				
1) Software	28,324		27,036	
2) Goodwill	82,651		—	
3) Consolidation adjustments	—		64,286	
4) Other	28,073		48,951	
Total intangible fixed assets	139,049	3.9	140,273	4.0
3. Investments and other assets				
1) Investment securities	210,633		131,355	
2) Deferred tax assets	52,006		45,583	
3) Fixed leasehold deposits to lessors	355,156		341,785	
4) Deposits for stores in progress	4,433		3,948	
5) Other	79,015		83,761	
Allowance for doubtful accounts	(18,189)		(18,840)	
Total investments and other assets	683,056	19.0	587,593	16.6
Total fixed assets	2,080,810	57.9	1,871,174	52.9
III Deferred assets				
1) Stock issued costs	665		1,063	
Total deferred assets	665	0.0	1,063	0.1
Total assets	3,591,406	100.0	3,534,346	100.0

	As of February 20, 2008		As of February 20, 2007	
	Amount	%	Amount	%
Liabilities				
I Current liabilities				
1. Notes and accounts payable-trade	569,889		517,469	
2. Short-term borrowings	106,363		98,979	
3. Current portion of long-term debt	156,188		143,546	
4. Bonds due within one year	25,410		30,000	
5. Commercial paper	3,000		6,000	
6. Income taxes payable	38,006		57,854	
7. Provision for bonuses	17,216		14,701	
8. Provision for store closing expenses	7,791		3,209	
9. Allowance for point program	5,272		3,776	
10. Current portion of secured and unsecured obligations under reorganization proceedings of subsidiaries	1,904		2,501	
11. Notes payable, construction	102,251		64,563	
12. Current portion of impairment loss on leased property	1,405		1,879	
13. Other	299,059		287,651	
Total current liabilities	1,333,760	37.1	1,232,134	34.9
II Long-term liabilities				
1. Bonds	202,186		198,509	
2. Long-term debt	548,118		564,553	
3. Deferred tax liabilities	6,983		17,046	
4. Liability for employees' retirement benefits	46,830		46,691	
5. Liability for directors' retirement benefits	1,387		1,999	
6. Provision for store closing expenses	9,869		8,794	
7. Provision for contingent liabilities	1,505		1,692	
8. Allowance for loss on refund of interest received	8,540		6,989	
9. Secured and unsecured obligations under reorganization proceedings of subsidiaries	9,845		11,911	
10. Lease deposits from lessees	221,468		209,105	
11. Impairment loss on leased property	2,789		5,121	
12. Other	30,644		29,012	
Total long-term liabilities	1,090,169	30.4	1,101,427	31.1
Total liabilities	2,423,929	67.5	2,333,562	66.0
Net assets				
I Shareholders' equity				
1. Common stock	199,054	5.5	198,791	5.6
2. Capital surplus	264,968	7.4	264,704	7.5
3. Retained earnings	453,399	12.6	419,438	11.9
4. Treasury stock	(61,515)	(1.7)	(848)	(0.0)
Total shareholders' equity	855,906	23.8	882,086	25.0
II Valuation and translation adjustments				

1. Unrealized gain on available-for-sale securities	14,977	0.4	23,547	0.6
2. Deferred gain (loss) on derivatives under hedge accounting	(916)	(0.0)	(135)	(0.0)
3. Foreign currency translation adjustments	(220)	(0.0)	7,139	0.2
Total valuation and translation adjustments	13,839	0.4	30,551	0.8
III Stock acquisition rights	427	0.0	305	0.0
IV Minority interests	297,302	8.3	287,840	8.2
Total net assets	1,167,477	32.5	1,200,783	34.0
Total net assets and liabilities	3,591,406	100.0	3,534,346	100.0

Consolidated Statements of Income

(Millions of yen)

	Year ended February 20, 2008		Year ended February 20, 2007			
	Amount	%	Amount	%		
I Net sales		4,650,088	100.0		4,345,308	100.0
II Cost of sales		3,313,381	71.3		3,086,681	71.0
Gross profit on sales		1,336,707	28.7		1,258,626	29.0
III Rental and other revenues		517,277	11.2		479,466	11.0
Gross profit from operating		1,853,985	39.9		1,738,093	40.0
IV Selling, general and administrative expenses						
1. Advertising expense	115,820			101,365		
2. Provision of allowance for doubtful accounts	44,784			41,791		
3. Employees' salaries and bonuses	584,557			535,967		
4. Provision for bonuses	17,216			14,701		
5. Statutory welfare benefit expense	86,603			78,273		
6. Utilities expense	88,136			80,471		
7. Depreciation and amortization	128,659			112,367		
8. Repairs and maintenance expense	97,979			85,179		
9. Rent expense	260,464			245,377		
10. Amortization of goodwill	8,346			—		
11. Other	265,374	1,697,944	36.5	252,868	1,548,365	35.6
Operating income		156,040	3.4		189,728	4.4
V Other income						
1. Interest income	4,110			3,796		
2. Dividend income	1,351			1,201		
3. Amortization of negative goodwill	11,226			—		
4. Amortization of consolidation goodwill	—			3,865		
5. Penalty income from leaving tenants	2,293			1,761		
6. Income from bad debt recovery	2,896			—		
7. Other	6,608	28,486	0.6	8,913	19,539	0.4
VI Other expenses						
1. Interest expense	12,774			10,801		
2. Equity in losses of associated companies	548			5,226		
3. Other	4,877	18,200	0.4	4,935	20,963	0.5
Ordinary income		166,326	3.6		188,303	4.3
VII Extraordinary gains						
1. Gain on sale of property, buildings and equipment	4,979			2,552		
2. Gain on sale of investment securities	8,647			7,955		
3. Gain on change in equity interest	4,805			—		
4. Gain on reversal of allowance for doubtful accounts	3,751			822		
5. Other	18,874	41,058	0.9	5,733	17,064	0.4
VIII Extraordinary losses						
1. Loss on disposal of property, buildings and equipment	4,452			3,061		
2. Impairment loss	46,339			32,804		
3. Valuation loss on investment securities	13,699			—		
4. Provision of allowance for doubtful accounts	356			1,301		
5. Provision of allowance for loss on refund of interest received	—			2,402		

6. Loss related to store closing	5,587			1,386		
7. Provision for store closing expenses	3,051			1,846		
8. Other	9,323	82,810	1.8	8,798	51,602	1.2
Income before income taxes and minority interests		124,575	2.7		153,765	3.5
Income taxes						
Current	63,249			82,934		
Deferred	(6,638)	56,611	1.3	(21,156)	61,778	1.4
Minority interests		24,031	0.5		34,331	0.8
Net income		43,932	0.9		57,656	1.3

Consolidated Statements of Changes in Shareholders' Equity

Year ended February 20, 2008 (February 21, 2007, to February 20, 2008)

(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			43,932		43,932
Issuance of common stock	263	263			526
Purchase of treasury stock				(60,687)	(60,687)
Disposal of treasury stock		0		20	21
Increase in retained earnings due to adoption of US accounting standards by subsidiaries in the US			2,022		2,022
Net change in items other than shareholders' equity during period					
Total changes during period	263	263	33,960	(60,667)	(26,179)
Balance as of February 20, 2008	199,054	264,968	453,399	(61,515)	855,906

	Valuation and translation adjustments						
	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	Total net assets
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							43,932
Issuance of common stock							526
Purchase of treasury stock							(60,687)
Disposal of treasury stock							21
Increase in retained earnings due to adoption of US accounting standards by subsidiaries in the US							2,022
Net change in items other than shareholders' equity during period	(8,570)	(781)	(7,360)	(16,711)	122	9,462	(7,126)
Total changes during period	(8,570)	(781)	(7,360)	(16,711)	122	9,462	(33,306)
Balance as of February 20, 2008	14,977	(916)	(220)	13,839	427	297,302	1,167,477

Consolidated Statements of Cash flows

(Millions of yen)

	Year ended February 20, 2008	Year ended February 20, 2007
I	Cash flows from operating activities	
	Income before income taxes and minority interests	124,575
	Depreciation and amortization	153,765
	Amortization of goodwill	134,457
	Amortization of negative goodwill	8,346
	Amortization of consolidation goodwill	(11,226)
	Increase in allowance for doubtful accounts	—
	Increase in allowance for loss on refund of interest received	(3,865)
	Increase in provision for bonuses	40,257
	Increase in liabilities for retirement benefits	1,551
	Increase (decrease) in provision for store closing expenses	5,335
	Interest and dividend income	3,699
	Interest expense	2,247
	Foreign exchange loss (gain) - net	3,674
	Equity in losses of associated companies	7,748
	Gain on sales of property, buildings and equipment	1,123
	Loss on disposals and sales of property, buildings and equipment	(3,956)
	Impairment losses	(5,461)
	Gain on change in equity interest	(4,998)
	Net gain (loss) on sales of securities	12,774
	Valuation loss on investment securities	10,801
	Increase in notes and accounts receivable - trade	622
	Increase in merchandise inventories	(2)
	Increase in financial loan receivable	5,226
	Increase in notes and accounts payable - trade	(4,979)
	Other assets and liabilities	(2,552)
	Other – net	5,830
	Sub total	5,663
	Interest and dividends received	46,339
	Interest paid	32,804
	Income taxes paid	(4,805)
	Net cash provided (used in) operating activities	(8,648)
		(7,950)
		13,699
		(44,140)
		(17,314)
		(44,311)
		42,583
		(12,903)
		1,006
		7,579
		287,300
		223,563
		4,942
		(12,425)
		(79,766)
		200,050
		141,644

	(Millions of yen)	
	Year ended February 20, 2008	Year ended February 20, 2007
	Amount	Amount
II Cash flows from investing activities		
Purchase of marketable securities	(6,685)	(3,205)
Proceeds from sales of marketable securities	4,893	8,155
Purchase of property, buildings and equipment	(270,505)	(244,892)
Proceeds from sales of property, buildings and equipment	50,759	25,464
Purchase of investment securities	(97,930)	(11,601)
Proceeds from sales of investment securities	11,028	12,241
Proceeds from redemption of preferred securities and government bonds	8,000	—
Cash paid in conjunction with the purchases of consolidated subsidiaries	(9,517)	(169,517)
Cash received in conjunction with the purchases of consolidated subsidiaries	8,068	969
Payments for fixed leasehold deposits to lessors	(25,716)	(25,823)
Collection of fixed leasehold deposits to lessors	28,502	25,236
Proceeds from lease deposits from lessees	25,184	36,195
Repayments of lease deposits from lessees	(17,066)	(18,083)
Other - net	(298)	613
Net cash provided (used in) investing activities	(291,283)	(364,248)
III Cash flows from financing activities		
Net decrease in short-term borrowings and commercial paper	(2,464)	(16,215)
Proceeds from long-term debt	118,343	230,063
Repayments of long-term debt	(147,408)	(115,980)
Proceeds from issuance of bonds	25,134	53,583
Payments for redemption of bonds	(45,950)	(20,000)
Proceeds from issuance of common stock	526	193,096
Repayments of secured and unsecured obligations under reorganization proceedings of subsidiaries	(2,807)	(2,951)
Purchase of treasury stock	(60,687)	—
Proceeds from issuance of subsidiaries' stock to minority shareholders	2,398	737
Repurchase of subsidiaries' stock from minority shareholders	(1,427)	(233)
Dividends paid to shareholders	(11,994)	(10,872)
Dividends paid to minority shareholders	(9,539)	(8,284)
Other - net	(5,388)	11,407
Net cash provided (used in) financing activities	(141,266)	314,348
IV Foreign currency translation adjustments on cash and cash equivalents	9,898	2,399
V Net increase (decrease) in cash and cash equivalents	(222,601)	94,143
VI Cash and cash equivalents, beginning of year	382,851	285,387
VII Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	(504)	3,320
VIII Cash and cash equivalents, end of year	159,744	382,851