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REGISTRANT'S NAME

Aeon Co., Ltd.

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**NEW ADDRESS

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EXHIBIT C

ENGLISH LANGUAGE DOCUMENTS

Set out below is the English documents referred to in ANNEX B, Section B.
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To customers, AON is more than a store. AON expresses the joy of enhanced personal lifestyles with appealing products and innovative customer services in inspired shopping environments. We are closer to the customer, closer to the community and moving ever closer to the top rank of global retailers.

Forward Looking Statements
Statements contained in this report with respect to AON's plans, objectives and future performance are forward-looking statements about the future performance of AON which are based on management's assumptions and beliefs as of the date of the information contained in it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause AON's actual results, performance or achievements to differ materially from the expectations expressed herein.

82-34806



Delivering on Customer Safety

Working with and for

A Message from the Management

AEON Co., Ltd. remains constantly focused on its responsibilities in relation to global management standards and local customer needs, and on maximizing group synergies. By so doing, we have been able to achieve growth in both revenues and income for three consecutive years. With the transition to a holding company structure, AEON has started to reform its corporate governance and group management systems as part of its efforts to build a strong base for a future in which it aims to become one of the top 10 retail groups in the world.



Tsunehiko Takano
Chairman



Masaru Okada
President

Record Revenues and Income

The environment for the retail sector has changed dramatically. In addition to the effects of Japan's prolonged deflationary trend, the industry has also faced changes resulting from deregulation, as well as the growing presence of foreign retailers in the Japanese market. AEON views these environmental changes as opportunities and has responded by implementing a series of reforms designed to prepare AEON for a future as a world-class corporate group.

AEON has also taken full advantage of the scale merits of its Group. Strategies have focused on the enhancement of AEON's merchandising capabilities, including joint sourcing of national-brand merchandise.

and the establishment of a special group devoted to expanding the TOPVALU range of private brand goods.

Another focus has been the development of common infrastructure within AEON for IT networks and distribution networks. At the same time, management resources have been concentrated into key areas of activity, while unprofitable operations have been liquidated or merged. These structural reforms have helped to create a stronger foundation for the business activities throughout AEON.

We worked to build a stronger financial structure to support AEON's growth. Our priority focus was on the reduction of interest-bearing debt. We also targeted the expansion of operating cash flows through the reduction of inventories and improvements in asset efficiency by streamlining our fixed assets.

These efforts are reflected in the results for AEON Co., Ltd. and its 111 consolidated subsidiaries.

Consolidated net sales increased by 6.1% over the previous year's level to ¥3,041 billion (US\$23,767 million), and consolidated operating income by 5.3% to ¥126 billion (US\$1,070 million), while consolidated net income reached ¥33.0 billion (US\$297 million). All of these figures are new records.

Open Management Based on "Customer First" Philosophy

Consumers have become increasingly conscious of food safety. AEON's first priority is to ensure consumer safety and peace of mind. This is reflected in its establishment of a Food Quality Management Department with the task of building new organizational structures to ensure full disclosure in product labeling and proper quality management throughout the entire Group. AEON has also established a specialist committee that includes outside experts. Our commitment to food safety includes the introduction of adoption of advanced quality standards. We also have a policy of disclosing information, including production histories, under a traceability system.

AEON's "customer first" philosophy and its commitment to open management were the inspiration for the AEON 21 Campaign. Among the initiatives to result from ideas contributed during the campaign was the Customer Deputy Store Manager System. The aim of this system is to enhance store management from the customer's perspective.

This year, we formulated the AEON Code of Conduct. It sets out guidelines of behavior beginning with "Everything we do, we do for our customers." Our aim, based on the Code, is customer satisfaction, built on relationships of profound trust linking AEON with its shareholders, local communities and suppliers.

Emphasis on Group-Level Corporate Value

AEON has taken its open management approach one step further through corporate governance reforms designed to establish management standards suitable for AEON's future role as one of the top 10 retail groups in the world. To improve management transparency across the entire group network, it has adopted a governance structure based on the "company with committees" system defined in the Japanese Commercial Code. Under this structure, AEON has established corporate reforms based on examination of managerial supervision and executive functions.

On May 15, 2021, AEON made the transition to a holding company structure. At the same time, it implemented group management reforms designed to improve the corporate value of AEON as a group. Group optimizations will be the focus for a range of initiatives. By maximizing group synergy, AEON aims to achieve higher levels of competitiveness and earning power.

Global competition is intensifying, and capital markets are rapidly becoming global in scope. We recognize that a management approach that allows direct evaluation by shareholders and investors throughout the world is essential in this new era. We will continue to work through a relentless reform process toward the implementation of global standard management systems and the improvement of shareholder value.

時 任 社 長
Toshiiji Tokita
Chairman

元 田 元 七
Motoyo Okada
President



How will AEON approach corporate governance reform?

AEON aims to be one of the top 10 retail groups in the world. We believe that the best organizational structure for the realization of this goal is the "company with committees" system, which became an option under the revised Japanese Commercial Code in April 2003, and we have therefore decided to move to this system. This system of corporate governance has been in operation at our subsidiary, the Tailcoat, Inc. in the United States for some time, and we have been able to study the advantages and disadvantages at length. Our conclusion was that the "company with committees" system ensures open management and highly transparent governance, with strict accountability for executive decisions and results.

What are the characteristics of AEON's governance structure?

We are creating our own unique management system that surpasses the requirements set down in the Commercial Code. One change relates to the downsizing and restructuring of the Board of Directors, which now consists of four internal and four outside directors. We have appointed outside directors who bring with them superior knowledge in a wide range of fields, including management,

finance, international business and compliance. They are also able to judge the worth of corporate strategies and supervise management from a perspective that more closely reflects the perspectives of shareholders and investors.

The Audit, Nomination and Compensation Committees are all chaired by outside directors, and the Audit Committee is entirely made up of outside directors. Changes such as these will help to strengthen our supervisor functions. We will also augment the supervisory committees with our own, original approach to responsive company management: the three AEON Advisory Councils that were established at the same time and made up of experts from various fields.

How will the original AEON Advisory Councils operate?

We have created the Customer Advisory Council to ensure that AEON is managed from a customer perspective, the Social Responsibility Advisory Council to strengthen our environmental and social contribution activities and make them an integral part of our branding activities, and the Management Advisory Council to formulate medium-term and long-term group strategies. We believe that the AEON Advisory Councils will perform a very useful role as forums through which outside experts can speak freely and provide advice. Outside advice is an important asset that we are happy to receive. Even if it is unpleasant, it draws our attention to aspects that we may otherwise have overlooked.

Please describe the AEON that will emerge from this corporate governance reform process.

We are aiming to create a highly transparent structure that will support prompt decision-making. We also want AEON to have an open framework that allows all shareholders, customers, suppliers and employees to see the overall picture. We intend to accelerate the establishment of stores in Japan and overseas, and as the scale of our activities grows, we will also employ more people. Our organization is expanding. That is why we need an open corporate structure that everyone can understand easily.



What is the nature of AEON's group management reforms?

At the beginning of fiscal 2004, AEON shifted to a holding company structure. To make optimal use of group management resources, AEON companies need to share their expertise and numerous successes with their peers in AEON. We initiated the group management reform program with the aim of improving AEON's total value. To achieve this aim, we will formulate basic group strategies, carry out business restructuring, optimize allocation of investments and realize the group philosophy. At the same time, we will pursue contribution, integration, sharing and standardization, from both aspects of operations and processes. Examples of the target business operations we have in mind would be general merchandise retailing and specialty retailing. On the process side, we will transform merchandising, distribution, information technology, human resources, general administration, and so on. The crucial role for AEON as a holding company is to pursue and create group synergies by using group resources effectively and sharing best practices.

In what areas will you seek group synergies?

Specifically, there are four aspects. First, we will create merits of scale. Second, we will improve efficiency by centralizing back-office functions. Third, we will share best practices. Fourth, we will implement area strategies.

What do you mean by merits of scale?

Our core distribution network covers the entire nation, while our IT systems allow us to centralize the needs of all group companies. We will use the merits of scale associated with these capabilities to reduce merchandise costs and distribution costs by dealing directly with manufacturers.

We started to unify the merchandise procurement of processed foodstuffs and daily necessities for AEON Co., Ltd., two general merchandise store subsidiaries and eight supermarket subsidiaries in April 2003. In another area, we will further strengthen AEON's TOPVALU range of private-brand goods by expanding their availability at stores throughout the group companies and expanding product development into new areas. We are also reducing costs of products, supplies and consumables through demand aggregation and the use of the WYRE e-commerce market.

What is your schedule for centralizing back-office functions?

By fiscal 2005, we will integrate the back-office functions of group companies, including human resource management, general administration and accounting. At the start of fiscal 2004, we will establish the Back-office Support Center of AEON Co., Ltd. to centralize accounting and financial reporting systems, human resources management, general administration and procurement. In fiscal 2005, we will extend these systems to include the entire group.

As a result of these initiatives, we will reduce the number of headquarters personnel in all group companies and realize a compact organization of energetic and responsive persons.

Have any benefits emerged already from the sharing of best practices?

The supermarket operator Maruha has used the expertise of the convenience store operator Ministop in relation to late-night and 24-hour operation. The specialty store operator The Sports Authority has copied substantial benefits by reclassifying its sales areas to reflect sporting lifestyles and competitive sports, and by conducting a shop-in-shop format for key categories and leading-brand items. The results of these initiatives are also being applied extensively by other GMS and specialty store chains within the Group.

How will you implement the area strategy?

Our area strategy encompasses multiple business formats. It is extremely important to AEON, which has a wide range of business formats. In the past, group companies made their own decisions about where to open new stores. Under the area strategy, AEON will go beyond corporate and business format boundaries with strategies designed to make it the number one retail group in each area.

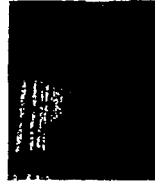
We are pursuing synergies that are unique to AEON in these areas. The goal of our group management reforms is to create value that is greater than the sum of the parts that make up AEON.

AEON 21 CAMPAIGN

Working with Customers to Do More

Food Artisan Project Gives Regional Specialists National Access

The Food Artisan Project was spawned by a customer request to help preserve Japan's disappearing regional food culture. Food Artisan corners display the products of selected regional specialty producer partners in a win-win-win relationship that gives AEON appealing, unique products, provides small producers with access to a nationwide market and brings the best of Japan's varied food culture to consumers throughout the nation.



Food Artisan Corner



Making Traditional Miso Paste



Selling Fried Rainbow Trout

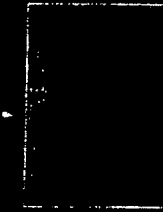


Hand-making Fresh Rainbow Trout

14



16



Micrograph



Micrograph



GMS and Other Retail Store Operations

General merchandise stores (GMS), supermarkets, discount stores, convenience stores, department stores, etc.

This is the core business of AEON. AEON aims to be one of the top 10 retailers in the world and is working to realize this goal by sharing best practices to maximize group synergies. One objective is to always offer merchandise that reflects local market needs. Another objective is to enhance customer satisfaction by strengthening our services.

In its GMS and supermarket operations, AEON places particular importance on its "Everyday Low Price" (EDLP) policy. Merchandise cost is reduced by dealing directly with manufacturers and sourcing merchandise directly from overseas. Our aim is to supply goods at prices that are always pleasing to customers. AEON also uses advanced information technology to optimize its operating efficiency. For example, it has been able to reduce its inventory level by introducing the Open Database Merchandising System (ODBMS).

The EDLP policy has been complemented by measures designed to create an "Everyday Low Cost" (EDLC) structure. Business process reengineering has brought improvements in man-hour productivity in retail outlets, while procurement costs for supplies and equipment have been reduced through the use of the World Wide Retail Exchange (WWRE), an Internet based e-commerce market.

AEON has intensified its development and marketing efforts for its TOPVALU private-brand (PB) goods, which emphasize highest quality and low prices, as part of its efforts to maintain cost competitiveness and differentiate itself from other retail groups. In fiscal 2003, sales of TOPVALU merchandise exceeded ¥130 billion (US\$4,102 million), outstripping results from five years earlier.

One of AEON's priorities is the establishment of an integrated distribution network of

AEON operates 290 JUSCO stores nationwide in Japan. We are transforming our GMS operations through policies designed to ensure a world-class cost structure supporting an "Everyday Low Price" policy for customers.



39 facilities in 19 distribution centers that will serve as a shared procurement and delivery infrastructure for the entire group. In fiscal 2003, we made significant progress toward the realization of this concept. We established four new regional distribution centers (RDC) to serve the Hyogo, Kyoto, Osaka and Chubu regions. They join

the Sendai Regional Distribution Center, commissioned in fiscal 2002, for a total of five. We also established two Process Centers (PC) in Shizuoka and Shikoku.

As a result, revenues from GMS and other retail store operations increased by 6.1% to ¥2,376 billion (US\$30,135 million), and operating income increased by 14.2% to ¥31.5 billion (US\$453 million).

GMS Operations

AEON Co., Ltd., the AEON company engaged mainly in the general merchandise store (GMS) operations, has reformed its merchandising operations by introducing the Open Database Merchandising System (ODBMS), starting with the apparel category. In the current year, improvements in the precision of inventory management brought on by ODBMS allowed us to reduce inventories in directly operated stores by ¥4.1 billion (US\$34.7 million) compared with fiscal 2002, even though sales increased by ¥23.6 billion (US\$200 million). In the year to February 20, 2004 (fiscal 2004), further inventory reductions will be sought through the extension of ODBMS to other product categories, such as processed foodstuffs, and to other business segments.

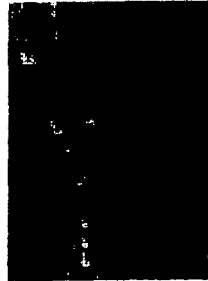


Building Fast Response to Customer Needs
The Strategic Distribution Initiative is AEON's project to attain global benchmarks of selling performance. This advanced, IT-based integrated distribution network streamlines product flow based on real-time prediction of demand, cost and supply information among customers, sellers and manufacturers. AEON's distribution system is already helping manufacturers with production planning and selling customers better product information and availability.

GMS Stores and Fully Automated

Supermarket Operations

How many colors does it take to sell a bicycle? For AEON customers, the happy answer is "10." AEON is using buying power and close supplier relationships to develop its own goods, such as affordable practical bicycles in a rainbow of colors.



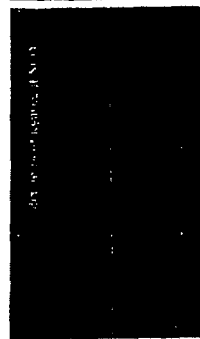
There have also been dramatic improvements in man-hour productivity. During the year under review, man-hours were cut by 2,170,000 hours, despite a 100,000-hour increase in the operating hours of existing stores. In the stores it operates directly, such as JUSCO GMS stores, AEON Co., Ltd. aims to achieve a further reduction of four million man-hours on an existing-store basis by reengineering business processes.

In fiscal 2003, AEON Co., Ltd. closed 9 stores that had become unprofitable and opened 10 new ones. Major new urban outlets were opened in Suwayama in Hokkaido, Imai City in Hyogo Prefecture, and Shingawa Ward in Tokyo, and an outlet based on the new supermarket format was established in Tenn City, Nara Prefecture. The supermarket format combines extremely low prices with an extensive range of merchandise matched precisely to local needs. AEON Co., Ltd. will begin full-scale establishment of outlets based on this new format in fiscal 2004.

In fiscal 2003, AEON Co., Ltd. invested ¥48.6 billion (US\$412 million) in store establishment and refurbishment. Information technology and distribution network development. The entire investment amount was provided from internal funds.

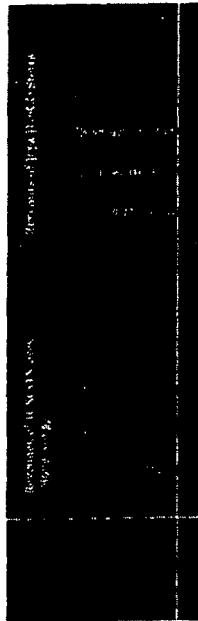
As a result, non-consolidated revenues of AEON Co., Ltd. increased by 1.9% to ¥1,701 billion (US\$1,417 million), and non-consolidated operating income rose by 21.4% to ¥322.2 billion (US\$273 million).

Kyushu JUSCO continued to expand dynamically. It opened two new outlets and took over five stores from supermarket operator Kotobukiya. Revenues rose by 3.1% year-on-year on an existing-store basis, in part because of the benefits of facility revitalization in the second half of the previous fiscal year. The gross profit ratio improved by 0.5 points from the use of information technology to strengthen inventory control. These efforts were reflected in a dramatic rise in the revenues of Kyushu JUSCO, which increased by 27.1% to ¥130 billion (US\$1,106 million). Operating income increased by 61.8% to ¥21.8 billion (US\$23.7 million).



The BEST PRICE program is developing selected products for sale at exceptionally low prices. The basic concept is "sell prices everyday, and those products are likely to build regular customer traffic, while giving AEON a reputation for good value."

Store of the Supermarket
With the inauguration of JUSCO Supermarket Tenni in Nara Prefecture in October 2002, AEON added a new store format to its lineup, one that combines a variety of products—groceries, home furnishings, clothing, and products for leisure and recreation—all under one roof. We plan to open supermarkets across Japan in the coming years.



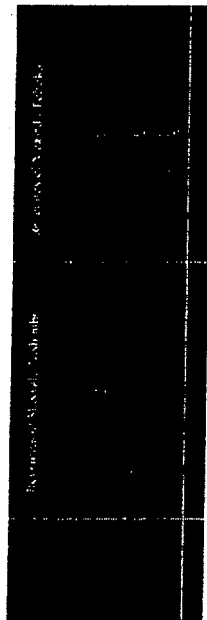
In fiscal 2004, AEON will continue to bolster its competitiveness through cost restructuring. In particular, it will use group-level scale merits to drive prices down through increased efforts in such areas as direct dealing with manufacturers, joint procurement of national-brand merchandise, development of private-brand products, and direct sourcing from overseas. Another focus will be the reduction of selling, general and administrative costs through productivity improvements in support areas. Initiatives on this level will include the establishment of an Accounting Support Center to provide centralized processing of accounting for the entire group and a Back-office Support Center to carry out integrated processing of back-office tasks for retail outlets.

Overseas Activities

AEON's overseas GMS operations continued to expand. In Malaysia, Jaya Jusco Stores opened a new outlet in Johor Bahru, bringing its total chain to nine stores. Other initiatives focused on the reinforcement of marketing competitiveness. In China, three new stores were opened, in Shenzhen City, Dongguan City and Zhuhai City. China is a growth market, and AEON will continue to strengthen its presence there by establishing new outlets, especially in Guangdong Province. In fiscal 2004, plans are to open one new store each in China and Taiwan, and two in Malaysia.

NUMBER OF GMS AND OTHER RETAIL STORE OUTLETS

	2001	2002
At the end of February 24		
GMS	459	448
Japan	(325)	(418)
Overseas	(34)	(30)
Supermarkets	451	363
Convenience stores	2,261	2,010
Others	3	4
Total	3,779	2,895



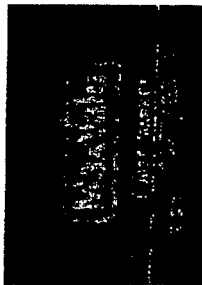
Supermarket Operations

The supermarket operators Marvella Nishinboon and Marvella Toboku continued to expand their sales opportunities aggressively, by scrapping or renovating existing outlets and opening new ones, and by extending their operating hours. In fiscal 2003, Marvella Nishinboon increased its revenues by 17.2% to ¥109 billion (US\$1,429 million) and its operating income by 19.1% to ¥4.4 billion (US\$537.0 million). Marvella Toboku's revenues increased by 36.6% to ¥78.5 billion (US\$665 million), while its operating income increased by 29.0% to ¥1.7 billion (US\$14.6 million).

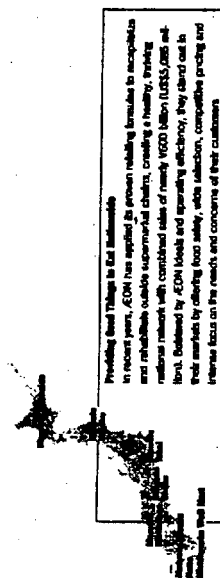
Yoshida Co., Ltd., which went bankrupt in 1997, completed corporate rehabilitation procedures with AEON's support in February 2002 and has since been renamed Marvella Tokai. It achieved healthy growth in fiscal 2003, with its revenues increasing by 4.0% to ¥60.5 billion (US\$521.3 million), and its operating income increasing by 3.6% to ¥1.9 billion (US\$24.9 million).

In the Kyushu region, Marvella Kyushu was established as a wholly owned subsidiary on March 23, 2003 to take over the operation of the Korakuten supermarket business of Konobukhys. It also took over 51% of the shares of Hello Co., Ltd., which was formerly a subsidiary of Konobukhys. These two companies, together with Nishikyushu Wai Man Co., Ltd., now form a business structure with sales of ¥70 billion (US\$599 million) in the Kyushu region.

In the Hokkaido region, AEON converted an affiliated company, Marvella Hokkaido, into a consolidated subsidiary by increasing its shareholding to 56.7% through a public share offering.



Marvella is a supermarket chain that covers stores part of AEON's network of 528 supermarkets from Hokkaido to Okinawa. Marvella stores combine respect for regional preferences with AEON's purchasing power, while operating on an extended or 24-hour basis.



Providing Best Things in Best Locations In recent years, AEON has applied its proven retailing formula to supermarkets and supermarkets outside supermarket chains, creating a healthy, thriving national network with consistent sales of nearly ¥500 billion (US\$3,285 million). Bolstered by AEON's brands and operating efficiency, they stand out in their markets by offering food safety, value selection, competitive pricing and financial focus on the needs and concerns of their customers.

As a result of these moves, the AEON supermarket network has grown to 528 stores as of the close of the fiscal year on February 20, 2003, including supermarkets operated by AEON Co., Ltd. The combined sales of the Group's supermarkets expanded to almost ¥600 billion (US\$5,085 million). Around 60% of these outlets are now open for extended hours, with some open until midnight. In addition, 167 stores now operate on a 24-hour basis.

AEON continued to apply a scrap-and-build strategy to its supermarket operations. In fiscal 2003, 34 new stores were opened, and 41 were closed. In fiscal 2004, we are planning to open 55 new stores.

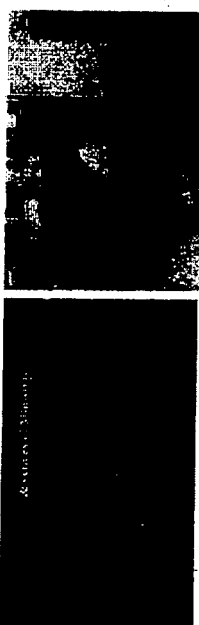
Convenience Store Operations

Ministop Co., Ltd. is an AEON subsidiary that operates convenience stores. In the year under review, it opened 146 new stores and closed 71 that had become unprofitable. As of February 20, 2003, it had 1,470 directly operated stores. The inclusion of stores operated by area franchise holders in Japan, South Korea and the Philippines brings the total number of outlets to 2,361.

The development of original merchandise remained a key focus. A major hit product was "Belgian Chocolate Soft" ice cream, which was added to the in-store fast-food range in September 2002. A total of eight million servings had been sold by the end of February 2003. Ministop also worked actively with AEON Co., Ltd. in the areas of joint product development and overseas procurement of raw materials. Ministop also expanded the range of merchandise it sells under AEON's TOPVALU brand.

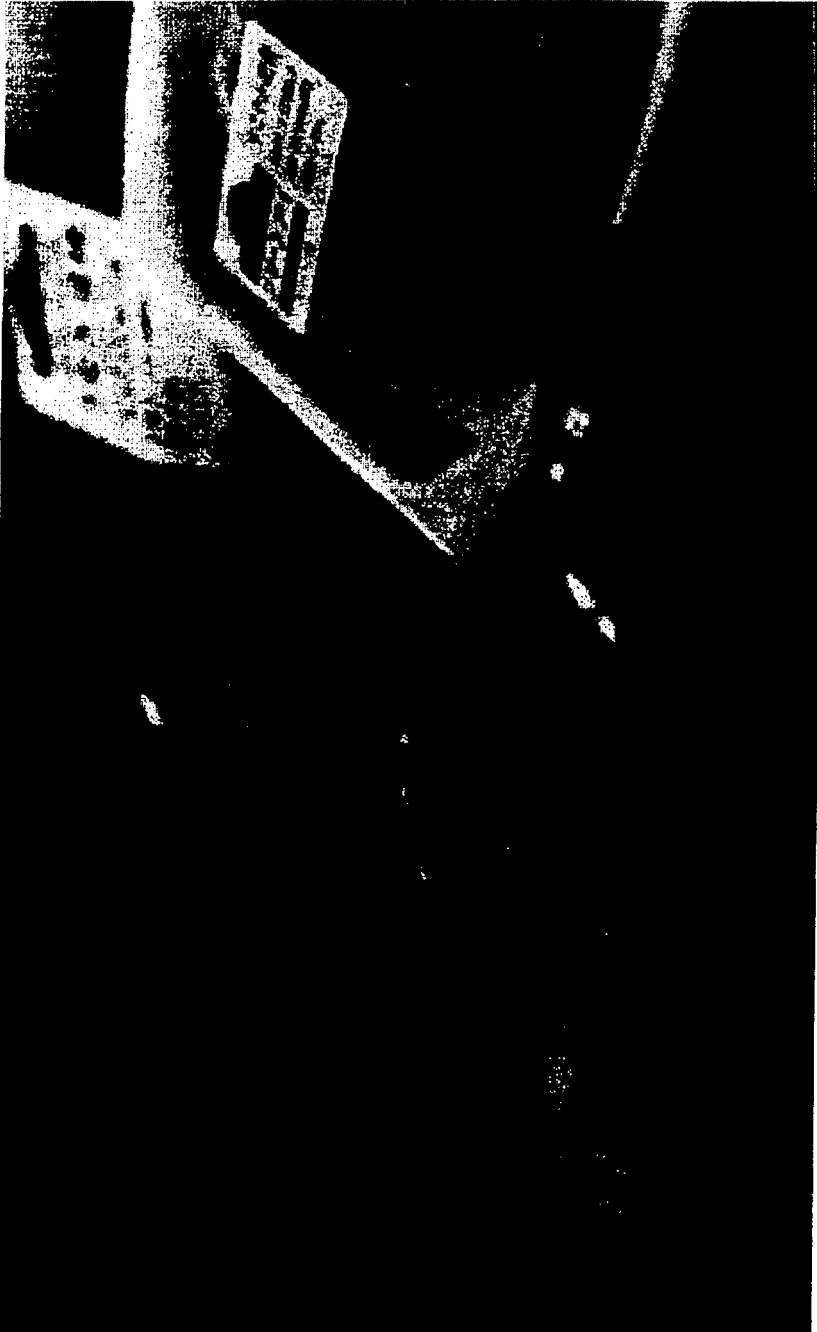
Fiscal 2003 was the first full year under Ministop's updated ordering system, introduced to strengthen sales support for franchise stores. All area sales support representatives were issued laptop computers to help identify and share information on ordering and sales trends. Store participation in new-product promotions has jumped from a pre-introduction 80% to 96% in 2003, under this system.

These initiatives increased Ministop's revenues and operating income. Revenues grew 7.0% to ¥52.6 billion (US\$446 million), while operating income increased by 4.9% to ¥8.6 billion (US\$72.5 million).



Ministop is famous for its fresh, ice cream, but the bigger story is its productivity. The chain's in-store fast-food preparation facilities are of a kind that the biggest food producer in its industry, in a depressing year for snacks, Ministop's daily per-store sales and customer traffic both rose, and net-store operating income jumped by 13.7% in fiscal 2003.

TOPVALU



Ensuring Traceability

These days, shoppers are concerned about the origin of the foods they buy. Shoppers can scan product bar codes of TOPVALU Green-Eye products at in-store terminals for an on-screen report of the place of origin, growing method, genetic provenance, and if processed, origin and production method of raw materials. The information is also available on-line—one more way /EON responds to customers' wishes.



TOPVALU KIRIKAN KEMEN

The TOPVALU brand emphasizes environmental values with useful products made from recycled and renewable materials. Products include laundry detergent, non-woven fabric cleaning cloths, toilet tissues, etc. and even original paper.

Customers embrace the opportunity to promote a recycling society by purchasing these items and contribute some of the raw materials at collection stations at our stores.



TOPVALU SELECT

This is the mark of premium quality. TOPVALU SELECT products come from famous producing regions, have premium quality ingredients and special means of preparation. One example is butter churned from milk produced only by cows in the Nagano (Japan Alps) region. It is made with reduced salt and is famous for its excellent flavor.

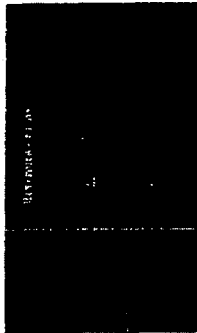
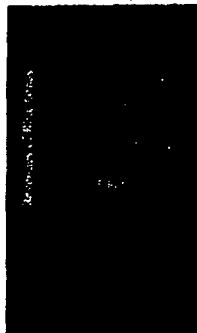
Specialty Store Operations

Women's apparel, family casual fashions, health and beauty-care products, footwear and other specialty retail activities

The Talbots, Inc., a U.S.-based apparel chain with an "American classic" concept, achieved further improvement in its inventory efficiency. In addition to comprehensive measures to control costs and inventory levels, it was also able to cut lead times throughout its system, from product planning to ordering and delivery, through renovation of supply-chain management. By cutting product costs and reducing losses on price reductions, Talbots has been able to keep its gross profit ratio at the record level achieved in the previous fiscal year. Although Talbots added new product lines and opened 91 new stores, sales were affected by slower consumer spending in the United States. Revenues were close to the previous year's level at ¥188 billion (US\$1,595 million), while operating income declined by 6.6% to ¥23.1 billion (US\$196 million).

Mega Sports Co., Ltd., which is developing The Sports Authority, the large-scale sports specialty store chain in Japan, achieved major increases in both revenues and income. Revenues increased by 26.0% and operating income by 245.1%. These results reflect the expansion of independent product development and the reinforcement of marketing operations through the integration of product, sales and sales promotion operations. AEON continued to concentrate its management resources through a process of business restructuring and integration during fiscal 2003. In Japan, a joint venture

Specialty stores, such as our U.S.-based subsidiary, Talbots, Inc., AEON is surpassing consumer expectations with unique products and excellent personal services. Talbots, winner of the American Retail Excellence Best Practices Award for 2001, daily finds a hundred small but meaningful ways to make the customer smile.



But this is an AEON subsidiary that covers specialty marketing that caters to teens and younger women. Shops feature local styles for a whole lot of fashion on a scale with clothing and accessories that reflect timely trends.

Cox is an originator of unique "family casual" apparel that appeals to young families with over 200 stores in Japan. Cox is now moving into large retail complexes, where its shops reflect the spirit of each area.

established with U.S. apparel chain operator Liz Claiborne, was dissolved. AEON Co., Ltd. absorbed the gardening business of its subsidiary, Sun-sun Land Co., Ltd. Sun-sun Land outlets are now operated by AEON Co., Ltd. as directly owned sales units. Shares in Bertram Industries Inc. of the United States were sold to Grupo Kalca, SA de CV of Mexico.

As a result, revenues from specialty store operations increased by 2.5% to ¥450 billion (US\$3,812 million). Operating income decreased by 7.7% to ¥28.4 billion (US\$241 million).

NUMBER OF SPECIALTY STORES

As of end of February 28,	2003	2002
Talbots	666	800
Blue Cross	485	660
Cart	152	214
Talbots Japan	44	39
Laura Ashley Japan	77	70
AEON Forest	131	109
Mega Sports	36	33
Chloe's Hippon	108	97
House	257	246
Others	232	202
Total	2,637	2,470

Seifuku Inc.

The Sports Authority of the U.S., with a broad assortment of quality name brand merchandise in athletic footwear, apparel and sporting equipment. An AEON subsidiary, Mega Sports, operates The Sports Authority stores in Japan and is expanding steadily as a co-anchor store at numerous AEON shopping centers in Japan.



Drugstore Operations

Although most of the companies in this segment are not currently consolidated subsidiaries, AEON's drugstore business is growing steadily. AEON Welcia Stores is the largest alliance of drugstore operators in Japan. It is currently expanding its network with the aim of creating Japan's first national drugstore chain. Two new members joined the alliance in fiscal 2003: Terashima Co., Ltd. in May, and Iino Co., Ltd. in September. The 13-company alliance, which includes AEON Co., Ltd., now comprises some 1,900 stores, with annual sales in excess of ¥600 billion (US\$3,085 million).

This scale gives the alliance an important advantage in product development, and the lineup of "Welcia" private-brand products now includes over 180 pharmaceuticals and hygiene products. In collaboration with FT Shiseido Co., Ltd., a major cosmetic manufacturer, the alliance is also developing

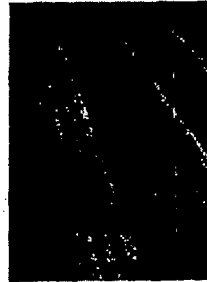
its own range of private-brand cosmetic products under the "Happy Face" brand name. The first products went on sale in September 2002, and sales have been very encouraging.

AEON Welcia Stores remains committed to accelerating the joint development of private-brand products. It will also continue to maximize alliance synergies, including the reduction of costs through integrated purchasing of merchandise and supplies.



With 13 independent companies and about 1,900 stores, AEON Welcia Stores is the largest alliance of drugstore operators in Japan.

Capitalizing on wide items and private-brand products, AEON Welcia Stores is evolving into Japan's first nationwide drugstore chain. "Welcia" brand products now exceed 180 pharmaceuticals and hygiene products.



SC Development Operations

Development of shopping centers, leasing and management of commercial facilities, etc.

The core company in this segment is AEON Mall Co., Ltd., Japan's largest specialty shopping center developer. Last July, AEON Mall opened its 14th complex, the AEON Takahashi Shopping Center in Toyama Prefecture.

AEON Mall also continued to improve the sales efficiency of existing facilities. The AEON Kashiwa Shopping Center in Aomori Prefecture was refurbished in April 2002, and in June, the AEON Suzuka Shopping Center in Mie Prefecture was reopened after expansion work. In July, a cinema complex was added to the AEON Nishinomiya Shopping Center in Ehime Prefecture. These efforts were reflected in a healthy 10.1% increase in sales by the 947 specialty store tenants at the 10 existing mall facilities.

In the year ended February 20, 2003, AEON Mall expanded into the new field of property management. It is using its in-depth knowledge of retailing to provide complete and coordinated services, from the planning and development of shopping centers through to leasing, operation and facility management. It aims to expand the scope of these services to include facilities overseas as well as in Japan.

Last July, AEON Mall became the first commercial developer to be listed on the First Section of the Tokyo Stock Exchange. A public share offering raised ¥3.5 billion (US\$29.7 million) for investment in shopping center facilities.

In fiscal 2003, revenues from shopping center development operations grew 13.3% to ¥44.9 billion (US\$380 million). Operating income increased by 18.8% to ¥12.3 billion (US\$104 million).



AEON Mall Co., Ltd., Japan's largest dedicated shopping mall developer, centrally located outside of major urban centers. An AEON mall is often the prime retail center of its service area. It develops comprehensive, oriented shopping environments, also eco-friendly and worker free.

More than a Store—Revitalizing Community Life

As we see it, an AEON mall must play a central role in its community as a well-built town, capable of meeting all of the needs of the locality it serves. Tenants include not only retailers and restaurants, but also cinema complexes and other entertainment facilities, and our malls support essential public services such as banks and health clinics.



Service and Other Operations

Finance, food service, store maintenance, wholesaling and other service activities

AEON Credit Service Co., Ltd. improved card usage rates by working closely with AEON retailers as a partner in popular initiatives, such as the "AEON Festival" and "One Day Passport" programs. It also opened five new sales offices in response to the expansion of its service area resulting from the aggressive growth of new outlets among AEON retailers. Its network of 63 sales offices in Japan worked effectively to attract new cardholders and recruit new affiliated merchants. There was a significant increase in the cardholder base for the Mycard Corporation's Say Vire Card. Mycard is currently undergoing corporate rehabilitation with AEON support. AEON Credit Service also issued a co-branded card for Tokai "E" Co., a new retail chain launched by Toys "R" Us-Japan Ltd. These initiatives brought the total cardholder base as of February 2003 to 11.3 million, an increase of 1.5 million.

As a result of the above initiatives, both revenue and income climbed in this segment. Revenue rose by 16.3% to ¥73.7 billion (US\$623 million). Operating income increased by 20.1% to ¥22.7 billion (US\$192 million). In overseas operations, Hong Kong-based AEON Credit Service (Asia) increased its allowance for doubtful accounts. Despite this, its revenue increased by 4.7% thanks to the success of customer development initiatives, including the introduction of a co-branded card for a restaurant chain. In Thailand, AEON Thana Sinsap (Thailand) added up new merchants, including the Carrefour, Isetan and Tokyu department stores. It also increased its cardholder base by 250,000 to 800,000. AEON Credit Service's businesses in Malaysia and Taiwan recorded steady growth, with the number of affiliated merchants increasing to 3,000 in Malaysia and 1,600 in Taiwan.

AEON FANTASY

Result: Credit Cardholder Satisfaction
Throughout the year, AEON provides events through which AEON Credit Service adds value for its cardholders. "One day Passport" is an example. Postcard companies, mailed only to card members, are redeemable at AEON retail stores, such as JUSCO, at discounts on purchases made throughout the store in any one-day period during the campaign. The program has significantly increased card usage.



In February 2002, the amusement arcade operator **AEON Fantasy Co., Ltd.** listed its shares on the JASDAQ exchange.

It continued to build the competitiveness of its outlets in preparation for the establishment of its own business format under the name "Indoor Theme Park." In fiscal 2003 it opened 20 new outlets, bringing the total as of February 2003 to 154 directly owned facilities and 16 franchises. AEON Fantasy is working to enhance its ability to attract customers through a number of initiatives, including the establishment of joint outlets in partnership with a popular fast food chain. Shares in the photo print service business **JUS-Photo Co., Ltd.** were sold to Fujicolor Holdings Co., Ltd. This sale was part of AEON's strategy of concentrating business resources.

As a result, revenue from service and other operations in fiscal 2003 increased by 5.3% to ¥477 billion (US\$4,938 million). Operating income rose by 22.7% to ¥38.3 billion (US\$324 million).

NUMBER OF STORES IN SERVICE AND OTHER OPERATIONS

As the end of February 20	2003	2002
Gourmet D'Or	274	260
Jack	56	70
Food Service	212	330
JUS-Photo*	-	591
Reform Studio	557	318
AEON Fantasy**	170	150
Others	117	107
Services	644	1,166
Total	2,170	3,492

* AEON and JUS-Photo in August 2002.
** The data includes franchises.

AEON Fantasy outlets welcome the amusement spaces that are more than a place to play. They are also secure and happy environments where children are made to feel welcome. AEON Fantasy's outlets are popular with original characters who give live performances and interact with children. Popular characters are selected for future development in amusement themes and product sales.

As a responsible global citizen, AEON puts customers first and emphasizes the pursuit of peace, respect for humanity and preservation of culture by supporting activities in such areas as environmental conservation, humanitarian assistance, international cultural exchange and promotion of communities and regional cultures.

Our Contributions as a Global Citizen

The AEON corporate philosophy underscores respect for humanity, contribution to local communities, and the pursuit of peace centered on customers. For decades, in keeping with this philosophy and as a good corporate citizen, AEON has actively promoted environmental and social contribution. We believe that these activities should be firmly based at the local level, where the benefits are experienced directly by those who make the change. Our aim is to work in partnership with customers and local communities toward the establishment of a recycling society.

Environmental Initiatives as a Retailing Business

Retailing has a closer interaction with customers than any other industry. Stemming from our responsibilities as a retailer, we have been involved in measures with our customers to protect the global environment and promote social harmony around the world and in the communities where we do business.

Our environmental commitment is reflected in initiatives to improve store operations. For example, we are working to reduce the environmental load from our business operations by cutting electricity consumption and by encouraging drivers of delivery trucks to switch off their engines when vehicles are idling. We also emphasize environmental values



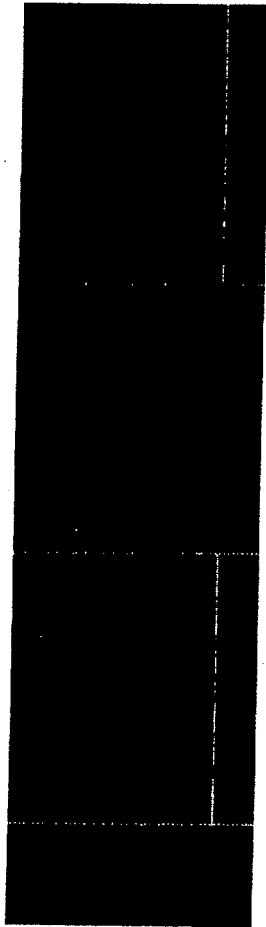
Since 1991, AEON has sponsored tree-planting activities at openings of its major facilities. With the help of thousands of local citizens, 4,560,000 trees have been planted so far at 350 AEON locations in Japan and overseas.



On AEON Day, the 11th day of every month, receipts are yellow. Customers can drop their receipts in boxes earmarked for volunteer organizations, and AEON donates 1% of the value of the receipts in each box to the named organization.



Also on AEON Day, in the Clean Road Activities, employees, with the drivers and residents near their stores to remove litter and restore their neighborhoods' natural beauty. These efforts help raise awareness of the significance and necessity of environmental respect for the community.



Number of participating stores
 *Including shops closed or merged
 during the term

and consumer safety and peace of mind in the development and marketing of our TOPVALU range of private-brand products. Our resource conservation efforts include a recycling campaign based on the sorting of used packaging and in-store collection boxes, and a campaign to reduce the number of shopping bags used.

AEON has designated the 11th day of every month as "AEON Day." On these days, we strive to give something back to the environment and local communities through thought and action in partnership with local people. One such activity is the AEON "Happy Yellow Receipt Campaign." On AEON Day, purchase receipts are yellow, and customers may place their receipts in boxes, each individually dedicated to a selected volunteer organization or other local cause. One percent of the value of the receipts in each box is donated in the form of goods to the specified cause. This system has become an important link between customers and local communities.

Environmental Preservation Activities as a Corporate Citizen

As a corporate citizen, AEON also makes an active contribution to environmental conservation at the regional level. In September 2002, AEON, Mitsubishi Paper Mills, Ltd. and five other companies jointly established Adelaide Blue Gum Pty Ltd. to implement a tree-planting business in Adelaide, Australia, which will contribute to reduction of CO₂.

The AEON Homestead Forests Program began at the Malacca Store in Malaysia in 1991. As of February 20, 2003, a total of more than 4.56 million trees have been planted at 350 sites inside and outside Japan.

The AEON Environment Foundation was established in 1991 to continuously facilitate and support the implementation of activities for environmental conservation in Japan and developing countries. Since 1991, the Foundation has offered grants to organizations and individuals through public invitation and selection. A cumulative total of ¥1.1 billion has been awarded throughout the years. AEON supports the Environment Foundation and last year provided grant totaling ¥100 million for 137 projects.

AEON is helping to save the endangered orangutan by supporting the reforestation efforts of the World Wide Fund for Nature Malaysia in orangutan habitats in Borneo. Funds have also been raised for this purpose through customer donations for original-design gift-wrapping paper. This money has been donated to the World Wide Fund for Nature Japan, together with donations from the AEON Environment Foundation.

Another example is the Forest Restoration plan in Shiretoko, Hokkaido. AEON is working with the Hokkaido Railway Company and local governments to restore the Shiretoko Forest, which was devastated by development activities, to its pristine state. These projects are only a small part of AEON's deep and wide-ranging involvement in global environmental conservation through partnerships with local communities.

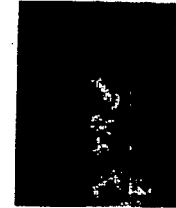
Diverse Social Contribution Activities

In 1989, the AEON 1% Club was established. Through this organization, AEON companies donate 1% of their income before tax to support activities in fields ranging from environmental conservation and international cultural and human exchange to the promotion of regional culture and society.

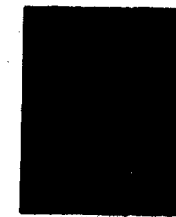
In fiscal 2002, the AEON 1% Club, in partnership with UNICEF Japan, launched a three-year project to restore Cambodia's educational infrastructure, which was destroyed during the long civil war. Funds were donated for the construction of 21 elementary schools in the year ended February 2002, and in fiscal 2003, funding was provided for another 37 schools.



For the past 13 years, AEON's Teenage Ambassadors program has helped to foster international mutual understanding and friendship at the student and family level. Every year, high school students from overseas are invited to Japan to a program of school visits, cultural exchange and homestay programs.



The AEON 1% Club launched a campaign to restore Cambodia's educational infrastructure, which was destroyed during the civil war. In two years, 78 schools were built with donations from customers, employees, and matching funds from AEON 1% Club, along with similar matching funds from UNICEF Japan.



AEON sponsors a touring group of professional actors and singers, who use locally recruited child actors for performances at environmental-themed musicals. The students and their families become deeply involved during the weeks of rehearsals, and the performances are as enjoyable as they are motivating.

Another country in need of urgent postwar reconstruction is Afghanistan. In 2001, AEON undertook refugee support activities, and in fiscal 2003, donations were collected to support land mine clearance efforts, earthquake relief work in northern Afghanistan and Afghanistan reconstruction projects. Contributions from customers and donations from AEON together amounted to ¥403.2 million.

AEON's Teenage Ambassadors program was established to foster mutual understanding and friendship at the international level. Last year, 24 Indonesian high school students were invited to Japan as the 13th group of visitors under the program. To date, 328 high school students have been brought to Japan from 12 countries.

The AEON 1% Club supports a wide range of other activities. Each year since 1997, it has sponsored a nationwide tour of musical presentations with themes that underscore the importance of nature and forests. In each locality, auditions are held to select children to perform in the shows.

AEON also contributes to society through the Cultural Foundation of Okada, which was established in 1980 to promote the development of art and culture in Mie Prefecture. The Foundation has donated many excellent examples of Japanese and foreign art to museums in Mie Prefecture. Its wide-ranging cultural promotion initiatives also include exhibitions and support for young artists. For the full story of AEON's efforts as a global citizen, download the AEON Environmental and Social Report 2003 from www.aeon.info/environment/report/english/.



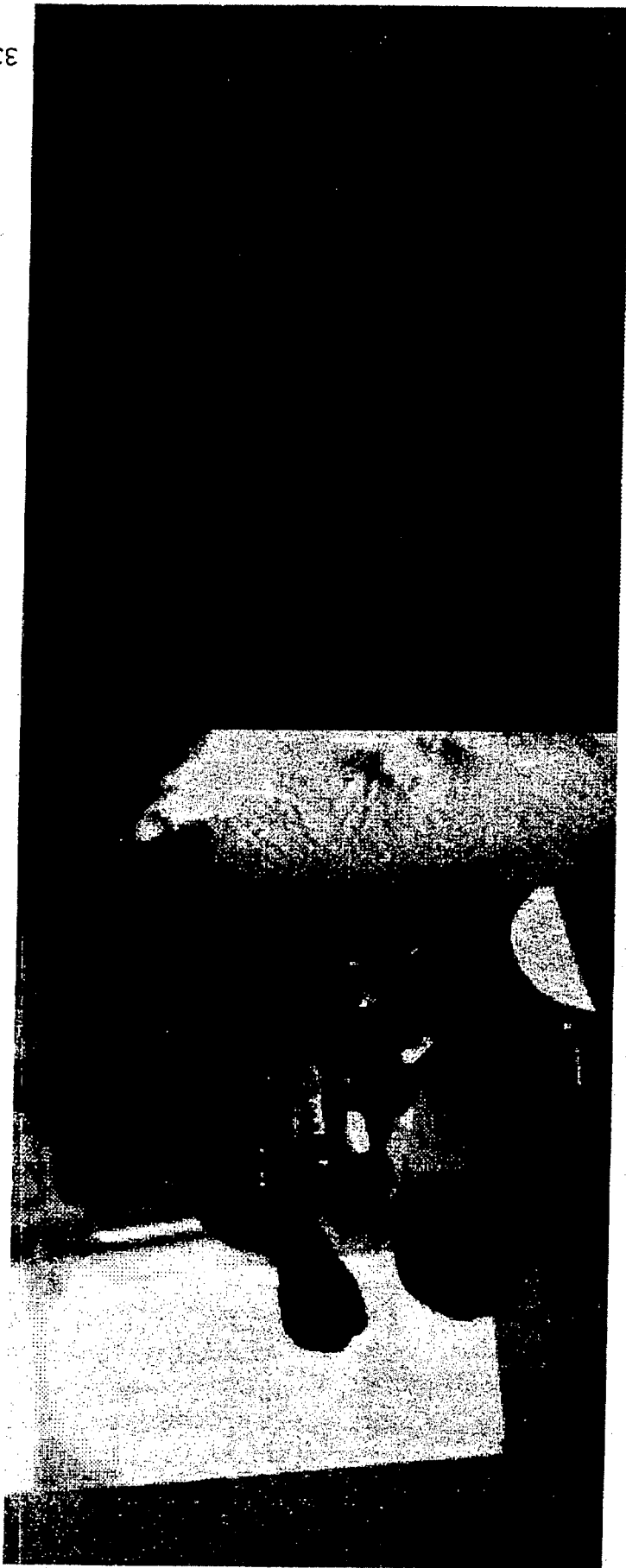
Through sponsorship by the AEON Environment Foundation of the tree-planting portion of the Shiratori Forest Restoration plan, AEON is helping to restore a vast area of land in Hokkaido damaged by poor conservation practices in the past century. It will take 100–200 years for the forest to return fully.



In 2003, AEON companies worked to save the endangered orangutan. Customers' donations for original-design gift wrapping paper, and funds from the AEON Environment Foundation, aided the reforestation efforts of the World Wide Fund for Nature Malaysia in orangutan habitats in Borneo.



AEON is promoting an afforestation project at the Great Wall of China. Since 1998, AEON and the People's Government of Beijing have jointly sponsored and supported tree planting by Chinese and Japanese volunteers aimed at restoring forests near the Great Wall that have not existed for centuries.



AEON Co., Ltd. and Subsidiaries
Selected Financial Data (Five-year)
 Years Ended February 28, 2003, 2002, 2001, 2000 and 1999

	1999	2000	2001	2002	2003
For the year ended February 28,					
RESULTS FOR THE YEAR					
Revenue					
Net sales	¥2,809,093	¥2,658,379	¥2,492,604	¥2,299,237	¥2,251,822
Rental and other revenues	¥211,447	¥206,336	¥176,878	¥143,679	¥130,977
Total	3,020,540	2,864,715	2,669,482	2,442,916	2,382,799
Operating costs and expenses					
Cost of goods sold	1,995,175	1,891,610	1,720,044	1,649,694	1,603,793
Selling, general and administrative expenses	915,016	893,307	812,824	725,705	697,216
Operating income	1,105,311	1,109,900	76,614	67,337	59,610
Other (income) expenses-net	35,333	41,418	22,661	25,971	20,600
Income from continuing operations before income tax	90,778	78,572	53,953	41,366	39,010
Income tax	14,905	30,813	26,656	29,045	22,801
Income from continuing operations before minority interest and equity in earnings	75,873	47,759	27,297	12,321	8,210
Minority interest	(21,807)	(18,209)	(19,040)	(10,114)	(8,301)
Equity in net (income) loss of affiliated companies	(1,225)	(65)	(938)	(1,793)	1,140
Income from continuing operations	52,841	29,485	11,317	414	1,049
Income (Loss) from discontinued operations	1,016	(8,500)	(2,116)	(1,247)	1,006
Cumulative effect of change in accounting principle	(53)	—	—	—	—
Net income (loss)	¥ 53,794	¥ 20,985	¥ 9,201	¥ (2,833)	¥ 3,054

YEAR-END FINANCIAL POSITION:

Total assets	¥2,167,940	¥2,046,188	¥1,995,691	¥1,833,037	¥1,753,494
Long-term liabilities	991,041	784,645	707,532	610,364	554,800
Shareholders' equity	340,034	347,900	331,678	313,202	318,032

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at the exchange rate on February 28, 2003, of ¥118 to \$1.
 2. Prior year amounts in the Consolidated Financial Statements have been restated to conform to the current year presentation in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, "Accounting for the Acquisition or Disposal of Long-lived Assets."

Financial Review

Consolidated Revenues and Operating Income

Both consolidated revenues and operating income set new records in the year ended February 28, 2003. Operating revenues amounted to ¥3,041 billion (US\$23,767 million), an increase of 6.1% over the previous year's result, while operating income was 3.3% higher at ¥126 billion (US\$1,070 million). The ratio of selling, general and administrative (SG&A) expenses to revenues was 30.1%, which was essentially unchanged from the previous year's level.

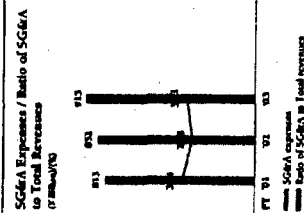
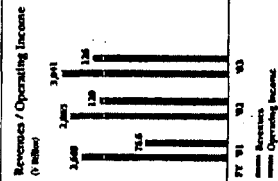
Group companies that increased their revenues included the shopping center development firm AEON Mall in the SC development operations segment and the financial service enterprise AEON Credit Service and amusement facility operator AEON Fantasy in the service and other operations segment. Both of the aforementioned companies also achieved growth in operating income, as did AEON Co., Ltd.

Consolidated Net Income

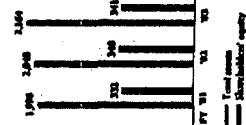
Consolidated net income rose 67.6% over the previous year's result to ¥35.0 billion (US\$297 million). Other income and expenses included a ¥0.9 billion (US\$7.7 million) foreign exchange loss resulting from the strength of the yen. Relating to SG&A expenses, an ongoing scrap-and-build program for retail outlets caused losses on impairment, disposition and sale of property to increase 29.2% over the previous year's level to ¥18.0 billion (US\$152 million). Valuation losses on investment securities decreased to ¥1.7 billion (US\$14.7 million), which was one tenth of the previous year's level. However, a very healthy trend in operating income more than offset the increase in expenses.

Consolidated Financial Position

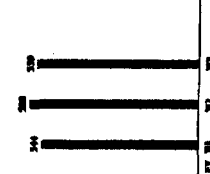
Consolidated total assets increased by 3.7% year-on-year to ¥2,164 billion (US\$18,339 million). As a result of the introduction of a new Open Database Merchandising System (ODMS) in the period year, merchandise inventories have decreased by 0.8% to ¥195 billion (US\$1,633 million). A major reason for the increase in assets was the buoyant performance of the Group's financial subsidiary, which caused the balance of finance receivables to increase by 13.3% year-on-year to ¥94 billion (US\$3,336 million).



Total Assets/
Shareholders' Equity
(¥ billion)



Long- and Short-term Loans
and Commercial Paper
(¥ billion)



Factors affecting liabilities and shareholders' equity included a decline in short-term and long-term interest-bearing debt by 0.5% to ¥816 billion (US\$6,914 million). Through extensive efforts to curtail debt, AOM achieved a decline despite the buoyant demand for funds by financial subsidiaries. In addition, termination benefits and retirement liabilities were increased by 70.7% over the previous year's level to ¥156 billion (US\$1,323 million). In part because of a decrease in the discount rate for retirement benefits, the discount rate was reduced by 1.0 points to 1.4% to bring it into line with current yield.

Additional minimum pension liabilities increased by ¥32.8 billion (US\$278 million). Required earnings were increased by ¥28.8 billion (US\$244 million). As a result, shareholders' equity decreased 2.1% from the previous year, to ¥341 billion (US\$2,887 million).

DEBT POSITION

As of February 28,	2003	2002	2001	Thousands of U.S. dollars
Long-term loans from banks and insurance companies	¥111,740	¥432,085	¥393,983	\$3,746,943
Short-term bank loans	32,790	107,370	86,385	615,750
Commercial paper	41,000	49,000	62,000	347,438
Sub-total	¥185,530	¥588,455	¥542,368	\$4,710,131
Debt under securitization of accounts receivable	10,000	20,000	19,000	64,745
Debt under securitization of household deposits	6,135	35,331	20,608	560,466
Debt under securitization of finance receivables	—	8,956	7,706	—
Capital lease obligations	55,420	52,883	56,539	412,712
Convertible bonds	—	—	4,537	4,551
Straight bonds	127,760	110,000	95,000	1,082,712
Total	¥489,815	¥820,165	¥796,172	\$4,912,656

FINANCIAL INCOMES/LOSSES

As of February 28,	2003	2002	2001	Thousands of U.S. dollars
Interest income	¥ 800	¥ 814	¥ 1,363	\$ 6,840
Dividend income	706	519	533	5,043
Financial income	¥ 1,512	¥ 1,333	¥ 1,896	\$12,613
Interest expenses	6,240	7,002	7,717	\$2,966
Interest on bonds	1,490	1,877	1,667	\$2,294
Interest on capital lease obligations	1,380	1,796	2,101	\$1,696
Financial charges	¥ 9,430	¥10,675	¥11,485	\$7,915
Net financial charges	¥7,918	¥9,342	¥9,589	\$6,052

Consolidated Cash Flows

Net cash provided by operating activities increased by ¥34.6 billion to ¥175 billion (US\$1,483 million). Contributing factors included a ¥14.1 billion increase in net income.

Net cash used in investing activities decreased by ¥10.6 billion to ¥148 billion (US\$1,227 million). This decrease was due to a net decrease of ¥16.0 billion in purchases of property.

Net cash used in financing activities amounted to ¥26.1 billion (US\$221 million), a decline of ¥50.5 billion from the previous year's total. The reason for this result was a ¥56.2 billion reduction in interest-bearing liabilities.

There was also a ¥2.6 billion foreign exchange loss on cash and cash equivalents. This brought total cash and cash equivalents at the end of the year in review to ¥103 billion (US\$875 million).

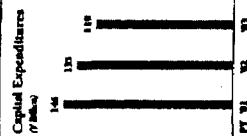
Consolidated Financial Ratios

The average return on assets (ROA) improved by 0.7 points to 1.7%, compared with the previous year's figure. The average return on equity (ROE) was 4.1 points higher at 10.2%. These increases both reflect a ¥14.1 billion year-on-year rise in net income, which amounted to ¥59.0 billion (US\$507 million).

The shareholders' equity ratio was 1.3 points lower at 15.7%. This decrease resulted from a 70.7% increase in employees' termination benefit and pension liabilities of ¥156 billion (US\$1,323 million).

PRINCIPAL FINANCIAL RATIOS

For the year ended February 28,	2003	2002	2001
Average return on assets (%)	1.7	1.0	0.3
Average return on shareholders' equity (%)	10.2	6.1	2.9
Operating income to revenues (%)	4.2	4.2	2.9
Shareholders' equity ratio (%)	15.7	17.0	16.6



Operating Income to Revenues
(%)



Shareholders' Equity Ratio
(%)



ACM Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
February 28, 2003 and 2002

ASSETS	2003	2002	Thousands of U.S. Dollars
Current Assets:			
Cash and cash equivalents	\$ 103,248	\$ 100,139	\$ 879,407
Time deposits (Note 6)	3,031	3,718	11,212
Marketable securities (Note 4)	7,071	1,299	59,774
Notes and accounts receivable (Note 8)	71,941	68,997	609,669
Finance receivables (Notes 3 and 6)	393,642	347,373	3,315,040
Merchandise inventories	155,145	104,734	1,033,271
Assets held for sale (Note 1)	—	11,593	—
Prepaid expenses and other current assets (Note 14)	38,686	53,988	483,258
Total current assets	630,097	786,011	7,039,720
Property, Buildings and Equipment—see Com (Notes 6, 12 and 13):			
Land	185,366	181,732	1,371,153
Buildings	488,272	465,435	4,137,898
Leasehold improvements	337,177	328,394	2,837,432
Equipment and fixtures	674,966	637,897	5,733,031
Construction in progress	6,541	8,989	53,463
Total	1,692,328	1,615,387	14,142,017
Accumulated depreciation and amortization	(745,043)	(680,935)	(6,313,624)
Net property, buildings and equipment	947,315	934,432	8,028,093
Intangible Assets (Note 5):			
Intangible assets subject to amortization:			
Software	30,746	24,697	260,359
Others	6,122	6,138	51,882
Total	36,868	30,835	312,241
Accumulated amortization	(11,744)	(9,989)	(99,525)
Net intangible assets subject to amortization	25,124	20,846	212,716
Intangible assets not subject to amortization:			
Goodwill	8,491	5,020	70,363
Trademark	8,760	9,768	74,237
Other	7,217	9,944	61,161
Total intangible assets not subject to amortization	24,468	24,734	205,661
Total intangible assets	49,592	45,580	418,377
Investments and Advances:			
Investments in and advances to affiliated companies	39,134	20,496	336,729
Investment securities (Note 4)	41,241	46,319	349,570
Total investments and advances	80,375	66,815	686,309
Other Assets:			
Fixed leasehold deposits, prepaid rent and loans to lessees (Notes 6 and 11)	155,022	143,404	1,315,746
Deferred taxes (Note 14)	69,235	36,731	584,720
Other	31,846	34,895	270,729
Total other assets	256,201	215,030	2,171,195
TOTAL	\$2,163,990	\$2,048,188	\$18,338,814

See notes to consolidated financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	Thousands of U.S. Dollars
Current Liabilities:			
Short-term borrowings (Note 6)	\$ 123,780	\$ 176,370	\$ 1,045,953
Notes and accounts payable			
Trade	372,014	319,130	2,131,044
Construction	38,180	26,016	306,210
Income taxes (Note 14)	29,017	13,691	246,161
Accrued expenses and other current liabilities	108,993	104,188	923,666
Liabilities associated with assets held for sale (Note 1)	—	5,983	—
Current portion of long-term debt (Note 6)	117,605	99,453	996,453
Total current liabilities	787,614	744,893	6,674,737
Long-Term Liabilities:			
Long-term debt, less current portion (Note 6)	571,490	544,139	4,868,228
Loans deposits from lessees and others (Note 6)	148,311	141,788	1,243,483
Employers' termination benefits and pension liabilities (Note 8)	156,143	91,462	1,373,346
Deferred taxes (Note 14)	6,717	6,056	56,924
Total long-term liabilities	882,661	783,445	7,491,813
Minority interest in Consolidated Subsidiaries	151,686	140,790	1,289,475
Commitments and Contingencies (Note 16)			
Shareholders' Equity (Notes 6, 9, 10 and 19):			
Common stock, authorized: 600,000,000 shares issued:			
2003—333,374,674 shares			
2002—331,170,062 shares			
Additional paid-in capital	51,246	49,043	454,712
Legal reserve	138,012	135,014	1,169,693
Retained earnings	11,946	17,972	143,636
Accumulated other comprehensive losses	195,584	166,830	1,857,492
Treasury stock, at cost: 234,186 shares in 2003 and 162,420 shares in 2002	(82,513)	(21,454)	(713,091)
Total shareholders' equity	(62,223)	(40,959)	(561,059)
TOTAL	\$2,163,990	\$2,048,188	\$18,338,814

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2001
Revenues					
Net sales	\$2,840,059	\$2,698,379	\$2,492,694	\$2,803,551	\$2,451,519
Rental and other revenues (Note 13)	331,447	208,336	116,878	329,415	116,878
Operating Costs and Expenses					
Cost of goods sold	3,040,302	2,864,715	2,669,482	2,986,966	2,669,482
Selling, general and administrative expenses	1,999,174	1,892,418	1,780,044	1,942,161	1,780,044
Operating income	615,016	833,307	812,824	606,585	812,824
Other (Income) Expenses					
Interest-net (Note 13)	2,914,101	2,744,725	2,592,868	2,868,534	2,592,868
Foreign exchange (gain) loss	132,311	119,980	76,614	130,412	76,614
Other expense-net (Note 13)	4,024	9,861	10,122	3,918	10,122
Income from Continuing Operations Before Income Taxes	913	(2,617)	756	895	756
Minority interest and equity in net loss of affiliated companies	45,986	34,174	31,793	45,305	31,793
Income Taxes (Note 14)	35,533	41,418	21,661	35,127	21,661
Minority interest and equity in net loss of affiliated companies	90,718	78,572	53,953	89,305	53,953
Income Taxes (Note 14)	45,477	33,375	36,986	44,908	36,986
Deferred	(10,572)	(3,563)	(10,338)	(10,338)	(10,338)
Income from Continuing Operations Before Minority Interest and Equity in Net Loss of Affiliated Companies	14,905	30,813	26,658	14,805	26,658
Minority interest in earnings of consolidated subsidiaries	55,873	47,759	27,295	55,344	27,295
Equity in net loss of affiliated companies	(21,803)	(18,209)	(15,040)	(21,771)	(15,040)
Income (Loss) from discontinued operations	(933)	(65)	(938)	(923)	(938)
Income (Loss) from discontinued operations	1,919	(8,360)	(2,116)	1,881	(2,116)
Cumulative effect of change in accounting principles, net of taxes of \$25 million pre	(2)	—	—	(2)	—
Net Income	\$3,014	\$20,895	\$9,201	\$2,986	\$9,201

Amount Per Share (Note 13)

	Yen			U.S. Dollars	
	2003	2002	2001	2003	2001
Basic					
Net income from continuing operations	¥ 100.2	¥ 86.0	¥ 34.6	\$ 0.85	\$ 0.85
Income (Loss) from discontinued operations	5.9	(25.9)	(6.4)	0.05	(0.05)
Cumulative effect of change in accounting principles	(0.2)	—	—	—	—
Net income	105.9	60.1	28.2	0.90	0.80
Diluted					
Net income from continuing operations	99.6	85.6	34.1	0.84	0.84
Income (Loss) from discontinued operations	5.8	(25.8)	(6.4)	0.05	(0.05)
Cumulative effect of change in accounting principles	(0.2)	—	—	—	—
Net income	105.2	60.0	27.7	0.90	0.80
Cash dividends declared during the year	¥ 22.0	¥ 22.0	¥ 22.0	\$ 0.19	\$ 0.19

See notes to consolidated financial statements.

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2001
Common stock:					
Balance, beginning of year	¥ 49,643	¥ 49,036	¥ 44,132	\$ 418,519	\$ 381,031
Issuance of stock for bond conversions	2,232	7	—	19,031	—
Balance, end of year	¥ 51,875	¥ 49,043	¥ 44,132	\$ 437,550	\$ 381,031
Additional paid-in capital:					
Balance, beginning of year	¥ 135,914	¥ 134,698	¥ 128,302	\$ 1,151,414	\$ 1,117,112
Issuance of stock for bond conversions	2,232	7	—	19,031	—
Decrease on sale of a subsidiary	(11,362)	—	—	(100,000)	—
Gain on sales of previously unaffiliated assets by subsidiaries, net of tax of ¥879 million (¥1,449 thousand) in 2003, ¥807 million in 2002 and ¥793 million in 2001	1,339	1,207	—	11,607	—
Balance, end of year	¥ 127,883	¥ 135,914	¥ 128,302	\$ 1,061,652	\$ 1,117,112
Legal fees:					
Balance, beginning of year	¥ 17,074	¥ 16,809	¥ 16,279	\$ 154,905	\$ 143,536
Balance, end of year	¥ 17,074	¥ 16,809	¥ 16,279	\$ 154,905	\$ 143,536
Retained earnings:					
Balance, beginning of year	¥ 166,830	¥ 154,272	¥ 150,862	\$ 1,413,814	\$ 1,306,729
Net income	3,014	20,895	9,201	2,986	9,201
Total	¥ 170,844	¥ 175,167	¥ 160,063	\$ 1,416,799	\$ 1,315,930
Deduct:					
Goodwill	7,293	7,293	7,130	65,700	63,700
Transfers to (from) legal reserves	(1,033)	1,132	(1,450)	(9,062)	(11,962)
Balance, end of year	¥ 162,518	¥ 168,906	¥ 151,483	\$ 1,342,037	\$ 1,240,268
Accumulated other comprehensive loss:					
Net unrealized gains (losses) on available-for-sale securities, net of applicable income taxes	¥ 2,065	¥ (6,071)	¥ 7,700	\$ 18,068	\$ (52,008)
Balance, beginning of year	¥ 512	¥ 532	¥ (10,307)	\$ 4,424	\$ (87,335)
Net change during the year, net of reclassification adjustments	¥ 1,553	¥ (6,603)	¥ 17,707	\$ 13,644	\$ (57,335)
Balance, end of year	¥ 2,065	¥ (6,071)	¥ 7,700	\$ 18,068	\$ (52,008)
Foreign currency translation adjustments:					
Balance, beginning of year	¥ 6,375	¥ (7,808)	¥ (4,663)	\$ 53,176	\$ (40,163)
Aggregate translation adjustments during the year	¥ 18,184	¥ 2,025	¥ 3,893	\$ 161,601	\$ 33,163
Balance, end of year	¥ 24,559	¥ (5,783)	¥ (8,770)	\$ 218,777	\$ (73,326)
Net gains on derivative financial instruments, net of applicable income taxes:					
Balance, beginning of year	¥ 102	¥ —	¥ —	\$ 864	\$ —
Adjustments for the year	¥ 198	¥ 102	¥ —	\$ 1,732	\$ —
Balance, end of year	¥ 300	¥ 102	¥ —	\$ 2,596	\$ —
Minimum pension liability adjustment (net of applicable income taxes):					
Balance, beginning of year	¥ (31,492)	¥ (33,320)	¥ (21,801)	\$ (279,464)	\$ (196,300)
Adjustments for the year	¥ (31,492)	¥ (33,320)	¥ (21,801)	\$ (279,464)	\$ (196,300)
Balance, end of year	¥ (62,984)	¥ (66,640)	¥ (43,602)	\$ (558,928)	\$ (392,600)
Treasury stock:					
Balance, beginning of year	¥ (402)	¥ (21,454)	¥ —	\$ (3,432)	\$ (187,600)
Common stock acquired for treasury	¥ 237	¥ (33,248)	¥ —	\$ (2,176)	\$ (287,600)
Balance, end of year	¥ (165)	¥ (54,702)	¥ —	\$ (1,464)	\$ (475,200)

See notes to consolidated financial statements.

ACN Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
Years Ended February 28, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2001
Net income	¥ 3,014	¥ 20,895	¥ 9,201	\$ 2,986	\$ 9,201
Other comprehensive income (loss), net of tax:					
Unrealized gains (losses) on available-for-sale securities:					
Unrealized holding gains (losses) arising during period	135	(3,900)	(14,197)	1,199	(121,977)
Reclassification adjustments for losses included in net income	34	10,332	3,830	302	9,052
Net change in unrealized gains (losses)	169	6,432	(10,367)	1,501	(112,925)
Foreign currency translation adjustments	16,184	7,025	3,893	\$ 141,601	\$ 33,163
Net gains (losses) on derivative financial instruments	(31,492)	(33,320)	(21,801)	\$ (279,464)	\$ (196,300)
Net change in other comprehensive income (loss)	153	(29,788)	(32,275)	\$ 1,322	\$ (275,762)
Total other comprehensive income (loss)	¥ 3,167	¥ (8,893)	¥ (33,074)	\$ 2,864	\$ (286,961)
Comprehensive income (loss)	¥ 6,181	¥ 12,002	¥ (23,873)	\$ 5,850	\$ (277,760)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended February 20, 2000, 2000 and 2001

	2001	2000	1999
Operating Activities:			
Net income	\$ 13,011	\$ 20,895	\$ 9,201
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Increase) decrease from discontinued operations	(1,910)	8,590	2,316
Depreciation and amortization	52	—	—
Net loss on impairment, disposition and sale of property	102,911	104,803	897,458
Net loss on sale of securities	17,677	13,912	6,432
Write-down of receivables	(3,850)	(1,193)	(2,001)
Minority interest in earnings	1,736	17,332	3,888
Gain on settlement of pension liability	21,863	18,209	13,040
Equity in net loss of affiliated companies	—	(3,371)	—
Deferred income taxes	923	65	938
Change in operating assets and liabilities:			
Notes and accounts receivable	(11,040)	(9,092)	(50,943)
Prepaid expenses and other current assets	432	19,924	(18,439)
Notes and accounts payable—trade	(2,068)	1,390	(1,990)
Accrued income taxes	17,494	21,996	(13,924)
Accrued expenses and other current liabilities	12,268	(1,700)	(7,578)
Other	12,270	(30,026)	36,505
Net cash provided by operating activities	121,094	140,326	29,824
Investing Activities:			
Finance lease receivable originated	(493,866)	(343,092)	(236,615)
Proceeds from sale of available securities	296,570	299,217	245,656
Purchases of available securities	6,220	1,843	1,844
Proceeds from sale of properties	(9,543)	(2,301)	(2,334)
Purchases of properties	6,632	8,281	10,530
Decrease in investments and advances	(113,671)	(134,622)	(46,313)
Increase in investments and advances	11,617	1,624	7,133
Net decrease (increase) in lease-related and other assets	(27,041)	(7,650)	(3,739)
Net cash used in investing activities	(16,155)	8,272	2,223
Financing Activities:			
Net (decrease) increase in short-term borrowings	(32,710)	1,362	(12,180)
Proceeds from long-term debt	139,774	112,838	163,513
Repayments on long-term debt	(109,010)	(79,903)	(113,670)
Net (decrease) increase in deposits from lenders	(342)	(1,498)	9,633
Scholarship repurchase of stock from minority shareholders	(2,573)	(5,187)	—
Dividends paid to the parent company's shareholders	(7,293)	(7,283)	(7,150)
Sale of previously unissued stock by subsidiaries	5,929	4,339	4,656
Net cash (used) provided by financing activities	(26,115)	24,366	29,656
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,260)	(3,028)	1,287
Net decrease in Cash and Cash Equivalents	(1,473)	(329)	(6,027)
Cash and Cash Equivalents, Beginning of Year	108,721	109,330	109,367
Cash and Cash Equivalents, End of Year	\$ 107,248	\$ 109,001	\$ 103,340
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	\$ 9,949	\$ 11,632	\$ 13,106
Income taxes	33,410	36,401	43,553
Net cash financing and investing activities	\$ 5,929	\$ 14	\$ 9,727
Conversion of bonds to equity	—	—	\$ 28,179

See notes to consolidated financial statements.

ECON Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Financial Statements and Summary of Significant Accounting Policies

Consolidation of subsidiaries
ECON Co., Ltd. and its subsidiaries (together the "Company") operate in Japan, the United States, Europe, and other countries. The Company also provides credit and other consumer financing services in these countries. ("SC") development and maintenance services in these countries. The principal offices of the Company are in Japan. ECON Co., Ltd. has approximately 360 stores in Japan and is one of Japan's leading retail companies.

Basis of financial statements
The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which ECON Co., Ltd. is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended February 20, 2003, is included solely for the convenience of readers outside Japan and has been made at the rate of \$118 = ¥1, the rate of exchange in February 20, 2003. The translation should not be construed as a representation that the yen amounts could be converted into U.S. dollars at the above or any other rate.

These financial statements differ from those issued for domestic purposes in Japan in that they reflect certain adjustments which are not recorded on the books of account of the Company to present them in accordance with accounting principles generally accepted in the United States of America (the "U.S. GAAP"). The principal adjustments reflected in these financial statements are the adjustment of merchandise inventories to the lower of cost or market as determined by the retail method according to the U.S. GAAP, capitalization of interest costs during the period of construction of buildings and equipment, use of fair value for certain securities, employee's accounting for pensions, depreciation and amortization of property, buildings and equipment, impairment of long-term assets and the transfer from retained earnings to additional paid-in capital as a result of differences in accounting for the acquisition of subsidiaries.

Significant accounting policies
Significant accounting policies applied in the accompanying consolidated financial statements are summarized below.

Principles of consolidation
The consolidated financial statements include the accounts of ECON Co., Ltd. and its subsidiaries over which substantial control is exercised through other majority ownership of voting stock and/or other means. Investments in affiliated companies (companies over which the Company has the ability to exercise significant influence) are accounted for using the equity method. ECON Co., Ltd. recognizes equity method losses based on the share of investee's total financing made or to be made by ECON Co., Ltd. when previous losses have reduced the common stock investment account to zero. All significant intercompany balances, transactions and unrealized profits are eliminated.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates included within the financial statements include:

Inventory reserve, allowance for credit losses, valuation allowance for deferred tax assets and the estimate life of intangible assets

Statement of cash flows
The Company considers currency and demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The amounts of cash and cash equivalents related to JUS-PHOTO CO., LTD. were reclassified to "Assets held for sale from cash and cash equivalents" on the consolidated balance sheet. The difference in the amounts of cash and cash equivalents at each of the year ends between the consolidated balance sheet and the consolidated statements of cash flows are as follows:

	2001	2000
"Cash and cash equivalents" on consolidated statements of cash flows	¥10,393	¥104,771
"Cash and cash equivalents" on consolidated balance sheet	101,298	100,139
"Cash and cash equivalents" related to JUS-PHOTO CO., LTD.	—	4,632

Investments in debt securities and equity securities are classified as trading, held-to-maturity or available-for-sale. Trading securities are reported at fair value, with changes in fair value included in earnings. Available-for-sale securities are reported at fair value, with net unrealized gains and losses included in equity. Held-to-maturity debt securities are reported at amortized cost. See Note 4 for a discussion of the classification and reporting of these securities. For all investment securities, marketable bonds that are other than temporary are recognized in earnings. The Company holds only available-for-sale securities.

Finance receivables
Finance receivables that the Company has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-off or specific valuation allowance.

Inventories
Substantially all merchandise inventories are stated at the lower of cost or market as determined by the retail method.

Depreciation and amortization of property, buildings and equipment
Depreciation of buildings and equipment of ECON Co., Ltd. and its subsidiaries is based on the estimated service lives and is generally provided using the declining-balance method for assets placed in service through the year ended February 20, 1999 and using the straight-line method for assets placed in service after February 20, 1999.

Depreciation of buildings and equipment of foreign subsidiaries is computed under the straight-line method based on the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the period of the lease.

Accounting for leases of store buildings
The Company considers a substantial part of its operations in leased facilities. Generally, the Company leases land and then finances the lessor's cost of construction of a retail store by giving the lessor a lease

deposits. The lease deposits are capitalized as leasehold improvements and amortized on the straight-line basis over the life of the lease (generally 20 years). The net rental payments made under these leases are charged to expense evenly over the life of the lease.

Accounting for the input assets or disposal of Long-Lived Assets
The Company adopted the provisions of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective February 21, 2002. SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of.

On September 3, 2002, the Company sold all of its shares of JUS-PROTEO CO., LTD. (a consolidated subsidiary in the service and other operations segment). The accounting related to this transaction was made in accordance with the provisions of this statement. Prior year's amounts have been restated to conform with current year's presentation. Assets held for sale and liabilities associated with assets held for sale are separately presented in the consolidated balance sheets. At February 20, 2002, respectively, the amounts of assets held for sale was ¥11,593 million, and the liabilities associated with assets held for sale was ¥5,085 million. The details are as follows:

JUS-PROTEO CO., LTD.	Amount in the accompanying table
Assets:	
Cash and cash equivalents	¥ 4,032
Notes and accounts receivable	479
Merchandise inventories	1,310
Property, buildings and equipment	3,048
Others	2,124
Total assets	¥ 11,593
Liabilities:	
Notes and accounts payable	¥ 1,086
Long-term debt	1,353
Others	3,617
Total liabilities associated with assets held for sale	¥ 5,053

The statement also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. Adoption of the standard did not have a material impact on net income; however, it did result in classifying the operations of certain stores and subsidiaries as discontinued operations in the accompanying Consolidated Statements of Operations.

The Company has accounted for certain assets and liabilities as discontinued operations under the provisions of SFAS No. 144 for the year ended February 20, 2003, and all prior fiscal years. The details of loss on discontinued operations are as follows:

	2003	2002	2001
Revenue from operations	¥ 14,740	¥ 68,539	¥ 70,086
Income (loss) before income taxes	4,444	(6,713)	(1,961)
Income taxes	3,131	2,148	86
Minority income in net earnings	141	271	(119)
Income (Loss) from discontinued operations	1,910	(8,590)	(2,116)

Goodwill and other intangible assets

In the prior fiscal year, the excess of purchase price over net assets acquired and other intangible assets have been recorded on a straight-line basis over their estimated useful lives with a maximum of 40 years.

On February 11, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" and accordingly ceased accounting for recorded goodwill and other intangible assets with indefinite lives. As of February 11, 2002 and February 20, 2002, accumulated amortization on goodwill was 2,369 million. Intangible assets are amortized over their useful lives which are primarily five years.

Income taxes

Deferred tax assets or liabilities are computed based on the difference between the financial statements and income tax basis of assets and liabilities using the enacted tax rate. Deferred income tax expenses (benefits) are based on the change in the assets and liabilities from period to period, subject to an ongoing assessment of realization.

Advertising costs

Advertising costs which are expensed as incurred and included in selling, general and administrative expenses were ¥62,791 million (¥532,137 thousand), ¥61,433 million and ¥60,604 million for 2003, 2002 and 2001, respectively.

Derivative Instruments

Effective February 21, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, as amended by SFAS No. 138, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 requires that all derivative instruments be recognized on the balance sheet at fair value. In addition, SFAS No. 133 provides that for derivative instruments that qualify for being accounted changes in the fair value will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in shareholders' equity as a component of accumulated other comprehensive income (loss) until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Gain arising from sale by a subsidiary of its own stock

The Company accounts for gains arising from sales by a subsidiary of its previously retained stock to minority shareholders as capital transactions in the consolidated financial statements.

Comprehensive Income

Comprehensive income which is included in the consolidated statements of shareholders' equity consists of net income, unrealized gains or losses on available for sale investments in debt and equity securities, foreign currency gains and losses and minimum pension liability adjustments.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operations of a long-lived asset, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be

made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Effective February 21, 2003, the Company will adopt the provisions of this statement. The cumulative effect of adjustments upon adopting this statement, net of deferred taxes and minority interest, will result in a decrease of net income by approximately 13,997 million yen.

In April 2003, the Financial Accounting Standards Board issued SFAS No. 149, "Amendments of Statement 133 on Derivatives Instruments and Hedging Activities." This statement amends and clarifies accounting and reporting for derivatives. The adoption of this statement will have a material impact on the consolidated financial statements of the Company.

In January 2003, the Emerging Issues Task Force also reached a final consensus on Issue 03-2 ("EITF 03-2"). Accounting for the Transfer to the Japanese Government of the Substantial Portion of Employee Pension Fund Liabilities ("EITF 03-2") addresses accounting for a transfer to the Japanese government of a substantial portion of an Employee Pension Fund plan ("EPF") which is a defined benefit pension plan established under the Welfare Pension Insurance Law. EITF 03-2 requires employers to account for the entire separation process of a substantial portion from an entire plan (including a corporate pension) upon completion of the

transfer to the government of the substantial portion of the benefits obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. Under this approach, the difference between the fair value of the obligation and the assets required to be transferred to the government should be accounted for and separately disclosed as a subsidy. On September 1, 2002, the application, which was submitted by the Company for approval, were approved by the government for an exemption from the obligation to pay benefits for future employee service related to the substantial portion. Management plans to submit another application for separation of the remaining substantial portion (that is, the benefit obligation related to past services). After the Company's applications are approved by the government, the remaining benefit obligation of the substantial portion (that specified portion of the plan assets of the EPF will be transferred to the government. The effect on the Company's consolidated financial statements of the transfer has not yet been determined.

Reclassification

Certain reclassifications have been made to prior years' consolidated financial statements to conform the presentation used for the year ended February 20, 2003.

2. Acquisitions

Yanhan (currently Mayvich Tokai Co., Ltd.)

In June 2000, AON Co., Ltd. entered ¥500 million to acquire 100% of the equity owned shares of Yanhan, which had been a corporation operating under the Reorganization and Rehabilitation Act since October 1997.

3. Finance Receivables

Finance receivables, principally from customers at February 20, 2003 and 2002, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2003	2002	2003	2002
Credit card	¥103,101	¥ 81,324	\$ 936,110	\$ 729,110
Bill purchase	27,844	23,962	229,166	209,166
Credit card and bill purchase total	131,145	105,486	1,165,276	938,276
Loan-cash card, interest primarily at 18.0%-36.0%	241,119	226,190	2,160,331	2,030,331
Loan-other				
Unsecured, interest primarily at 7.2%-20.4%	22,391	18,393	144,007	144,007
Secured, interest primarily at 3.0%-4.6%	277	1,414	2,117	12,117
Loan to the AON's employees	640	290	5,475	2,475
Credit card and other loan total	216,217	246,756	2,167,600	2,192,600
Finance receivable total	401,459	352,242	3,402,876	3,130,876
Accrued interest	4,337	4,426	37,129	37,129
Total	405,945	356,668	3,439,961	3,168,005
Allowance for possible credit losses	112,403	(9,093)	(1,034,155)	(83,155)
Net finance receivables	¥293,542	¥347,773	\$ 2,405,806	\$ 2,084,850

During the year ended February 20, 2003, Yanhan has made early repayments of debt under the reorganization repayment schedule and has completed all procedures in their reorganization and rehabilitation plan under the Act.

On February 20, 2003, constructed maturities of loan receivable excluding accrued interest were as follows:

Year Ending February 28	Millions of Yen			Thousands of U.S. Dollars		
	Loan-Credit Card	Loan-Other	Loan-Credit Card	Loan-Other	Loan-Credit Card	Loan-Other
2004	\$141,723	\$16,604	\$1,201,000	\$1,402,712		
2005	91,231	3,907	773,144	33,618		
2006	10,103	1,911	86,137	16,499		
2007	—	613	—	5,703		
2008	—	25	—	217		
Thereafter	—	14	—	119		
Total	\$243,119	\$23,194	\$2,060,231	\$1,506,559		

A substantial portion of the loan portfolio represents loans made under revolving lines of credit arrangements. Under such arrangements, borrowers may repay loans or make additional borrowings at any time within the line of credit amounts as long as minimum periodic debt payments are regularly made up until the specified repayment date. The above schedule, therefore, is not to be regarded as a forecast of future cash collection. During the years ended February 20, 2003 and 2001, the ratios of loans repaid to savings loan receivable balances were 55.7% and 54.5%, respectively.

	Millions of Yen			Thousands of U.S. Dollars		
	2003	2002	2001	2003	2002	2001
Balance, beginning of year	¥ 9,086	¥ 7,178	¥ 6,127	\$ 77,805		
Provision for possible credit losses	10,483	12,246	8,610	165,110		
Charge-offs	(17,663)	(11,537)	(8,371)	(154,602)		
Recoveries	1,652	915	756	14,115		
Net charge-offs	(16,011)	(10,622)	(7,615)	(139,487)		
Foreign currency translation adjustments	(505)	281	56	(3,953)		
Balance, end of year	¥ 12,203	¥ 9,092	¥ 7,178	\$ 103,915		

4. Investments

All of the Company's investments and available securities have been classified as available-for-sale securities and are reported at their fair value. Such equity and debt securities at February 20, 2003 and 2002, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2003	2002	2001	2003	2002	2001
Equity securities						
Cost	¥2,754	¥31,947	¥13,203	\$23,203		
Fair value	40,493	43,373	34,141	341,141		
Gross unrealized gains	15,364	12,902	10,201	130,201		
Gross unrealized losses	4,615	1,476	22,246	22,246		
Debt securities						
(Primarily corporate bonds)						
Cost	7,810	4,026	66,146	66,146		
Fair value	7,799	4,505	66,993	66,993		
Gross unrealized gains	4	3	34	34		
Gross unrealized losses	15	124	117	117		

Cost of sold securities is computed by the average cost method. The proceeds from sale of available-for-sale securities and gross realized gains and losses resulting from the sale for the years ended February 20, 2003, 2002 and 2001, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2003	2002	2001	2003	2002	2001
Proceeds from sale	¥6,392	¥2,370	¥7,231	\$54,169		
Gross realized gains	59	215	1,911	1,911		
Gross realized losses	31	70	344	263		

The Company recorded a loss on the write-down of available-for-sale securities to fair value of ¥1,730 million (\$14,601 thousand) for the year ended February 20, 2003 because the Company believes the decline in fair value is other than temporary.

5. Goodwill and Other Intangible Assets

Effective February 21, 2002, the Company adopted the provision of SFAS 142, which addresses financial accounting and reporting for acquired goodwill and intangible assets. The treatment requires recognition of goodwill and intangible assets with identifiable intangible assets and requires a two-step impairment test of these assets within six months of the date of adoption and an annual impairment test thereafter or when circumstances suggest an impairment in value has occurred. The Company has certain intangible assets mainly software, subject to amortization, and recognized amortization expense of ¥5,371 million (\$47,121 thousand) for the year ended February 20, 2003. Estimated amortization expenses for the next five fiscal years are as follows:

Year Ending February 28	Millions of Yen	Thousands of U.S. Dollars
2004	¥6,037	\$51,076
2005	3,792	49,085
2006	4,732	40,102
2007	3,471	29,415
2008	1,700	14,460

Reconciliation of income before cumulative effects of change in accounting principles and earnings per share before cumulative effects of change in accounting principles to the amounts adjusted for the exclusion of goodwill amortization for the years ended February 20, 2003, 2002 and 2001 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2003	2002	2001	2003	2002	2001
Income from continuing operations before cumulative effects of change in accounting principles						
Reported income from continuing operations before cumulative effects of change in accounting principles	¥75,066	¥20,895	¥9,201	\$203,170		
Add back: goodwill amortization (net of tax)	275	275	344	275		
Adjusted income from continuing operations before cumulative effects of change in accounting principles	¥75,341	¥21,170	¥9,545	\$203,445		
Basic earnings per share:						
Reported income from continuing operations before cumulative effects of change in accounting principles	¥188.0	¥63.1	¥28.2			
Add back: goodwill amortization (net of tax)	0.8	0.8	0.7			
Adjusted income from continuing operations before cumulative effects of change in accounting principles	¥188.8	¥63.9	¥28.9			
Diluted earnings per share:						
Reported income from continuing operations before cumulative effects of change in accounting principles	¥185.4	¥62.8	¥27.8			
Add back: goodwill amortization (net of tax)	0.6	0.6	0.7			
Adjusted income from continuing operations before cumulative effects of change in accounting principles	¥186.0	¥63.4	¥28.5			

6. Short-Term Borrowings and Long-Term Debt

a. Short-term borrowings at February 20, 2003 and 2002, consisted of the following:

	Thousands of U.S. Dollars	
	2003	2002
Short-term bank loans	\$ 72,750	\$ 81,077
Commercial paper	11,000	99,000
Debt under securitization of accounts receivable	10,000	20,000
Total	\$123,750	\$100,077

Short-term bank loans are represented by notes, generally for 90 days. The loans bear interest at February 20, 2003, at 0.18% to 0.40%.

b. Long-term debt at February 20, 2003 and 2002, consisted of the following:

	Thousands of U.S. Dollars	
	2003	2002
Issued by REON Co., Ltd.		
1-1/8% secured convertible bonds due 2003	Y 40,465	111,328
Notes, bonds and loans, principally from banks and insurance companies, due through the year 2010	476,075	430,337
Debt under securitization of long-term deposits, due through the year 2010	16,135	33,331
Capital lease obligations, due through the year 2003	53,420	22,893
Total	\$595,095	\$687,889
Low current portion	111,605	99,453
Total	\$706,700	\$787,342

6. At February 20, 2003 and 2002, interest rates on notes, bonds and loans, principally from banks and insurance companies, which are generally re-priced at current market conditions change, were as follows:

	Thousands of U.S. Dollars	
	2003	2002
0.0% - 1.0%	\$326,135	\$35,046
1.1% - 2.0%	231,424	282,126
2.1% - 3.0%	120,359	314,281
3.1% - 4.0%	19,618	166,254
4.1% - 5.0%	10,570	7,409
5.1% - 6.0%	8,026	5,126
6.1% - 7.0%	2,760	8,108
7.1% - 8.0%	8,477	10,337
8.1% - 9.0%	5,261	10,083
9.1% - 10.0%	750	1,057
Total	\$706,735	\$787,372

6. The annual maturities of long-term debt outstanding at February 20, 2003 were as follows:

	Thousands of U.S. Dollars
Year ending February 20:	
2004	\$117,605
2005	93,207
2006	153,346
2007	93,300
2008	100,321
Thereafter	132,078
Total	\$690,057

a. Collateralized short-term bank loans, long-term debt and other at February 20, 2003 and 2002, were as follows:

	Thousands of U.S. Dollars	
	2003	2002
Short-term bank loans	Y 7,223	Y 9,754
Long-term debt	96,465	109,376
Deposits received and other	1,705	1,732
Total	\$105,393	\$120,862

The assets of the Company pledged as collateral for short-term bank loans, long-term debt and other at February 20, 2003 and 2002, were as follows:

	Thousands of U.S. Dollars	
	2003	2002
Property, buildings and equipment	Y182,493	Y187,257
Accounts receivable and finance receivables	9,485	15,002
Time deposits, less deposits for cash (deposits are classified as deposits) and other	1,057	3,207
Total	Y192,935	Y205,466

7. Derivatives and Hedging Activities

Risk management policy
The Company operates internationally, which exposes the Company to the risk of changes in foreign exchange rates and interest rates.

Derivative financial instruments are comprised principally of forward exchange contracts and interest rate swaps entered into by the Company and certain of its subsidiaries to reduce these risks. The Company enters foreign currency exchange rate risk and interest rate risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Company does not enter into derivative financial instruments for trading purposes. The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations. Because most of the counterparties are internationally recognized financial institutions and, the Company has controlled credit risk through credit approvals, limits and monitoring procedures.

Foreign currency exchange rate risk management
The Company manages its foreign currency exchange rate risk and from overseas are mainly denominated in U.S. dollars. To manage foreign currency exchange rate risk, the Company enters into foreign currency exchange contracts. These contracts are primarily used to hedge the foreign currency exposure of consolidated purchase transactions which are denominated in foreign currencies. In accordance with the Company's policy, a portion of foreign currency exposure resulting from consolidated purchase transactions are hedged using foreign currency contracts which principally mature within one year.

The Company also enters into currency swaps and forward exchange contracts to hedge the foreign currency risk associated with long-term debt denominated in foreign currencies.

Interest rate risk management
The Company's exposure to the market risk of changes in interest rates relates primarily to its debt obligations. The variable rate debt obligations expose the Company to volatility in future cash flow due to changes in interest rates. To manage the volatility in the future cash flow caused by interest rate changes, the Company enters into

interest rate swaps, when it has determined to be appropriate based on market conditions. The interest rate swaps change the variable-rate debt obligations to fixed-rate debt obligations by entering into receive-variable, pay-fixed interest rate swaps. The hedging relationship between the interest rate swaps and a hedged debt obligation is highly effective in achieving offsetting changes in future cash flow resulting from interest rate risk.

Fair value hedge

Derivative financial instruments designated as fair value hedges primarily relate to foreign exchange contracts associated with purchase transactions. Changes in fair values of the hedged firm commitments and derivative instruments designated as fair value hedges of these firm commitments are recognized in other income (deductions).

Cash flow hedge

Changes in the fair value of interest rate swap contracts designated and qualifying as cash flow hedges related to variable-rate long-term debt obligations are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (deductions) in the same period as the hedged items affect earnings. All the accumulated other comprehensive income (loss) at end of year are substantially expected to be recognized in earnings over twelve months. The effective portions of changes in the fair value of interest rate swap contracts designated as cash flow hedges and reported in accumulated other comprehensive income (loss), net of the related tax effect, are \$661.1 million (\$5,602 thousand) for the year ended February 20, 2003. The amounts which were reclassified out of accumulated other comprehensive income (loss) into other income (deductions) for the year ended February 20, 2003 has not been significant. There is no the hedging ineffectiveness.

The Company has also entered into option interest rate swap agreements, interest rate cap agreements and interest rate option agreements, which do not meet the hedging criteria of SFAS No. 133. The Company records these instruments at fair value on the balance sheet. The changes in fair values are recorded in earnings immediately. The notional amounts of these interest rate cap agreements and interest

on option agreements were ¥24,472 million (\$307,220 thousand) as of February 20, 2003. The Company recognized net losses related to these instruments in the amount of ¥23.4 million (\$2,151 thousand) for the year ended February 20, 2003 and classified such amount in other income (deductions).

8. Employees' Benefit Plans

Retirement benefit plans
 AECN Co., Ltd. and certain domestic subsidiaries have a contributory defined benefit pension plan covering employees (the "Contributory plan") which provides lifetime annuity payments commencing at age 60 based on eligible compensation and/or points at the time of retirement, years of service and other factors. The Contributory plan consists of a basic part, which has been specified by the Japanese government's welfare pension regulations, and an additional part contributed by AECN Co., Ltd. and certain domestic subsidiaries.

Annual contributions are made by AECN Co., Ltd. and certain domestic subsidiaries and employees in accordance with the contribution formula stipulated by the government for the basic part and an amount determined on the basis of an accepted actuarial method for the additional part.

In March 2001, the Company amended the AECN group retirement benefit scheme, which completed the defined pension plan and an unfunded termination benefit plan. The change considers principally of amendments to certain retirement benefit calculation factors and amendments with respect to a certain portion of the defined pension plan. The amendments granted an unrecognized prior service cost of ¥18,561 million and a settlement gain of ¥3,571 million, excluding equity.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the

substantial portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on September 1, 2002. Under U.S. GAAP, the profit or loss on this transfer will be recognized when the pension assets related to the substantial portion will be transferred to the government and the related pension obligations will be settled.

Certain other domestic subsidiaries also have unfunded termination benefit plans, which cover employees terminating their employment who are entitled to certain retirement payments based on years of service and certain other factors. In addition, certain subsidiaries have defined benefit pension plans, of which projected benefit obligation and related fair value of plan assets at February 20, 2003 were ¥3,987 million and ¥3,971 million, respectively. Accrued liabilities for these other long-term liabilities and benefit pension plans were included in other long-term liabilities in the consolidated balance sheet at 2002.

The net periodic pension cost, net of contributions made by the employee, (the change in benefit obligation) plan assets, (funded status of the pension plan) and the termination benefit plan and major assumptions used to determine these amounts were as follows:

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2002
Components of net periodic pension cost:					
Service cost	¥12,904	¥10,985	¥13,883	\$169,307	\$180,347
Interest cost	2,108	4,949	2,346	27,271	63,271
Return on assets	(7,003)	(6,397)	(4,133)	(92,380)	(82,380)
Amortization of unrecognized net asset	(407)	(867)	(430)	(5,244)	(11,044)
Amortization of unrecognized prior service cost	(1,476)	(1,508)	626	(18,948)	(19,555)
Amortization of unrecognized net loss	6,234	4,074	5,330	80,677	56,677
Other	—	—	(329)	—	(4,239)
Net periodic pension cost	¥18,116	¥11,236	¥20,203	\$233,508	\$153,508

Net periodic amount for derivatives at February 20, 2003 and 2002 are set forth below:

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2002
Interest rate swap contracts	¥10,564	¥ 300	¥ 30,373	\$136,324	\$3,750
Business rate swap contracts	30,734	45,325	260,457	396,547	587,657
Interest rate currency swap contracts	2,866	2,886	24,457	36,866	32,457
Interest rate option contracts	13	63	136	166	1,750
Forward exchange contracts	15,874	6,028	134,244	204,544	174,244
Currency swap contracts	7,640	—	64,745	100,530	864,745

	Millions of Yen			Thousands of U.S. Dollars	
	2003	2002	2001	2003	2002
Change in benefit obligation:					
Benefit obligation at beginning of year	¥215,720	¥132,039	¥1,427,390	\$2,800,390	\$1,827,390
Service cost	(122,920)	(10,985)	(169,307)	(1,693,307)	(140,985)
Interest cost	(5,106)	(4,949)	(27,271)	(67,271)	(66,949)
Plan participants' contributions	(1,487)	(2,207)	(12,602)	(19,602)	(29,207)
Actuarial gain (loss)	(49,534)	(21,807)	(18,561)	(662,534)	(285,807)
Plan benefit amendments	—	18,361	—	—	240,361
Partial settlement	(926)	10,635	(7,147)	(12,635)	140,635
Reclassification for other plans and other	—	(9,152)	—	—	(126,152)
Benefits paid	5,226	7,307	61,232	69,226	96,232
Benefit obligation at end of year	¥47,524	¥213,030	¥2,357,000	\$625,524	\$2,957,000
Market value of plan assets at beginning of year	¥113,142	¥110,677	¥ 958,831	\$1,481,142	\$1,481,677
Actual return on assets	(11,174)	(8,417)	(97,237)	(150,174)	(112,417)
Employer contributions	9,360	8,974	71,917	125,360	119,917
Plan participants' contributions	1,497	2,207	12,602	19,602	29,207
Reclassification for other plans and other	316	4,484	2,674	4,484	60,674
Benefits paid	(14,849)	(9,783)	(59,000)	(200,849)	(132,783)
Market value of plan assets at end of year	¥107,242	¥113,152	¥ 986,185	\$1,407,242	\$1,586,185
Funded status and net amount recognized:					
Plan assets less than benefit obligation	—	—	—	—	—
Unrecognized net assets at date of initial application	(171,000)	¥(102,484)	¥(449,153)	(2,241,000)	(1,449,153)
Unrecognized net loss	(407)	(867)	(430)	(5,244)	(11,044)
Unrecognized prior service cost	1,905,257	91,306	1,276,346	25,052,567	1,276,346
Unrecognized net loss	(11,057)	(12,309)	(62,555)	(145,057)	(162,555)
Net amount recognized in the consolidated balance sheet	¥ 1,732,642	¥ (24,331)	¥ (209,800)	\$22,642,642	\$(24,331)
Net amount recognized in the consolidated balance sheet consists of:					
Employees' termination benefits and pension liabilities	¥136,113	¥ (91,462)	¥(337,240)	\$1,736,113	\$(91,462)
Through the assets	1,596,529	—	—	20,906,529	—
Accumulated other comprehensive income—pension	134,000	67,131	1,056,560	1,862,000	906,560
Major assumptions:					
Discount rate	1.40%	2.40%	2.40%	1.40%	2.40%
Rate of increase in compensation levels	3.40%	3.40%	3.40%	3.40%	3.40%
Expected long-term rate of return on plan assets	2.34%	3.27%	3.27%	2.34%	3.27%

Plan assets, which include pension trust funds managed by trust banks and life insurance companies, are invested primarily in corporate and government bonds and stocks. In accordance with the provisions of SFAS No. 87, AECN Co., Ltd. and certain domestic subsidiaries have recorded an additional retirement liability representing the excess of the accumulated benefit obligation with respect to the

pension plan over the fair value of plan assets and accrued pension liabilities previously recorded. A corresponding amount is recognized as an intangible asset to the extent of unrecognized prior service cost, with the balance recorded as a separate reduction of shareholders' equity, net of deferred income taxes.

9. Shareholders' Equity

AEON Co., Ltd. issued 2,044,112 shares and 6,338 shares of common stock during the year ended February 20, 2003 and 2002 in connection with conversion of convertible debt.

The Consolidated Code of Japan (the "Code") provided that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve and such reserve equals 75% of common stock. The Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until an aggregated amount of additional paid in capital and the legal reserve equals 75% of common stock.

AEON Co., Ltd. may transfer, by resolution of the shareholders, a portion of retained earnings available for dividends to a common stock reserve.

AEON Co., Ltd. may issue new shares of common stock to the existing shareholders without consideration by resolution of the Board of Directors.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At February 20, 2003, retained earnings recorded on the Company's books were ¥113,131 million (¥956,746 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

10. Other Comprehensive Income (Loss)

The changes in the components of other comprehensive income (loss) for the year ended February 20, 2003, 2002 and 2001 are as follows:

	Pre-tax amounts	Tax (Expense)/Benefit	Net-of-tax amounts
2003			
Unrealized gains on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	¥ 815	¥ (937)	¥ 146
Reclassification adjustment for (gains) losses included in net income	615	(261)	364
Net change in unrealized gains (losses)	1,440	(915)	525
Foreign currency translation adjustments	(6,180)	—	(6,180)
Net losses on derivative financial instruments	(771)	111	(661)
Minimum pension liability adjustment	251,653	24,341	(22,944)
Other comprehensive income (loss)	¥102,603	¥23,516	¥139,091
2002			
Unrealized gains on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	¥ (6,206)	¥ 2,368	¥ (3,838)
Reclassification adjustment for (gains) losses included in net income	17,531	(7,319)	10,212
Net change in unrealized gains (losses)	11,325	(4,951)	6,374
Foreign currency translation adjustments	7,095	—	7,095
Net gains on derivative financial instruments	97	5	102
Minimum pension liability adjustment	(20,099)	8,364	(11,695)
Other comprehensive income (loss)	¥ (1,624)	¥ 3,118	¥ 1,794
2001			
Unrealized gains on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	¥24,331	¥10,174	¥14,157
Reclassification adjustment for (gains) losses included in net income	6,569	(2,730)	3,839
Net change in unrealized gains (losses)	(17,862)	7,415	(10,447)
Foreign currency translation adjustments	3,083	—	3,083
Minimum pension liability adjustment	19,796	(8,140)	11,519
Other comprehensive income (loss)	¥ 9,660	¥ (812)	¥ 5,035

	Pre-tax amounts	Tax (Expense)/Benefit	Net-of-tax amounts
2003			
Unrealized gains on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	¥ 6,907	¥ (5,764)	¥ 1,143
Reclassification adjustment for (gains) losses included in net income	7,597	(2,212)	5,385
Net change in unrealized gains (losses)	12,204	(7,765)	4,439
Foreign currency translation adjustments	(51,763)	—	(51,763)
Net losses on derivative financial instruments	(6,539)	937	(5,602)
Minimum pension liability adjustment	(398,449)	266,116	(132,333)
Other comprehensive income (loss)	¥130,963	¥199,287	¥330,250

11. Leasing Arrangements

In most cases, lease buildings are contracted to the Company's special divisions on land owned by the lessor, and are leased under noncancelable terms generally over 20 years, with annual rental charges under individual contracts being recognized generally every two or three years. Charges for renewals may be included in the lease contract, but in general are renewable upon expiration on a year-to-year basis. The construction costs of most lease buildings are financed by the Company in the form of lease deposits paid to the lessor, which are refundable in equal annual installments over the last 10 years of the lease. A withholding of 10% to 20% of the lease amount, which is refundable upon termination of the lease contract. Lease deposits are non-interest bearing for the first 10 years of the lease contract and then, except for the aforementioned withholding, bear nominal interest ranging up to 3% during the remaining 10 years of the contract. As these lease deposits paid to the lessors are made in amounts which approximate the cost of construction of the more buildings, they represent leasehold improvements made by the Company on leased land and are capitalized.

Rentals paid under the terms of the lease agreements, net of reductions for refunds of lease deposits, represent the rental cost for land and are considered to be operating leases.

The following is a schedule of future minimum payments required under operating leases, principally those as described above, due here total on remaining noncancelable lease terms in excess of one year as of February 20, 2003:

	Amount	Thousands of U.S. dollars
For ending February 20:		
2004	¥ 34,218	\$ 289,983
2005	34,200	290,415
2006	31,467	283,619
2007	31,715	268,771
2008	29,669	251,432
Thereafter	145,400	1,232,204
Total	¥308,130	\$2,616,824

Total rental expenses amounted to ¥123,176 million (\$1,033,390 thousand), ¥110,257 million and ¥107,291 million for the years ended February 20, 2003, 2002 and 2001, respectively.

In addition, the Company leases, under noncancelable agreements, certain store equipment over periods of four to seven years including periods covered by bargain renewal options. Such lease obligations are classified as capital leases and the related assets are depreciated over periods comparable to the useful lives of the assets. Costs of leased assets under capital leases included in property, buildings and equip-

ments as February 20, 2003 and 2002 were ¥105,694 million (¥895,637 thousand) and ¥107,113 million, respectively. Accumulated depreciation related to such leased assets as February 20, 2003 and 2002 were ¥33,543 million (\$ 279,653 thousand) and ¥37,744 million, respectively.

An analysis of leased assets under capital leases as February 20, 2003 and 2002 were as follows:

	Thousands of U.S. dollars	Thousands of U.S. dollars
	2003	2002
Buildings	¥ 6,643	¥ 5,687
Equipment and fixtures	90,044	92,116
Total	¥100,684	¥100,803

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net initial lease payments as February 20, 2003:

	Amount	Thousands of U.S. dollars
For ending February 20:		
2004	¥116,994	\$100,966
2005	14,167	120,098
2006	10,091	85,517
2007	5,688	50,746
2008	2,839	24,099
Thereafter	5,737	48,610
Total minimum lease payments	¥155,416	\$139,046
Less amount representing interest	4,596	37,234
Present value of net minimum lease payments	¥150,820	\$131,812
Less current obligations	17,840	151,187
Long-term capital lease obligations	¥132,980	\$130,625

The Company leases portions of its store space to tenants under cancelable leases generally for periods of three to six years. In certain cases, rental payments are based on a minimum rental plus a percentage of tenants' sales, and in other cases, rental payments are based only on a fixed rental. The rentals received determined on the basis of tenants' sales included in rental revenue for 2003, 2002 and 2001 amounted to ¥34,308 million (¥290,746 thousand), ¥39,738 million and ¥24,704 million, respectively.

12. Capitalization of Interest
Interest costs attributable to major capital projects in process (mainly for fixed improvements) have been capitalized at the effective rate of borrowings. Capitalized interest is amortized over the useful lives of the related assets.

13. Other (Income) Expenses-Net
Other (income) expenses-net for the years ended February 20, 2003, 2002 and 2001 consisted of the following:

	2003	2002	2001	Thousands of U.S. dollars
Net loss on impairment, disposition and sale of property	71,977	913,912	9,432	\$152,247
Dividend income	(706)	(506)	(515)	(1,727)
Net gains on sales of securities, including gains on sale of affiliates common stock	(368)	(1,193)	(3,081)	(4,642)
Write-down of securities	1,736	17,532	5,895	25,163
Other-net	7,363	5,439	3,089	16,900
Total	72,502	924,174	911,783	\$220,203

14. INCOME TAXES
Total income taxes for the years ended February 20, 2003, 2002 and 2001 consisted of the following:

	2003	2002	2001	Thousands of U.S. dollars
Provisions for income taxes	8,130,911	9,068,813	9,266,656	\$295,107
Income tax expense (benefit) directly charged (credited) to shareholders' equity	914	4,991	(7,415)	7,780
Accumulated other comprehensive income (loss)	(11,519)	0	0	(11,519)
Net unrealized gains (losses) on available-for-sale securities	(13,321)	(8,364)	6,240	(20,445)
Minimum pension liability adjustment	879	809	793	2,491
Gain on sale of previously unowned stock by subsidiaries	112,268	928,204	928,276	\$103,267
Total income taxes	8,128,425	9,077,453	9,269,234	\$295,107

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, result in a normal effective statutory rate of approximately 41.7% for the years ended February 20, 2003, 2002, and 2001. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation of the combined statutory tax rate for the years ended February 20, 2003, 2002 and 2001 to the effective rates of income taxes reflected in the accompanying consolidated statements of operations is as follows:

	2003	2002	2001	Thousands of U.S. dollars
Combined statutory rate	41.7%	41.7%	41.7%	41.7%
Change due to:				
State and local taxes	0.6	0.6	0.6	0.6
Change in valuation allowance	(0.1)	(0.1)	(0.1)	(0.1)
Change in tax-exempt income	(0.1)	(0.1)	(0.1)	(0.1)
Change in tax credits	(0.1)	(0.1)	(0.1)	(0.1)
Change in other	(0.1)	(0.1)	(0.1)	(0.1)
Effective rate	41.7%	41.7%	41.7%	41.7%

	2003	2002	2001	Thousands of U.S. dollars
Normal Japanese statutory tax rate	41.7%	41.7%	41.7%	41.7%
Change (decrease) in state and local taxes	0.6	0.6	0.6	0.6
Change (decrease) in tax-exempt income	(0.1)	(0.1)	(0.1)	(0.1)
Change (decrease) in tax credits	(0.1)	(0.1)	(0.1)	(0.1)
Change (decrease) in other	(0.1)	(0.1)	(0.1)	(0.1)
Effective income tax rate	41.7%	41.7%	41.7%	41.7%

The approximate effect of temporary differences and tax loss carryforwards that give rise to deferred tax balances at February 20, 2003 and 2002, were as follows:

	2003	2002	2001	Thousands of U.S. dollars
Deferred tax assets	\$ 8,375	\$ 8,375	\$ 8,375	\$ 8,375
Deferred tax liabilities	\$ 14,262	\$ 19,814	\$ 9,184	\$ 19,814
Net deferred tax	\$ 5,887	\$ 11,439	\$ 1,191	\$ 11,439
Valuation allowance	\$ 5,887	\$ 11,439	\$ 1,191	\$ 11,439
Total	\$ 0	\$ 0	\$ 0	\$ 0

A valuation allowance is established to reduce certain subsidiaries' deferred tax assets relating to net operating loss carryforwards and certain temporary differences to reflect uncertainty associated with their realization. The valuation allowance decreased by \$6,634 million (\$56,220 thousand) during the year ended February 20, 2003 and decreased by \$1,070 million during the year ended February 20, 2002.

At February 20, 2003, certain subsidiaries have net operating loss carryforwards of approximately \$3,423 million (\$26,207 thousand) which are available as deductions from their individually reported net income.

	2003	2002	2001	Thousands of U.S. dollars
Net operating loss carryforwards	\$ 3,423	\$ 3,423	\$ 3,423	\$ 3,423
Other temporary differences	\$ 1,191	\$ 1,191	\$ 1,191	\$ 1,191
Total	\$ 4,614	\$ 4,614	\$ 4,614	\$ 4,614

At February 20, 2003, provisions totaling \$461 million (\$4,144 thousand) were made for taxes on undistributed earnings of all foreign subsidiaries of which earnings are not deemed to be permanently reinvested. Taxes on undistributed earnings of domestic subsidiaries and affiliates have not been provided as any dividends to be received are not expected to be subject to tax under present Japanese tax law.

15. Per Share Amounts

A reconciliation of the statements and denominations of the basic and diluted net income (loss) per share computations was as follows:

	Amount Per Share		Number of Shares	
	2003	2002	2003	2002
Net income from continuing operations	\$13,147	\$79,463	911,317	\$280,407
1.3% unsecured convertible bonds due 2001	—	—	—	—
1.4% unsecured convertible bonds due 2003	—	—	37	—
The effect of dilutive securities	—	—	37	—
Adjusted net income from continuing operations	13,147	79,463	11,354	280,407
Income (loss) on discontinued operations	1,919	(6,990)	(2,116)	16,263
Cumulative effect of change in accounting principle	(52)	—	—	(141)
Net income	\$15,014	\$72,473	\$ 9,238	\$286,529

Weighted average common shares outstanding

	2003	2002
Weighted average common shares outstanding	330,773,796	331,117,837
The effect of dilutive securities	—	—
1.3% unsecured convertible bonds due 2001	—	—
1.4% unsecured convertible bonds due 2003	2,044,731	2,120,012
Diluted common shares outstanding	332,818,527	333,237,849

Cash dividends per common share presented in the consolidated statements of operations are the amounts of dividends declared and paid during the year.

16. Commitments and Contingencies

Commitments outstanding as of February 20, 2003, for construction of property, buildings and equipment and for lease deposits approximated \$4,091 million (\$41,449 thousand).
Contingent liabilities as of February 20, 2003, for guarantees of loans were \$1,662 million (\$14,294 thousand).
In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." Under FIN 46, the Company is required to consolidate variable interest entities for which the Company is deemed to be the primary beneficiary for the year ending February 20, 2004, and disclose information about those in which the Company has significant variable interests effective immediately.

Assets, including cash and cash equivalents, time deposits, and notes and accounts receivable are carried at approximate fair value amounts. The fair value of marketable and investment securities which is generally estimated by market quotes obtained from exchanges for listed securities or dealers for unlisted securities is disclosed in Note 4. Short-term bank loans, notes and accounts payable are carried at approximate fair value amounts. For long-term fixed-rate debt, the estimated fair values were calculated by discounted future cash flows using the borrowing interest rates currently available to the Company for debt with similar terms and remaining average maturities.

The fair values of interest rate swap, interest rate cap and currency swap contracts are the estimated amounts that the Company would receive or pay to terminate the contracts as of the reporting date. The fair values of forward exchange contracts were estimated based on market prices for contracts with similar terms.

It is not practicable to estimate the fair value of the finance receivables, net, as the balance is comprised of large groups of multi-lateral receivables, and the difficulty in estimating the future cash flows under revolving line of credit. Also, it is not practicable to estimate the fair value of the guarantee deposits received from tenants and franchisees because timing of the future cash flows is uncertain.

18. Segment Information

The Company separates its operations into four segments, which consist of general merchandise store and other retail store operations, specialty store operations, SC development operations and service and other operations, and reviews operating results of the segments to make decisions about resources to be allocated to the segments and to assess its performance regularly.

The general merchandise store and other retail store operations include mainly general merchandise store, supermarket, discount store, convenience store and department store operations. Sales in this segment offer various types of goods. The specialty store operations include women's apparel, casual wear items for men and women, cosmetics and toiletries, and shoes. The Company management assesses the operating results of stores categorized in this segment separately from those of general merchandise stores because of the differences in target customers and level of value added to the merchandise. The SC development operations provide store development and retail services. The service and other operation segment

17. Fair Value of Financial Instruments

Table No. 107. "Disclosures about Fair Value of Financial Instruments," requires the companies to report the fair value of certain financial instruments.

	Amount in \$ million			
	2003	2002	2003	2002
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$103,296	\$103,296	\$100,139	\$100,139
Time deposits	2,031	2,031	5,718	5,718
Notes and accounts receivable	71,941	71,941	68,937	68,937
Liabilities				
Short-term borrowings	13,730	13,730	176,370	176,370
Notes and accounts payable	404,181	404,181	373,166	373,166
Long-term debt	643,055	720,955	643,392	634,032
Derivative financial instruments (gains/losses)				
Interest rate swap contracts	(261)	(515)	(11)	(11)
Interest rate cap contracts	(81)	(81)	—	(417)
Interest rate currency swap contracts	(31)	(31)	109	109
Forward exchange contracts	—	—	—	—
Currency swap contracts	(203)	(203)	—	—

The fair values of interest rate swap, interest rate cap and currency swap contracts are the estimated amounts that the Company would receive or pay to terminate the contracts as of the reporting date. The fair values of forward exchange contracts were estimated based on market prices for contracts with similar terms.

It is not practicable to estimate the fair value of the finance receivables, net, as the balance is comprised of large groups of multi-lateral receivables, and the difficulty in estimating the future cash flows under revolving line of credit. Also, it is not practicable to estimate the fair value of the guarantee deposits received from tenants and franchisees because timing of the future cash flows is uncertain.

includes credit card operations, consumer financing, drugstores, restaurants, facility operator, restaurants and store maintenance. The Company also separates its operations into three geographic areas, which consist of Japan, North America and others. This segmentation is based on location of operations.

As described in Note 3, "Basis of Financial Statements and Summary of Significant Accounting Policies," the accompanying consolidated financial statements differ from those issued for domestic purposes in Japan. The Company evaluates segment performance based on operating income and assets recorded in accordance with the accounting principles generally accepted in Japan (the "Japanese GAAP"). The principal adjustments and reconciliations reflected in the accompanying consolidated financial statements to present them in accordance with U.S. GAAP are discussed in Note 1. Intersegment revenue and transfers between geographic areas are accounted for at values based on market prices.

Operating Segment Information

	General contribution from sales and other operating assets	Operating assets	Expenditures for sales and other operating assets	Revenue from sales and other operating assets	Total
2003					
Revenue from external customers	\$2,394,778	\$449,046	\$ 27,514	\$23,140	\$2,974,438
Intersegment revenue	21,162	733	17,207	221,427	280,449
Depreciation and amortization	55,375	10,629	7,979	9,124	83,107
Segment operating income	\$1,328	\$8,420	\$12,562	\$8,271	\$13,481
Segment assets	1,110,986	246,897	221,547	\$39,023	1,618,453
Expenditures for segment assets	56,634	10,106	15,736	9,748	92,224
2002					
Revenue from external customers	\$2,218,064	\$438,008	\$ 23,089	\$23,731	\$2,683,902
Intersegment revenue	20,136	130	16,485	188,651	225,402
Depreciation and amortization	49,117	9,911	7,805	8,067	75,900
Segment operating income	\$6,853	\$9,801	\$10,311	\$11,350	\$11,305
Segment assets	1,100,401	226,880	218,867	\$41,893	1,628,041
Expenditures for segment assets	74,790	16,327	24,287	11,471	126,875
2001					
Revenue from external customers	\$2,094,201	\$411,513	\$ 17,725	\$21,610	\$2,545,049
Intersegment revenue	12,633	440	15,391	180,426	209,890
Depreciation and amortization	41,857	8,127	7,115	7,875	64,974
Segment operating income	\$6,334	\$20,074	\$6,001	\$7,403	\$13,812
Segment assets	1,109,726	221,737	214,656	\$29,379	1,675,508
Expenditures for segment assets	74,813	13,633	23,666	10,893	122,915
2000					
Revenue from external customers	\$1,975,746	\$3,803,924	\$ 23,424	\$2,181,730	\$5,984,824
Intersegment revenue	179,354	6,381	146,669	1,876,540	2,209,954
Depreciation and amortization	470,975	91,076	87,619	68,347	697,517
Segment operating income	\$53,827	\$240,897	\$102,915	\$24,331	\$1,122,780
Segment assets	941,220	2,092,347	\$177,517	\$4,483,246	\$3,215,330
Expenditures for segment assets	419,949	126,492	133,371	\$2,493	\$1,122,305

Geographic Area Information

	Japan	North America	Europe	Other	Total
2003					
Revenue from external customers	\$2,122,919	\$206,065	\$156,610	\$1,006,504	\$3,492,108
Long-lived assets	92,536	4,218	3,743	591,910	992,407
2002					
Revenue from external customers	\$2,507,748	\$208,105	\$136,779	\$2,934,592	\$5,787,224
Long-lived assets	915,793	35,441	34,898	996,124	1,982,256
2001					
Revenue from external customers	\$2,454,296	\$182,443	\$101,400	\$2,738,939	\$5,477,078
Long-lived assets	938,446	25,065	\$8,130	994,541	1,966,182
2000					
Revenue from external customers	\$3,073,696	\$1,731,941	\$1,237,204	\$3,585,814	\$9,628,655
Long-lived assets	7,329,144	293,010	233,415	8,405,569	16,261,138

Reconciliation of the reportable segments' amounts to the amounts per consolidated financial statements

	2003	2002	2001	Thousands of U.S. Dollars
Revenue				
Total revenue for reportable segments	\$1,347,151	\$3,170,014	\$2,941,529	\$26,165,203
Elimination of intersegment revenue under Japan GAAP	(366,660)	(235,432)	(208,890)	(2,148,884)
Adjustments/reclassifications to U.S. GAAP	(46,001)	(69,872)	(69,137)	(599,446)
Total revenue	\$934,490	\$2,864,710	\$2,663,502	\$23,416,873
Depreciation and amortization				
Total depreciation and amortization for reportable segments	\$ 3,300	\$ 70,710	\$ 64,174	\$ 657,706
Adjustments/reclassifications to U.S. GAAP	27,607	34,093	36,638	408,060
Total depreciation and amortization	\$ 30,907	\$ 104,803	\$ 100,812	\$ 1,065,766
Profit				
Total reportable segment operating income under Japan GAAP	\$ 132,451	\$ 119,305	\$ 91,812	\$ 1,132,720
Elimination of intersegment income under Japan GAAP	(309)	(83)	248	(4,519)
Adjustments/reclassifications to U.S. GAAP	(7,881)	768	(13,446)	(19,692)
Operating income	\$ 124,361	\$ 119,990	\$ 78,614	\$ 1,058,509
Other (income) expenses:				
Interest-net	\$ 6,621	\$ 9,861	\$ 10,122	\$ 73,089
Foreign exchange (gain)-loss	913	(2,617)	726	772
Other (income) expenses-net	23,396	34,174	11,783	220,265
Income before income taxes, minority interest and equity in net income (loss) of affiliated companies	\$ 154,281	\$ 152,348	\$ 101,225	\$ 1,352,635
Assets				
Total segment assets under Japan GAAP	\$2,148,462	\$2,036,043	\$1,975,518	\$17,168,322
Unaffiliated assets under Japan GAAP	13,259	27,615	29,863	113,466
Elimination of intersegment assets and liability under Japan GAAP	(108,784)	(88,060)	(113,732)	(931,989)
Adjustments/reclassifications to U.S. GAAP	150,911	80,500	103,963	1,124,921
Total assets	\$2,193,848	\$2,056,098	\$1,995,592	\$18,274,720
Expenditures for segment assets				
Total expenditures for assets for reportable segments	\$ 96,224	\$ 126,875	\$ 123,327	\$ 1,132,509
Adjustments/reclassifications to U.S. GAAP	20,435	7,747	22,886	173,177
Total expenditures	\$ 116,659	\$ 134,622	\$ 146,213	\$ 1,305,686

19. Subsequent Event

Shareholders' meeting
On May 15, 2003, the shareholders authorized payment of a cash dividend of \$22 (40.10) per share totaling \$7,326 million (\$62.085 thousand) to shareholders of record as of February 20, 2003.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To Shareholders and Board of Directors of
AEON CO., LTD.

We have audited the accompanying consolidated balance sheet of AEON CO., LTD. and subsidiaries as at February 20, 2003, and the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended February 20, 2003 (all expressed in Japanese Yen). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as reviewing the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of AEON CO., LTD. and subsidiaries as February 20, 2003 and 2002, and the results of their operations and cash flows for each of the three years in the period ended February 20, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, AEON CO., LTD. and subsidiaries have adopted Standards of Financial Accounting Standards No. 164 "Accounting for the Impairment or Disposal of Long-Lived Assets" under the fiscal year ended February 20, 2003.

Our audits also encompassed the translation of Japanese Yen amounts into U.S. dollar amounts used, in our opinion, such translation has been made in conformity with the basic stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

May 15, 2003

Board of Directors and Executive Officers

Board of Directors

Toshiji Tokiwa
Chairman of the Board, AEON Co., Ltd.

Motoya Okada
President, AEON Co., Ltd.

Yuzuka Furutani
Senior Executive Vice President, Operations and Merchandising, AEON Co., Ltd.

Yoshiki Mori
President and Representative Director, AEON Credit Service Co., Ltd.

Tadashi Ogawa
Chairman and Representative Director, Japan Tobacco Inc.

Yoshiharu Fukuhara
Honorary Chairman, Maruko Co., Ltd.

Minoru Makihara
Chairman and Representative Director, Maruha Corp.

Genzo Yamazaki
Attorney at Law and Corporate Auditor, Maruo Tokai Co., Ltd.

Executive Officers

Chairman
Toshiji Tokiwa*

President
Motoya Okada*

Senior Executive Vice President
Yuzuka Furutani

Executive Vice President
Yoshiki Sakamoto
Mitsuo Hoshino

Senior Vice President
Hidetaru Taniuchi
Naoki Hayashi
Akihito Tanaka
Yoshi Kimura
Tametschi Yamaguchi
Noriyuki Murakami
Kunio Nakamura
Atsunobu Agata
Fukunobu Hirashima

Vice President
Minoru Mukai
Hiroaki Nagao
Masaki Toyoshima
Kunihiko Hisaki
Teichiro Noguchi
Shigeyuki Hayamizu

* Representative Executive Officers

Corporate History

1978	Sumitomo Osaka establishes Okadaya, the forerunner of JUSCO, in Yokohama and begins trading in kimono fabrics and accessories.	May	Tokyo Okada returns as Chairman of JUSCO and becomes Honorary Chairman and Adviser. Toshiji Yokawa becomes Chairman.
1978	Sumitomo Osaka restructures Okadaya as a joint stock company.	May	Tokyo Web Merc changes name to Maruichi Tokohu.
1978	Business tie-up established between Okadaya and Fungli.	June	JUSCO obtains ISO 14001 certification for all of its offices and stores.
1979	JUSCO established as a joint purchasing organization through joint venture of Okadaya, Fungli and Shin.	Aug	Kyushu JUSCO Buys its shares on the OTC market.
1979	JUSCO and Mitsubishi Ship jointly establish Diamond City.	Aug	Maruichi Tokohu based on Second Section of Tokyo Stock Exchange.
1979	Okadaya merges with Fungli. Okadaya's debt, Kanawara and JUSCO Okadaya changes name to JUSCO in April.	Aug	Web Merc and Sanyo Maruichi merge and change name to Maruichi Nishinomiya.
1979	JUSCO merges with Yamaguchi, Yamaguchi Sangyo and Kofun JUSCO.	Oct	Sanyo Food Center and Hokkaido JUSCO merge and change name to Maruichi Hokkaido.
1979	JUSCO based on second sections of the Tokyo, Osaka and Nagoya Stock Exchanges.	Oct	First Azusa changes name to Maruichi Chubu.
1979	JUSCO moved up to first sections of the Tokyo, Osaka and Nagoya Stock Exchanges.	Dec	The total number of stores placed under Aeon Home Towns Program exceeds 1 million.
1979	JUSCO credit card issued.	2001	
1980	Jays JUSCO Stores established in Malaysia.	Jan	"Aeon Wide Sense" selected as the provisional group name for the Aeon Group Pharmacy and Drugstore Alliance.
1980	Business agreement concluded with U.K.'s Laurus Ashby.	Apr	Aeon Group begins to gather donations for school construction program in Cambodia.
1980	Same JUSCO established in Thailand.	June	Aeon's Social Distribution Center becomes operational.
1980	Jays JUSCO Stores opens the first overseas store for JUSCO.	June	Aeon Kasei changes name to Aeon Mall.
1980	JUSCO Stores (Hong Kong) established.	Aug	Tokyo Shoji and Drus merge as Tokyos.
1980	JUSCO Stores (Hong Kong) established.	Aug	JUSCO Co., Ltd. becomes Aeon Co., Ltd. and Aeon Group name changed to Aeon. "Global 10" vision announced.
1980	JUSCO Stores (Hong Kong) established.	Oct	Commerce-on registered for OTC share trading.
1980	JUSCO Stores (Hong Kong) established.	Dec	Aeon Thru Store (Thailand) based on Thai Stock Exchange.
1980	JUSCO Stores (Hong Kong) established.	2002	
1980	JUSCO Stores (Hong Kong) established.	Feb	Aeon Pharmacy registered for OTC share trading.
1980	JUSCO Stores (Hong Kong) established.	Mar	Yoshino recovery plan completed and Yoshino becomes Maruichi Tokohu.
1980	JUSCO Stores (Hong Kong) established.	Mar	Yamaguchi Corporation based on Second Section of Tokyo Stock Exchange.
1980	JUSCO Stores (Hong Kong) established.	Mar	Maruichi Ryukyu established.
1980	JUSCO Stores (Hong Kong) established.	May	Aeon Co., Ltd. and Drug Terashima establish business and capital tie-up.
1980	JUSCO Stores (Hong Kong) established.	May	Hokko, a supermarket chain, joins Aeon.
1980	JUSCO Stores (Hong Kong) established.	July	Aeon Mall based on First Section of Tokyo Stock Exchange.
1980	JUSCO Stores (Hong Kong) established.	Sept	THO Co., Ltd. joins Aeon Wicks Stores drugstore alliance.
1980	JUSCO Stores (Hong Kong) established.	Nov	Diamond City based on Second Section of Tokyo Stock Exchange.
1980	JUSCO Stores (Hong Kong) established.	2003	
1980	JUSCO Stores (Hong Kong) established.	Feb	Diamond City based on first sections of Tokyo and Osaka Stock Exchanges.
1980	JUSCO Stores (Hong Kong) established.	May	Aeon Co., Ltd. adopts Company with Committees governance structure.
1990	JUSCO forms joint venture with U.K. based The Body Shop. Aeon Force, which carries out domestic operations of The Body Shop, established.	Feb	Aeon Pharmacy established.
1990	Cost based on the OTC market.	Oct	JUSCO announces cooperation with Tokai Japan as later applies for protection under Corporate Restructuring Law.
1990	JUSCO announces participation in management of U.K.'s Laurus Ashby.	Nov	JUSCO becomes capital participant in Medical Ikuo.
1991	Aeon Group Environment Foundation established.	1996	
1991	Jays JUSCO Stores Japan. Store opens in Miyazaki—first overseas store to have been placed under Aeon Home Towns Program.	July	JUSCO becomes a capital participant in Enigma, the largest pet shop chain in Japan, to form the fully capitalized Pet City.
1991	JUSCO Stores (Hong Kong) based on Hong Kong Stock Exchange.	July	JUSCO begins cooperation with the major American fashion apparel chain LL Coolidge.
1991	Tie-up with China's Sanyo. America's largest chain store of fashion accessories, to develop chain in Japan.	July	2,500 volunteers from China and Japan participate in first tree-planting along the Great Wall of China. Event repeated in 1997 and 2000.
1991	Private brand TOPVALU launched.	Aug	Aeon Credit Service based on First Section of Tokyo Stock Exchange.
1991	Aeon Credit Service based on shares on the OTC market.	1999	
1991	JUSCO formed tie-up with The Sports Authority.	Jan	Donation drive held for Cambodian artificial limb center. Drive to be repeated in the following three years.
1991	Operational and capital partnership established between JUSCO and Tawatchai.	Jan	JUSCO, Tawatchai and Ikuo establish business tie-up. JUSCO becomes capital participant in Ikuo.
1991	Intelligence House, Makie and Ishiguro JUSCO merge to establish Home.	Feb	U.S. Japan established.
1991	Aeon Credit Service (Asia) based on Hong Kong Stock Exchange.	Mar	JUSCO Oryama store and JUSCO Givno SC obtain ISO 14001 certification.
1991	Blue Cross flows its shares on the OTC market.	Apr	Aeon Chubu established (first complex opens in Sanyo to July).
1991	Guangdong JUSCO Team Stores and Shanghai JUSCO established.	Aug	JUSCO merges Shinsen JUSCO and Ogyo JUSCO.
1991	JUSCO becomes capital participant in Home Wide.	Aug	Preston and Oshawa JUSCO merge to establish Ryukyu JUSCO.
1991	Qingdao Daigang JUSCO established.	Aug	Kyushu JUSCO and Aoni JUSCO merge.
1991	Guangdong JUSCO Team Stores opens JUSCO's first regional store in China.	Aug	JUSCO, Tawatchai and Drug Elvira establish business tie-up.
1991	JUSCO, Mitsubishi Corporation, and Mitsubishi Shoji Sanyo jointly launch the establishment of Mega Team.	Sept	Aeon Group Environment Foundation meets Sanyo's environmental activity.
1991	JUSCO-Pharm flows its shares on the OTC market.	Oct	First, Aeon and Chubu Web Merc merge to establish First Aeon.
1991	Working moved from Second Section of Tokyo Stock Exchange to First Section.	2003	
1991	Aeon Credit Service based on Second Section of Tokyo Stock Exchange.	Jan	JUSCO, Tawatchai and Sugi Pharmacy establish business and capital tie-up.
1991	Jays JUSCO Stores based on main board of Osaka Exchange.	Feb	JUSCO and Commerce-on establish business and capital tie-up.
1991		Feb	Supporter Food Center announces merger with Hokkaido JUSCO.
1991		Feb	JUSCO merges Nohkuma JUSCO.
1991		Feb	JUSCO Sanyo (Hong Kong) merges "Hong Kong Eco Business, Gold Price" for 1999.
1991		Mar	Web Merc announces merger with Sanyo Maruichi.
1991		Mar	Yoshino Japan reorganization plan approved by the authorities. It changes to name to Yoshino and starts into Aeon Group.
1991		Mar	First store of reorganized Yoshino opens in April.
1991		Mar	Private brand TOPVALU reorganized.
1991		Apr	JUSCO and Hic-Store establish business and capital tie-up.
1991		Apr	JUSCO Tokai Shoji and Sugi Pharmacy establish business tie-up. JUSCO becomes capital and business participant in Tokai Shoji.

Shareholder Information

Wetpack Co., Ltd.

Welby's Co., Ltd.
Rac. Robinson Co., Ltd.
Green Cross - Cox Co., Ltd.
Hiro Co., Ltd.

Financial Services

Financial Services

- AEON Credit Service Co., Ltd.
- AEON Credit Service (Asia) Co., Ltd.
- AEON Theme Shopping (Thailand) Plc.
- AEON Credit Service (SI) Sdn. Bhd.
- AEON Credit Service (Taiwan) Co., Ltd.

• Juvederm Co.

• Juvederm Co., Ltd.

• AEON Consumer Co., Ltd.

- AON Companies Co., Ltd.
- Quality Control Center Co., Ltd.

Food Services

Food Services
*Gossman DDr Co., Ltd.
*Jacks Co., Ltd.

Food Processing, Distribution

***CARO Co., Ltd.**
***Food Supply RUSSCO Co., Ltd.**
***Axi, Inc.**
***Turbo Co., Ltd.**
***Ousika Delica Co., Ltd.**
***Yamanaka Feeder Pty Ltd**

e-commerce BUSINESS

***ARON VIEW Co., Ltd.**

• EON 1% Club •

- Aeon 1% Club
- Aeon Environment Foundation
- The Cultural Foundation of Aeon

Head Office

Head Office
1-5-1 Nakase, Mitama-ku, Chiba-shi, Chiba
261-8315, Japan
Tel: 81-(43)-212-6042
Fax: 81-(43)-212-6849
Homepage: <http://www.acon.info>

2015 | 2016

Capital Stock
\$51.396 million (333,274 shares)

Shareholders' Meeting

Shareholders' Meeting
May 15, 2003

Stock Exchange Listing

Stock Exchange Listing
Tokyo, Osaka and Nagoya Stock Exchanges
Luxembourg, Dusseldorf and Frankfurt Stock Exchanges

Transfer Agent

Transfer Agent
The Chuo Mutual Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-8574, Japan

Independent Auditors

Independent Auditors
Deloitte Touche Tohmatsu
MS Shibaura Bldg., 13-23, Shibaura
4-chome, Minato-ku, Tokyo 108-8530 Japan