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# Financial Results for the Six Months ended August 31, 2013

October 7, 2013


| | |
|---|---|
| Company name | **Aeon Co., Ltd.** |
| Listings | The First Section of Tokyo Stock Exchange |
| Security code | 8267 |
| URL | http://www.aeon.info/ |
| Representative | Motoya Okada, President |
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Scheduled dates:

| | |
|---|---|
| Submission of statutory quarterly financial report | October 15, 2013 |
| Commencement of dividend payments | October 25, 2013 |
| Supplementary materials to the quarterly results | Available |
| Quarterly earnings results briefing | Yes (targeted at institutional investors and analysts) |

(Amounts rounded down to the nearest million)

## 1. Consolidated Financial Results for the Six Months ended August 31, 2013 (March 1, 2013 to August 31, 2013)

(1) Operating Results (Percentage figures represent year-on-year changes)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Six months ended August 31, 2013 | 2,981,807 | 9.3 | 73,723 | 1.4 | 77,094 | (6.5) | 23,545 | (15.9) |
| Six months ended August 31, 2012 | 2,727,887 | - | 72,669 | - | 82,484 | - | 28,012 | - |

Note: Comprehensive income: Six months ended August 31, 2013: 65,583 million yen (43.0%)
Six months ended August 31, 2012: 45,864 million yen (- %)

| | Net income per share | Net income per share – fully diluted |
|---|---|---|
| | yen | yen |
| Six months ended August 31, 2013 | 29.47 | 27.78 |
| Six months ended August 31, 2012 | 36.37 | 31.92 |

Note: Year-on-year changes of the results for the six months ended August 31, 2012 are not presented herein, because retroactive adjustments were made in line with change in the accounting policies.

(2) Financial Position

| | Total assets | Net assets | Total equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| August 31, 2013 | 6,770,942 | 1,616,165 | 16.0 | 1,323.29 |
| February 28, 2013 | 5,724,835 | 1,446,676 | 18.0 | 1,305.14 |

Note: Total equity: August 31, 2013: 1,085,539 million yen February 28, 2013: 1,032,586 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

**2. Dividends**

| Record date or period | Dividend per share | | | | |
|---|---|---|---|---|---|
| | End-first quarter | End-second quarter | End-third quarter | Fiscal year-end | Annual total |
| | yen | yen | yen | yen | yen |
| Year ended February 28, 2013 | - | 12.00 | - | 12.00 | 24.00 |
| Year ending February 28, 2014 | - | 13.00 | | | |
| Year ending February 28, 2014 (forecast) | | | - | 13.00 | 26.00 |

Note: No changes were made to the latest release of dividend forecasts

**3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2014 (March 1, 2013 to February 28, 2014)**

(Percentage figures represent year-on-year changes)

| | Operating revenue | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full year | 6,000,000 | 5.5 | 200,000 to 210,000 | 4.9 to 10.2 | 215,000 to 225,000 | 1.2 to 5.9 | 75,000 | 0.7 | 91.43 |

Note: No changes were made to the latest release of earnings forecasts

***Notes**

(1) Changes affecting the consolidation status of significant subsidiaries during the period: Yes
Newly consolidated: one (Daiei Inc.)
*For details, see "2. (1) Changes affecting the status of significant subsidiaries during the period" on page 6 in the Accompanying Materials.

(2) Use of accounting methods specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:
1) Changes in accordance with amendments to accounting standards: None
2) Changes other than the above 1): Yes
3) Changes in accounting estimates: None
4) Retrospective restatement: None
*For details, see "2. (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement" on page 6 in the Accompanying Materials.

(4) Number of shares issued (common stock)
1) Number of shares issued at end of period (treasury stock included):
August 31, 2013: 829,726,889 shares

February 28, 2013: 800,446,214 shares

2) Number of shares held in treasury at end of period:
August 31, 2013: 9,395,190 shares
February 28, 2013: 9,275,079 shares

3) Average number of shares outstanding during the period:
Six months ended August 31, 2013: 799,000,439 shares
Six months ended August 31, 2013: 770,191,647 shares

* The 8,939,100 shares of the Company's stock held by Employee Stock Ownership Plan Trust ("ESOP Trust") is included in the number of shares held in treasury at August 31, 2013

***Quarterly review status**

This report is exempt from the quarterly review of accounts requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, the quarterly review of the quarterly financial results had not been completed.

***Appropriate Use of Earnings Forecasts and Other Important Information**

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to "(3) Consolidated Earnings Forecasts" on page 6 in section "1. Review of Operating Results and Financial Statements" in the Accompanying Materials.

**Accompanying Materials**

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## 1. Review of Operating Results and Financial Statements

### (1) Consolidated Operating Results

**Summary of Operating Results**

During the first six months of the fiscal year ending February 28, 2014 (March 1, 2013 ~ August 31, 2013), amid government economic stimulus and monetary easing by the Bank of Japan, the Japanese economy demonstrated signs of a moderate recovery as a result of an improvement in corporate earnings, led by some export-driven companies, and increased consumption of luxury goods. The outlook for personal consumption remained uncertain, however, due to wage stagnation and concerns over a future decline in disposable income following the planned consumption tax hike in April 2014.

Amid this business environment, Aeon took initiatives to improve its earnings power by generating synergy and leveraging economies of scale from the comprehensive capabilities of the Aeon Group, including its financial infrastructure, product development capabilities, and supply chain. In the final year of the current Medium-term Management Plan (FY2011-FY2013), Aeon also made progress allocating resources into the four strategic areas of Asian markets, urban markets, senior-oriented markets, and digital markets and building a business foundation for the Group's next stage of growth.

As a result, Aeon earned consolidated operating income of 73,723 million yen (up 1.4% year on year), consolidated ordinary income of 77,094 million yen (down 6.5% year on year), and consolidated net income of 23,545 million yen (down 15.9% year on year) on consolidated operating revenue of 2,981,807 million yen (up 9.3% year on year) for the first six months of the fiscal year ending February 28, 2014.

**Business Segment Information**

**GMS Business**

Aeon's GMS Business earned operating income of 11,040 million yen (up 41.9% year on year) on operating revenue of 1,325,593 million yen (up 3.5% year on year) for the first six months of the fiscal year ending February 28, 2014.

The GMS business opened five new stores and closed four stores during the first six months of the fiscal year (excluding equity-method affiliates, the GMS business opened five new stores and did not close any existing stores during the period).

In order to transform the GMS business model and achieve both high profitability and high growth, the business continued its core strategies of strengthening sales of Aeon's private brand TOPVALU merchandise, promoting sales area specialization through more specialized products and services, and refurbishing existing stores to raise competitiveness. Additionally, Aeon carried out a tender offer for retailer Daiei, Inc. and made the company a consolidated subsidiary in August. To mark the occasion, the companies launched the "Aeon & Daiei All-Out Sales Fair" during August 22-25 as their first joint promotion. The companies will continue to strengthen their sales capabilities by leveraging their management resources and economies of scale.

Aeon Retail Co., Ltd. implemented sales campaigns for existing Aeon Card credit card holders and WAON e-money service customers, while promoting initiatives to attract new customers to stores and expand the commercial areas. With regard to TOPVALU, in the aim of raising customer awareness of TOPVALU's quality and functions, "TOPVALU Week" was held from the first to seventh day of every month to expand sales of new and seasonal products. Tablet devices were also used throughout sales floors to implement in-store promotions. With regard to sales area specialization, the company raised the competitiveness of specialty stores such as AEON BIKE and craft center Pandora House by enhancing the expertise of employees through increased training opportunities and the deployment of specialized customer service personnel. With regard to store revitalization, the Aeon Kasai store was renovated to match the needs and unique attributes of customers in its

commercial area and reopened in May, while other stores were refurbished as part of initiatives to revitalize them and meticulously manage product selection and sales areas. As a result of these efforts, Aeon Retail's comparable-store sales in the first six months rose 1.0% versus the same period of the previous fiscal year (apparel sales declined 1.6%, food sales rose 0.9%, and housing and recreational product sales rose 3.6% year on year). Although directly-operated stores' gross profit margin declined 0.1 points year on year for the six-month period, the gross profit margin for the second quarter improved 0.1 point year on year as a result of an improved price digestion ratio stemming from lower inventory. SG&A expenses for existing stores increased 1.4% year on year. Although the company strove to control expenses through the deployment of LED lighting and other store efficiency measures, expenses rose as a result of the active use of media and event planning to attract customers.

**Supermarket Business**

The Supermarket Business earned operating income of 3,613 million yen (down 62.6% year on year) on operating revenues of 771,177 million yen (up 7.9% year on year) for the first six months of the fiscal year ending February 28, 2014.

Aeon's Supermarket Business opened 41 new stores and closed 41 existing stores during the six-month period (excluding equity-method affiliates, the Supermarket Business opened 29 and closed 10 stores).

Amid a fiercely competitive management environment in which supermarkets vied for customers across retailing types and customers continued to economize, the supermarket business took measures to refurbish its existing stores and enhance competitiveness. To meet the increased need for quick and easy meals, the business introduced delicatessen areas and introduced additional frozen and chilled food cases to expand the frozen and chilled food selection. The business also enhanced its ability to attract customers by holding nationwide sales promotions which leveraged the economies of scale inherent in being Japan's largest supermarket chain, along with joint promotional events with Aeon Financial Service Co., Ltd.

At Aeon Market Co., Ltd. (formerly Peacock Store Ltd.), which became a wholly owned subsidiary in April, and Aeon Every Co., Ltd. (formerly Tesco Japan Co., Ltd.), which became an equity-method affiliate in January, the supermarket business utilized Group infrastructure, including TOPVALU merchandise, Aeon Card credit card services, and WAON e-money services.

Supermarket business companies in each region of Japan took initiatives to bolster their business foundations. In June, Maxvalu Tohoku Co., Ltd. acquired seven supermarkets from Powers Fujimi Co., Ltd. to launch full-scale operations in Niigata Prefecture. In July, Maxvalu Kyushu Co., Ltd. made Create Co., Ltd., which has expertise in fresh food retailing, a subsidiary.

**Strategic Small-size Store Business**

The Strategic Small-size Store Business recorded operating income of 2,430 million yen (down 24.6% year on year) on operating revenues of 135,519 million yen (up 16.9% year on year) for the first six months of the fiscal year ending February 28, 2014.

Ministop Co., Ltd. responded to society's need to reduce household burdens by expanding its lineup of "TOPVALU Ready Meal" and offering a range of original TOPVALU brand merchandise such as ice creams, ramen noodles, and beverages in order to bolster earnings. The chain also strove to enhance differentiation by maximizing its strengths in desserts with such items as Belgian chocolate soft-serve ice cream, winner of a Monde Selection Grand Gold Medal. At the end of the second quarter, Ministop had a domestic store network of 2,192 stores. Overseas, Ministop continued to open outlets in South Korea, China, the Philippines, Kazakhstan and Vietnam. In Indonesia, Ministop teamed with PT. BAHAGIA NIAGA LESTARI to open its first area franchise, bringing the total overseas network to 2,338 stores at the end of the quarter.

My Basket Co., Ltd. expanded its network to 400 stores at the end of the second quarter by opening 70 new outlets, including nine stores acquired from Aeon Every Co., Ltd. My Basket strengthened its business foundation in the Tokyo metropolitan area by both expanding its network of stores and maximizing the use of Group infrastructure to enhance price competitiveness. The company also took initiatives to enhance the efficiency of store operations while improving the store

support structure. As a result, My Basket reviewed its cost structure and significantly improved its profitability.

**Financial Services Business**

The Financial Services Business earned operating income of 14,785 million yen (up 13.6% year on year) on operating revenue of 132,696 million yen (up 50.2% year on year) for the first six months of the fiscal year ending February 28, 2014.

On April 1, the bank holding company Aeon Financial Service Co., Ltd. was launched as a retail-based financial services group merging credit card, banking, insurance, and e-money with financial services to begin a new stage of growth. In the credit services business, Aeon Financial Service bolstered in-store bank branch and website cardholder solicitation campaigns for its Aeon Card Select, which combines credit card, Aeon Bank cash card, and WAON e-money functionality in a single card. As a result, the company had 22.77 million active cardholders as of August 31, 2013, a net increase of 630,000 cardholders from the beginning of the fiscal year. Domestic credit card shopping transaction volume expanded over the same period of the previous fiscal year to 1,703,800 million yen, driven by the success of retail sales promotions such as special campaigns waiving fees on credit card installment payments.

In the e-money business, cumulative issuance of WAON cards during the period rose to approximately 35.1 million cards, and transaction volume in the period totaled 740,300 million yen, an increase of 31.7% over the same period of the previous fiscal year.

Overseas, subsidiaries, including listed entities in Thailand and Malaysia, enhanced their new cardholder solicitation campaigns for Aeon Card, and in other ASEAN countries, initiatives were taken to expand the number of participating stores. As a result, overseas credit card transaction volume increased steadily compared to the same period of the previous year. In Myanmar, a local subsidiary was established in Yangon and in July, Aeon Financial Service became the first Japanese company to launch credit card services for individuals. These and other initiatives expanded Aeon's business in Asia.

**Shopping Center Development Business**

The Shopping Center Development Business earned operating income of 19,956 million yen (up 2.2% year on year) on operating revenue of 106,476 million yen (up 8.8% year on year) in the first six months of the fiscal year ending February 28, 2014.

In Japan, Aeon Mall Co., Ltd. opened three shopping centers during the six-month period, including a property management contract for one center, while renovating eight existing shopping centers. To increase customer drawing power, in addition to specialty store retailers, the new shopping centers feature leisure zones, sports complexes and other lifestyle-proposing facilities offering enjoyable experiences. In China, customer traffic and sales at AEON MALL Tianjin Zhongbei, which opened in April 2012, and other existing shopping centers grew steadily. In ASEAN, the business continued to make preparations for opening Aeon's first shopping centers in Vietnam, Cambodia, and Indonesia in 2014. At the same time, efforts were made to secure new development projects in order to establish a foundation for growth in promising markets.

**Service Business**

The Service Business earned operating income of 11,688 million yen (up 17.8% year on year) on operating revenue of 202,468 million yen (up 16.0% year on year) in the first six months of the fiscal year ending February 28, 2014.

In Japan, Aeon Delight Co., Ltd. reported a steady increase in orders for building energy management systems (BEMS) and LED lighting installations amid rising domestic demand for energy-efficient facilities. Aeon Fantasy Co., Ltd. has taken steps to gradually consolidate the name of amusement centers in and outside Japan to "Mollyfantasy" since April in order to raise brand awareness, while differentiating itself from competitors by revitalizing exiting centers, primarily large-scale centers, and expanding the introduction of original game machines. In and outside Japan,

Aeon Fantasy accelerated the development of new amusement centers while improving profitability by procuring game machines from overseas suppliers so as to lower costs.

**Specialty Store Business**

The Specialty Store Business posted operating income of 3,523 million yen (up 17.8% year on year) on operating revenue of 172,625 million yen (up 6.2% year on year) in the first six months of the fiscal year ending February 28, 2014.

G Foot Co., Ltd. posted strong results owing to new product proposals to match the wide-ranging needs of customers, an increase in the percentage of private brand (PB) products, and progress in consolidating its outlets under three distinct store brands. MegaSports Co., Ltd. improved its earnings through new initiatives to introduce jogging stations, golf simulation machines, and other facilities. The company also launched member organizations to support healthy communities, redesigned its online shop, and enhanced its selection of goods and services.

**ASEAN Business**

(Aeon's consolidated financial statements for ASEAN Business for the first six months reflect results mainly for January through June.)

The ASEAN Business earned operating income of 3,097 million yen (up 18.9% year on year) on operating revenue of 86,784 million yen (up 94.6% year on year).

AEON Co. (M) Bhd. (Aeon Malaysia) posted higher earnings as a result of an enhanced product lineup for holiday events, refurbished sales areas, and special sales promotions for credit card holders. AEON BIG (M) SDN. BHD. strove to generate synergy with Group companies by implementing joint procurement operations and sharing operational know-how with Aeon Malaysia, while improving its customer drawing power by revitalizing existing stores and raising its price competitiveness, mainly for fresh foods. The company received strong customer support for new sales promotions launched after joining the Aeon Group, helping to support higher earnings. AEON (Thailand) CO., LTD. opened its first Maxvalu stores in the suburban areas surrounding Bangkok. The company also opened five new Maxvalu Tanjai small-scale urban supermarkets, raising the total network to 46 stores.

**China Business**

(Aeon's consolidated financial statements for China Business for the first six months reflect results for January through June.)

The China Business posted an operating loss of 1,597 million yen (a year-on-year decline of 1,877 million yen) on operating revenue of 69,202 million yen (up 21.6% year on year).

The business opened five GMS stores and two supermarkets during the six-month period from January to June. Although first-quarter revenues were significantly impacted by unusual weather and other factors, revenues rebounded in the second quarter owing to improved product promotions and sales campaigns for seasonal and holiday events, along with initiatives to enhance price differentiation with competing stores.

**Other Operations**

Aeon Topvalu Co., Ltd. expanded consumer purchasing options and responded to the polarization of spending patterns by further developing its lineup of TOPVALU BESTPRICE merchandise, which feature simplified functions at lower prices without sacrificing quality, and TOPVALU SELECT merchandise, which offer high-quality at affordable prices in addition to the mainstay TOPVALU lineup to establish a three-tier structure. The company continued to develop products to meet the changes in consumer lifestyles, while bolstering sales promotions through "TOPVALU Week" and other initiatives. As a result, total sales of TOPVALU merchandise throughout the Group in the first six months of the fiscal year ending February 28, 2014 increased 12.4% year on year to 355,600 million yen. Additionally, Aeon announced a freeze in the prices of some 5,000 TOPVALU food, apparel and housing and recreational products for the four months from August 30 through

December 31, 2013 to support customers' lifestyles amid rising materials costs stemming from the increase in crude oil prices and yen depreciation.

**(2) Consolidated Financial Condition**

**Consolidated Assets, Liabilities, and Net Assets as of August 31, 2013**

Consolidated assets at the end of the second quarter totaled 6,770,942 million yen, an increase of 1,046,106 million yen (18.3%) from the end of the previous fiscal year (February 28, 2013). The increase was chiefly attributable to the second quarter ending on a bank holiday and increases of 414,817 million yen in notes and accounts receivable-trade, which consists mostly of installment plan accounts receivable at financial subsidiaries, 173,371 million yen in cash and time deposits, and 290,162 million yen in property, buildings and equipment, which includes the assets of newly consolidated Daiei, Inc. and its subsidiaries.

Consolidated liabilities at the end of the second quarter totaled 5,154,776 million yen, an increase of 876,617 million yen (20.5%) from February 28, 2013. The increase was chiefly attributable to increases of 510,971 million yen in deposits received in banking business and 226,674 million yen in notes and accounts payable-trade.

Consolidated net assets at the end of the second quarter totaled 1,616,165 million yen, an increase of 169,489 million yen (11.7%) from February 28, 2013.

The balance of cash and cash equivalents at August 31, 2013 was 607,998 million yen, an increase of 183,297 million yen from February 28, 2013.

Net cash provided by operating activities in the first six months of the fiscal year ending February 28, 2014 was 527,438 million yen. This reflects the impact of the second quarter ending on a bank holiday, along with increases of 305,993 million yen in accounts receivable-trade, which consists mostly of installment plan accounts receivable at financial subsidiaries, and 90,526 million yen in loans and bills discounted for banking business. These factors were offset by 510,971 million yen in deposits received in banking business, 168,985 million yen in income before income taxes and minority interests, excluding depreciation and other non-cash items, and an increase of 156,064 million yen in accounts payable-trade.

Net cash used in investing activities during the six-month period was 202,147 million yen, largely as a result of payments in conjunction with the purchase of fixed assets.

Net cash used in financing activities during the six-month period was 151,321 million yen, as outflows from the net decrease of 191,288 million yen in short-term borrowings and commercial paper, were partially offset by inflows of 51,569 million yen from minority shareholder payments to increase capital in some consolidated subsidiaries.

**(3) Consolidated Earnings Forecast**

The earnings forecast for the year ending February 28, 2014 is unchanged from the forecast announced April 11, 2013.

*Earnings forecasts are expressed in ranges which take into consideration the potential impact of weather conditions, seasonal trends, and other variables to the extent that Aeon can currently determine. Since Aeon Co., Ltd. is a pure holding company, non-consolidated forecasts are not disclosed.

**2. Other Information**

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

On August 27, 2013, the Company additionally acquired the stock of equity-method affiliate Daiei Inc. through tender offer to make it a consolidated subsidiary of the Company.

(2) Use of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

(Change in inventory valuation method)
Effective from the three months ended May 31, 2013, the method for inventory valuation used in some consolidated subsidiaries operating specialty store business changed from the retail method to the moving-average method.

These consolidated subsidiaries have introduced a new inventory control system, which improves accuracy in controlling inflow and outflow of merchandise by each item. With the new system, the specialty store business changed their inventory valuation method so as to check inventory value more appropriately and swiftly and to calculate periodical profit and loss more precisely.
The change in accounting policy was retroactively applied, and the consolidated financial statements for the prior periods have been adjusted to reflect the change.

As a result, for the six months ended August 31, 2012, operating income, ordinary income, and income before income taxes and minority interests were each 52 million yen higher than what they were before the retroactive application. Retained earnings at the beginning of the fiscal year ended February 28, 2013 was 673 million yen lower because cumulative effects were reflected in the amount of net assets at the beginning of the fiscal year ended February 28, 2013. Net assets per share for the fiscal year ended February 28, 2013 was 1.08 yen lower and basic and diluted net income per share for the six months ended August 31, 2012 were each 0.03 yen higher. Effects on segments are presented in the Segment Information section.

(Individual presentation of gross amount of operating revenue by the Financial Services Business)
Since the Aeon Group's main line of business is retail business, operating revenue by the Financial Services Business had not been individually presented. “Gain on bad debts recovered” of the Financial Services Business was included in “other income,” and net operating revenue of the Financial Services Business exclusive of “gain on bad debts recovered” was included in “other revenues” after offsetting operating costs (financial expenses).

Effective the three months ended February 28, 2013, however, operating revenue and operating costs of the Financial Services Business are individually presented at their gross amount as “operating revenue in the financial services business” and “operating costs in the financial services business,” respectively, while “gain on bad debts recovered” is included in “operating revenue in the financial services business.”

Furthermore, “net sales” and “cost of sales” that had been previously presented as category titles in the consolidated statements of income are presented as components of “operating revenue” and “operating costs.”

The aim of these changes is to present business results more precisely to reflect the fact that the Financial Services Business has increased its importance in the Aeon Group, with Aeon Bank, Ltd. becoming a consolidated subsidiary in conjunction with the reorganization of the Financial Services Business.

The consolidated statements of income for the six months ended August 31, 2012 have been retroactively adjusted to reflect the change in accounting policy and recast to conform to the current presentation.

(4) Additional Information

(Accounting treatment for Employee Stock Ownership Plan Trust)
At the meeting held on January 22, 2013, the Aeon Management Committee decided to introduce Employee Stock Ownership Plan Trust (“ESOP Trust”) from June 4, 2013. ESOP Trust is an incentive scheme that provides the Company’s workforce with ownership interest in the Company to further enhance the corporate value over the mid-to-long term.

ESOP Trust covers all Aeon employees who are members of the employees’ stockholding association (“Association”). Under ESOP Trust, the Company sets up a trust account in a trust bank

with beneficiaries being the employees who belong to the Association and satisfy certain requirements. ESOP Trust buys the Company's stock in advance in the volume expected to be acquired by the Association in the five years following the establishment of the ESOP Trust. It then sells the Company's stock at market price to the Association on a pre-determined day each month. If the Company's stock price rises and ESOP Trust holds a gain at the expiration of the trust, the gain will be distributed to the beneficiaries depending on their contribution ratio. ESOP Trust borrows the money needed to purchase Company stock and has its loans guaranteed by the Company. If ESOP Trust cannot pay off the debts at the expiration of the trust due to lower price of the Company's stock or other factors, the Company will perform the obligation on behalf of ESOP Trust.

In the non-consolidated financial statements, ESOP Trust is accounted for using the gross method with which the Company's stock held by ESOP Trust is included in treasury stock under nets assets. As of August 31, 2013, the book value of treasury stock recorded with the gross method was 11,343 million yen (8,939,100 shares) and the book value of debts recorded under the gross method was 12,000 million yen.

## 3. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

| | As of February 28, 2013 | As of August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| **Assets** | | |
| Current assets | | |
| Cash and time deposits | 457,174 | 630,546 |
| Call loans | 10,000 | - |
| Notes and accounts receivable - trade | 518,695 | 933,512 |
| Marketable securities | 241,523 | 177,024 |
| Merchandise inventories | 377,027 | 414,691 |
| Deferred tax assets | 46,566 | 49,855 |
| Financial loan | 420,160 | 313,654 |
| Loans and bills discounted for banking business | 668,971 | 864,669 |
| Other | 203,437 | 221,325 |
| Allowance for doubtful accounts | (39,998) | (47,724) |
| Total current assets | 2,903,558 | 3,557,555 |
| Fixed assets | | |
| Property, buildings and equipment | | |
| Buildings and structures, net | 1,117,272 | 1,226,032 |
| Tools, furniture and fixtures, net | 141,141 | 161,360 |
| Land | 628,613 | 765,651 |
| Construction in progress | 29,569 | 46,307 |
| Other, net | 25,105 | 32,513 |
| Total property, buildings and equipment | 1,941,702 | 2,231,865 |
| Intangible fixed assets | | |
| Goodwill | 140,852 | 146,997 |
| Software | 40,160 | 49,507 |
| Other | 24,102 | 26,877 |
| Total intangible fixed assets | 205,115 | 223,383 |
| Investments and other assets | | |
| Investment securities | 191,497 | 176,124 |
| Deferred tax assets | 62,875 | 66,816 |
| Fixed leasehold deposits to lessors | 321,606 | 404,059 |
| Other | 114,069 | 140,267 |
| Allowance for doubtful accounts | (15,588) | (29,129) |
| Total investments and other assets | 674,458 | 758,138 |
| Total fixed assets | 2,821,277 | 3,213,386 |
| Total assets | 5,724,835 | 6,770,942 |

(Millions of yen)

| | As of February 28, 2013 | As of August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| **Liabilities** | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 633,246 | 859,920 |
| Deposits for banking business | 1,155,319 | 1,666,291 |
| Short-term borrowings | 262,858 | 126,101 |
| Current portion of long-term debt | 234,229 | 262,606 |
| Bonds due within one year | 36,942 | 58,849 |
| Convertible bonds with stock acquisition rights due within one year | 49,958 | 15,230 |
| Commercial paper | 48,942 | 500 |
| Income taxes payable | 40,616 | 34,691 |
| Provision for bonuses | 19,199 | 22,397 |
| Provision for store closing expenses | 1,353 | 2,312 |
| Allowance for point program | 15,334 | 21,348 |
| Other allowances | 901 | 603 |
| Notes payable, construction | 45,193 | 60,076 |
| Other | 398,383 | 580,837 |
| Total current liabilities | 2,942,480 | 3,711,767 |
| Long-term liabilities | | |
| Bonds | 244,895 | 212,658 |
| Convertible bonds with stock acquisition rights | 30,000 | 23,240 |
| Long-term debt | 702,572 | 759,012 |
| Deferred tax liabilities | 17,837 | 27,215 |
| Liability for employees' retirement benefits | 9,506 | 47,320 |
| Provision for store closing expenses | 2,010 | 10,791 |
| Allowance for loss on refund of interest received | 4,133 | 3,088 |
| Other allowances | 5,003 | 4,243 |
| Asset retirement obligations | 45,654 | 59,348 |
| Lease deposits from lessees | 229,276 | 249,237 |
| Other | 44,787 | 46,850 |
| Total long-term liabilities | 1,335,678 | 1,443,008 |
| Total liabilities | 4,278,159 | 5,154,776 |
| **Net assets** | | |
| Shareholders' equity | | |
| Common stock | 199,054 | 212,406 |
| Capital surplus | 264,963 | 278,315 |
| Retained earnings | 571,960 | 578,686 |
| Treasury stock | (16,091) | (12,059) |
| Total shareholders' equity | 1,019,887 | 1,057,348 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 17,909 | 22,867 |
| Deferred gain (loss) on derivatives under hedge accounting | (1,383) | (1,008) |
| Foreign currency translation adjustments | (3,827) | 6,331 |
| Total accumulated other comprehensive income | 12,699 | 28,190 |
| Stock acquisition rights | 1,514 | 1,785 |
| Minority interests | 412,575 | 528,841 |
| Total net assets | 1,446,676 | 1,616,165 |
| Total net assets and liabilities | 5,724,835 | 6,770,942 |

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Operating revenue | | |
| Net sales | 2,431,381 | 2,619,718 |
| Operating revenue in the financial service business | 76,036 | 118,900 |
| Other operating revenue | 220,469 | 243,188 |
| Total operating revenue | 2,727,887 | 2,981,807 |
| Operating costs | | |
| Cost of sales | 1,782,500 | 1,926,684 |
| Operating costs in the financial service business | 6,678 | 12,056 |
| Total operating costs | 1,789,178 | 1,938,740 |
| Gross profit on sales | 648,881 | 693,033 |
| Gross profit from operations | 938,709 | 1,043,066 |
| Selling, general and administrative expenses | 866,039 | 969,343 |
| Operating income | 72,669 | 73,723 |
| Other income | | |
| Interest income | 1,286 | 1,694 |
| Dividend income | 999 | 1,261 |
| Equity in gains of equity-method affiliates | 3,820 | 2,138 |
| Other | 11,926 | 7,625 |
| Total other income | 18,033 | 12,720 |
| Other expenses | | |
| Interest expense | 5,485 | 6,555 |
| Other | 2,733 | 2,793 |
| Total other expenses | 8,218 | 9,348 |
| Ordinary income | 82,484 | 77,094 |
| Extraordinary gains | | |
| Gain on change in equity interest | 1,572 | 7,095 |
| Gain on negative goodwill | 128 | 13,808 |
| Other | 1,818 | 858 |
| Total extraordinary gains | 3,520 | 21,762 |
| Extraordinary losses | | |
| Impairment loss | 6,588 | 12,637 |
| Management integration expenses in the Financial Services Business | - | 1,574 |
| Loss on phased acquisition | - | 9,760 |
| Other | 2,742 | 3,826 |
| Total extraordinary losses | 9,330 | 27,799 |
| Income before income taxes and minority interests | 76,674 | 71,058 |
| Income taxes | | |
| Current | 29,903 | 35,650 |
| Deferred | 3,185 | (6,380) |
| Total income taxes | 33,088 | 29,270 |
| Income before minority interests | 43,586 | 41,787 |
| Minority interests | 15,573 | 18,242 |
| Net income | 28,012 | 23,545 |

**Consolidated Statements of Comprehensive Income**

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Income before minority interests | 43,586 | 41,787 |
| Other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 1,256 | 5,285 |
| Deferred gain (loss) on derivatives under hedge accounting | (56) | 790 |
| Foreign currency translation adjustments | 473 | 17,549 |
| Share of other comprehensive income of equity-method affiliates | 604 | 170 |
| Total other comprehensive income | 2,278 | 23,795 |
| Comprehensive income | 45,864 | 65,583 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 29,675 | 39,036 |
| Comprehensive income attributable to minority interests | 16,188 | 26,546 |

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 76,674 | 71,058 |
| Depreciation and amortization | 72,299 | 83,303 |
| Amortization of goodwill | 4,419 | 5,623 |
| Amortization of negative goodwill | (5,438) | (84) |
| Increase (decrease) in allowance for doubtful accounts | (5,145) | 3,273 |
| Increase (decrease) in allowance for loss on refund of interest received | (2,629) | (1,045) |
| Increase (decrease) in provision for bonuses | (2,771) | 1,360 |
| Increase (decrease) in liabilities for retirement benefits | 200 | (272) |
| Interest and dividend income | (2,286) | (2,956) |
| Interest expense | 5,485 | 6,555 |
| Equity in (gains) losses of equity-method affiliates | (3,820) | (2,138) |
| Impairment losses | 6,588 | 12,637 |
| Gain on negative goodwill | (128) | (13,808) |
| (Gain) loss on change in equity interest | (1,464) | (7,024) |
| (Gain) loss on phased acquisition | - | 9,760 |
| (Increase) decrease in notes and accounts receivable – trade | (12,037) | (305,993) |
| (Increase) decrease in merchandise inventories | 7,039 | 9,215 |
| (Increase) decrease in financial loan receivable | 3,794 | 6,789 |
| (Increase) decrease in loans in banking business | - | (90,526) |
| Increase (decrease) in notes and accounts payable - trade | 31,212 | 156,064 |
| Increase (decrease) in deposits received in banking business | - | 510,971 |
| Other assets and liabilities | 19,145 | 113,741 |
| Other – net | 1,749 | 7,622 |
| Sub total | 192,885 | 574,128 |
| Interest and dividends received | 2,190 | 2,906 |
| Interest paid | (5,428) | (7,071) |
| Income taxes paid | (36,596) | (42,525) |
| Insurance income | 261 | - |
| Net cash provided by (used in) operating activities | 153,313 | 527,438 |
| Cash flows from investing activities | | |
| Purchase of marketable securities | (1,000) | (18) |
| Proceeds from sales and redemption of marketable securities | 2,200 | 95 |
| Purchase of marketable securities in banking business | - | (124,737) |
| Proceeds from redemption of marketable securities in banking business | - | 49,687 |
| Proceeds from sales of marketable securities in banking business | - | 51,170 |
| Purchase of fixed assets | (155,622) | (192,379) |
| Proceeds from sales of fixed assets | 1,969 | 1,242 |
| Purchase of investment securities | (2,363) | (76) |
| Proceeds from sales of investment securities | 33 | 1,818 |
| Cash paid in conjunction with the purchase of consolidated subsidiaries' stock | - | (30,197) |
| Cash received in conjunction with the purchase of consolidated subsidiaries' stock | - | 27,247 |
| Payments for fixed leasehold deposits to lessors | (7,645) | (11,405) |

| | | |
|---|---|---|
| Collection of fixed leasehold deposits to lessors | 12,180 | 14,641 |
| Proceeds from lease deposits from lessees | 7,417 | 11,755 |
| Repayments of lease deposits from lessees | (7,934) | (9,262) |
| Other – net | 5,178 | 8,271 |
| Net cash provided by (used in) investing activities | (145,586) | (202,147) |
| | | |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings and commercial paper | (13,588) | (191,288) |
| Proceeds from long-term debt | 93,166 | 178,682 |
| Repayments of long-term debt | (121,605) | (150,725) |
| Proceeds from issuance of bonds | 70,178 | 1,710 |
| Proceeds from issuance of convertible bonds with stock acquisition rights | 29,919 | - |
| Payments for redemption of bonds | (41,273) | (12,138) |
| Purchase of treasury stock | (1) | (12,004) |
| Proceeds from issuance of subsidiaries' stock to minority shareholders | 1,460 | 51,569 |
| Dividends paid to shareholders | (17,697) | (9,495) |
| Dividends paid to minority shareholders | (6,168) | (8,162) |
| Other – net | (15,103) | 530 |
| Net cash provided by (used in) financing activities | (20,715) | (151,321) |
| | | |
| Foreign currency translation adjustments on cash and cash equivalents | 600 | 9,328 |
| Net increase (decrease) in cash and cash equivalents | (12,388) | 183,297 |
| Cash and cash equivalents, beginning of period | 166,277 | 424,701 |
| Increase in cash and cash equivalents resulting from merger | 1,739 | - |
| Cash and cash equivalents, end of period | 155,628 | 607,998 |

**(4) Notes on the Going-concern Assumption**

Not applicable

**(5) Segment Information**

Operating revenue and income/loss by reportable segment

Six Months Ended August 31, 2012 (March 1 – August 31, 2012)

(Millions of yen)

| | GMS | Supermarket | Strategic Small-size Store | Financial Services | Shopping Center Development | Service | Specialty Store |
|---|---|---|---|---|---|---|---|
| Operating revenue | | | | | | | |
| (1) Revenue attributable to customers | 1,255,647 | 713,782 | 114,904 | 76,165 | 73,297 | 101,178 | 159,671 |
| (2) Intersegment revenue or transfers | 25,002 | 1,020 | 1,004 | 12,167 | 24,531 | 73,362 | 2,868 |
| Total | 1,280,649 | 714,803 | 115,909 | 88,333 | 97,828 | 174,541 | 162,539 |
| Segment income (loss) | 7,778 | 9,651 | 3,224 | 13,020 | 19,525 | 9,918 | 2,992 |

| | Reportable segment | | | Other*1 | Total | Adjustments *2,3 | Reported in the quarterly consolidated statements of income*4 |
|---|---|---|---|---|---|---|---|
| | ASEAN | China | Total | | | | |
| Operating revenue | | | | | | | |
| (1) Revenue attributable to customers | 44,507 | 56,873 | 2,596,028 | 128,811 | 2,724,839 | 3,048 | 2,727,887 |
| (2) Intersegment revenue or transfers | 95 | 59 | 140,112 | 2,648 | 142,761 | (142,761) | - |
| Total | 44,602 | 56,932 | 2,736,141 | 131,460 | 2,867,601 | (139,713) | 2,727,887 |
| Segment income (loss) | 2,605 | 279 | 68,995 | (293) | 68,702 | 3,967 | 72,669 |

Note: 1. “Other” segment includes business segments not categorized as reportable segments, such as discount store, drugstore and pharmacy, E-commerce, etc.

2. Main components of the 3,048 million yen in adjustments for revenue attributable to customers are (a) minus 48,402 million yen in adjustments to transactions reported in the reportable segment information and (b) 51,452 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

3. Main components of the 3,967 million yen in adjustments for segment income are (a) 333 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) 4,324 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and (c) minus 1,104 million yen in intersegment transaction eliminations.

4. Segment income adjustments are based on operating income reported in the quarterly consolidated statements of income for the corresponding period.

5. As stated in “Changes in accounting policy, changes in accounting estimates, and retrospective restatement” above, effective the three months ended February 28, 2013, the accounting policy and presentation method for operating revenue by the Financial Service Business has been changed. Segment information for the six months ended August 31, 2012 has been retroactively adjusted to reflect the change in accounting policy and recast to conform to the current presentation.

6. As stated in “Changes in accounting policy, changes in accounting estimates, and retrospective restatement” above, the method for inventory valuation has been changed in some consolidated subsidiaries operating specialty store business. Segment information for the six months ended August 31, 2012 has been retroactively adjusted to reflect the change in accounting policy. As a result, segment income for the Specialty Store business was 52 million yen higher compared with what it was before the retroactive application.

Operating revenue and income/loss by reportable segment

Six Months Ended August 31, 2013 (March 1 – August 31, 2013)

(Millions of yen)

| | GMS | Supermarket | Strategic Small-size Store | Financial Services | Shopping Center Development | Service | Specialty Store |
|---|---|---|---|---|---|---|---|
| Operating revenue | | | | | | | |
| (1) Revenue attributable to customers | 1,293,976 | 769,723 | 133,035 | 118,960 | 79,647 | 123,646 | 169,676 |
| (2) Intersegment revenue or transfers | 31,617 | 1,454 | 2,484 | 13,735 | 26,829 | 78,822 | 2,948 |
| Total | 1,325,593 | 771,177 | 135,519 | 132,696 | 106,476 | 202,468 | 172,625 |
| Segment income (loss) | 11,040 | 3,613 | 2,430 | 14,785 | 19,956 | 11,688 | 3,523 |

| | Reportable segment | | | Other*1 | Total | Adjustments *2,3 | Reported in the quarterly consolidated statements of income*4 |
|---|---|---|---|---|---|---|---|
| | ASEAN | China | Total | | | | |
| Operating revenue | | | | | | | |
| (1) Revenue attributable to customers | 86,625 | 69,112 | 2,844,404 | 146,200 | 2,990,604 | (8,796) | 2,981,807 |
| (2) Intersegment revenue or transfers | 158 | 89 | 158,139 | 3,371 | 161,510 | (161,510) | - |
| Total | 86,784 | 69,202 | 3,002,543 | 149,571 | 3,152,114 | (170,307) | 2,981,807 |
| Segment income (loss) | 3,097 | (1,597) | 68,538 | 1,063 | 69,601 | 4,121 | 73,723 |

Note: 1. “Other” segment includes business segments not categorized as reportable segments, such as discount store, drugstore and pharmacy, E-commerce, etc.

2. Main components of the minus 8,796 million yen in adjustments for revenue attributable to customers are (a) minus 61,073 million yen in adjustments to transactions reported in the reportable segment information and (b) 52,165 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

3. Main components of the 4,121 million yen in adjustments for segment income are (a) 3,824 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) 984 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and (c) minus 1,767 million yen in intersegment transaction eliminations.

4. Segment income adjustments are based on operating income reported in the quarterly consolidated statements of income for the corresponding period.

**(6) Notes on Significant Changes in the Amount of Shareholders’ Equity**

In conjunction with the conversion of unsecured convertible bonds with stock acquisition rights during the six months ended August 31, 2013, common stock and capital surplus increased each by 13,352 million yen, while retained earnings and treasury stock decreased by 7,313 million yen and 15,337 million yen, respectively. With the introduction of ESOP Trust, which acquired some of the Company’s stock, the amount of stock held in treasury increased by 11,999 million yen.

As a result of the above, common stock at the end of the second quarter for the fiscal year ending February 28, 2014 totaled 212,406 million yen; capital surplus, 278,315 million yen; and treasury stock, 12,059 million yen.

**(7) Material Subsequent Events**

(Sale of assets by consolidated subsidiaries)

At the meeting held on October 2, 2013, the boards of directors of Aeon Retail Co., Ltd and Aeon Mall Co., Ltd., the Company's consolidated subsidiaries, decided respectively that they would conclude a contract for sale of beneficial interest in trust subject to a condition precedent that they transfer some facilities that they hold to Aeon REIT Investment Corporation. Moreover, Aeon Retail Co., Ltd and Aeon Mall Co., Ltd will also conclude a building lease contract and a land lease contract to continue to use the facilities.

1. Details of transferred assets

(Millions of yen)

| Company holding the assets | Name of the commercial facility | Location | Total book value*1 (As of August 31, 2013) | Total expected price for transfer |
|---|---|---|---|---|
| Aeon Retail Co., Ltd (9 properties) | Lake Town mori*2 | Koshigaya City, Saitama | 76,881 | 76,810 |
| | Lake Town kaze*2 | Koshigaya City, Saitama | | |
| | Aeon Mall Ishinomaki | Ishinomaki City, Miyagi | | |
| | Aeon Sagamihara Shopping Center | Sagamihara City, Kanagawa | | |
| | Aeon Mall Ogaki | Ogaki City, Gifu | | |
| | Aeon Mall Meiwa | Taki-gun, Mie | | |
| | Aeon Mall Kasaihojo | Kasai City, Hyogo | | |
| | Aeon Mall Hiezu | Saihaku-gun, Tottori | | |
| | Aeon Mall Ayagawa | Ayauta-gun, Kagawa | | |
| Aeon Mall Co., Ltd. (6 properties) | Aeon Mall Morioka | Morioka City, Iwate | 63,788 | 64,650 |
| | Aeon Mall Mito-uchihara | Mito City, Ibaraki | | |
| | Aeon Mall Suzuka | Suzuka City, Mie | | |
| | Aeon Mall Kurashiki | Kurashiki City, Okayama | | |
| | Aeon Mall Nogata*3 | Nogata City, Fukuoka | | |
| | Aeon Mall Kumamoto | Kamimashiki-gun, Kumamoto | | |
| Total: 15 | | | 140,670 | 141,460 |

*1. These figures are based on the book value at the end of the second quarter of the fiscal year ending February 28, 2014. Consequently, they may differ from the actual book value at the date of transfer.

*2. 40% of the co-ownership interest will be transferred.

*3. Only land will be transferred. Buildings leased from third parties will not be transferred.

2. Overview of the Company to whom the assets are transferred

(1) Name: Aeon REIT Investment Corporation

(2) Location: Chiyoda-ku, Tokyo

(3) Representative: Kenji Kawahara, executive officer

(4) Established: November 30, 2012

(5) Relation with the Company: Consolidated subsidiary (100% owned by the Company)
Aeon REIT Investment Corporation has an asset management agreement with Aeon Reit Management Co., Ltd.

3. Schedule of the transaction

The Company will announce the scheduled transfer and lease commencement dates as soon as they are determined. The asset transfers are subject, however, to satisfaction of certain conditions precedent, such as the timely completion of financing arrangements by the Company to whom the assets are transferred.

**[Reference]**

**1. Condensed Consolidated Balance Sheets**

**(1) Condensed Consolidated Balance Sheets**

(Millions of yen)

| | As of February 28, 2013 | As of August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Cash and time deposits | 457,174 | 630,546 |
| Call loans | 10,000 | - |
| Notes and accounts receivable - trade | 518,695 | 933,512 |
| Marketable securities | 241,523 | 177,024 |
| Merchandise inventories | 377,027 | 414,691 |
| Financial loan | 420,160 | 313,654 |
| Loans and bills discounted for banking business | 668,971 | 864,669 |
| Other | 210,005 | 223,455 |
| Total current assets | 2,903,558 | 3,557,555 |
| Property, buildings and equipment | 1,941,702 | 2,231,865 |
| Intangible fixed assets | 205,115 | 223,383 |
| Investments and other assets | 674,458 | 758,138 |
| Total fixed assets | 2,821,277 | 3,213,386 |
| Total assets | 5,724,835 | 6,770,942 |
| Notes and accounts payable - trade | 633,246 | 859,920 |
| Deposits for banking business | 1,155,319 | 1,666,291 |
| Interest-bearing debt | 637,206 | 473,537 |
| Other | 516,708 | 712,017 |
| Total current liabilities | 2,942,480 | 3,711,767 |
| Interest-bearing debt | 1,001,842 | 1,024,647 |
| Lease deposits from lessees | 229,276 | 249,237 |
| Other | 104,559 | 169,123 |
| Total long-term liabilities | 1,335,678 | 1,443,008 |
| Total liabilities | 4,278,159 | 5,154,776 |
| Total net assets | 1,446,676 | 1,616,165 |
| Total net assets and liabilities | 5,724,835 | 6,770,942 |

**(2) Condensed Consolidated Balance Sheets of Financial Services Business Segment**

(Millions of yen)

| | As of February 28, 2013 | As of August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Cash and time deposits | 247,397 | 322,070 |
| Call loans | 10,000 | - |
| Notes and accounts receivable - trade | 472,076 | 875,600 |
| Marketable securities | 241,438 | 177,006 |
| Merchandise inventories | 1,373 | 1,467 |
| Financial loan | 420,160 | 313,654 |
| Loans and bills discounted for banking business | 668,971 | 910,969 |
| Other | 154,907 | 33,620 |
| Total current assets | 2,216,324 | 2,634,388 |
| Property, buildings and equipment | 19,109 | 24,660 |
| Intangible fixed assets | 55,598 | 57,632 |
| Investments and other assets | 27,883 | 34,757 |
| Total fixed assets | 102,591 | 117,051 |
| Total assets | 2,318,915 | 2,751,440 |
| Notes and accounts payable - trade | 101,273 | 154,535 |
| Deposits for banking business | 1,156,640 | 1,668,982 |
| Interest-bearing debt | 360,077 | 205,132 |
| Other | 138,768 | 154,085 |
| Total current liabilities | 1,756,759 | 2,182,734 |
| Interest-bearing debt | 357,998 | 350,431 |
| Other | 13,561 | 12,002 |
| Total long-term liabilities | 371,559 | 362,434 |
| Total liabilities | 2,128,319 | 2,545,169 |
| Total net assets | 190,596 | 206,271 |
| Total net assets and liabilities | 2,318,915 | 2,751,440 |

**(3) Condensed Consolidated Balance Sheets of Segments Excluding Financial Services Business**

(Millions of yen)

| | As of February 28, 2013 | As of August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Cash and time deposits | 211,098 | 311,166 |
| Notes and accounts receivable - trade | 52,232 | 64,841 |
| Marketable securities | 85 | 18 |
| Merchandise inventories | 375,654 | 413,224 |
| Other | 261,988 | 346,036 |
| Total current assets | 901,058 | 1,135,287 |
| Property, buildings and equipment | 1,923,024 | 2,207,635 |
| Intangible fixed assets | 151,679 | 164,324 |
| Investments and other assets | 731,996 | 822,658 |
| Total fixed assets | 2,806,699 | 3,194,617 |
| Total assets | 3,707,757 | 4,329,905 |
| Notes and accounts payable - trade | 570,064 | 755,426 |
| Interest-bearing debt | 277,128 | 314,705 |
| Other | 528,727 | 632,799 |
| Total current liabilities | 1,375,920 | 1,702,931 |
| Interest-bearing debt | 643,843 | 674,216 |
| Lease deposits from lessees | 229,544 | 249,608 |
| Other | 96,693 | 164,204 |
| Total long-term liabilities | 970,082 | 1,088,028 |
| Total liabilities | 2,346,003 | 2,790,960 |
| Total net assets | 1,361,754 | 1,538,944 |
| Total net assets and liabilities | 3,707,757 | 4,329,905 |

## 2. Condensed Consolidated Statements of Income

### (1) Condensed Consolidated Statements of Income

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Operating revenue | 2,727,887 | 2,981,807 |
| Operating costs | 1,789,178 | 1,938,740 |
| Gross profit from operations | 938,709 | 1,043,066 |
| Selling, general and administrative expenses | 866,039 | 969,343 |
| Operating income | 72,669 | 73,723 |
| Ordinary income | 82,484 | 77,094 |
| Income before income taxes and minority interests | 76,674 | 71,058 |
| Net income | 28,012 | 23,545 |

### (2) Condensed Consolidated Statements of Income of Financial Services Business Segment

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Operating revenue | 88,333 | 132,696 |
| Operating costs | 6,707 | 11,735 |
| Gross profit from operations | 81,626 | 120,960 |
| Selling, general and administrative expenses | 68,605 | 106,175 |
| Operating income | 13,020 | 14,785 |
| Ordinary income | 13,134 | 14,778 |
| Income before income taxes and minority interests | 13,134 | 13,077 |
| Net income | 5,936 | 3,618 |

### (3) Condensed Consolidated Statements of Income of Segments Excluding Financial Services Business

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Operating revenue | 2,657,691 | 2,867,106 |
| Operating costs | 1,782,641 | 1,920,181 |
| Gross profit from operations | 875,050 | 946,924 |
| Selling, general and administrative expenses | 814,748 | 887,689 |
| Operating income | 60,302 | 59,235 |
| Ordinary income | 71,675 | 65,587 |
| Income before income taxes and minority interests | 65,822 | 60,917 |
| Net income | 23,751 | 22,862 |

**3. Condensed Consolidated Statements of Cash Flows**
**(1) Condensed Consolidated Statements of Cash Flows**

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Income before income taxes and minority interests | 76,674 | 71,058 |
| Depreciation and amortization | 72,299 | 83,303 |
| (Increase) decrease in merchandise inventories | 7,039 | 9,215 |
| (Increase) decrease in financial loan receivable | 3,794 | 6,789 |
| (Increase) decrease in loans in banking business | - | (90,526) |
| Increase (decrease) in deposits received in banking business | - | 510,971 |
| Notes and accounts receivable - trade, notes and accounts payable - trade, and other assets and liabilities | 38,319 | (36,187) |
| Other - net | (5,242) | 19,504 |
| Sub total | 192,885 | 574,128 |
| Income taxes paid | (36,596) | (42,525) |
| Other-net | (2,975) | (4,164) |
| Net cash provided by (used in) operating activities | 153,313 | 527,438 |
| Purchase, sales, and redemption of marketable securities in banking business | - | (23,880) |
| Purchase of fixed assets | (155,622) | (192,379) |
| Increase (decrease) in cash in conjunction with the purchase of consolidated subsidiaries' stock | - | (2,949) |
| Payments for fixed leasehold deposits to lessors | (7,645) | (11,405) |
| Other - net | 17,681 | 28,468 |
| Net cash provided by (used in) investing activities | (145,586) | (202,147) |
| Net increase (decrease) in short-term borrowings and commercial paper | (13,588) | (191,288) |
| Net increase (decrease) in long-term debt and bonds | 30,384 | 17,529 |
| Dividends paid to shareholders | (17,697) | (9,495) |
| Other - net | (19,813) | 31,933 |
| Net cash provided by (used in) financing activities | (20,715) | (151,321) |
| Foreign currency translation adjustments on cash and cash equivalents | 600 | 9,328 |
| Net increase (decrease) in cash and cash equivalents | (12,388) | 183,297 |
| Cash and cash equivalents, beginning of period | 166,277 | 424,701 |
| Increase in cash and cash equivalents resulting from merger | 1,739 | - |
| Cash and cash equivalents, end of period | 155,628 | 607,998 |

**(2) Condensed Consolidated Statements of Cash Flows of Financial Services Business Segment**

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Income before income taxes and minority interests | 13,134 | 13,077 |
| Depreciation and amortization | 4,237 | 6,192 |
| (Increase) decrease in financial loan receivable | 3,794 | 6,789 |
| (Increase) decrease in loans in banking business | - | (136,826) |
| Increase (decrease) in deposits received in banking business | - | 512,341 |
| Notes and accounts receivable - trade, notes and accounts payable - trade, and other assets and liabilities | (64) | (103,380) |
| Other - net | 12,096 | 920 |
| Sub total | 33,198 | 299,113 |
| Income taxes paid | (116) | (3,692) |
| Other-net | 75 | 82 |
| Net cash provided by (used in) operating activities | 33,157 | 295,503 |
| Purchase, sales, and redemption of marketable securities in banking business | - | (23,880) |
| Purchase of fixed assets | (5,334) | (16,921) |
| Payments for fixed leasehold deposits to lessors | (250) | (455) |
| Other - net | 633 | (3,413) |
| Net cash provided by (used in) investing activities | (4,951) | (44,670) |
| Net increase (decrease) in short-term borrowings and commercial paper | 3,583 | (130,208) |
| Net increase (decrease) in long-term debt and bonds | (7,636) | (14,446) |
| Dividends paid to shareholders | (3,921) | (5,617) |
| Other - net | (16,441) | (4,447) |
| Net cash provided by (used in) financing activities | (24,414) | (154,718) |
| Foreign currency translation adjustments on cash and cash equivalents | (101) | 1,968 |
| Net increase (decrease) in cash and cash equivalents | 3,689 | 98,082 |
| Cash and cash equivalents, beginning of period | 19,629 | 223,401 |
| Cash and cash equivalents, end of period | 23,318 | 321,484 |

**(3) Condensed Consolidated Statements of Cash Flows of Segments Excluding Financial Services Business**

(Millions of yen)

| | Six months ended August 31, 2012 | Six months ended August 31, 2013 |
|---|---|---|
| | Amount | Amount |
| Income before income taxes and minority interests | 65,822 | 60,917 |
| Depreciation and amortization | 68,062 | 77,110 |
| (Increase) decrease in merchandise inventories | 7,039 | 9,215 |
| Notes and accounts receivable - trade, notes and accounts payable - trade, and other assets and liabilities | 38,384 | 113,493 |
| Other - net | (17,084) | 17,626 |
| Sub total | 162,224 | 278,363 |
| Income taxes paid | (36,479) | (38,833) |
| Other-net | (805) | 1,143 |
| Net cash provided by (used in) operating activities | 124,939 | 240,673 |
| Purchase of fixed assets | (150,288) | (175,458) |
| Increase (decrease) in cash in conjunction with the purchase of consolidated subsidiaries' stock | - | 1,108 |
| Payments for fixed leasehold deposits to lessors | (7,395) | (10,950) |
| Other - net | 17,048 | 27,822 |
| Net cash provided by (used in) investing activities | (140,635) | (157,477) |
| Net increase (decrease) in short-term borrowings and commercial paper | (17,172) | (61,080) |
| Net increase (decrease) in long-term debt and bonds | 38,020 | 31,975 |
| Dividends paid to shareholders | (17,697) | (9,495) |
| Other - net | (4,233) | 35,948 |
| Net cash provided by (used in) financing activities | (1,083) | (2,652) |
| Foreign currency translation adjustments on cash and cash equivalents | 701 | 7,360 |
| Net increase (decrease) in cash and cash equivalents | (16,077) | 87,905 |
| Cash and cash equivalents, beginning of period | 146,648 | 201,300 |
| Increase in cash and cash equivalents resulting from merger | 1,739 | - |
| Cash and cash equivalents, end of period | 132,309 | 289,205 |