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Financial Results for the Six Months ended August 31, 2014

October 3, 2014

Company name	**Aeon Co., Ltd.**
Listings	The First Section of Tokyo Stock Exchange
Security code	8267
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Scheduled dates:

Submission of statutory quarterly financial report	October 15, 2014
Commencement of dividend payments	October 24, 2014
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, 2014 (March 1, 2014 to August 31, 2014)

(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, 2014	3,431,551	15.1	43,369	(41.2)	48,606	(37.0)	2,021	(91.4)
Six months ended August 31, 2013	2,981,807	9.3	73,723	1.4	77,094	(6.5)	23,545	(15.9)

Note: Comprehensive income: Six months ended August 31, 2014: 17,923 million yen (-72.7%)
Six months ended August 31, 2013: 65,583 million yen (43.0%)

	Net income per share	Net income per share – fully diluted
	yen	yen
Six months ended August 31, 2014	2.41	1.67
Six months ended August 31, 2013	29.47	27.78

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2014	7,098,832	1,667,352	15.7	1,330.14
February 28, 2014	6,815,241	1,684,569	16.4	1,336.83

Note: Total equity: August 31, 2014: 1,115,891 million yen February 28, 2014: 1,120,095 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, 2014	-	13.00	-	13.00	26.00
Year ending February 28, 2015	-	14.00			
Year ending February 28, 2015 (forecast)			-	14.00	28.00

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

Dividend for the year ending February 28, 2015

End-second quarter: ordinary dividend of 13 yen and commemorative dividend of 1 yen

Fiscal year-end: ordinary dividend of 13 yen and commemorative dividend of 1 yen

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2015 (March 1, 2014 to February 28, 2015)

(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	7,000,000	9.5	200,000 to 210,000	16.7 to 22.5	200,000 to 210,000	13.1 to 18.7	48,000	5.3	57.29

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: None

(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): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury stock included):
August 31, 2014: 846,396,786 shares
February 28, 2014: 846,396,786 shares

2) Number of shares held in treasury at end of period:
August 31, 2014: 7,468,185 shares
February 28, 2014: 8,522,055 shares

3) Average number of shares outstanding during the period:
Six months ended August 31, 2014: 838,314,477 shares
Six months ended August 31, 2013: 799,000,439 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (August 31, 2014: 7,077,600 shares, February 28, 2014: 8,100,700 shares) is included in the number of shares held in treasury.

***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 Forecast" on page 5 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, 2015 (March 1, 2014 ~ August 31, 2014), the Japanese economy demonstrated a moderate recovery trend owing to stable employment conditions underpinned by the Japanese government's economic measures. The conditions surrounding personal consumption, however, became severe. Real disposable incomes turned sluggish due to the impact of the consumption tax hike, soaring gasoline and electricity prices, and rising goods prices caused by yen depreciation and market factors. In the environment, Aeon Group stores throughout Japan held a unified "Yasui Ne!" sales promotion featuring overwhelmingly low prices for frequently purchased daily necessities and fresh foods.

Concurrently, Aeon executed its common Group strategy of the "Aeon Group Medium-term Management Plan (FY2014~2016)," promoting an accelerated shift to Asian markets, urban markets, senior-oriented markets, and digital markets, as well as product-oriented reforms. In regard to the shift to Asian markets, Aeon continued to expand its shopping centers to new regions. In China, Aeon opened Aeon Mall Suzhou Wuzhong in April as its first commercial facility in Suzhou and one of the largest such facilities in the city. In ASEAN, Aeon's first shopping center in Cambodia, Aeon Mall Phnom Penh, opened in June.

Regarding product-oriented reforms, Aeon Topvalu Co., Ltd. strove to bolster Group earnings by enhancing its Topvalu Select and Topvalu Best Price product lines in response to the polarization of consumption trends, while developing new products specifically for certain business categories such as convenience stores and small-size supermarkets. As a result of the company's efforts, sales of Topvalu brand products totaled 386,100 million yen in the period (up 8.6% year on year).

As a result of these activities, for the first six months of the fiscal year ending February 28, 2015, Aeon earned consolidated operating income of 43,369 million yen (down 41.2% year on year), consolidated ordinary income of 48,606 million yen (down 37.0% year on year), and consolidated net income of 2,021 million yen (down 91.4% year on year) on consolidated operating revenue of 3,431,551 million yen (up 15.1% year on year).

Business Segment Information

GMS Business

The GMS Business posted an operating loss of 13,164 million yen (a year-on-year decline of 24,204 million yen) on operating revenue of 1,683,870 million yen (up 27.0% year on year) for the first six months of the fiscal year ending February 28, 2015.

Following the consumption tax hike, the GMS Business responded to changes in the business environment by attracting customers through overwhelmingly low prices. The business froze prices of some 5,000 Topvalu brand products and enhanced the price competitiveness of frequently purchased daily necessities, while promoting prominent sales campaigns on agricultural products for which market prices remained high during the period.

Aeon Retail Co., Ltd. continued to implement GMS reforms focused on promoting sales floor specialization, strengthening private brand product sales, and refurbishing existing stores to enhance competitiveness. The company worked to improve its customer drawing power through Group-wide sales promotions featuring Aeon's WAON e-money and discount sales for Aeon credit cardholders to commemorate the 40th anniversary of Aeon's stock market listing. There was only a modest recovery in personal consumption after the consumption tax hike, however, and as a result, Aeon Retail's same-store sales in the first six months of the fiscal year declined 1.8% from the same period of the previous fiscal year (apparel sales declined 3.9%, food sales declined 1.7%, and housing and recreational product sales declined 0.4% year on year). Directly-operated stores' gross profit margin declined 0.4 points from the same period of the previous year due mainly to slow sales of apparel and other seasonal products owing to unseasonable weather, namely an earlier start to this year's rainy season and frequent torrential

rains. Although steady progress was made in controlling store costs, SG&A expenses for existing stores increased by 1.4% year on year due to active sales promotions to enhance customer-drawing initiatives.

Supermarket, Discount Store, and Small-size Store Business

The Supermarket, Discount Store and Small-size Store Business posted operating income of 1,201 million yen (down 81.4% year on year) on operating revenues of 1,029,377 million yen (up 5.7% year on year) in the first six months of the fiscal year ending February 28, 2015.

In response to changing lifestyles and the characteristics of the individual store's service area, the business refurbished its sales floors for fresh foods and delicatessen items while improving its lineup of small-portion food items. The business also strove to establish a low-cost operation model to support the multi-store expansion of discount stores.

Maxvalu Hokkaido Co., Ltd. enhanced the competitiveness of individual stores by refurbishing existing outlets to respond to market changes and regional characteristics. The company also collaborated with local Group companies to hold "Aeon Dosan Day" and expand promotions of seasonal Hokkaido products. Through these measures, the company further differentiated itself from competitors and increased earnings.

Maxvalu Tokai Co., Ltd. enhanced customer convenience and loyalty by holding special campaigns to increase cardholders of Aeon WAON e-money. The company also bolstered its product lineup to respond to the increase in single-person households and senior citizens, as well as the polarization of personal consumption patterns. As a result of these activities, the company achieved a steady increase in earnings.

Aeon Big Co., Ltd. steadily increased revenues at The Big discount stores through early promotions of seasonal goods, competitive pricing of fresh foods, and the development and sale of Topvalu goods specially designed for discount stores. These meticulous measures gained the support of increasingly price-conscious customers and led to a steady increase in revenues.

Financial Services Business

The Financial Services Business earned operating income of 21,036 million yen (up 42.3% year on year) on operating revenue of 153,003 million yen (up 15.3% year on year) for the first six months of the fiscal year ending February 28, 2015.

Aeon Financial Service Co., Ltd. steadily increased the number of credit cardholders in Japan by offering immediate card issuance at its *Kurashi no Money Plaza* financial plaza providing one-stop financial services, while simplifying Internet-based services enabling customers to switch to Aeon credit cards.

In the e-money business, Aeon Financial Service expanded the number of participating partners by newly offering WAON settlement in taxis to enhance customer convenience. As a result of this and other initiatives, cumulative issuance of WAON cards grew to approximately 43.5 million cards as of August 31, 2014, with WAON e-money transaction volume in the first six months of the fiscal year totaling approximately 940,100 million yen, a 26.9% year-on-year increase.

Overseas, the business expanded steadily, primarily as the result of efforts by subsidiaries in Hong Kong, Thailand, and Malaysia to strengthen credit cardholder solicitation programs and expand the participating retailer network in the countries. Additionally, in conjunction with the opening of Aeon Mall Phnom Penh in Cambodia in June, Aeon Microfinance (Cambodia) Private Company Limited expanded its business by launching installment payment services.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 18,680 million yen (down 6.4% year on year) on operating revenue of 120,000 million yen (up 12.7% year on year) in the first six months of the fiscal year ending February 28, 2015.

In Japan, Aeon Mall Co., Ltd. opened three shopping centers during the period, while completely refurbishing five existing shopping centers. The company held Group-wide sales campaigns featuring Aeon Card credit cards and WAON e-money as part of its

customer-drawing initiatives. In China, the company launched its first shopping center in Suzhou City in April with the opening of Aeon Mall Suzhou Wuzhong, and in ASEAN, the company opened Aeon Mall Phnom Penh in June as its first shopping center in Cambodia. In Vietnam, Aeon Mall established Aeon Mall Binh Duong Company Limited as a local subsidiary in July and acquired a master lease license, the first granted to a Japanese company. The subsidiary will assume the master lease and operate Aeon Mall Binh Duong Canary, Aeon's second shopping center in Vietnam, while preparing for the 2015 opening of Aeon Mall Long Bien, which will be Aeon's first outlet in Hanoi.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 14,556 million yen (down 4.0% year on year) on operating revenue of 360,132 million yen (up 1.6% year on year) in the first six months of the fiscal year ending February 28, 2015.

Aeon Delight Co., Ltd. posted a steady increase in revenues by promoting such energy-saving services as LED lighting and building energy management services (BEMS), while taking measures to standardize operations in its building cleaning business. The company also strengthened its sales activities to develop new customers.

Cox Co., Ltd. revamped the product lineup for its core brand ikka, while achieving a strong earnings increase by improving stock turnover period, raising sales ratio of full-price items, and controlling expenses.

G Foot Co., Ltd. increased revenues by opening stores in Aeon Group commercial facilities and carrying out active sales promotions through the mass media. The company also expanded its range of in-house developed products to serve a broad range of customer needs, leading to higher earnings.

Aeon Fantasy Co., Ltd. opened seven amusement facilities in Aeon Group and other commercial facilities in Japan, including Tokyo Kodomo-ku Kodomo-no-yu, its first urban-type commercial facility. The company also actively expanded its amusement facilities in China, Malaysia, and Thailand, while making preparations to launch business in the Philippines, Cambodia, and Indonesia.

ASEAN Business

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

The ASEAN Business earned operating income of 2,245 million yen (down 27.5% year on year) on operating revenue of 97,144 million yen (up 11.9% year on year).

Aeon Co. (M) Bhd. refurbished six stores during the period and expanded sales of locally planned and developed Topvalu products, primarily apparel. The company also enhanced its customer-drawing power by launching sales promotions utilizing Group infrastructure, such as cash-back campaigns and double shopping points to Aeon Card holders. Aeon (Thailand) Co., Ltd. opened five Maxvalu Tanjai small-scale urban supermarkets in Bangkok amid the city's expansion, increasing the chain to 49 stores. Through this and other initiatives, the company promoted its area dominance strategy and bolstered the business foundation.

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 961 million yen (a year-on-year improvement of 636 million yen) on operating revenue of 80,505 million yen (up 16.3% year on year).

In April, Aeon East China (Suzhou) Co., Ltd. opened Aeon Suzhou Wuzhong in April as Aeon's first GMS in Jiangsu Province. The China Business's earnings improved significantly as a result of the development of new products to meet the heightened interest in safety and security, along with the introduction of new customer services, such as the establishment of Aeon Lounge facilities and a package delivery service.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets as of August 31, 2014

Consolidated assets at August 31, 2014 totaled 7,098,832 million yen, an increase of 283,590 million yen, or 4.2%, from the end of the previous fiscal year (February 28, 2014). The increase was chiefly attributable to an increase of 116,447 million yen in loans and bills discounted for banking business, an increase of 81,236 million yen in notes and accounts receivable-trade, which consists mostly of installment plan accounts receivable at financial subsidiaries, along with an increase of 64,012 million yen in property, buildings and equipment, mainly for the opening of shopping centers.

Consolidated liabilities at August 31, 2014 totaled 5,431,479 million yen, an increase of 300,806 million yen, or 5.9%, from February 28, 2014. The increase was chiefly attributable to increases of 150,095 million yen in notes and accounts payable-trade and 112,988 million yen in other current liabilities including deposits received, which were caused by the final day of the second quarter falling on a bank holiday, as well as an increase of 88,191 million yen in bonds resulting from the issuance of bonds by Aeon Financial Service Co., Ltd. and Aeon Mall Co., Ltd. These increases outweighed a decline of 76,146 million yen in deposits for banking business.

Consolidated net assets at August 31, 2014 totaled 1,667,352 million yen, a decline of 17,216 million yen, or 1.0%, from February 28, 2014.

The balance of cash and cash equivalents at August 31, 2014 was 633,705 million yen, an increase of 582 million yen from February 28, 2014.

Net cash provided by operating activities in the six months ended August 31, 2014 was 103,396 million yen. The increase reflects 135,787 million yen in income before income taxes and minority interests, excluding depreciation and amortization and other non-cash expenses, and an increase of 151,043 million yen in notes and accounts payable-trade, which outweighed an increase of 116,447 million yen in loans in banking business and a decline of 76,146 million yen in deposits received in banking business.

Net cash used in investing activities was 160,954 million yen, mainly for settlement of equipment fund due to the purchase of property, plant, and equipment.

Net cash provided by financing activities was 63,714 million yen. This reflects fund procurement operations of 121,745 million yen from the issuance of bonds and a net increase of 32,865 million yen from short-term borrowings and commercial paper, which outweighed outflows of 34,125 million yen for redemption of bonds and 24,999 million yen for the purchase of treasury shares of subsidiaries.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 28, 2015 is unchanged from the forecast announced April 10, 2014.

*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: None

(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: None

(4) Additional Information

(Accounting treatment for issuance cost of credit card by domestic consolidated subsidiaries)

The Company's domestic consolidated subsidiaries that operate financial services business previously applied the accounting treatment under which issuance cost of credit card is expensed in full when incurred. These subsidiaries, however, decided changeover of credit card to integrated-circuit card (ICC) that can accumulate more customer information and moved forward the timing of renewal to ICC. As the changeover to ICC undoubtedly pushes up the asset value of ICC-related assets, the accounting treatment was also changed for the issuance cost of ICC issued in or after July 2014. Under the new treatment, ICC issuance cost is recorded in assets and amortized over validity period of the cards.

As a result, for the six months ended August 31,2014, operating income, ordinary income and income before income taxes and minority interests were each 401 million yen higher compared with what would have been under the previous accounting method.

(Accounting treatment for Employee Stock Ownership Plan Trust)

The Company has introduced Employee Stock Ownership Plan Trust ("ESOP Trust"), which is an incentive scheme that provides the Company's work force with ownership interest in the Company to further enhance the corporate value over the mid-to-long term.

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 net assets. As of August 31, 2014, the book value of treasury stock recorded with the gross method was 8,981 million yen (7,077,600 shares) and the book value of debts recorded under the gross method was 9,600 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	653,984	665,944
Notes and accounts receivable - trade	894,882	976,118
Marketable securities	169,628	144,855
Merchandise inventories	468,499	448,096
Deferred tax assets	47,894	53,333
Financial loan	302,471	300,329
Loans and bills discounted for banking business	900,998	1,017,446
Other	222,948	241,182
Allowance for doubtful accounts	(48,529)	(49,790)
Total current assets	3,612,778	3,797,515
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,189,183	1,253,195
Tools, furniture and fixtures, net	169,321	181,289
Land	726,035	741,061
Construction in progress	63,028	67,093
Other, net	35,241	32,816
Total property, buildings and equipment	2,182,809	2,275,457
Intangible fixed assets		
Goodwill	142,406	144,029
Software	53,364	52,224
Other	34,696	42,112
Total intangible fixed assets	230,467	238,365
Investments and other assets		
Investment securities	200,269	221,763
Deferred tax assets	71,192	71,088
Fixed leasehold deposits to lessors	401,045	383,675
Other	145,872	139,609
Allowance for doubtful accounts	(29,193)	(28,643)
Total investments and other assets	789,186	787,493
Total fixed assets	3,202,463	3,301,316
Total assets	6,815,241	7,098,832

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	742,967	893,062
Deposits for banking business	1,701,326	1,625,180
Short-term borrowings	259,064	301,216
Current portion of long-term debt	197,868	175,770
Bonds due within one year	57,862	65,836
Commercial paper	10,000	-
Income taxes payable	53,414	33,448
Provision for bonuses	24,362	22,403
Provision for store closing expenses	4,770	4,219
Allowance for point program	22,251	24,098
Other allowances	1,098	627
Notes payable, construction	67,160	78,604
Other	523,100	636,088
Total current liabilities	3,665,246	3,860,557
Long-term liabilities		
Bonds	188,390	268,608
Convertible bonds with stock acquisition rights	3,910	630
Long-term debt	814,393	824,331
Deferred tax liabilities	26,365	29,870
Liability for employees' retirement benefits	47,020	45,767
Provision for store closing expenses	10,093	8,213
Allowance for loss on refund of interest received	3,084	3,429
Other allowances	6,132	5,902
Asset retirement obligations	61,760	63,651
Lease deposits from lessees	250,810	252,562
Other	53,463	67,954
Total long-term liabilities	1,465,426	1,570,921
Total liabilities	5,130,672	5,431,479

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
	Amount	Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	285,917	285,917
Retained earnings	589,943	580,948
Treasury stock	(10,933)	(9,581)
Total shareholders' equity	1,084,935	1,077,292
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	23,318	30,714
Deferred gain (loss) on derivatives under hedge accounting	(2,122)	(2,535)
Foreign currency translation adjustments	13,964	10,419
Total accumulated other comprehensive income	35,160	38,599
Stock acquisition rights	1,670	1,795
Minority interests	562,802	549,665
Total net assets	1,684,569	1,667,352
Total net assets and liabilities	6,815,241	7,098,832

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
	Amount	Amount
Operating revenue		
Net sales	2,619,718	3,010,059
Operating revenue in the financial services business	118,900	135,930
Other operating revenue	243,188	285,562
Total operating revenue	2,981,807	3,431,551
Operating costs		
Cost of sales	1,926,684	2,205,332
Operating costs in the financial services business	12,056	12,435
Total operating costs	1,938,740	2,217,768
Gross profit on sales	693,033	804,726
Gross profit from operations	1,043,066	1,213,783
Selling, general and administrative expenses	969,343	1,170,413
Operating income	73,723	43,369
Other income		
Interest income	1,694	1,448
Dividend income	1,261	1,241
Equity in gains of equity-method affiliates	2,138	4,026
Other	7,625	7,726
Total other income	12,720	14,442
Other expenses		
Interest expense	6,555	6,031
Other	2,793	3,174
Total other expenses	9,348	9,206
Ordinary income	77,094	48,606
Extraordinary gains		
Gain on change in equity interest	7,095	802
Gain on negative goodwill	13,808	2,464
Reversal of provision for store closing expenses	-	1,219
Other	858	1,893
Total extraordinary gains	21,762	6,380
Extraordinary losses		
Impairment loss	12,637	6,830
Management integration expenses in the financial services business	1,574	-
Loss on step acquisition	9,760	-
Provision for store closing expenses	422	1,669
Other	3,403	2,346
Total extraordinary losses	27,799	10,846
Income before income taxes and minority interests	71,058	44,140
Income taxes		
Current	35,650	33,283
Deferred	(6,380)	(5,378)
Total income taxes	29,270	27,904
Income before minority interests	41,787	16,235
Minority interests	18,242	14,214
Net income	23,545	2,021

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
	Amount	Amount
Income before minority interests	41,787	16,235
Other comprehensive income		
Unrealized gain on available-for-sale securities	5,285	7,209
Deferred gain (loss) on derivatives under hedge accounting	790	(282)
Foreign currency translation adjustments	17,549	(5,326)
Share of other comprehensive income of equity-method affiliates	170	87
Total other comprehensive income	23,795	1,687
Comprehensive income	65,583	17,923
(Breakdown)		
Comprehensive income attributable to owners of the parent	39,036	5,459
Comprehensive income attributable to minority interests	26,546	12,463

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	71,058	44,140
Depreciation and amortization	83,303	91,216
Amortization of goodwill	5,623	5,915
Amortization of negative goodwill	(84)	(25)
Increase (decrease) in allowance for doubtful accounts	3,273	491
Increase (decrease) in allowance for loss on refund of interest received	(1,045)	344
Increase (decrease) in provision for bonuses	1,360	(2,161)
Increase (decrease) in liabilities for retirement benefits	(272)	(1,240)
Interest and dividend income	(2,956)	(2,690)
Interest expense	6,555	6,031
Equity in (gains) losses of equity-method affiliates	(2,138)	(4,026)
Impairment losses	12,637	6,830
Gain on negative goodwill	(13,808)	(2,464)
(Gain) loss on change in equity interest	(7,024)	(774)
(Gain) loss on step acquisition	9,760	-
(Increase) decrease in notes and accounts receivable - trade	(305,993)	(75,493)
(Increase) decrease in merchandise inventories	9,215	19,705
(Increase) decrease in financial loan receivable	6,789	8,102
(Increase) decrease in loans in banking business	(90,526)	(116,447)
Increase (decrease) in notes and accounts payable - trade	156,064	151,043
Increase (decrease) in deposits received in banking business	510,971	(76,146)
Other assets and liabilities	113,741	112,206
Other - net	7,622	(5,031)
Sub total	574,128	159,526
Interest and dividends received	2,906	3,063
Interest paid	(7,071)	(5,884)
Income taxes paid	(42,525)	(53,309)
Net cash provided by (used in) operating activities	527,438	103,396

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
	Amount	Amount
Cash flows from investing activities		
Purchase of marketable securities	(18)	(21)
Proceeds from sales and redemption of marketable securities	95	21
Purchase of marketable securities in banking business	(124,737)	(89,847)
Proceeds from sales and redemption of marketable securities in banking business	100,857	123,736
Purchase of fixed assets	(192,379)	(211,881)
Proceeds from sales of fixed assets	1,242	7,973
Purchase of investment securities	(76)	(3)
Proceeds from sales of investment securities	1,818	199
Cash paid in conjunction with the purchases of consolidated subsidiaries' stock	(30,197)	(1,528)
Cash received in conjunction with the purchases of consolidated subsidiaries' stock	27,247	-
Payments for fixed leasehold deposits to lessors	(11,405)	7,274
Collection of fixed leasehold deposits to lessors	14,641	19,603
Proceeds from lease deposits from lessees	11,755	13,697
Repayments of lease deposits from lessees	(9,262)	(10,666)
Other - net	8,271	(4,961)
Net cash provided by (used in) investing activities	(202,147)	(160,954)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	(191,288)	32,865
Proceeds from long-term debt	178,682	107,342
Repayments of long-term debt	(150,725)	(122,533)
Proceeds from issuance of bonds	1,710	121,745
Payments for redemption of bonds	(12,138)	(34,125)
Purchase of treasury stock	(12,004)	(1)
Proceeds from issuance of subsidiaries' stock to minority shareholders	51,569	3,108
Purchase of treasury shares of subsidiaries	(57)	(24,999)
Dividends paid to shareholders	(9,495)	(10,998)
Dividends paid to minority shareholders	(8,162)	(9,795)
Other - net	588	1,106
Net cash provided by (used in) financing activities	(151,321)	63,714
Foreign currency translation adjustments on cash and cash equivalents	9,328	(5,574)
Net increase (decrease) in cash and cash equivalents	183,297	582
Cash and cash equivalents, beginning of period	424,701	633,123
Cash and cash equivalents, end of period	607,998	633,705

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment Information

I. Six Months ended August 31, 2013 (March 1 – August 31, 2013)

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket, Discount Store, and Small-size Store	Financial Services	Shopping Center Development	Services and Specialty Store	ASEAN
Operating revenue						
(1) Revenue attributable to customers	1,293,976	968,961	118,960	79,647	273,170	86,625
(2) Intersegment revenue or transfers	31,617	4,496	13,735	26,829	81,168	158
Total	1,325,593	973,458	132,696	106,476	354,339	86,784
Segment income (loss)	11,040	6,446	14,785	19,956	15,159	3,097

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	China	Total				
Operating revenue						
(1) Revenue attributable to customers	69,112	2,890,455	79,996	2,970,451	11,355	2,981,807
(2) Intersegment revenue or transfers	89	158,095	2,578	160,674	(160,674)	-
Total	69,202	3,048,550	82,575	3,131,126	(149,318)	2,981,807
Segment income (loss)	(1,597)	68,887	641	69,529	4,193	73,723

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

2. Main components of the 11,355 million yen in adjustments for revenue attributable to customers are (a) minus 40,921 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 4,193 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 1,693 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.

II. Six Months ended August 31, 2014 (March 1 – August 31, 2014)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket, Discount Store, and Small-size Store	Financial Services	Shopping Center Development	Services and Specialty Store	ASEAN
Operating revenue						
(1) Revenue attributable to customers	1,647,639	1,024,604	135,858	88,359	275,449	96,906
(2) Intersegment revenue or transfers	36,230	4,772	17,145	31,640	84,682	238
Total	1,683,870	1,029,377	153,003	120,000	360,132	97,144
Segment income (loss)	(13,164)	1,201	21,036	18,680	14,556	2,245

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	China	Total				
Operating revenue						
(1) Revenue attributable to customers	80,394	3,349,212	83,920	3,433,133	(1,582)	3,431,551
(2) Intersegment revenue or transfers	110	174,822	3,055	177,877	(177,877)	-
Total	80,505	3,524,034	86,976	3,611,011	(179,459)	3,431,551
Segment income (loss)	(961)	43,594	148	43,743	(373)	43,369

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

2. Main components of the minus 1,582 million yen in adjustments for revenue attributable to customers are (a) minus 35,336 million yen in adjustments to transactions reported in the reportable segment information and (b) 33,633 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 minus 373 million yen in adjustments for segment income are (a) 1,041 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) minus 1,420 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 960 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.

2. Change in reportable segment

In organizational reforms implemented on March 1, 2014, the Company shifted to the new system in which two or more business segments are unified and supervised collectively aiming at facilitating speedy decision-making, business model reform, and creation of more group synergies. In line with this, effective from the first three month of the fiscal year ending February 28, 2015, the Company's business segments have been reorganized: “Supermarket,” “Strategic Small-size Store,” and “Discount store” which was previously included in “Other,” are unified to “Supermarket, Discount Store and Small-size Store” business; “Services” and “Specialty Stores” are unified to “Services and Specialty Store” business. In addition, part of transactions in services business that had been presented in gross amount in reportable segment information was changed to be presented in net

amount. The segment amounts for the six months ended August 31, 2013 have been recast to conform to the new segmentation.

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

Not applicable

(7) Material Subsequent Events

1. Conclusion of Share Exchange Agreement

Aeon Co., Ltd. (the Company) and its consolidated subsidiary Daiei Inc. ("Daiei") agreed to a share exchange between the two companies (the "Share Exchange") to make Daiei a wholly owned subsidiary of the Company and concluded the Share Exchange Agreement (the "Share Exchange Agreement") on September 24, 2014. The Share Exchange Agreement is outlined below.

1) Reason for conclusion of Share Exchange Agreement, effective date and method of Share Exchange Agreement, and details of allotment of shares

i) Reason for conclusion of the Share Exchange Agreement

The Company and Daiei have been conducting each business to achieve further development by respecting the other party's goodwill and strengthening mutual collaboration under the management principle of "Customer-first" common to the both parties serving GMS business. However, as the Japanese business environment surrounding them has been changing at an unexpectedly rapid pace, the both parties recognized that concentration and optimization of management resources through drastic cross-company reforms is just required to enable both Aeon and Daiei groups' continued growth.

With a series of discussions on business restructuring that goes beyond the boundary of company and type and condition of business, both parties searched for their ideal collaboration system in the future, a policy for managing overlapping business and shops, and optimal arrangement of human resources. Since concentration and optimization of management resources is realized only through measures such as speed-up in decision-making, flexible capital strategy, and optimal arrangement of human resources, the both parties reached a conclusion that the best strategy for achieving these measures is to make Daiei a wholly owned subsidiary of the Company and agreed to the Share Exchange.

ii) Effective date of the Share Exchange

January 1, 2015

iii) Method of the Share Exchange

A share exchange in which the Company is the parent company and Daiei is its wholly owned subsidiary

The Company will implement the Share Exchange through short-form share exchange for which, based on paragraph 3, Article 796 of the Companies Act, an approval at the general meeting of shareholders is not required. In Daiei, the Share Exchange will be implemented subject to the approval at an extraordinary meeting of shareholders scheduled on November 26, 2014.

iv) Details of the allotment of shares pertaining to the Share Exchange

	Aeon Co., Ltd. (wholly owning parent company)	Daiei Inc. (wholly owned subsidiary company)
Share allocation ratio	1	0.115

The Daiei's common shares held by the Company will not receive any share allocation under the Share Exchange.

2) Impact of the Share Exchange on the consolidated operating results

The Share Exchange will be accounted for with the Accounting Standards for Business Combinations in Japan. Goodwill or negative goodwill is expected to be recognized, but the amount is yet to be determined. For the record, Daiei has been the Company's consolidated subsidiary even before the Share Exchange is implemented, therefore, there will be no material impact on consolidated operating results except for the amortization of goodwill or negative goodwill.

2. Acquisition of own shares

At the meeting held on October 3, 2014, the Board of Directors resolved to repurchase the Company's own shares based on the articles of incorporation in accordance with item 1, paragraph 1, Article 459 of the Companies Act.

1) Reason for acquisition of own shares

The aim is to enhance the capital efficiency and implement flexible capital policies which enable the Company to respond to the change in business environment.

2) Summary of the acquisition

i) Class of shares to be acquired:	Common shares of the Company
ii) Method for the acquisition:	Market buying
iii) Total number of shares to be acquired:	30 million shares (upper limit)
iv) Total amount of the acquisition:	50 billion yen (upper limit)
v) Period for the acquisition:	October 6, 2014 through October 5, 2015