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Financial Results for the Six Months ended August 31, 2015

October 7, 2015

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, 2015
Commencement of dividend payments	October 26, 2015
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, 2015 (March 1, 2015 to August 31, 2015)

(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, 2015	4,074,889	18.7	72,266	66.6	72,852	49.9	2,129	5.4
Six months ended August 31, 2014	3,431,551	15.1	43,369	(41.2)	48,606	(37.0)	2,021	(91.4)

Note: Comprehensive income: Six months ended August 31, 2015: 41,053 million yen (129.1 %)
Six months ended August 31, 2014: 17,923 million yen (-72.7 %)

	Net income per share	Net income per share – fully diluted
	yen	yen
Six months ended August 31, 2015	2.55	2.41
Six months ended August 31, 2014	2.41	1.67

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2015	8,118,184	1,878,027	14.9	1,445.82
February 28, 2015	7,859,803	1,829,980	15.3	1,443.97

Note: Total equity: August 31, 2015: 1,208,864 million yen February 28, 2015: 1,206,306 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, 2015	-	14.00	-	14.00	28.00
Year ending February 29, 2016	-	14.00			
Year ending February 29, 2016 (forecast)			-	14.00	28.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2016 (March 1, 2015 to February 29, 2016)

(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	8,000,000	13.0	175,000	23.8	165,000	8.2	42,500	1.0	50.87

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: Yes
2) Changes other than the above 1): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
*For details, see "(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement" on page 6 in section "2. Other Information" 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, 2015: 871,924,572 shares
February 28, 2015: 871,924,572 shares
2) Number of shares held in treasury at end of period:
August 31, 2015: 35,816,419 shares
February 28, 2015: 36,514,815 shares
3) Average number of shares outstanding during the period:
Six months ended August 31, 2015: 835,735,149 shares
Six months ended August 31, 2014: 838,314,477 shares
* The Company's stock held by Employee Stock Ownership Plan Trust (August 31, 2015: 5,409,600 shares, February 28, 2015: 6,118,700 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 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) Analysis of Operating Results

Summary of Operating Results

For the first six months of the fiscal year ending February 29, 2016 (March 1, 2015 ~ August 31, 2015), Aeon Co., Ltd. reported consolidated operating revenue of 4,074,889 million yen (up 18.7% year on year), a record high for the first half of the fiscal year. The company reported consolidated operating income of 72,266 million yen (up 66.6% year on year), consolidated ordinary income of 72,852 million yen (up 49.9% year on year), and consolidated net income of 2,129 million yen (up 5.4% year on year), as all the income results surpassed the year-before levels.

During the first half, the Japanese economy demonstrated a moderate recovery trend supported by a number of factors, including improved business sentiment among major Japanese manufacturing and non-manufacturing companies amid strong corporate earnings and expectations of a rebound in consumption, a decline in gasoline prices, an improvement in the employment environment, and brisk consumption by inbound visitors to Japan. In terms of personal consumption, although there were signs of improvement, consumers were more inclined to economize and make selective purchases due to stagnant incomes and concerns over higher goods prices caused by surging raw materials costs. In this environment, Aeon strove to respond to customers' broader value orientations and diversifying lifestyles. Specific measures included setting up duty-free counters and offering free Wi-Fi services in stores to capture demand from inbound visitors to Japan, along with measures designed primarily for the Group's retail business, such as expanded sales promotions for Aeon brand Topvalu products and the development of new products and services suited to the specific needs of local communities. Additionally, in order to propel the Group's future growth, Aeon continued to pursue a common Group strategy of accelerating the shift to Asian markets, urban markets, senior-oriented markets, and digital markets, while promoting product-oriented reforms. Business and organizational reforms were carried out in the period to support these strategies.

Promotion of Common Group Strategy:

- In July, AEON ASIA SDN. BHD. concluded a comprehensive partnership agreement with the Union of Kansai Governments to promote the appeal and raise consumer awareness of both the Kansai region of Japan and the ASEAN region. The Union of Kansai Governments views Southeast Asia as a key target for inbound visitors as it promotes tourism to western Japan. Aeon and the Union of Kansai Governments will utilize their respective networks and business know-how to promote appealing products and tourism attractions in both regions and expand visitors to both Kansai and Aeon stores in ASEAN.
- In June, Aeon Co., Ltd. and Aeon Topvalu Co., Ltd. began selling "Topvalu Select RESERVE Gotoshio Roast Beef and Roast Pork" and "Topvalu Gurinai Amami Umare Fresh Tuna" as part of their promotion of products with value. The selections are designed to meet customers' selective tastes for superior products amid the growing dine-in trend. While all of the products have been warmly received by customers, the roast beef sales surpassed 400,000 units in the first three months, greatly exceeding the original sales plan.

Business and Organizational Reforms:

- On June 1, Aeon Co., Ltd. transferred the functions of consolidated subsidiary Aeon Global Merchandising Co., Ltd. to Aeon Retail Co., Ltd. in order to respond rapidly to diversifying consumer needs and enhance region-based product procurement while improving quality.
- On July 8, Miraiya Shoten Co., Ltd., a consolidated subsidiary operating bookstores, and ATHINE, Inc., a wholly owned subsidiary of Daiei, Inc. which also operates bookstores, concluded a merger contract following resolutions at extraordinary meetings of each

company's board of directors, with Miraiya Shoten as the surviving company. Following the merger scheduled for September 1, the new company will raise management efficiency by optimizing overlapping business areas and bookstores, while achieving overwhelming competitiveness and accelerating growth by leveraging its combined network of more than 340 bookstores.

Business Segment Information

GMS Business

The GMS Business posted an operating loss of 8,712 million yen (a year-on-year decline of 4,355 million yen) on operating revenue of 1,370,929 million yen (up 2.0% year on year) for the first six months of the fiscal year.

Aeon Retail Co., Ltd. delegated authority to regional companies to further enhance its on-site capabilities. On the basis of this new organizational structure, the company strengthened its competitiveness by developing innovative new products, implementing sales promotions featuring product value, and refurbishing existing stores, primarily around the new Aeon Style format. In the merchandizing area, the company drew customers by developing sales areas further highlighting regional appeal. These initiatives included the promotion of local seasonal fresh foods and expanded selections of local processed foods at "Jimono-no-hi" local products fairs on the 15th of each month and during the "Obon" holidays in mid-August. The success of these initiatives led to year-on-year sales increases of 0.6% in July and 0.5% in August. Aeon Retail's same-store sales for the full first six months declined 1.4% year on year (apparel sales declined 2.7%, food sales declined 0.5%, and housing and recreational product sales declined 2.7% year on year). Directly-operated stores' gross profit margin remained on par with the same period a year ago due to an improvement in the sales ratio of full-price items, mainly for food products, and the reduction of inventories. As a result of higher operational efficiency and other efforts to control costs, SG&A expenses at existing stores declined by 1.0% year on year.

Supermarket and Discount Store Business

The Supermarket and Discount Store Business posted operating income of 6,105 million yen (up 14,724 million yen year on year) on operating revenues of 1,556,966 million yen (up 28.0% year on year) in the first six months of the fiscal year.

United Super Markets Holdings Inc. (U.S.M.H.) consolidated subsidiaries Maruetsu, Inc., Kasumi Co., Ltd., Maxvalu Kanto Co., Ltd. generated synergy by expanding their range of jointly procured items in order to reduce sales costs, while forming project teams to prepare for the integration of logistics, information systems and other functions.

Maxvalu Hokkaido Co., Ltd. improved its customer-drawing power by continuing the refurbishment of existing stores and holding campaigns to expand the number of WAON e-money users. The company also bolstered marketing for day of week promotions and expanded the number of products offered in "Yasui Ne!" sales promotions featuring overwhelmingly low prices. These measures produced a solid increase in sales.

Maxvalu Tohoku Co., Ltd. posted a steady increase in revenues by expanding its seasonal fresh foods selection and improving marketing for day of week promotions, as well as revamping the selection of frequently purchased products and expanding sales of delicatessen items to boost its evening sales. The company also logged a strong improvement in profits by raising the efficiency of store operations and taking continual measures to reform its cost structure.

Small-sized Store Business

The Small-sized Store Business recorded operating income of 2,163 million yen (up 48.3% year on year) on operating revenues of 178,139 million yen (up 16.6% year on year) for the first six months of the fiscal year.

In Japan, Ministop Co., Ltd.'s in-store-prepared fast-food business, which remains its main strength, posted a 7.3% increase in daily same-store sales thanks to the HALOHALO ice dessert, which set a volume sales record during the period, and other cold dessert products, along with new hot snacks such as "Crunchy Chicken Uma Shio Aji" and "Kogashi Shoyu Chicken Kushi" chicken-on-a-stick. Overseas, to support further growth in Vietnam, the company concluded an area franchise agreement with Ministop Vietnam Co., Ltd., which became a consolidated subsidiary. Altogether, the company had 2,657 overseas stores at the end of the second quarter.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of 8,211 million yen (up 531.8% year on year) on operating revenues of 294,429 million yen (up 267.4% year on year) for the first six months of the fiscal year.

Welcia Holdings Co., Ltd. posted a strong increase in same-store sales as a result of the robust performance of the prescription drugs section, as pharmacy demand continued to rise amid changes in Japan's social structure. The company strengthened its business foundation and prepared for further growth by refurbishing stores to establish dual-purpose drugstores and pharmacies, offer late-night operating hours, and provide counseling sales services and nursing. From June, the company also began merging merchandising strategies, logistics, POS systems, and sales strategies with Takiya Co., Ltd. and SHIMIZU YAKUHIN CO., LTD., which became consolidated subsidiaries in March. Additionally, the company began preparing to establish Japan's leading drugstore chain with CFS Corporation, which will become a wholly owned subsidiary in September 2015.

Financial Services Business

The Financial Services Business earned operating income of 27,289 million yen (up 29.7% year on year) on operating revenue of 175,291 million yen (up 14.6% year on year) for the first six months of the fiscal year.

In the credit card business, Aeon Financial Service Co., Ltd. increased credit card shopping transaction volume by promoting card settlement mainly for mobile phone and utilities payments. In the banking business, the company significantly increased its year-on-year housing loan transaction volume by continuing special interest rate campaigns and strengthening the use of advertising media to promote loan products, including the use of digital signage at Group stores. In the e-money business, the company raised customer convenience by expanding member businesses, including such transportation-related facilities as highway service areas and airports, along with dry cleaning shops, hairdressers, and other daily lifestyle stores where customers frequently shop. As a result of these activities, cumulative issuance of WAON cards grew to approximately 52.1 million cards as of August 31, 2015, with WAON e-money transaction volume in the six-month period totaling approximately 1,010.3 billion yen, a steady 7.5% year-on-year increase. Overseas, the Financial Services Business expanded mainly around the operations of three major listed subsidiaries in Hong Kong, Thailand, and Malaysia. In Thailand, the company further bolstered the business foundation by collaborating with elevated train operator BTS Group to issue an IC card passenger tickets. The company also collaborated with government-affiliated banks to establish an ATM network.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 20,877 million yen (up 14.6% year on year) on operating revenue of 132,632 million yen (up 12.8% year on year) in the first six months of the fiscal year.

Aeon Mall Co., Ltd. opened three new shopping centers and refurbished six existing shopping centers in Japan during the period.

The company undertook large-scale refurbishment measures at shopping centers by introducing new tenants and promoting format changes and relocations of existing tenants. In conjunction with the increase in foreign visitors to Japan, the company took a variety of measures to better meet the need of visitors through facilities upgrades and promotions, including the installation of duty-free counters and foreign-language communication facilities, along with collaborations with major travel agencies to launch tourist tours of shopping centers. The company also enhanced customer drawing power by holding customer participation-style events and special promotions utilizing Aeon Card and WAON. Overseas, the company opened AEON MALL Suzhou Yuanqu Hudong on May 29 as its second shopping center in Suzhou, Jiangsu Province and attracted more than 2.5 million shoppers in the first three months of business. The company also successfully launched its first shopping center in Indonesia, AEON MALL BSD CITY, which opened on May 30.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 16,400 million yen (up 12.7% year on year) on operating revenue of 374,715 million yen (up 4.1% year on year) in the first six months of the fiscal year.

Aeon Delight Co., Ltd. began providing services to medical facilities, universities, hotels and other institutions in Japan as part of its mainstay comprehensive facilities management services (FMS) business. The company also strove to further expand the FMS business by taking new initiatives overseas, such as opening a new branch in Hanoi, Vietnam and providing services to Group commercial facilities in China. As a result, sales expanded robustly.

G Foot Co., Ltd. posted a large increase in profit thanks to strong sales of its “Raku Raku Beauty Series” and private brand products, which feature such functionality as easy-to-wear designs. Aiming for further growth, G Foot strengthened sales promotions for popular U.S. brand “Keds” while starting exclusive sales in Japan for its professional sports line “PRO-Keds” and making preparations for exclusive pre-launch of some models of the line.

International Business

(Aeon’s consolidated financial statements for the International Business reflect results mainly for January through June.)

The International Business posted an operating loss of 968 million yen (a decline of 2,252 million yen year on year) on operating revenue of 217,110 million yen (up 22.2% year on year).

In Malaysia, following the introduction of a goods and service tax in April, AEON CO. (M) BHD. and AEON BIG (M) SDN. BHD. drew customers by expanding special sales promotions for Aeon Card customers and maintaining prices for food, household products and an expanded range of other convenience goods. In Indonesia, the first Aeon GMS store, AEON BSD CITY Store, was opened in May in the southwest section of the capital Jakarta, which is primed for future economic growth.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets as of August 31, 2015

Consolidated assets at August 31, 2015 totaled 8,118,184 million yen, an increase of 258,381 million yen, or 3.3%, from the end of the previous fiscal year (February 28, 2015). The increase was chiefly attributable to increases of 122,052 million yen in property, buildings and equipment, which includes the assets of newly consolidated Kasumi Co., Ltd. and its subsidiaries, and 118,797 million yen in notes and accounts receivable - trade, which consists mostly of installment plan accounts receivable at financial subsidiaries.

Consolidated liabilities at August 31, 2015 totaled 6,240,156 million yen, an increase of 210,334 million yen, or 3.5%, from February 28, 2015. The increase was chiefly attributable to a combined increase of 164,642 million yen in short-term borrowings and long-term debt (including current portion of long-term debt).

Consolidated net assets at August 31, 2015 totaled 1,878,027 million yen, an increase of 48,047 million yen, or 2.6%, from February 28.

The balance of cash and cash equivalents at August 31, 2015 was 664,339 million yen, a decrease of 113,811 million yen from February 28, 2015.

Net cash used in operating activities in the six months ended August 31, 2015 was 79,202 million yen. The net outflow reflects 191,419 million yen in income before income taxes and minority interests, excluding depreciation and amortization and other non-cash expenses, which was outweighed by increases of 72,817 million yen in loans in banking business and 137,754 million yen in notes and accounts receivable - trade, and a decline of 52,308 million yen in notes and accounts payable - trade.

Net cash used in investing activities was 254,291 million yen, mainly for settlement of equipment fund due to the purchase of property, plant, and equipment, etc.

Net cash provided by financing activities was 203,480 million yen. This reflects fund procurement operations of 67,160 million yen from the issuance of bonds and a net increase of 158,969 million yen from short-term borrowings and commercial paper, which outweighed an outflow of 42,885 million yen for redemption of bonds.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 29, 2016 is unchanged from the forecast announced April 9, 2015.

*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:

(Accounting standards for retirement benefits)

Effective the first three month of the fiscal year ending February 29, 2016, the Company adopted the main clause of paragraph 35 of *Accounting Standard for Retirement Benefits* (ASBJ Statement No. 26, May 17, 2012) and the main clause of paragraph 67 of *Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, May 17, 2012). In accordance with this, some of the Company's consolidated subsidiaries in Japan reviewed the calculation method for retirement benefit obligations and service cost. As a result, the method for attributing expected pension benefits to periods of employee service was switched from the straight-line attribution to the benefit formula, and the discount rate was also switched from the previous discount rate calculated based on the average period up to the estimated timing of benefit payments to a single weighted average discount rate that reflects the estimated timing and amount of each benefit payment.

The ASBJ Statement No. 26 and the ASBJ Guidance No. 25 are applied with transitional treatments stipulated in paragraph 37 of the ASBJ Statement No.26. As of the beginning of

first six month of the fiscal year ending February 29, 2016 (March 1, 2015), impact of the change in calculation method was reflected in retained earnings.

As a result, as of the beginning of first six month of the fiscal year ending February 29, 2016, net defined benefit asset was 1,684 million yen lower, net defined benefit liability was 2,389 million yen higher, and retained earnings was 3,244 million yen lower.

The impacts of this change on income and per share information for the first six months of the fiscal year ending February 29, 2016 were minor.

(Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

Effective the first three month of the fiscal year ending February 29, 2016, the Company adopted *Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts* (PITF No.30, December 25, 2013).

There is no impact of this change on accounting policy.

(4) Additional Information

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

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.

The Company's stock held by ESOP Trust is included in treasury stock under net assets with the book value of 6,864 million yen for 5,409,600 shares as of August 31, 2015. The book value of long-term debt (including the current portion) that was recorded in accordance with the adoption of the gross accounting method was 7,200 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2015	As of August 31, 2015
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	811,176	696,739
Notes and accounts receivable - trade	1,054,676	1,173,473
Marketable securities	194,220	218,760
Merchandise inventories	557,331	531,940
Deferred tax assets	45,070	46,715
Financial loan	319,995	315,116
Loans and bills discounted for banking business	1,027,659	1,096,320
Other	256,430	275,453
Allowance for doubtful accounts	(48,938)	(51,536)
Total current assets	4,217,621	4,302,983
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,371,993	1,426,449
Tools, furniture and fixtures, net	192,256	208,141
Land	763,257	804,334
Construction in progress	88,896	86,520
Other, net	50,824	63,834
Total property, buildings and equipment	2,467,229	2,589,281
Intangible fixed assets		
Goodwill	191,035	191,989
Software	61,752	68,241
Other	49,191	50,143
Total intangible fixed assets	301,979	310,374
Investments and other assets		
Investment securities	211,579	230,077
Net defined benefit asset	43,183	43,676
Deferred tax assets	77,933	78,416
Fixed leasehold deposits to lessors	418,090	422,879
Other	149,249	167,308
Allowance for doubtful accounts	(27,064)	(26,812)
Total investments and other assets	872,972	915,544
Total fixed assets	3,642,181	3,815,201
Total assets	7,859,803	8,118,184

(Millions of yen)

	As of February 28, 2015	As of August 31, 2015
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	946,674	914,377
Deposits for banking business	1,936,605	1,998,438
Short-term borrowings	232,167	358,806
Current portion of long-term debt	225,367	238,861
Bonds due within one year	42,448	2,103
Convertible bonds with stock acquisition rights due within one year	-	40
Commercial paper	63,000	89,946
Income taxes payable	42,809	40,921
Provision for bonuses	18,525	25,839
Provision for store closing expenses	4,267	6,302
Allowance for point program	24,278	25,042
Other allowances	1,121	715
Notes payable, construction	102,273	61,046
Other	648,592	631,831
Total current liabilities	4,288,130	4,394,275
Long-term liabilities		
Bonds	294,978	359,524
Convertible bonds with stock acquisition rights	90	50
Long-term debt	917,819	942,327
Deferred tax liabilities	39,452	41,741
Provision for store closing expenses	6,891	6,386
Allowance for loss on refund of interest received	4,844	3,330
Other allowances	6,534	6,330
Net defined benefit liability	51,081	51,068
Asset retirement obligations	70,510	73,737
Lease deposits from lessees	261,080	266,417
Other	88,407	94,968
Total long-term liabilities	1,741,691	1,845,881
Total liabilities	6,029,822	6,240,156

(Millions of yen)

	As of February 28, 2015	As of August 31, 2015
	Amount	Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	316,894	316,894
Retained earnings	609,125	596,226
Treasury stock	(44,235)	(43,349)
Total shareholders' equity	1,101,792	1,089,779
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	49,573	66,110
Deferred gain (loss) on derivatives under hedge accounting	(3,144)	(3,569)
Foreign currency translation adjustments	37,587	36,367
Remeasurements of defined benefit plans	20,497	20,176
Total accumulated other comprehensive income	104,513	119,085
Stock acquisition rights	1,910	2,091
Minority interests	621,763	667,071
Total net assets	1,829,980	1,878,027
Total net assets and liabilities	7,859,803	8,118,184

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
	Amount	Amount
Operating revenue		
Net sales	3,010,059	3,608,056
Operating revenue in the financial services business	135,930	156,945
Other operating revenue	285,562	309,887
Total operating revenue	3,431,551	4,074,889
Operating costs		
Cost of sales	2,205,332	2,640,395
Operating costs in the financial services business	12,435	15,289
Total operating costs	2,217,768	2,655,685
Gross profit on sales	804,726	967,660
Gross profit from operations	1,213,783	1,419,204
Selling, general and administrative expenses	1,170,413	1,346,937
Operating income	43,369	72,266
Other income		
Interest income	1,448	1,732
Dividend income	1,241	1,457
Equity in gains of equity-method affiliates	4,026	1,091
Other	7,726	8,136
Total other income	14,442	12,418
Other expenses		
Interest expense	6,031	7,244
Other	3,174	4,589
Total other expenses	9,206	11,833
Ordinary income	48,606	72,852
Extraordinary gains		
Gain on step acquisitions	-	7,473
Gain on sale of fixed assets	1,130	4,334
Other	5,249	3,640
Total extraordinary gains	6,380	15,448
Extraordinary losses		
Impairment loss	6,830	8,012
Provision for store closing expenses	1,669	2,730
Other	2,346	4,933
Total extraordinary losses	10,846	15,676
Income before income taxes and minority interests	44,140	72,623
Income taxes		
Current	33,283	42,407
Deferred	(5,378)	1,253
Total income taxes	27,904	43,661
Income before minority interests	16,235	28,962
Minority interests	14,214	26,832
Net income	2,021	2,129

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
	Amount	Amount
Income before minority interests	16,235	28,962
Other comprehensive income		
Unrealized gain on available-for-sale securities	7,209	16,947
Deferred gain (loss) on derivatives under hedge accounting	(282)	(633)
Foreign currency translation adjustments	(5,326)	(4,386)
Remeasurements of defined benefit plans	-	195
Share of other comprehensive income of equity-method affiliates	87	(31)
Total other comprehensive income	1,687	12,090
Comprehensive income	17,923	41,053
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,459	16,701
Comprehensive income attributable to minority interests	12,463	24,351

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	44,140	72,623
Depreciation and amortization	91,216	105,972
Amortization of goodwill	5,915	8,060
Amortization of negative goodwill	(25)	-
Increase (decrease) in allowance for doubtful accounts	491	3,235
Increase (decrease) in allowance for loss on refund of interest received	344	(1,514)
Increase (decrease) in provision for bonuses	(2,161)	5,743
Increase (decrease) in liabilities for retirement benefits	(1,240)	-
Increase (decrease) in net defined benefit liability	-	(1,368)
(Increase) decrease in net defined benefit asset	-	(2,176)
Interest and dividend income	(2,690)	(3,190)
Interest expense	6,031	7,244
Equity in (gains) losses of equity-method affiliates	(4,026)	(1,091)
Impairment losses	6,830	8,012
(Gain) loss on step acquisition	-	(7,473)
(Increase) decrease in notes and accounts receivable - trade	(75,493)	(137,754)
(Increase) decrease in merchandise inventories	19,705	29,581
(Increase) decrease in financial loan receivable	8,102	(9,819)
(Increase) decrease in loans in banking business	(116,447)	(72,817)
Increase (decrease) in notes and accounts payable - trade	151,043	(52,308)
Increase (decrease) in deposits received in banking business	(76,146)	61,833
Other assets and liabilities	112,206	(42,003)
Other – net	(8,269)	209
Sub total	159,526	(29,003)
Interest and dividends received	3,063	3,437
Interest paid	(5,884)	(7,226)
Income taxes paid	(53,309)	(46,409)
Net cash provided by (used in) operating activities	103,396	(79,202)

(Millions of yen)

	Six months ended August 31, 2014	Six months ended August 31, 2015
	Amount	Amount
Cash flows from investing activities		
Purchase of marketable securities	(21)	-
Proceeds from sale and redemption of marketable securities	21	50
Purchase of marketable securities in banking business	(89,847)	(121,482)
Proceeds from sale and redemption of marketable securities in banking business	123,736	88,884
Purchase of fixed assets	(211,881)	(267,319)
Proceeds from sale of fixed assets	7,973	48,231
Purchase of investment securities	(3)	(136)
Proceeds from sale of investment securities	199	825
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,528)	-
Payments for fixed leasehold deposits to lessors	(7,274)	(9,147)
Collection of fixed leasehold deposits to lessors	19,603	12,075
Proceeds from lease deposits from lessees	13,697	12,807
Repayments of lease deposits from lessees	(10,666)	(10,116)
Other - net	(4,961)	(8,962)
Net cash provided by (used in) investing activities	(160,954)	(254,291)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	32,865	158,969
Proceeds from long-term debt	107,342	173,520
Repayments of long-term debt	(122,533)	(134,415)
Proceeds from issuance of bonds	121,745	67,160
Payments for redemption of bonds	(34,125)	(42,885)
Purchase of treasury stock	(1)	(65)
Proceeds from issuance of subsidiaries' stock to minority shareholders	3,108	1,040
Purchase of treasury shares of subsidiaries	(24,999)	(19)
Dividends paid to shareholders	(10,998)	(11,782)
Dividends paid to minority shareholders	(9,795)	(10,994)
Other – net	1,106	2,953
Net cash provided by (used in) financing activities	63,714	203,480
Foreign currency translation adjustments on cash and cash equivalents	(5,574)	2,455
Net increase (decrease) in cash and cash equivalents	582	(127,557)
Cash and cash equivalents, beginning of period	633,123	778,151
Increase in cash and cash equivalents resulting from stock transfer	-	13,745
Cash and cash equivalents, end of period	633,705	664,339

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment Information

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

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket, and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	1,311,965	1,211,272	149,984	79,912	135,858	87,381	275,449
(2) Intersegment revenue or transfers	32,080	4,755	2,775	220	17,145	30,149	84,676
Total	1,344,046	1,216,028	152,759	80,132	153,003	117,531	360,126
Segment income (loss)	(4,357)	(8,619)	1,458	1,299	21,036	18,211	14,549

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	177,301	3,429,125	4,008	3,433,133	(1,582)	3,431,551
(2) Intersegment revenue or transfers	349	172,154	2,834	174,988	(174,988)	-
Total	177,650	3,601,279	6,843	3,608,122	(176,570)	3,431,551
Segment income (loss)	1,284	44,863	(1,149)	43,713	(344)	43,369

Notes: 1. "Other" segment includes business segments not categorized as reportable segments, such as digital business, 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 344 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 930 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, 2015 (March 1 – August 31, 2015)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket, and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	1,304,060	1,550,451	175,355	294,293	156,945	99,122	285,512
(2) Intersegment revenue or transfers	66,868	6,514	2,783	136	18,346	33,510	89,202
Total	1,370,929	1,556,966	178,139	294,429	175,291	132,632	374,715
Segment income (loss)	(8,712)	6,105	2,163	8,211	27,289	20,877	16,400

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	216,376	4,082,118	3,483	4,085,601	(10,712)	4,074,889
(2) Intersegment revenue or transfers	733	218,096	2,476	220,572	(220,572)	-
Total	217,110	4,300,214	5,959	4,306,174	(231,285)	4,074,889
Segment income (loss)	(968)	71,366	(1,733)	69,633	2,633	72,266

Notes: 1. "Other" segment includes business segments not categorized as reportable segments, such as digital business, etc.

2. Main components of the minus 10,712 million yen in adjustments for revenue attributable to customers are (a) minus 36,588 million yen in adjustments to transactions reported in the reportable segment information and (b) 25,866 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 2,633 million yen in adjustments for segment income are (a) 2,546 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) minus 172 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 133 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 order to tackle with new management challenges, the Company has promoted the Group-wide structural reforms to the next stage. Along the lines of the Company's basic policies, namely autonomous management by operating companies, deeper community-rooted management, and promotion of priority Group challenges, the Company implemented organizational reforms to further strengthen the solid management system of the Aeon Group.

In line with this, effective the first three months of the fiscal year ending February 29, 2016, the Company's business segments have been reorganized: "Supermarket, Discount Store and Small-size Store" business is split into "Supermarket and Discount Store" business and "Small-sized Store"

business; and “ASEAN” and “China” are unified to “International” business. With respect to changes in primary Group companies, Daiei Inc. and its subsidiaries, which were included in “GMS” Business, have been reclassified into the “Supermarket and Discount Store” business. Furthermore, the “Drugstore and Pharmacy” business, which was included in “Other,” has been reported separately as a new reportable segment because of its higher importance. The segment amounts for the first six months of the fiscal year ended February 28, 2015 have been recast to conform to the current period presentation.

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

Not applicable

(7) Material Subsequent Events

Large amount of corporate bonds issued by a consolidated subsidiary

Aeon Mall Co., Ltd., a consolidated subsidiary of the Company issued Unsecured Bonds (with special pari passu conditions among bonds), series 8. Details are summarized below.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds), series 8
(2)	Total amount of bonds	30,000 million yen
(3)	Amount of each bond	1 million yen
(4)	Coupon rate	0.57%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 18, 2015
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 16, 2022
(8)	Collateral	The bonds are not secured or guaranteed. No assets are reserved for the bonds.
(9)	Use of proceeds	The proceeds will be used for payment of interest-bearing debt.