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Financial Results for the Six Months ended August 31, 2016

October 5, 2016

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 14, 2016
Commencement of dividend payments	October 26, 2016
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, 2016 (March 1, 2016 to August 31, 2016)

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

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 31, 2016	4,111,837	0.9	72,367	0.1	73,156	0.4	(5,372)	-
Six months ended August 31, 2015	4,074,889	18.7	72,266	66.6	72,852	49.9	2,129	5.4

Note: Comprehensive income: Six months ended August 31, 2016: (25,167) million yen (-%)
Six months ended August 31, 2015: 41,053 million yen (129.1%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six months ended August 31, 2016	(6.42)	-
Six months ended August 31, 2015	2.55	2.41

Note: Even though the Company has dilutive shares, earnings per share – fully diluted for the six months ended August 31, 2016 is not indicated because a net loss per share was reported for the period.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2016	8,456,857	1,772,722	13.0	1,310.93
February 29, 2016	8,225,874	1,819,474	13.9	1,364.57

Note: Total equity: August 31, 2016: 1,097,880 million yen February 29, 2016: 1,141,794 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

2. Dividends

	Dividend per share				
Record date or period	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	yen	yen	yen	yen	yen
Year ended February 29, 2016	-	14.00	-	14.00	28.00
Year ending February 28, 2017	-	15.00			
Year ending February 28, 2017 (forecast)			-	15.00	30.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2017 (March 1, 2016 to February 28, 2017)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,400,000	2.7	190,000	7.4	185,000	3.0	10,000	66.4	11.95

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, 2016: 871,924,572 shares
February 29, 2016: 871,924,572 shares

2) Number of shares held in treasury at end of period:
August 31, 2016: 34,439,757 shares
February 29, 2016: 35,181,560 shares
3) Average number of shares outstanding during the period:
Six months ended August 31, 2016: 837,049,751 shares
Six months ended August 31, 2015: 835,735,149 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (August 31, 2016: 4,074,200 shares, February 29, 2016: 4,794,600 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 28, 2017 (March 1, 2016 - August 31, 2016), although the employment and wage environments continued to improve in Japan, the future outlook for the business environment surrounding Aeon Co., Ltd. (hereinafter "Aeon") was uncertain due to economic downturn in China and other emerging Asian economies as well as resource-rich countries, the accompanying downward pressure on Japan's economy, and sluggish consumer sentiment in Japan.

In this environment, Aeon bolstered its business competitiveness to better serve the diversifying needs of customers amid changes in their lifestyles and values. As a corporate group with an ever-lasting innovative spirit, Aeon continued to promote a common Group strategy aimed at making each of the Group's businesses and companies No. 1 in their respective industries and markets, as well as developing into a corporate group that can generate a powerful synergy by organically uniting these competitive businesses and companies.

As a result of these activities, Aeon posted consolidated operating revenue of 4,111,837 million yen (up 0.9% year on year) for the first six months of the fiscal year, a record high for the period. Consolidated operating income totaled 72,367 million yen (up 0.1% year on year) and consolidated ordinary income totaled 73,156 million yen (up 0.4% year on year). Loss attributable to owners of the parent totaled 5,372 million yen (down 7,501 million yen year on year).

Promotion of Common Group Strategy:

- Aeon began a new Group-wide point service, WAON POINT, in June. In conjunction with the start of the program, the WAON POINT Card was newly issued for cash payment. Users of WAON POINT can accumulate points through purchases at participating stores, as well as through walking and other health-promotion activities, and environmental protection activities. The new program will gradually merge the separate point card programs operated by each Group company. As of August, the number of WAON POINT Card users had surpassed 30 million.
- In June, Aeon established Aeon Saveur Co., Ltd. as Japan's first specialty frozen foods supermarket based on an agreement with Picard Surgelés SAS (head office: Paris), which operates small-scale frozen food supermarkets in Europe, primarily France, to jointly pursue the full-scale launch of the Picard frozen-food supermarkets in Japan.
- In June, Aeon established Bio c'Bon Japon Co., Ltd. as a joint venture with Marne & Finance Europe (head office: Brussels), which operates 90 small-scale organic supermarkets in Europe, primarily France.
- As part of the strategic shift to Asian markets, Aeon established Aeon Orange Co., Ltd. (hereinafter "Aeon Orange") in the fast-growing market of Myanmar as a joint venture with local company Creation Myanmar Group of Companies Limited (hereinafter "CMGC"), which manages supermarkets, specialty stores, real-estate and other businesses. As part of its strategy to rapidly develop business in the country, Aeon Orange acquired 14 stores from CMGC affiliate Hypermart to launch supermarket operations in August.

Business Segment Information

GMS Business

The GMS (General Merchandise Store) Business posted an operating loss of 18,318 million yen (a year-on-year decline of 9,605 million yen) on operating revenue of 1,501,952 million yen (up 9.6% year on year) for the first six months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") refurbished 38 existing stores during the period to better meet the diversifying needs of customers in each local community. Aeon

Retail's same-store sales for the period declined 1.8% year on year (apparel sales declined 3.0%, food sales declined 1.1%, and housing and recreational product sales declined 2.6% year on year) due partly to the record number of typhoons striking Japan in August. Despite the slight decline, gross profit margin improved by 1.0 points year on year due to the penetration of product and sales floor reforms which have been promoted since the previous fiscal year. Additionally, SG&A expenses at existing stores declined by 1.4% year on year as a result of cost controls, including the improved efficiency of store operations. As a result of these reforms and efficiency measures, Aeon Retail's operating income improved year on year.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido") completed a large-scale refurbishment of the Aeon Higashi Sapporo Store, previously a Daiei store which was taken over from The Daiei, Inc. (hereinafter "Daiei") in the previous fiscal year. With its highly convenient location outside a train station, the Aeon Higashi Sapporo Store enjoys broad support, including homemakers, commuters, and students. The refurbishment responded to their diverse needs by enhancing the ready-to-eat meal corner with quick and easy meals, along with individual and small portions. For customers with selective tastes, the store offers a corner with original bread items shipped directly from the plant, along with a new marine products corner which prepares fish directly in front of customers to promise exceptional freshness.

Aeon Kyushu Co., Ltd. (hereinafter "Aeon Kyushu") posted a 0.4% year-on-year improvement in same-store sales thanks to refurbishments to food sections. Aeon Kumamoto Store, which had suspended some of its operations due to the 2016 Kumamoto Earthquake in April, fully reopened on July 20 with a "Kids' World" and new sections with a selective offering of general merchandise and other highly specialized products.

The transfer of Daiei's GMS stores to GMS operational companies was one of the factors behind the segment's increased operating revenue.

Supermarket and Discount Store Business

The Supermarket and Discount Store Business posted operating income of 13,515 million yen (up 121.4% year on year) on operating revenues of 1,448,488 million yen (down 7.0% year on year) for the first six months of the fiscal year. Excluding the impact of the transfer of Daiei's GMS stores, the business posted a year-on-year increase in operating revenues.

Daiei, which is concentrating its operations in Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and refocusing its business on food, posted a 1.0 point year-on-year increase in same-store gross profit margin by improving sales floors management and raising productivity. The company achieved a large improvement in operating income by bolstering weekday sales and implementing structural reforms, including rationalization of head office expenses.

United Super Markets Holdings Inc. (hereinafter "U.S.M.H.") continued to promote joint procurement among its three subsidiaries aimed at lowering the cost of sales of products, implement cost-reduction measures to lower store materials and fixtures expenses, and take other measures to enhance Group synergy. The three subsidiaries held joint sales promotions in June which contributed to higher customer traffic.

Maxvalu Tokai Co., Ltd. (hereinafter "Maxvalu Tokai") took initiatives to strengthen product freshness. For agricultural products, the company shortened delivery time from farms, while for marine products, it boosted promotions of fresh fish caught in the morning along with fresh processing of whole fish for the peak evening shopping period. Maxvalu Tokai continued measures to expand sales of local products by opening new sales corners, introducing new local products, and developing local goods producers.

Maxvalu Chubu Co., Ltd. (hereinafter "Maxvalu Chubu") implemented sales floor development initiatives designed to spur consumer sentiment. These initiatives included the strengthening of menu proposals and product selections geared towards local tastes, seasonal events and weekend, along with weekday sales promotions featuring great buys for every day of the week. The company also improved sales of fresh foods and ready-to-eat items by developing and discovering new products with exceptional freshness, quality, and deliciousness.

Small-sized Store Business
The Small-sized Store Business recorded operating income of 2,295 million yen (up 6.1% year on year) on operating revenues of 190,607 million yen (up 7.0% year on year) for the first six months of the fiscal year.

In Japan, Ministop Co., Ltd. (hereinafter "Ministop") posted a year-on-year increase in operating revenue, while operating income declined due to active capital investments and advertising promotions. Ministop Korea Co., Ltd. (hereinafter "Ministop Korea") also posted a year-on-year increase in operating revenue owing to growth in the number of stores and higher same-store sales, while the company's operating income declined due to higher selling and administrative expenses and the impact of foreign exchange rates.

My Basket Co., Ltd. (hereinafter "My Basket") took measures to strengthen sales of fresh foods and delicatessen products, while implementing profit-improvement measures leveraging synergies in the Group logistics network. My Basket also enhanced merchandise selections and sales floor layouts while implementing training for services and customer engagement techniques. As a result, the company reported higher operating revenue and operating income.

Drugstore and Pharmacy Business
The Drugstore and Pharmacy Business recorded operating income of 10,746 million yen (up 30.9% year on year) on operating revenues of 311,463 million yen (up 5.8% year on year) for the first six months of the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries promoted the "Welcia Model" through refurbishment of existing stores. The company increased the number of 24 hour stores to enhance customer convenience (56 stores as of the end of August), while its prescription drugs section posted higher sales owing to an increased number of drugstores offering prescription drugs (919 stores as of the end of August). As a result of steady growth in same-store sales, the company posted higher operating revenue and operating income.

Financial Services Business
The Financial Services Business earned operating income of 31,785 million yen (up 16.5% year on year) on operating revenue of 183,861 million yen (up 4.9% year on year) for the first six months of the fiscal year.

During the period, Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") took initiatives to improve work efficiency through digitalization of operations on a global scale, enhance product and service convenience, and optimize the balance sheet to improve profitability. In the credit card business, the company continued to engage with customers at store counters in Aeon Group shopping centers as well as in-store branches by using tablet devices to explain various products and services and using digital signage for sales promotions. As a result, the company succeeded in shortening the Aeon credit card issuance period, while reducing personnel and sales promotion costs. The company also promoted online applications for Aeon credit cards and various loan products, which accelerated screening processes for providing products and services to customers and helped reduce postage for sending invoices and other printed materials. From June, Aeon Financial Service began offering double TOKIMEKI points to customers using Aeon credit cards at Aeon Group certain stores. In the banking business, Aeon Bank Ltd. took initiatives to expand housing loans, including waiving loan guarantee fees and service charges for partial early loan repayment, while strengthening promotion of the Aeon Select Club featuring 5% off purchases at Aeon Group stores. Additionally, in July the bank began offering the "Flat 35" fixed-rate, 35-year housing loan among its broad selection of housing loan products. In the fee-based services business, Circle K and Sunkus convenience stores began offering WAON e-money settlement and cash charge at all their stores throughout Japan from August. As a result of these and other activities, cumulative issuance of WAON e-money cards grew to approximately 60.10 million cards as of the end of the second quarter, with WAON e-money transaction volume in the period totaling approximately 1,075,800 million yen, a 6.5% year-on-year increase.

Overseas, the business continued to promote collaborative promotions with partner companies in an effort to increase the number of cardholders and card usage, mainly at the three main overseas subsidiaries in Hong Kong, Thailand, and Malaysia. These companies also took measures to raise asset efficiency through the rationalization of personnel expenses and reduction of bad debt expenses.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 20,800 million yen (down 0.4% year on year) on operating revenue of 155,450 million yen (up 17.2% year on year) for the first six months of the fiscal year.

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") opened three new shopping centers and refurbished 10 existing shopping centers in Japan during the period.

At shopping centers in Japan, Aeon Mall raised customer-drawing power by featuring Aeon credit cards and WAON e-money cards in its sales promotions and holding customer participation-style events. The company also actively refurbished existing shopping centers to better match the attributes of local communities. OPA Co., Ltd. (hereinafter "OPA"), which became a subsidiary of Aeon Mall in March, took initiatives to support the refurbishment of existing shopping centers along with measures to prepare the opening of new shopping centers in 2017. Outside Japan, 17 existing shopping centers continued to perform well, and a new shopping center opened in Vietnam. The profitability of Overseas Business gradually improved during the period, and from the second quarter, the segment as a whole posted improvement in profitability.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 15,848 million yen (down 3.4% year on year) on operating revenue of 392,321 million yen (up 4.7% year on year) for the first six months of the fiscal year.

In the facilities management business, Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") earned new orders for maintenance and inspection work, while also expanding orders for fluorocarbon management outsourcing to help customers reduce their environmental burden. In the facility construction business, Aeon Delight strengthened its design services structure to establish a unified structure with a complete range of refurbishment-related services mainly for commercial facilities, from facility restoration to temporary enclosures, design, and interior management. As a result, the company steadily expanded construction orders, mainly for commercial facility refurbishment, maintenance, and repair.

GFoot Co., Ltd. (hereinafter "GFoot") posted steady sales growth driven by higher demand for sports shoes, mainly ladies' products, designed around the concept of "health and wellness." In response to changing consumption environment among customers, the company developed value-oriented opening price products as well as products with a high level of functionality.

International Business

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

The International Business posted operating revenue of 205,301 million yen (down 5.4% year on year) and an operating loss of 3,530 million yen (a decline of 2,561 million yen year on year).

In Malaysia, Aeon Co. (M) Bhd. opened Aeon Mall Kota Bharu in Kota Bharu, the capital of Kelantan State, Malaysia, in May as part of the strategy to develop new markets. This was the company's first mall on the eastern coast of the Malay Peninsula and helped to bolster the business foundation in the country. Earnings improved in Vietnam and other newly developed business areas. In China, Aeon Stores (Hong Kong) Co., Limited. began complete refurbishment of its flagship stores Aeon Kornhill Store and Aeon Whampoa Store as part of its initiatives to raise earnings. In other areas of China, Qingdao Aeon Dongtai Co., Ltd. began refurbishment of the clothing and home fashion product floors of its flagship Aeon Dongbu

Store. These and other initiatives served to strengthen the business foundation in China and bolster earnings.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets as of August 31, 2016

Consolidated assets at August 31, 2016 totaled 8,456,857 million yen, an increase of 230,983 million yen, or 2.8%, from the end of the previous fiscal year (February 29, 2016). The increase was chiefly attributable to increases of 72,500 million yen in call loans, 83,054 million yen in notes and accounts receivable-trade, and 153,814 million yen in loans and bills discounted for banking business, which outweighed a decline of 76,540 million yen in investment securities, mainly at financial subsidiaries.

Consolidated liabilities at August 31, 2016 totaled 6,684,135 million yen, an increase of 277,735 million yen, or 4.3%, from February 29, 2016. The increase was chiefly attributable to increases of 217,455 million yen in deposits for banking business and 56,183 million yen in short-term borrowings.

Consolidated net assets at August 31, 2016 totaled 1,772,722 million yen, a decline of 46,752 million yen, or 2.6%, from February 29, 2016. A main factor for the decline was a decrease of 30,297 million yen in foreign currency translation adjustments stemming from yen appreciation.

The balance of cash and cash equivalents at August 31, 2016 was 716,723 million yen, an increase of 52,384 million yen from February 29, 2016.

Net cash provided by operating activities in the six months ended August 31, 2016 was 107,535 million yen. The net inflow reflects 194,298 million yen in income before income taxes, excluding depreciation and amortization and other non-cash expenses, and an increase of 217,455 million yen in deposits for banking business, which was partially offset by increases of 156,283 million yen in loans in banking business and 88,193 million yen in notes and accounts receivable-trade.

Net cash used in investing activities was 128,921 million yen, mainly reflecting 225,791 million yen for settlement of equipment fund due to the purchase of fixed assets, which was partially offset by income of 129,309 million yen from the sale and redemption of marketable securities in banking business.

Net cash provided by financing activities was 53,441 million yen. This reflects fund procurement operations of 98,604 million yen in long-term debt and a net increase of 73,926 million yen from short-term borrowings and commercial paper, which outweighed an outflow of 124,721 million yen for repayments of long-term debt.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 28, 2017 is unchanged from the forecast announced on April 13, 2016.

*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 Business Combinations)

Effective the first three month of the fiscal year ending February 28, 2017, the Company adopted Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013) and Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013). In line with this, accounting method for change in the Company's equity interests in a subsidiary was changed to a new method under which, when the Company still holds control over the subsidiary even after the change in equity interests, gains or losses resulting from the change in equity interests are recorded in capital surplus; and the acquisition cost is expensed in the fiscal year when it is incurred. In addition, for business combination implemented on or after March 1, 2016, the beginning of the FY2016 ending February 28, 2017, the Company switched to a new method under which adjustments to provisional values of allocated acquisition costs are reflected in the financial statements for the fiscal year which encompasses the effective date of business combination. Furthermore, some changes were made to presentation of net income and other related accounting titles, and "minority interests" was changed to "non-controlling interest." Financial statements for the six months ended August 31, 2016 and the fiscal year ended February 29, 2016 have been recast to reflect these presentation changes.

In terms of the Consolidated Statements of Cash Flows for the six months ended August 31, 2016, the cash flows related to acquisition/sale of subsidiary's shares not resulting in change in consolidation status is now recorded in the section of "cash flows from financing activities," while the cash flows related to the cost associated with (a) acquisition of subsidiary's shares resulting in change in consolidation status or (b) acquisition/sale of subsidiary's shares not resulting in change in consolidation status are now recorded in the section of "cash flows from operating activities."

These accounting standards were adopted as of March 1, 2016, the beginning of the first three months of the fiscal year ending February 28, 2017, and are applied to the transactions took place on and after the adoption date with transitional treatments stipulated in paragraph 58-2(4) of the ASBJ Statement No.21, paragraph 44-5(4) of the ASBJ Statement No.22, and paragraph 57-4(4) of the ASBJ Statement No.7.

For reference, impact of these changes on the financial statements for the first six months of the fiscal year ending February 28, 2017 was minor.

(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 5,170 million yen for 4,074,200 shares as of August 31, 2016. The book value of long-term debt (including the current portion) recorded in accordance with the adoption of the gross accounting method is 4,800 million yen.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	736,056	760,586
Call loans	-	72,500
Notes and accounts receivable - trade	1,094,906	1,177,961
Marketable securities	237,767	161,227
Merchandise inventories	575,620	554,539
Deferred tax assets	43,249	47,287
Financial loan	300,854	279,412
Loans and bills discounted for banking business	1,217,376	1,371,190
Other	281,518	281,481
Allowance for doubtful accounts	(51,409)	(51,949)
Total current assets	4,435,940	4,654,239
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,472,547	1,498,011
Tools, furniture and fixtures, net	209,414	222,285
Land	811,128	809,795
Construction in progress	67,142	60,695
Other, net	55,208	60,200
Total property, buildings and equipment	2,615,442	2,650,988
Intangible fixed assets		
Goodwill	181,806	173,849
Software	64,550	71,498
Other	55,473	54,487
Total intangible fixed assets	301,830	299,834
Investments and other assets		
Investment securities	195,658	194,922
Net defined benefit asset	7,976	7,996
Deferred tax assets	87,687	85,976
Fixed leasehold deposits to lessors	413,599	402,103
Other	192,045	184,556
Allowance for doubtful accounts	(24,304)	(23,760)
Total investments and other assets	872,661	851,795
Total fixed assets	3,789,934	3,802,618
Total assets	8,225,874	8,456,857

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	892,629	920,094
Deposits for banking business	2,116,171	2,333,626
Short-term borrowings	328,570	384,753
Current portion of long-term debt	280,662	313,358
Bonds due within one year	4,197	51,699
Convertible bonds with stock acquisition rights due within one year	-	50
Commercial paper	115,500	125,559
Income taxes payable	58,715	41,006
Provision for bonuses	24,496	27,840
Provision for store closing expenses	7,468	6,704
Allowance for point program	24,649	22,128
Oher allowances	1,373	682
Notes payable, construction	93,632	91,847
Other	583,900	618,848
Total current liabilities	4,531,966	4,938,198
Long-term liabilities		
Bonds	385,381	346,376
Convertible bonds with stock acquisition rights	50	-
Long-term debt	975,055	890,561
Deferred tax liabilities	36,410	36,717
Provision for store closing expenses	4,317	4,211
Allowance for loss on refund of interest received	4,474	2,538
Other allowances	6,302	6,151
Net defined benefit liability	27,432	25,809
Asset retirement obligations	75,119	76,658
Lease deposits from lessees	264,976	262,678
Other	94,912	94,232
Total long-term liabilities	1,874,432	1,745,936
Total liabilities	6,406,399	6,684,135

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
	Amount	Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	316,894	316,780
Retained earnings	588,306	571,145
Treasury stock	(42,538)	(41,599)
Total shareholders' equity	1,082,670	1,066,334
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	42,815	44,383
Deferred gain (loss) on derivatives under hedge accounting	(5,237)	(4,603)
Foreign currency translation adjustments	21,651	(8,646)
Remeasurements of defined benefit plans	(104)	412
Total accumulated other comprehensive income	59,123	31,545
Stock acquisition rights	1,979	2,131
Non-controlling interest	675,700	672,710
Total net assets	1,819,474	1,772,722
Total net assets and liabilities	8,225,874	8,456,857

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

Consolidated Statements of Income

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
	Amount	Amount
Operating revenue		
Net sales	3,608,056	3,635,399
Operating revenue in the financial services business	156,945	162,855
Other operating revenue	309,887	313,581
Total operating revenue	4,074,889	4,111,837
Operating costs		
Cost of sales	2,640,395	2,639,894
Operating costs in the financial services business	15,289	14,401
Total operating costs	2,655,685	2,654,296
Gross profit on sales	967,660	995,505
Gross profit from operations	1,419,204	1,457,541
Selling, general and administrative expenses	1,346,937	1,385,173
Operating income	72,266	72,367
Other income		
Interest income	1,732	1,509
Dividend income	1,457	1,252
Equity in gains of equity-method affiliates	1,091	145
Other	8,136	10,593
Total other income	12,418	13,501
Other expenses		
Interest expense	7,244	7,251
Other	4,589	5,461
Total other expenses	11,833	12,712
Ordinary income	72,852	73,156
Extraordinary gains		
Gain on sale of fixed assets	4,334	306
Insurance income	-	1,421
Gain on transfer from business divestitures	-	469
Gain on step acquisition	7,473	-
Other	3,640	262
Total extraordinary gains	15,448	2,459
Extraordinary losses		
Impairment loss	8,012	3,716
Loss on disaster	-	2,019
Other	7,663	6,260
Total extraordinary losses	15,676	11,996
Income (loss) before income taxes	72,623	63,619
Income taxes		
Current	42,407	37,473
Deferred	1,253	(1,527)
Total income taxes	43,661	35,945
Profit (loss)	28,962	27,673
Profit (loss) attributable to non-controlling interest	26,832	33,045
Profit (loss) attributable to owners of the parent	2,129	(5,372)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
	Amount	Amount
Profit (loss)	28,962	27,673
Other comprehensive income		
Unrealized gain on available-for-sale securities	16,947	1,639
Deferred gain (loss) on derivatives under hedge accounting	(633)	1,038
Foreign currency translation adjustments	(4,386)	(56,070)
Remeasurements of defined benefit plans	195	726
Share of other comprehensive income of equity-method affiliates	(31)	(176)
Total other comprehensive income	12,090	(52,841)
Comprehensive income	41,053	(25,167)
(Breakdown)		
Comprehensive income attributable to owners of the parent	16,701	(32,950)
Comprehensive income attributable to non-controlling interest	24,351	7,782

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
	Amount	Amount
Cash flows from operating activities		
Income (loss) before income taxes	72,623	63,619
Depreciation and amortization	105,972	114,576
Amortization of goodwill	8,060	7,909
Increase (decrease) in allowance for doubtful accounts	3,235	1,648
Increase (decrease) in allowance for loss on refund of interest received	(1,514)	(1,935)
Increase (decrease) in provision for bonuses	5,743	2,241
Increase (decrease) in net defined benefit liability	(1,368)	778
(Increase) decrease in net defined benefit asset	(2,176)	(1,167)
Interest and dividend income	(3,190)	(2,762)
Interest expense	7,244	7,251
Equity in (gains) losses of equity-method affiliates	(1,091)	(145)
Impairment losses	8,012	3,716
(Gain) loss on step acquisition	(7,473)	-
(Increase) decrease in notes and accounts receivable - trade	(137,754)	(88,193)
(Increase) decrease in merchandise inventories	29,581	14,863
(Increase) decrease in financial loan receivable	(9,819)	5,612
(Increase) decrease in loans in banking business	(72,817)	(156,283)
Increase (decrease) in notes and accounts payable - trade	(52,308)	37,721
Increase (decrease) in deposits received in banking business	61,833	217,455
Other assets and liabilities	(42,003)	(49,437)
Other – net	209	(10,640)
Sub total	(29,003)	166,829
Interest and dividends received	3,437	2,884
Interest paid	(7,226)	(7,121)
Income taxes paid	(46,409)	(55,056)
Net cash provided by (used in) operating activities	(79,202)	107,535

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
	Amount	Amount
Cash flows from investing activities		
Proceeds from sale and redemption of marketable securities	50	156
Purchase of marketable securities in banking business	(121,482)	(48,537)
Proceeds from sale and redemption of marketable securities in banking business	88,884	129,309
Purchase of fixed assets	(267,319)	(225,791)
Proceeds from sale of fixed assets	48,231	3,886
Purchase of investment securities	(136)	(642)
Proceeds from sale of investment securities	825	564
Payments for fixed leasehold deposits to lessors	(9,147)	(14,025)
Collection of fixed leasehold deposits to lessors	12,075	22,879
Proceeds from lease deposits from lessees	12,807	12,436
Repayments of lease deposits from lessees	(10,116)	(12,840)
Other - net	(8,962)	3,683
Net cash provided by (used in) investing activities	(254,291)	(128,921)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	158,969	73,926
Proceeds from long-term debt	173,520	98,604
Repayments of long-term debt	(134,415)	(124,721)
Proceeds from issuance of bonds	67,160	13,549
Payments for redemption of bonds	(42,885)	(2,117)
Purchase of treasury stock	(65)	(4)
Proceeds from issuance of subsidiaries' stock to non-controlling interests	1,040	1,204
Purchase of treasury shares of subsidiaries	(19)	(1,087)
Dividends paid to shareholders	(11,782)	(11,782)
Dividends paid to non-controlling interests	(10,994)	(10,555)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	10,560
Other – net	2,953	5,864
Net cash provided by (used in) financing activities	203,480	53,441
Foreign currency translation adjustments on cash and cash equivalents	2,455	(15,843)
Net increase (decrease) in cash and cash equivalents	(127,557)	16,212
Cash and cash equivalents, beginning of period	778,151	700,511
Increase in cash and cash equivalents resulting from stock transfer	13,745	-
Cash and cash equivalents, end of period	664,339	716,723

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment Information

I. Six Months ended August 31, 2015 (March 1 – August 31, 2015)

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 (loss) 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.

II. Six Months ended August 31, 2016 (March 1 – August 31, 2016)

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	1,408,912	1,435,861	187,525	311,343	162,855	118,964	297,615
(2) Intersegment revenue or transfers	93,040	12,627	3,082	119	21,005	36,486	94,706
Total	1,501,952	1,448,488	190,607	311,463	183,861	155,450	392,321
Segment income (loss)	(18,318)	13,515	2,295	10,746	31,785	20,800	15,848

	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	204,565	4,127,643	3,193	4,130,836	(18,999)	4,111,837
(2) Intersegment revenue or transfers	736	261,804	4,895	266,699	(266,699)	-
Total	205,301	4,389,447	8,088	4,397,535	(285,698)	4,111,837
Segment income (loss)	(3,530)	73,143	(2,025)	71,117	1,249	72,367

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

2. Main components of the minus 18,999 million yen in adjustments for revenue attributable to customers are (a) minus 39,216 million yen in adjustments to transactions reported in the reportable segment information and (b) 20,135 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 1,249 million yen in adjustments for segment income (loss) are (a) 2,105 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) minus 318 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 645 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

Not applicable

(7) Material Subsequent Events

1. Issuance of Aeon's hybrid bonds

Aeon Co., Ltd. issued unsecured bonds with interest deferrable clause and early redeemable option (with a subordination provision). Details are summarized below.

(1)	Name of bonds	Aeon Co., Ltd. Unsecured bonds with interest deferrable clause and early redeemable option (with a subordination provision) series 3
(2)	Total amount of bonds	24,800 million yen
(3)	Denomination per bond	100 million yen
(4)	Issue price	100 yen per face value of 100 yen
(5)	Coupon rate	From the day after September 21, 2016 to September 21, 2026: 2.17% per annum From the day after September 21, 2026: 6-Month Euro Yen LIBOR plus 3.05% per annum
(6)	Date of issuance	September 21, 2016
(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 21, 2046. Provided that the Company may, at its discretion, redeem the hybrid bonds on any interest payment date on or after September 21, 2021.
(8)	Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the hybrid bonds.
(9)	Use of proceeds	The proceeds will be used for payment of interest-bearing debt.

(1)	Name of bonds	Aeon Co., Ltd. Unsecured bonds with interest deferrable clause and early redeemable option (with a subordination provision) series 4
(2)	Total amount of bonds	21,700 million yen
(3)	Denomination per bond	100 million yen
(4)	Issue price	100 yen per face value of 100 yen
(5)	Coupon rate	From the day after September 21, 2016 to September 21, 2026: 6-Month Euro Yen LIBOR plus 2.05% per annum From the day after September 21, 2026: 6-Month Euro Yen LIBOR plus 3.05% per annum
(6)	Date of issuance	September 21, 2016
(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 21, 2046. Provided that the Company may, at its discretion, redeem the hybrid bonds on any interest payment date on or after September 21, 2021.
(8)	Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the hybrid bonds.
(9)	Use of proceeds	The proceeds will be used for payment of interest-bearing debt.

2. Large amount of corporate bonds issued by a consolidated subsidiary

Aeon Financial Service Co., Ltd., a consolidated subsidiary of the Company, issued 120% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights (with special pari passu conditions among convertible bonds with stock acquisition right), series 1 (the "Convertible Bonds," the bond portion of which is referred to as the "Bonds" and the stock acquisition right portion of which is referred to as the "Stock Acquisition Rights"). Details are summarized below.

(1)	Name of bonds	Aeon Financial Service Co., Ltd. 120% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights (with special pari passu conditions among convertible bonds with stock acquisition right) series 1
(2)	Total amount of bonds	30,000 million yen
(3)	Denomination per bond	1 million yen
(4)	The amount to be paid in (Issue value)	100 yen per face value of 100 yen
(5)	Issue price	102.5 yen per face value of 100 yen
(6)	Coupon rate	The Bonds pay no interest.
(7)	Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the Convertible Bonds.
(8)	Date of issuance (Allotment date of the Stock Acquisition Rights)	September 14, 2016
(9)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 13, 2019. Provided that the Convertible Bonds are subject to early redemption and repurchase and extinguishment as described under the terms and conditions of issuance.
(10)	Conversion price	2,558 yen
(11)	Use of proceeds	The proceeds will be used for payment of interest-bearing debt.