This is an abridged translation of the original Japanese document and is provided for informational purposes only.
If there are any discrepancies between this and the original, the original Japanese document prevails.

Financial Results for the Six Months ended August 31, 2017

October 4, 2017

Company name **Aeon Co., Ltd.**
Listings The First Section of Tokyo Stock Exchange
Security code 8267
URL http://www.aeon.info/
Representative Motoya Okada, President
Contact Kaori Miyake
Executive Officer CSR & Communication
Telephone +81 43-212-6042

Scheduled dates:

Submission of statutory quarterly financial report	October 13, 2017
Commencement of dividend payments	October 25, 2017
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, 2017 (March 1, 2017 to August 31, 2017)

(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, 2017	4,168,603	1.4	85,040	17.5	85,571	17.0	4,218	-
Six Months ended August 31, 2016	4,111,837	0.9	72,367	0.1	73,156	0.4	(5,372)	-

Note: Comprehensive income: Six Months ended August 31, 2017: 42,937 million yen (-%)
Six Months ended August 31, 2016: (25,167) million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six Months ended August 31, 2017	5.03	4.82
Six Months ended August 31, 2016	(6.42)	-

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, 2017	9,134,345	1,849,579	12.3	1,341.81
February 28, 2017	8,750,856	1,862,410	12.9	1,349.79

Note: Total equity: August 31, 2017: 1,125,627 million yen February 28, 2017: 1,131,380 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, 2017	-	15.00	-	15.00	30.00
Year ending February 28, 2018	-	15.00			
Year ending February 28, 2018 (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, 2018
(March 1, 2017 to February 28, 2018)

(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	8,300,000	1.1	200,000	8.3	200,000	6.8	15,000	33.3	17.90

Note: Earnings forecasts were changed from the latest release.

***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, 2017: 871,924,572 shares
February 28, 2017: 871,924,572 shares
2) Number of shares held in treasury at end of period:
August 31, 2017: 33,039,093 shares
February 28, 2017: 33,734,908 shares
3) Average number of shares outstanding during the period:
Six Months ended August 31, 2017: 838,492,294 shares
Six Months ended August 31, 2016: 837,049,751 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (August 31, 2017: 2,693,300 shares, February 28, 2017: 3,380,600 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.

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

(Note on the forward-looking statements)

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 forecasts herein, please 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

Contents

1. Review of Operating Results and Financial Statements 2
(1) Analysis of Operating Results 2
(2) Consolidated Financial Condition 6
(3) Consolidated Earnings Forecast 6
2. Consolidated Financial Statements and Main Notes 7
(1) Consolidated Balance Sheets 7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 10
Consolidated Statements of Income 10
Consolidated Statements of Comprehensive Income 11
(3) Consolidated Statements of Cash Flows 12
(4) Notes on the Consolidated Financial Statements 14
(Notes on the Going-concern Assumption) 14
(Notes on Significant Changes in the Amount of Shareholders' Equity) 14
(Additional Information) 14
(Segment Information) 15
(Material Subsequent Events) 18

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, 2018 (March 1, 2017 - August 31, 2017), Aeon Co., Ltd. (hereinafter "Aeon") posted record consolidated operating revenue, operating income, and ordinary income. Consolidated operating revenue totaled 4,168,603 million yen (up 1.4% year on year), while consolidated operating income totaled 85,040 million yen (up 17.5% year on year) and consolidated ordinary income totaled 85,571 million yen (up 17.0% year on year). Profit attributable to owners of the parent totaled 4,218 million yen, improving 9,591 million yen year on year in a return to profitability. Five business segments posted year-on-year increases in operating income to bolster consolidated results: the General Merchandise Store (GMS) Business, Drugstore and Pharmacy Business, Financial Services Business, Shopping Center Development Business, and International Business.

Common Group Strategy:

- Under the Aeon Group Medium-term Management Plan (FY2017-FY2019), which begins with the current fiscal year ending February 28, 2018, the Aeon Group is implementing two major reform initiatives: earnings structure reforms of existing businesses (Aeon Retail Co., Ltd. and The Daiei, Inc.), and Group-wide structural reforms towards new growth (Group business structural reforms and business foundation reforms).

- In June, Aeon concluded a Comprehensive Memorandum of Understanding on Investment and Business Promotion in Hanoi with the Hanoi People's Committee (Vietnam). Based on this memorandum, Aeon will deepen its relationship with Hanoi City to support the city's economic vitalization and the region's further development through the development of large-scale shopping centers and retail, along with finance and other services.

- In July, Aeon announced the Aeon Cool Choice Declaration. In 2015, the Japanese government announced the goal of reducing the nation's greenhouse gas emissions by 26 percent compared to FY2013 levels by FY2030. The Aeon Cool Choice Declaration supports the achievement of this goal by promoting smart choices to combat global warming. Prior to the declaration, in April, Aeon announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 with regard to agricultural, livestock and fishery products as well as paper, pulp, timber and palm oil. In these ways, Aeon is striving to solve social issues through its business activities.

- In July, Aeon brand Topvalu began selling Marine Stewardship Council (MSC)-certified Topvalu Gurinai Natural albacore tuna and grilled smelt roe meeting the global standard for seafood caught using sustainable fishing practices. Based on its own seafood procurement policy, Aeon is ensuring the stable, continuous delivery of delicious seafood products using practices which promote the conservation of limited resources and environmental consciousness. In August, Aeon launched five new Topvalu Yasashigohan (Gentle Meals) products in the second round of the series developed for customers desiring family meals all members can enjoy even with food allergies (the first round was launched in November 2016 with 12 products). The series does not contain seven specified ingredients commonly causing food allergies, enabling families to conveniently enjoy safe meals together.

- In August, Aeon lowered the prices of 114 Topvalu products, including packaged rice, toilet paper, and other daily necessities. Amid customers' growing desire to economize, Aeon lowered the prices of 30 products in the second half of the previous fiscal year, followed by further price cuts on 254 national brand items in March and April of the current fiscal year. The latest round of price reductions reflects improved efficiency in

logistics systems, bulk purchasing, and other expanded company-wide efforts to rationalize costs. In addition to the price reductions, Aeon promoted initiatives to respond to diversifying customer needs with such measures as enhancing delicatessen sections and eat-in corners to serve double-income households with limited time for preparing meals, and enhanced services responsive to the evolving needs of an aging society.

Business Segment Information

Results by business segment are disclosed as follows.
From the first quarter of the fiscal year under review, Aeon has changed the reporting of its business segment information. The comparisons and analysis for the current consolidated first half are based on the segment information after the change.

GMS Business

The GMS Business posted an operating loss of 10,459 million yen (an improvement of 9,960 million yen year on year) on operating revenue of 1,525,169 million yen (down 0.2% year on year) for the first six months of the fiscal year. Profitability continued to improve at stores transferred from The Daiei, Inc. (hereinafter "Daiei") and at Aeon Retail Co., Ltd. (hereinafter "Aeon Retail"), contributing to consolidated results.

Aeon Retail opened four new stores in the first six months and refurbished 39 existing stores to offer product selections best matching the diversifying needs of customers and to strengthen services. The company continued product and sales floor reforms which have been carried out consistently over the past two and a half years. Furthermore, since the second half of the previous year, Aeon Retail has striven to offer reasonable prices in response to customers' economizing, while also taking initiatives to raise customer traffic and the number of items purchased. For the second quarter alone, although Aeon Retail's same-store sales declined 1.7% year on year, the rate of decline narrowed by 1.0 point compared to the year-on-year decline in the first quarter. Additionally, the company achieved continued improvement in gross profit margin and success from cost-cutting programs, including more efficient use of SG&A expenses. As a result, operating profitability improved by 3,269 million yen year on year.

Regarding the 33 GMS stores for which Aeon Retail took over operations from Daiei in September 2015 and March 2016, the introduction of Aeon products and implementation of common Group marketing strategies boosted same-store sales by 2.6% year on year, while gross profit margin rose by 1.5 point. Aeon Retail continued to refurbish existing stores, including the conversion of the Himonya Store (Tokyo Metropolis) and Shin Urayasu Store (Chiba Prefecture) into Aeon Style stores, which totaled 48 at the end of August 2017.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido") promoted a strategy of developing stores to best match their communities. In food sections, for example, the company stocked seasonal foods and featured high-quality items carefully selected from across Japan. Aeon Hokkaido also strengthened communication with communities by forming tie-ups with local governments and tourism organizations, while enhancing its sales to tourists to Japan by participating in foreign tourism fairs. As a result, the company recorded record operating revenue (an increase of 1.6% year on year) while raising profits through successful cost-cutting programs.

Supermarket Business

The Supermarket Business posted operating revenues of 1,622,837 million yen (up 0.6% year on year) for the first six months of the fiscal year. Operating income declined to 10,868 million yen (down 31.1% year on year) due to the higher personnel costs associated with expanded social insurance coverage and higher advertising costs to bolster sales promotions. The business continued implementing programs to serve customer needs while promoting improvements in productivity.

Daiei, which is concentrating its operations in the Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, improved productivity by utilizing the Group's food processing center, while reducing expenses and

strengthening its “Every Day Same Low Price” (EDSLP) program through the expansion of its “Eh! Yasui Ne!” sales promotion to about 870 items in June. As a result, Daiei narrowed its operating loss by approximately 1.3 billion yen year on year.

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) expanded its product lineups by holding in June its fifth local product convention in which part-time store employees directly select and purchase products for their stores. The latest convention added approximately 1,100 new products to the stores’ lineups. Maxvalu Tokai also held food education campaigns in collaboration with local government organizations focusing on the themes of health and nutrition. In the first half of the fiscal year, Maxvalu Tokai opened three new stores and refurbished 11 existing stores as part of its effort to better serve customer needs, including new product proposals responding to the heightened interest in health and enhanced eat-in corners.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of 13,869 million yen (up 29.1% year on year) on operating revenues of 341,197 million yen (up 9.5% year on year) for the first six months of the fiscal year.

Welcia Holdings Co., Ltd. and its consolidated subsidiaries actively promoted new store openings and the refurbishment of existing stores. The company increased prescription drug sales by expanding the number of drugstores offering prescription drugs (1,070 stores as of August 31), while promoting 24-hour stores (111 stores as of August 31) to provide customers with peace of mind and enhanced convenience. These and other measures led to steady sales growth in the period. The companies also actively developed new products around the key theme of health, and responded to customer demand for quick meals with bento lunch boxes and ready-to-eat meals. As a result of these measures, the business posted higher sales and profits.

Financial Services Business

The Financial Services Business earned operating income of 32,934 million yen (up 3.6% year on year) on operating revenue of 197,928 million yen (up 7.7% year on year) for the first six months of the fiscal year.

In Japan, the credit card business expanded card usage at Aeon Group stores and among external member stores while developing new customers among the younger generations. These initiatives included the issuance of new credit cards developed with external companies and cards featuring popular characters, along with product development and promotions with partner companies. Aeon Bank bolstered its business foundation by opening a new branch in June at the Aeon Style Shin Ibaraki Store (Osaka Prefecture), bringing its network to 135 branches. Aeon Bank also expanded its asset formation and management services by launching Aeon Bank iDeCo (individual-type defined contribution pension plan) services and making investment trust purchase commissions virtually free for NISA account holders.

In the overseas business, initiatives were taken the China, Mekong, and Malay regions to expand business, led primarily by the three listed overseas financial service companies. In Hong Kong, a new initiative was launched to award double the normal sales points on Aeon store purchases to holders of the Aeon gold card members. In Thailand, Aeon collaborated with major retailer Big C Supercenter to launch a new service issuing joint credit cards immediately to customers. These and other initiatives were taken in collaboration with partner companies to expand the number of Aeon credit cardholders and increase transaction volume. In Malaysia, the business continued to promote paperless systems using tablets and digital signage. In the Philippines, an auto loan business was launched for owners of three-wheeled taxis using IoT devices, among other initiatives taken to utilize new technologies and improve customer services.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 23,515 million yen (up 13.1% year on year) on operating revenue of 164,945 million yen (up 6.1% year on year) for the first six months of the fiscal year.

Aeon Mall Co., Ltd. (hereinafter “Aeon Mall”) actively promoted refurbishments and expanded floor space of existing shopping centers and completed 11 refurbishments in the six-month period, which boosted customer traffic and specialty stores sales year on year. In June, the first phase of Aeon Mall Kobe Minami (Hyogo Prefecture) opened, which followed the opening of three new shopping centers in the first quarter. At overseas shopping centers, which are positioned as critical growth drivers for the future, 12 of 19 shopping centers were profitable in the period as the improvement in profitability continued.

OPA Co., Ltd., which operates urban fashion buildings, opened Mito OPA (Ibaraki Prefecture) in March, its first new store in four years. The company also refurbished five existing buildings in the period.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 15,240 million yen (down 3.8% year on year) on operating revenue of 397,784 million yen (up 1.4% year on year) for the first six months of the fiscal year.

Aeon Delight Co., Ltd. strengthened sales in and outside Japan of its integrated facility management (IFM) services, which optimize facility services for clients, by accurately grasping their facility outsourcing needs. The company also promoted structural reforms driven by new technologies, including the development and deployment of next-generation facility management systems.

Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) continued to enjoy higher sales from amusement machines in Japan, which have risen since September 2015. To enhance customer convenience and service, the company launched a new members program along with Yokubari Pass, a fixed-price unlimited play for a fixed time. These new services contributed to higher revenues. Aeon Fantasy opened five new outlets and refurbished 24 existing outlets in Japan during the first half. Outside Japan, Aeon Fantasy opened 16 new outlets in China and 12 in ASEAN. Business in Malaysia posted higher sales and profits due to robust sales at existing outlets, while businesses in Indonesia achieved positive operating income for the first time on a first-half basis. As a result, Aeon Fantasy posted record operating revenue, operating income, and ordinary income for the first six months.

Aeon Entertainment Co., Ltd., which operates cinema complexes primarily at Aeon Group shopping centers and has the largest number of movie screens in Japan, opened four new cinema complexes in the first six months to post record operating revenue and operating income.

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 203,938 million yen (down 0.7% year on year) and an operating loss of 1,243 million yen (an improvement of 2,287 million yen year on year).

In Malaysia, Aeon Co. (M) Bhd. posted higher revenue by serving demand for the Lebaran celebration in June (Islamic celebration following the fasting period). The company launched the Topvalu Collection of clothing as part of its product lineup and sales floor reforms, while promoting measures to bolster floor sales capabilities. These initiatives led to higher gross margins and profits. Aeon Big (M) Sdn. Bhd. posted an improvement in profitability at existing stores by increasing customer traffic beyond projections through store refurbishments.

Aeon (Cambodia) Co., Ltd. posted higher sales and profits by serving customer needs for social occasions and expanding its clothing selection, initiatives which proved popular among customers. In May, the company opened its second supermarket.

Aeon Vietnam Co., Ltd. posted higher sales and profits by continuing to enhance its products and services for social occasions and community events, including successful new promotions for Mother’s Day, Children’s Day, and Father’s Day. The company also increased the number of customer card holders, which made a significant contribution to boosting purchase frequency and purchase amounts.

In China, Aeon Hubei (Aeon Hubei Co., Ltd.) opened Aeon Xicheng Store in April as the Aeon Group's 50th GMS store in China (including Hong Kong). Aeon Qingdao (Qingdao Aeon Dongtai Co., Ltd.) posted a large increase in profit and return to profitability after closing underperforming stores in the previous fiscal year and focusing management resources into existing stores. Aeon Beijing (Beijing AEON Co., Ltd.) and Aeon East China (Aeon East China (Suzhou) Co., Ltd.) posted steady improvement in profitability by successfully implementing measures to continue their focus on becoming profitable and raising profitability.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets at August 31, 2017 totaled 9,134,345 million yen, an increase of 383,489 million yen, or 4.4%, from the end of the previous fiscal year (February 28, 2017). In current assets, most of the increases were related to financial subsidiaries, including increases of 169,256 million yen in notes and accounts receivable-trade and 149,716 million yen in loans and bills discounted for banking business. In fixed assets, property, buildings and equipment increased 79,396 million yen, mostly due to the opening of new shopping centers.

Consolidated liabilities at August 31, 2017 totaled 7,284,766 million yen, an increase of 396,320 million yen, or 5.8%, from February 28, 2017. This was chiefly attributable to increases of 273,004 million yen in deposits for banking business, 59,953 million yen in notes and accounts payable-trade, 36,797 million yen in bonds (including those due within one year), and 25,861 million yen in short-term borrowings.

Consolidated net assets at August 31, 2017 totaled 1,849,579 million yen, a decline of 12,830 million yen, or 0.7%, from February 28, 2017.

The balance of cash and cash equivalents at August 31, 2017 was 741,460 million yen, a decrease of 60,639 million yen from February 28, 2017.

Net cash provided by operating activities in the six months ended August 31, 2017 was 181,480 million yen. The net inflow reflects 212,417 million yen in income before income taxes, excluding depreciation and amortization and other non-cash expenses, and an increase of 273,004 million yen in deposits for banking business, which were partially offset by increases of 168,572 million yen in notes and accounts receivable-trade and 151,039 million yen in loans in banking business.

Net cash used in investing activities was 266,977 million yen, mainly reflecting 247,699 million yen for settlement of equipment fund due to the purchase of fixed assets and 186,669 million yen in purchase of marketable securities in banking business, which was partially offset by income of 174,443 million yen from the sale and redemption of marketable securities in banking business.

Net cash provided by financing activities was 27,289 million yen. This reflects fund procurement operations of 152,337 million yen in long-term debt and a net increase of 41,485 million yen from short-term borrowings and commercial paper, which outweighed an outflow of 157,492 million yen for repayments of long-term debt.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 28, 2018 is revised from the forecast announced April 12, 2017 as a result of higher-than-projected operating income for the first six months of the current fiscal year, mainly improvements in the GMS Business. Please see "Notification on upward revision to earnings forecast" (announced in Japanese on October 4, 2017).

*Since Aeon Co., Ltd. is a pure holding company, non-consolidated forecasts are not disclosed.

2. Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	842,714	784,669
Call loans	25,000	40,000
Notes and accounts receivable - trade	1,187,488	1,356,744
Marketable securities	185,098	228,039
Merchandise inventories	586,202	569,822
Deferred tax assets	53,257	45,281
Financial loan	299,271	322,997
Loans and bills discounted for banking business	1,470,142	1,619,858
Other	323,662	295,882
Allowance for doubtful accounts	(53,061)	(55,166)
Total current assets	4,919,774	5,208,129
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,487,044	1,500,231
Tools, furniture and fixtures, net	224,190	228,587
Land	804,884	841,994
Construction in progress	70,584	93,240
Other, net	73,075	75,122
Total property, buildings and equipment	2,659,779	2,739,175
Intangible fixed assets		
Goodwill	161,694	154,188
Software	73,839	77,534
Other	59,302	58,352
Total intangible fixed assets	294,837	290,074
Investments and other assets		
Investment securities	205,069	228,441
Net defined benefit asset	10,693	11,961
Deferred tax assets	87,341	86,864
Fixed leasehold deposits to lessors	404,867	409,583
Other	187,447	177,479
Allowance for doubtful accounts	(18,953)	(17,363)
Total investments and other assets	876,465	896,966
Total fixed assets	3,831,081	3,926,216
Total assets	8,750,856	9,134,345

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	888,422	948,376
Deposits for banking business	2,498,725	2,771,729
Short-term borrowings	354,475	380,336
Current portion of long-term debt	301,860	239,894
Bonds due within one year	27,655	5,829
Commercial paper	43,498	57,315
Income taxes payable	49,277	44,801
Provision for bonuses	26,196	28,126
Provision for store closing expenses	5,505	6,011
Allowance for point program	21,358	20,345
Other allowances	1,363	640
Notes payable, construction	86,453	92,735
Other	613,666	610,147
Total current liabilities	4,918,460	5,206,292
Long-term liabilities		
Bonds	435,885	494,509
Convertible bonds with stock acquisition rights	30,000	30,000
Long-term debt	972,900	1,025,175
Deferred tax liabilities	48,350	47,177
Provision for store closing expenses	4,237	3,829
Allowance for loss on refund of interest received	3,808	2,450
Other allowances	6,341	5,694
Net defined benefit liability	25,735	24,928
Asset retirement obligations	80,734	80,561
Lease deposits from lessees	262,850	263,643
Other	99,140	100,504
Total long-term liabilities	1,969,985	2,078,473
Total liabilities	6,888,445	7,284,766

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
	Amount	Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	315,813	309,621
Retained earnings	575,147	566,740
Treasury stock	(40,709)	(39,830)
Total shareholders' equity	1,070,259	1,056,539
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	52,440	65,792
Deferred gain (loss) on derivatives under hedge accounting	(2,588)	(3,337)
Foreign currency translation adjustments	10,178	5,593
Remeasurements of defined benefit plans	1,091	1,039
Total accumulated other comprehensive income	61,121	69,088
Stock acquisition rights	1,820	2,061
Non-controlling interest	729,209	721,890
Total net assets	1,862,410	1,849,579
Total net assets and liabilities	8,750,856	9,134,345

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

Consolidated Statements of Income

(Millions of yen)

	Six Months ended August 31, 2016	Six Months ended August 31, 2017
	Amount	Amount
Operating revenue		
Net sales	3,635,399	3,671,329
Operating revenue in the financial services business	162,855	176,017
Other operating revenue	313,581	321,257
Total operating revenue	4,111,837	4,168,603
Operating costs		
Cost of sales	2,639,894	2,658,774
Operating costs in the financial services business	14,401	15,622
Total operating costs	2,654,296	2,674,397
Gross profit on sales	995,505	1,012,554
Gross profit from operations	1,457,541	1,494,205
Selling, general and administrative expenses	1,385,173	1,409,165
Operating income	72,367	85,040
Other income		
Interest income	1,509	1,550
Dividend income	1,252	1,335
Equity in gains of equity-method affiliates	145	1,642
Other	10,593	8,955
Total other income	13,501	13,484
Other expenses		
Interest expense	7,251	8,082
Other	5,461	4,871
Total other expenses	12,712	12,953
Ordinary income	73,156	85,571
Extraordinary gains		
Gain on sale of fixed assets	306	7,259
Gain on transfer from business divestitures	469	1,425
Other	1,684	1,026
Total extraordinary gains	2,459	9,711
Extraordinary losses		
Impairment loss	3,716	6,895
Provision for store closing expenses	1,756	2,750
Loss on disposal of property, buildings and equipment	1,868	1,923
Loss on disaster	2,019	-
Other	2,634	4,071
Total extraordinary losses	11,996	15,642
Income before income taxes	63,619	79,640
Income taxes		
Current	37,473	40,099
Deferred	(1,527)	1,412
Total income taxes	35,945	41,511
Profit	27,673	38,128
Profit attributable to non-controlling interest	33,045	33,909
Profit (loss) attributable to owners of the parent	(5,372)	4,218

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months ended August 31, 2016	Six Months ended August 31, 2017
	Amount	Amount
Profit	27,673	38,128
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,639	13,114
Deferred gain (loss) on derivatives under hedge accounting	1,038	(1,101)
Foreign currency translation adjustments	(56,070)	(7,465)
Remeasurements of defined benefit plans	726	204
Share of other comprehensive income of equity-method affiliates	(176)	57
Total other comprehensive income	(52,841)	4,808
Comprehensive income	(25,167)	42,937
(Breakdown)		
Comprehensive income attributable to owners of the parent	(32,950)	12,184
Comprehensive income attributable to non-controlling interest	7,782	30,752

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months ended August 31, 2016	Six Months ended August 31, 2017
	Amount	Amount
Cash flows from operating activities		
Income (loss) before income taxes	63,619	79,640
Depreciation and amortization	114,576	119,202
Amortization of goodwill	7,909	7,434
Increase (decrease) in allowance for doubtful accounts	1,648	1,509
Increase (decrease) in allowance for loss on refund of interest received	(1,935)	(1,358)
Increase (decrease) in provision for bonuses	2,241	1,652
Increase (decrease) in net defined benefit liability	778	(140)
(Increase) decrease in net defined benefit asset	(1,167)	(1,615)
Interest and dividend income	(2,762)	(2,885)
Interest expense	7,251	8,082
Equity in (gains) losses of equity-method affiliates	(145)	(1,642)
Impairment losses	3,716	6,895
(Increase) decrease in notes and accounts receivable - trade	(88,193)	(168,572)
(Increase) decrease in merchandise inventories	14,863	16,133
(Increase) decrease in financial loan receivable	5,612	(18,808)
(Increase) decrease in loans in banking business	(156,283)	(151,039)
Increase (decrease) in notes and accounts payable - trade	37,721	61,188
Increase (decrease) in deposits received in banking business	217,455	273,004
Other assets and liabilities	(49,437)	8,233
Other – net	(10,640)	(5,086)
Sub total	166,829	231,826
Interest and dividends received	2,884	3,081
Interest paid	(7,121)	(8,553)
Income taxes paid	(55,056)	(44,874)
Net cash provided by (used in) operating activities	107,535	181,480

(Millions of yen)

	Six Months ended August 31, 2016	Six Months ended August 31, 2017
	Amount	Amount
Cash flows from investing activities		
Proceeds from sale and redemption of marketable securities	156	-
Purchase of marketable securities in banking business	(48,537)	(186,669)
Proceeds from sale and redemption of marketable securities in banking business	129,309	174,443
Purchase of fixed assets	(225,791)	(247,699)
Proceeds from sale of fixed assets	3,886	7,848
Purchase of investment securities	(642)	(3,894)
Proceeds from sale of investment securities	564	1,564
Payments for fixed leasehold deposits to lessors	(14,025)	(24,995)
Collection of fixed leasehold deposits to lessors	22,879	18,724
Proceeds from lease deposits from lessees	12,436	12,140
Repayments of lease deposits from lessees	(12,840)	(10,620)
Other - net	3,683	(7,818)
Net cash provided by (used in) investing activities	(128,921)	(266,977)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	73,926	41,485
Proceeds from long-term debt	98,604	152,337
Repayments of long-term debt	(124,721)	(157,492)
Proceeds from issuance of bonds	13,549	60,372
Payments for redemption of bonds	(2,117)	(23,456)
Proceeds from issuance of subsidiaries' stock to non-controlling interests	1,204	1,481
Repayments to non-controlling shareholders	(1,087)	(2,374)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	10,560	2,859
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(73)	(34,573)
Dividends paid to shareholders	(11,782)	(12,624)
Dividends paid to non-controlling interests	(10,555)	(11,685)
Other – net	5,933	10,959
Net cash provided by (used in) financing activities	53,441	27,289
Foreign currency translation adjustments on cash and cash equivalents	(15,843)	(2,432)
Net increase (decrease) in cash and cash equivalents	16,212	(60,639)
Cash and cash equivalents, beginning of period	700,511	802,099
Cash and cash equivalents, end of period	716,723	741,460

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)
Not applicable

(Additional Information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
Effective the first three months of the fiscal year ending February 28, 2018, the Company has applied *Revised Implementation Guidance on Recoverability of Deferred Tax Assets* (ASBJ Guidance No. 26, revised on March 28, 2016).

(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 the treasury stock under net assets with the book value of 3,417 million yen for 2,693,300 shares as of August 31, 2017. The book value of long-term debt (including the current portion) recorded in accordance with the adoption of the gross accounting method is 2,400 million yen.

(Segment Information)

I. 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	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,434,515	1,600,936	311,343	162,855	118,964	297,615
(2) Intersegment revenue or transfers	94,074	12,690	119	21,005	36,486	94,706
Total	1,528,589	1,613,626	311,463	183,861	155,450	392,321
Segment income (loss)	(20,420)	15,776	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	4,130,795	40	4,130,836	(18,999)	4,111,837
(2) Intersegment revenue or transfers	736	259,819	2,816	262,636	(262,636)	-
Total	205,301	4,390,615	2,857	4,393,472	(281,635)	4,111,837
Segment income (loss)	(3,530)	71,007	129	71,136	1,230	72,367

Notes: 1. “Other” segment includes business segments not categorized as reportable segments such as mobile marketing business.

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 1,230 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 663 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, 2017 (March 1 – August 31, 2017)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,422,361	1,615,038	341,025	176,017	126,059	304,029
(2) Intersegment revenue or transfers	102,808	7,798	172	21,911	38,885	93,755
Total	1,525,169	1,622,837	341,197	197,928	164,945	397,784
Segment income (loss)	(10,459)	10,868	13,869	32,934	23,515	15,240

	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	202,698	4,187,228	33	4,187,262	(18,658)	4,168,603
(2) Intersegment revenue or transfers	1,240	266,572	5,356	271,929	(271,929)	-
Total	203,938	4,453,801	5,389	4,459,191	(290,587)	4,168,603
Segment income (loss)	(1,243)	84,724	275	85,000	40	85,040

Notes: 1. “Other” segment includes business segments not categorized as reportable segments, such as mobile marketing business.

2. Main components of the minus 18,658 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 38,490 million yen in adjustments to service transactions reported in the reportable segment information, and
   (b) 19,697 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the 40 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,490 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) minus 685 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 739 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. Changes in Reportable Segment

In order to tackle with new management challenges, the Company implemented organizational reforms to further strengthen the solid Group management structure 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.

In line with this, effective the first three months of the fiscal year ending February 28, 2018, the Company's business segments have been reorganized: Supermarket and Discount Store Business and Small-sized Store Business have been unified to Supermarket Business; and Digital Business that was included in Other has been folded into GMS Business.

With respect to changes in primary Group companies, Origin Toshu Co., Ltd. that was included in Small-sized Store Business has been reclassified into GMS Business given its close ties with GMS Business. The segment amounts for the six months ended August 31, 2016 have been recast to conform to the current period presentation.

(Material Subsequent Events)

Purchase of a company through share acquisition by a consolidated subsidiary

At the meeting held on April 18, 2017, the board of directors of Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings"), a consolidated subsidiary of the Company, decided to acquire the whole shares of Marudai Sakurai Pharmacy Limited (hereinafter "Marudai Sakurai Pharmacy") to make it a subsidiary and concluded the share transfer agreement as of the same date. Based on the agreement, Welcia Holdings acquired the shares of Marudai Sakurai Pharmacy on September 1, 2017, making it a subsidiary. The details are outlined below.

1. Name of acquiree, business activity, main reason for business combination, effective date of business combination, legal form of business combination, name of company after the business combination, percentage of the acquired voting rights, and main grounds for determining acquiring company

(1) Name of acquiree and business activity
Name: Marudai Sakurai Pharmacy Limited
Business activity: drugstore business

(2) Main reason for business combination
The Welcia Group comprising Welcia Holdings and its subsidiaries operates drugstores offering prescription drugs in the area covering from the Tohoku region to the Kinki region, mainly in the Kanto region. Operating as an infrastructure business in a super-aged society, the Group is striving to establish a leading drugstore chain with the top quality and quantity in Japan in order to provide people in local communities with services for safe and healthy life.
As Marudai Sakurai Pharmacy operates drugstore business mainly in Aomori prefecture, acquisition of its shares to make it a subsidiary will contributes to strengthen the Group's business foundation in the Tohoku region as well as enhance business efficiency through sharing know-how of each business.

(3) Effective date of business combination
September 1, 2017

(4) Legal form of business combination
Share acquisition

(5) Name of company after the business combination
Marudai Sakurai Pharmacy Limited

(6) Percentage of the acquired voting rights
100%

(7) Main grounds for determining acquiring company
It is as a result of Welcia Holdings acquiring the shares of Marudai Sakurai Pharmacy through share acquisition in exchange for cash.

2. Acquisition cost and its breakdown

Consideration for acquisition	Cash and time deposits	13,720 million yen
Acquisition cost		13,720 million yen

3. Main component of acquisition-related cost

Advisory fee and related costs:	12 million yen

4. Amount of goodwill recognized, reason for the recognition, and amortization method and period

The purchase method will be applied due to the fact that the share transfer constitutes a “purchase” under the accounting standards for business combinations in Japan. Goodwill is expected to arise in the share transfer, but the amount cannot be confirmed at present.

5. Amounts and main classes of assets acquired and liabilities assumed at the date of business combination

They are not confirmed at present.