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## Financial Results for the Nine Months ended November 30, 2011

January 6, 2012

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Scheduled dates:

Submission of statutory quarterly financial report January 13, 2012

Commencement of dividend payments —

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 Nine Months ended November 30, 2011

(March 1, 2011 to November 30, 2011)

(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	%
Nine Months ended November 30, 2011	3,748,296	0.4	101,818	9.1	114,560	13.3	36,536	(25.6)
Nine Months ended November 30, 2010	3,732,302	0.1	93,358	66.7	101,128	86.9	49,121	—

	Net income per share	Net income per share – fully diluted
	yen	yen
Nine Months ended November 30, 2011	47.75	41.76
Nine Months ended November 30, 2010	64.20	56.22

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
November 30, 2011	4,162,935	1,228,516	21.5	1,168.76
February 28, 2011	3,774,628	1,219,236	23.5	1,159.73

Note: Shareholders' equity:

November 30, 2011:	894,280 million yen
February 28, 2011:	887,371 million yen

**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, 2011	—	—	—	21.00	21.00
Year ending February 29, 2012	—	—	—		
Year ending February 29, 2012 (forecast)				23.00	23.00

Note: No changes were made to the dividend forecasts during the Nine Months ended November 30, 2011.

\*Year-end dividend for the fiscal year ended February 28, 2011:

Ordinary dividend of 18.00 yen    Special dividend of 3.00 yen

**3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2012  
(March 1, 2011 to February 29, 2012)**

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Full year	5,170,000	1.4	195,000 to 205,000	13.1 to 18.9	200,000 to 210,000	9.8 to 15.3

	Net income		Net income per share
	million yen	%	yen
Full year	63,000 to 68,000	5.5 to 13.9	82.34 to 88.87

Note: No changes were made to the earnings forecasts during the Nine Months ended November 30, 2011.

#### **4. Other Information**

For details, see “2. Other Information” on page 7 in the Accompanying Materials.

- (1) Changes affecting the consolidation status of significant subsidiaries during the period: None  
\*This refers to additions and removals of significant subsidiaries to and from the scope of consolidated results during the period.
- (2) Use of simplified accounting methods and/or specific accounting methods: Yes  
\*This refers to the application of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements.
- (3) Changes in accounting principles, procedures, and method of presentation, etc.
  - 1) Changes in accordance with amendments to accounting standards: Yes
  - 2) Changes other than the above: None  
\*This refers to changes in accounting principles, procedures, and methods of presentation used in the preparation of quarterly consolidated financial statements.
- (4) Number of shares issued (common stock)
  - 1) Number of shares issued at end of period (treasury stock included):  
November 30, 2011: 800,446,214 shares  
February 28, 2011: 800,446,214 shares
  - 2) Number of shares held in treasury at end of period:  
November 30, 2011: 35,290,204 shares  
February 28, 2011: 35,290,230 shares
  - 3) Average number of shares outstanding during the period:  
Nine Months ended November 30, 2011: 765,156,753 shares  
Nine Months ended November 30, 2010: 765,142,626 shares

#### **\*Quarterly review status**

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

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

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

For the assumptions underlying the forecasts herein and other information on the use of earnings forecasts, refer to “(3) Consolidated Earnings Forecasts” on page 7 in section “1. Review of Operating Results and Financial Statements” in the Accompanying Materials.

## **Accompanying Materials**

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## **1. Review of Operating Results and Financial Statements**

### **(1) Consolidated Operating Results**

In the nine months ended November 30, 2011 (March 1 – November 30, 2011), corporate capital spending stabilized and employment conditions gradually improved amid the adverse economic environment that followed the Great East Japan Earthquake. However, the economic outlook remains clouded by a strong yen, equity market weakness, and an overseas economic slowdown triggered by Europe's debt crisis, in addition to the impact of recent flooding in Thailand. Domestic considerations such as prolonged anxiety concerning electric power supplies and discussions of a consumption tax hike and pension system reform also contributed to the economic uncertainty.

Aeon endeavored to further improve its earnings in the aim of building a solid foundation for medium- to long-term growth under its Group Medium-term Management Plan initiated in fiscal 2011. Over the nine months ended November 30, 2011, Aeon swiftly adapted to post-earthquake changes in the environment, most notably by making optimum use of its supply chain and global sourcing power to provide products and services that meet consumers' changing needs. As a result, Aeon earned consolidated operating income of 101,818 million yen (up 9.1% year over year), consolidated ordinary income of 114,560 million yen (up 13.3% year over year), and consolidated net income of 36,536 million yen (down 25.6% year over year) on consolidated operating revenue of 3,748,296 million yen (up 0.4% year over year) in the nine months ended November 30, 2011.

### **Segment Information**

#### **GMS Business**

Aeon's GMS Business opened five new stores and closed two existing stores during the nine months ended November 30, 2011 (equity-method affiliates did not open or close any GMS stores).

Effective March 1, 2011, the Aeon Group ascribed the Aeon brand name to all of its general merchandise stores throughout Japan, from Hokkaido to Okinawa enabling the GMS Business to pursue greater economies of scale with respect to merchandising and sales promotions. It also endeavored to tailor its operations to individual local communities after reorganizing along geographic lines into 11 areas served by Aeon Retail Co., Ltd.'s eight in-house companies together with Aeon Hokkaido Corporation, Aeon Kyushu Co., Ltd., and Aeon Ryukyu Co., Ltd.

Amid the dramatically changed post-earthquake retail environment, Aeon Retail expanded its lineup of household and recreational merchandise and seasonal apparel in response to consumers' changing needs and demand for energy-saving products. Meanwhile, it held nationwide sales events on a group-wide basis and conducted sales promotions linked with the Aeon Card and WAON, Aeon's e-money service. Additionally, Aeon Retail endeavored to reduce its cost of sales and other expenses to reap maximal synergies from its merger with MyCal Corporation and Aeon Marche Co., Ltd. Aeon Retail's comparable-store sales grew 0.6% year over year in the nine months ended November 30, 2011, with food sales up 0.7% year over year, housing and recreational product sales up 1.0% year over year, and clothing sales unchanged from the year-earlier period (Aeon Retail's year-over-year comparable-store sales and SG&A expense comparisons are provided for reference only and are based on actual year-earlier results for the pre-merger Aeon Retail's GMS operations). Directly operated stores' gross margin was unchanged year over year, bolstered by continued expansion of the TOPVALU brand merchandise range, reduction of cost of sales, improved inventory control, and efforts to consistently offer frequently bought merchandise at affordable prices. Additionally, the GMS Business continued to focus on overhead cost control through such means as reducing personnel expenses through more efficient personnel deployment. In response to worries about power supplies, the GMS Business reduced its power consumption by installing energy-efficient equipment in more of its stores and progressively replacing conventional lighting with LED lighting. By virtue of these cost-cutting initiatives, SG&A expenses decreased by 2.6% compared with the nine months ended November 30, 2010.

Aeon Hokkaido Corporation improved its earnings through efforts to strengthen sales by refreshing its lineup of priority merchandise and refining its display techniques while proactively setting up and enlarging sales-floor spaces targeted at specific consumer needs. It also endeavored to improve its operations by reducing inventory levels and stepping up efforts to sell TOPVALU merchandise. Such initiatives resulted in improved profitability.

As a result of the above, the GMS Business earned operating income of 16,274 million yen (up 50.5% year over year) on operating revenue of 1,900,262 million yen (down 2.6% year over year) in the nine months ended November 30, 2011.

### **Supermarket Business**

Aeon's Supermarket Business opened 47 new stores and closed 14 existing stores during the nine months ended November 30, 2011 (excluding equity-method affiliates, the Supermarket Business opened 29 and closed eight stores).

The Supermarket Business endeavored to build an operational foundation to achieve future growth. In addition to continuing to actively open new stores, it also renovated existing stores to better meet local demographics, including by converting selected stores to The Big discount store (DS) format. The Supermarket Business achieved sales growth by virtue of a substantial increase in the number of items purchased, largely through efforts to expand its lineup of frequently bought, priority merchandise integral to customers' daily lives. The Supermarket Business also improved its profitability through continued cost-control efforts, including initiatives to conserve power and improve stores' operational efficiency by reducing the number of items they carry.

As a result, the Supermarket Business earned operating income of 9,847 million yen (up 4.8% year over year) on operating revenues of 846,197 million yen (up 3.9% year over year).

### **Strategic Small-size Store Business**

Ministop Co., Ltd., had a total of 4,019 stores in Japan and overseas at the end of November 2011. Domestically, its convenience stores' dessert sales increased substantially year over year in response to successful sales promotions driven largely by TV advertising. Ministop's daily comparable-store sales grew 6.8% year over year, boosted by an increase in stores that carry handmade *onigiri* (rice balls) and other ready-to-eat food items, a nationwide rollout of chilled *bento* (prepackaged meals), and expansion of frozen food and dairy product offerings, mainly TOPVALU merchandise. Recods, a new format that is a fusion between drugstore and convenience store, opened 12 new stores in the nine months ended November 30, 2011, bringing it to a total of 15 stores. Overseas, Ministop continues to steadily expand in Asia, with Ministop Korea Co., Ltd., and Qingdao Ministop Co., Ltd., respectively opening 252 and 11 new stores. Including Robinson's Convenience Stores Inc.'s stores in the Philippines, Ministop had a total of 1,954 overseas stores by the end of the third fiscal quarter.

The My Basket chain of small-scale urban supermarkets ended November with a total of 234 stores as a result of intensively opening new stores in priority areas, mainly Greater Tokyo, and expanding into new areas. My Basket has gained recognition among local consumers by capitalizing on the Aeon Group's merchandise procurement capabilities to consistently offer products at affordable prices, even in the immediate aftermath of the March 11 earthquake. By virtue of this increased recognition coupled with expansion of TOPVALU merchandise offerings, My Basket achieved a substantial year-over-year increase in comparable-store sales.

As a result, the Strategic Small-size Store Business earned operating income of 5,527 million yen (up 19.7% year over year) on operating revenues of 159,691 million yen (up 13.4% year over year).

### **Financial Service Business**

Aeon Credit Service Co., Ltd., stepped up cardholder recruitment in its domestic credit card business, both online and at in-store branches. It also commemorated its 30th anniversary with sales promotions involving the Aeon Card and WAON. As a result of these initiatives, Aeon Credit Service ended November with 20,760,000 valid cardholders, a net increase of 760,000 from nine months earlier, and

saw its credit card shopping transaction volume increase 10.2% year over year. In the e-money business, Aeon Credit Service expanded its network of establishments unaffiliated with the Aeon Group that accept WAON as a means of payment, stepped up efforts to promote WAON as a local currency, and proceeded with issuance of credit cards with built-in WAON functionality. As of November 30, WAON was accepted at some 130,000 establishments with cumulative card issuance of approximately 22.8 million cards. WAON e-money transaction volume in the nine months ended November 30, 2011 totaled 717,800 million yen, a 16.1% year-over-year increase. In its banking agency business, Aeon Credit Service opened eight new in-store branches that provide a one-stop array of financial products and services, including banking, credit, insurance, and investment trust products. It also strengthened its account opening services and term deposit and mortgage loan brokerage operations. In Asia, local subsidiaries of Aeon Credit Service focused on partnering with local retailers to issue new cobranded cards and recruit new cardholders. Its overseas credit card shopping transaction volume grew briskly, driven largely by partnered sales promotions. Additionally, Aeon Credit Service has been endeavoring to build an overseas operational foundation through such means as establishing an Asian Business Division in Hong Kong, cultivating globally minded personnel, seconding personnel to overseas subsidiaries, and establishing new overseas subsidiaries to operate in new regions. In light of the impact of the recent Thai floods, Aeon Credit Service has increased its allowance for doubtful accounts in Thailand, as part of steps to strengthen operational structure.

As a result, the Financial Service Business earned operating income of 14,151 million yen (up 4.8% year over year) on operating revenue of 124,299 million yen (down 1.6% year over year).

Equity-method affiliate Aeon Bank, Ltd., saw its income improve by virtue of multiple factors, including steady growth in deposits and number of accounts, growth in interest income driven by growth in outstanding loans, mainly home mortgages, and growth in fee income, chiefly from sales of investment trusts and insurance products.

### **Shopping Center Development Business**

The Shopping Center Development Business made progress improving its operating efficiency by consolidating duplicative and dispersed functions within the Group in the aim of strengthening its competitiveness. On November 21, 2011, it ascribed the name "Aeon Mall" to all of its domestic mall-type shopping centers in the aim of boosting brand recognition and realizing greater economies of scale. On the same day, neighborhood shopping centers operated by Aeon Town Co., Ltd., which recently took over operation of the centers from Aeon Retail, and neighborhood shopping centers operated by Aeon Big Co., Ltd., were uniformly given the name "Aeon Town."

Aeon Mall Co., Ltd., opened three shopping centers and was awarded property management contracts for two others during the first three quarters of the fiscal year under review. It also renovated nine existing shopping centers in the aim of enhancing their customer drawing power by recruiting new tenants, relocating existing tenants and accommodating their store format changes. Specialty store sales at existing shopping centers grew 1.6% year over year, buoyed by nationwide bargain sales events that harnessed the combined strength of all the Group's Shopping centers. In China, Aeon Mall proceeded with renovation of the Aeon Beijing International Mall Shopping Center and preparations to open a second property in Tianjin (scheduled to open in spring 2012). It also entered into cooperation agreements with the Tianjin Chamber of Commerce and Wuhan Municipal Government in the aim of opening additional shopping centers in the Tianjin and Wuhan areas. In the ASEAN bloc, Aeon Mall is in search of locations for shopping center development in Indonesia and India in addition to Cambodia and Vietnam, where development projects are already taking shape.

As a result, the Shopping Center Development Business earned operating income of 27,460 million yen (up 1.9% year over year) on operating revenue of 119,501 million yen (up 6.7% year over year) in the nine months ended November 30, 2011.

### **Service Business**

The Service Business endeavored to meet consumers' newly emergent needs and cultivate demand amid the dramatically changed post-earthquake environment. It also endeavored to improve its profitability, largely by reforming its cost structure through such means as personnel redeployment and continued power conservation.

Aeon Delight Co., Ltd., focused on proactive sales activities aimed at winning new contracts to further advance its comprehensive facilities management services business, which enables customers to outsource all of their non-core administrative operations. After becoming a consolidated subsidiary in the first quarter, Kajitaku Inc. steadily expanded its support services, while subsidiary A to Z Service Co., Ltd., made solid progress in winning contracts to provide services to small commercial facilities. Additionally, Aeon Delight achieved substantial growth in order bookings for construction projects related to energy efficiency in response to existing corporate customers' demand for power conservation, partly through more proactive proposals regarding the replacement of conventional lighting with LED lighting.

Aeon Fantasy Co., Ltd., revised its domestic facilities' amusement machine lineups to better match customer needs and age demographics, which vary on a store-to-store basis. It also augmented event programs at amusement facilities that charge by the hour. Additionally, it strengthened its lineup of card games in response to their recent popularity, leading to growth in card game sales. In China, Aeon Fantasy opened a fourth facility of its China Operations in Guangdong Province. In Malaysia, Aeon Fantasy took over all existing franchised stores under its own direct management and opened one new location, bringing its total number of Malaysian stores to 18 by the end of the third fiscal quarter.

As a result, the Service Business earned operating income of 14,070 million yen (up 12.1% year over year) on operating revenue of 234,845 million yen (up 4.3% year over year) in the nine months ended November 30, 2011.

### **Specialty Store Business**

The Specialty Store Business endeavored to improve merchandise lineups and presentation targeted at seasonal demand and local events. It also focused on increasing profitability through cost-structure reforms and better inventory control.

G Foot Co., Ltd., achieved favorable results through efforts to expand its sales floors and modify line ups to meet trends, in addition to expanding sales operations at Aeon GMS directly managed footwear departments. Miraiya Shoten Co., Ltd., achieved sales growth, mainly in the Tohoku region, by strengthening its lineup of popular merchandise and improving in-store merchandise presentation amid the changed post-earthquake environment. Pet City Co., Ltd., and Laura Ashley Japan Co., Ltd., improved their profitability by expanding their merchandise lineups in response to consumer needs and making further progress in reducing cost of sales and controlling overhead expenses.

As a result, the Specialty Store Business earned operating income of 2,566 million yen (unchanged year over year) on operating revenue of 230,115 million yen (up 0.3% year over year) in the nine months ended November 30, 2011.

### **ASEAN Business**

To accelerate the Group's business expansion in ASEAN markets, the ASEAN Business implemented organizational reforms and positioned personnel in order to establish an ASEAN Headquarters while also conducting market research and setting up operations in new geographic regions (Aeon's consolidated financial statements for the nine months ended November 30, 2011 reflect the ASEAN Business's results for January through September).

Aeon Malaysia (Aeon Co. (M) Bhd.) endeavored to expand its sales of internally developed merchandise, particularly apparel. In the third quarter, it reopened its flagship store, which had been partially closed for renovations as sales growth derived from recruitment of new tenants helped to boost its earnings (Aeon Malaysia achieved revenue growth excluding foreign currency translation).

Aeon Thailand (Aeon (Thailand) Co., Ltd.) accelerated its program of opening small, new-format supermarkets aimed at small geographic areas within densely populated cities. It ended November

with a total of 15 such stores. By virtue of its new-store openings, revitalization of existing stores and sales promotion events, Aeon Thailand achieved robust earnings growth and also boosted profitability through efforts to improve its supply chain by increasing logistical efficiency and merchandise-ordering accuracy.

In Vietnam, the ASEAN Business obtained an investment license from the Ho Chi Minh City People's Council and commenced operations in the aim of opening its first store in 2014. In Cambodia, the ASEAN Business secured a site to open its first store and started building an operational foundation in the aim of opening the store by 2014.

As a result, the ASEAN Business earned operating income of 4,389 million yen (down 11.5% year over year) on operating revenue of 63,779 million yen (down 0.7% year over year).

### **China Business**

The China Business opened one GMS and one supermarket in the nine months ended November 30, 2011 (Aeon's consolidated financial statements for the nine months ended November 30, 2011 reflect China Business's results for January through September).

The China Business focused on developing human resources, building an organization, and installing IT systems in the aim of establishing a China Headquarters that will play a leading role in the Group's growth strategy, accelerate Group companies' Chinese business expansion, and further enhance their competitiveness in China. In response to China's high inflation rate during the period under review, the China Business endeavored to stimulate consumer spending by means of cardholder-only bargain sales events and unique sales promotions that involve mobile phones, while working to revitalize existing stores by relocating tenants and rearranging sales floors. It also augmented its lineup and in-store presentation of merchandise carefully selected to meet demand related to social events. For example, it strengthened sales of gifts for the Mid-Autumn Festival. Additionally, the China Business focused on reducing cost of sales and optimizing personnel deployment to further increase cost-efficiency.

As a result, the China Business earned operating income of 1,520 million yen (down 24.5% year over year) on operating revenue of 76,138 million yen (up 1.8% year over year).

### **Other Operations**

As one measure to strengthen the DS business, Aeon Big Co., Ltd., a wholly owned subsidiary, took over operation of Aeon Retail's 21-store DS operations on August 21, 2011. Aeon Big will establish a general-merchandise DS model that encompasses apparel and other consumer staples as well as food.

Aeon endeavored to further increase markups on TOPVALU merchandise by narrowing down its pool of ingredient and materials suppliers and revamping its supply chains to improve logistical efficiency. In response to consumers' mounting concern about radioactive contamination of food products, Aeon intensified its voluntary food inspection program in the aim of ensuring that its food products are completely free of radioactivity. It did so by increasing the scope and frequency of its testing of seafood, rice, and agricultural produce in addition to all TOPVALU domestically raised Japanese Black beef. Aeon also strengthened its efforts to develop new products that incorporate input from customers. For example, it launched 4.9W TOPVALU Kyokansengen LED light bulbs usable in sealed lighting fixtures. It also expanded its TOPVALU HeatFact line of functional innerwear by applying functional fabrics to fashion accessories (e.g., gloves, scarves) and bedding while also improving TOPVALU HeatFact innerwear's functionality and quality. Additionally, Aeon newly added ready-to-eat deli items developed by Origin Toshu Co., Ltd., a takeout food chain Aeon Group subsidiary, to its TOPVALU ReadyMeal line of prepackaged, ready-to-eat items and expanded distribution of the TOPVALU ReadyMeal line to Ministop, My Basket, and other small-format stores in addition to the Group's GMSs and supermarkets. As a result, sales of TOPVALU merchandise grew 15.6% year over year to 379,200 million yen in the first three quarters of the fiscal year under review.

## **(2) Consolidated Financial Condition**

Consolidated assets at November 30, 2011, totaled 4,162,935 million yen, an increase of 388,307 million yen (10.3%) from the previous fiscal year-end (February 28, 2011). The increase was chiefly attributable to a 207,996 million yen increase in property, buildings and equipment due to the opening of new shopping centers and adoption of a new accounting standard for asset retirement obligations and a 187,416 million yen increase in assets stemming from the inclusion of newly consolidated subsidiaries Marunaka Co., Ltd., and Sanyo Marunaka Co., Ltd., and their subsidiaries, in Aeon's consolidated accounts.

Consolidated liabilities at November 30 totaled 2,934,419 million yen, an increase of 379,027 million yen (14.8%) from February 28, 2011. The increase was chiefly attributable to a 48,775 million yen increase in trade notes and accounts payable, 45,053 million yen increase in deposits payable and other current liabilities, 40,729 million yen increase in asset retirement obligations, 33,841 million yen increase in equipment-related notes payable, and 29,542 million yen increase in bonds payable in addition to inclusion of Marunaka, Sanyo Marunaka, and their subsidiaries' combined liabilities of 159,770 million yen in Aeon's consolidated accounts.

Consolidated net assets at November 30 totaled 1,228,516 million yen, an increase of 9,280 million yen (0.8%) from February 28, 2011.

Net cash provided by operating activities in the nine months ended November 30, 2011, was 162,181 million yen. Major sources of operating cash flow included 221,261 million yen in income before income taxes and minority interests (adjusted to exclude depreciation and other non-cash charges) and a 50,972 million yen increase in trade accounts payable. Major uses of operating cash flow included an 86,228 million yen increase in trade accounts receivable and income tax payments of 69,753 million yen.

Net cash used in investing activities in the nine months ended November 30 was 243,355 million yen, due mainly to the purchase of property, buildings and equipment.

Net cash provided by financing activities in the nine months ended November 30 was 15,415 million yen, largely due to proceeds from issuance of bonds, and a net increase in short-term borrowings and commercial paper payables.

### **(3) Consolidated Earnings Forecasts**

Aeon's fiscal 2011 consolidated earnings forecasts issued on October 5, 2011, remain unchanged.

\*Aeon issues earnings forecasts in the form of a range to reflect variables such as the weather and economic trends. Aeon manages its Group as a pure holding company and therefore does not disclose its own non-consolidated earnings forecasts.

## **2. Other Information**

(1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation)  
None

(2) Use of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements  
None material enough to warrant disclosure

(3) Changes in accounting principles, procedures, and methods of presentation  
Changes relating to accounting methods

#### *Accounting Standard for Asset Retirement Obligations*

Effective from the first quarter of the fiscal year ending February 29, 2012, Aeon adopted the *Accounting Standard for Asset Retirement Obligations* (ASBJ Statement No.18, March 31, 2008) and its associated *Guidance on Accounting Standard for Asset Retirement Obligations* (Guidance No.21, March 31, 2008). As a result of this change, operating income and ordinary income for the first three quarters of the fiscal year ending February 29, 2012, were each reduced by 1,576 million yen, income before income taxes and minority interests for the same period was reduced by 19,350 million yen, and asset retirement obligations changed by 38,050 million yen.

#### *Accounting standard for equity method*

Effective from the first quarter of the fiscal year ending February 29, 2012, Aeon adopted the *Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No.16, March 10, 2008) and the associated *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method* (PITF No.24, March 10, 2008).

#### Changes in methods of presentation

For the first three quarters of the fiscal year ending February 29, 2012, Aeon used the accounting title of “income before minority interests” pursuant to adoption of the *Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements* (Cabinet Office Ordinance No.5, March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No.22, December 26, 2008).

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of November 30, 2011 Amount	As of February 28, 2011 Amount
<b>Assets</b>		
Current assets		
Cash and time deposits	253,070	320,212
Notes and accounts receivable - trade	488,222	416,548
Marketable securities	1,475	4,509
Merchandise inventories	361,436	308,951
Deferred tax assets	53,924	40,728
Financial loan	231,013	293,427
Other	150,118	178,329
Allowance for doubtful accounts	(48,124)	(53,245)
Total current assets	<u>1,491,136</u>	<u>1,509,462</u>
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,087,919	910,075
Tools, furniture and fixtures, net	119,898	108,186
Land	506,529	354,029
Construction in progress	17,833	24,796
Other, net	20,102	9,980
Total property, buildings and equipment	<u>1,752,283</u>	<u>1,407,068</u>
Intangible fixed assets		
Goodwill	99,287	74,753
Software	30,636	27,514
Other	12,638	15,098
Total intangible fixed assets	<u>142,562</u>	<u>117,365</u>
Investments and other assets		
Investment securities	276,978	274,507
Deferred tax assets	89,479	63,981
Fixed leasehold deposits to lessors	322,726	324,916
Other	103,348	92,330
Allowance for doubtful accounts	(15,579)	(15,004)
Total investments and other assets	<u>776,953</u>	<u>740,731</u>
Total fixed assets	<u>2,671,799</u>	<u>2,265,166</u>
Total assets	<u>4,162,935</u>	<u>3,774,628</u>

	As of November 30, 2011 Amount	(Millions of yen) As of February 28, 2011 Amount
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	710,324	640,114
Short-term borrowings	119,028	52,065
Current portion of long-term debt	224,334	217,028
Bonds due within one year	46,939	15,311
Convertible bonds with stock acquisition rights due within one year	49,980	—
Commercial paper	18,605	5,410
Income taxes payable	18,656	44,838
Provision for bonuses	32,987	17,991
Provision for store closing expenses	1,638	8,397
Allowance for point program	15,712	12,070
Provision for disaster losses	3,093	-
Other allowances	1,090	1,472
Notes payable, construction	64,626	30,861
Other	431,383	373,349
Total current liabilities	<u>1,738,401</u>	<u>1,418,913</u>
Long-term liabilities		
Bonds	213,124	215,209
Convertible bonds with stock acquisition rights	49,990	99,976
Long-term debt	590,730	547,624
Deferred tax liabilities	7,104	8,390
Liability for employees' retirement benefits	8,437	8,271
Provision for store closing expenses	2,138	2,448
Allowance for loss on refund of interest received	11,118	16,017
Other allowances	4,154	4,095
Asset retirement obligations	42,004	—
Lease deposits from lessees	232,608	216,844
Other	34,605	17,601
Total long-term liabilities	<u>1,196,017</u>	<u>1,136,478</u>
Total liabilities	<u>2,934,419</u>	<u>2,555,391</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	199,054	199,054
Capital surplus	264,963	264,963
Retained earnings	517,109	496,648
Treasury stock	(61,452)	(61,458)
Total shareholders' equity	<u>919,675</u>	<u>899,208</u>
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	(4,527)	3,401
Deferred gain (loss) on derivatives under hedge accounting	(2,135)	(1,225)
Foreign currency translation adjustments	(18,731)	(14,012)
Total valuation and translation adjustments	<u>(25,394)</u>	<u>(11,836)</u>
Stock acquisition rights	1,341	1,118
Minority interests	332,894	330,746
Total net assets	<u>1,228,516</u>	<u>1,219,236</u>
Total net assets and liabilities	<u>4,162,935</u>	<u>3,774,628</u>

**(2) Consolidated Statements of Income**

	(Millions of yen)	
	Nine months ended November 30, 2010	Nine months ended November 30, 2011
	Amount	Amount
Net sales	3,335,061	3,342,116
Cost of sales	2,436,101	2,444,038
Gross profit on sales	898,960	898,077
Other revenues	397,240	406,179
Gross profit from operations	1,296,201	1,304,257
Selling, general and administrative expenses	1,202,842	1,202,439
Operating income	93,358	101,818
Other income		
Interest income	2,689	2,167
Dividend income	815	1,090
Equity in gains of associated companies	—	4,504
Amortization of negative goodwill	8,426	8,320
Other	8,079	7,335
Total other income	20,011	23,419
Other expenses		
Interest expense	8,314	7,592
Equity in losses of associated companies	778	—
Other	3,148	3,084
Total other expenses	12,241	10,677
Ordinary income	101,128	114,560
Extraordinary gains		
Gain on sale of subsidiaries' shares	17,425	—
Gain on collection of fixed leasehold deposits	—	3,697
Insurance income	—	4,751
Other	13,288	7,031
Total extraordinary gains	30,713	15,480
Extraordinary losses		
Impairment loss	8,787	4,065
Disaster losses	—	33,434
Effect of adoption of accounting standards for asset retirement obligations	—	17,773
Other	7,348	12,112
Total extraordinary losses	16,136	67,385
Income before income taxes and minority interests	115,706	62,654
Income taxes		
Current	46,911	43,146
Deferred	(177)	(32,868)
Total income taxes	46,733	10,278
Income before minority interests	—	52,376
Minority interests	19,851	15,840
Net income	49,121	36,536

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Nine months ended November 30, 2010	Nine months ended November 30, 2011
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	115,706	62,654
Depreciation and amortization	103,146	101,940
Amortization of goodwill	5,265	5,753
Amortization of negative goodwill	(8,426)	(8,320)
Increase (decrease) in allowance for doubtful accounts	24,845	19,776
Increase (decrease) in allowance for loss on refund of interest received	(4,855)	(4,898)
Increase (decrease) in provision for bonuses	16,210	13,876
Increase (decrease) in liabilities for retirement benefits	1,591	(3,206)
Increase (decrease) in provision for store closing expenses	(893)	(6,277)
Interest and dividend income	(3,505)	(3,258)
Interest expense	8,314	7,592
Equity in (gains) losses of associated companies	778	(4,504)
Impairment losses	8,787	4,065
Disaster losses	—	33,434
Effect of adoption of accounting standards for asset retirement obligations	—	17,773
(Gain) loss on sale of subsidiaries' shares	(17,425)	—
(Increase) decrease in notes and accounts receivable - trade	(160,958)	(86,228)
(Increase) decrease in merchandise inventories	(3,240)	(41,925)
(Increase) decrease in financial loan receivable	53,404	22,870
Increase (decrease) in notes and accounts payable - trade	18,386	50,972
Other assets and liabilities	38,975	68,360
Other - net	(971)	(3,661)
Sub total	<u>195,135</u>	<u>246,789</u>
Interest and dividends received	3,477	3,178
Interest paid	(8,399)	(7,251)
Income taxes paid	(54,401)	(69,753)
Insurance income	—	4,751
Payments for disaster losses	—	(15,532)
<b>Net cash provided by (used in) operating activities</b>	<u>135,811</u>	<u>162,181</u>
<b>Cash flows from investing activities</b>		
Purchase of marketable securities	(2,196)	—
Proceeds from sales of marketable securities	4,309	3,000
Purchase of property, buildings and equipment	(139,977)	(229,018)
Proceeds from sales of property, buildings and equipment	27,694	2,046
Purchase of investment securities	(4,840)	(571)
Proceeds from sales of investment securities	3,113	10
Cash paid in conjunction with the purchases of consolidated subsidiaries	—	(34,641)
Cash received in conjunction with the purchases of consolidated subsidiaries	1,671	365
Cash paid in conjunction with the sales of consolidated subsidiaries	(10,925)	—
Collection of loan receivables	44,907	407
Payments for fixed leasehold deposits to lessors	(5,695)	(11,848)
Collection of fixed leasehold deposits to lessors	17,581	29,768
Proceeds from lease deposits from lessees	12,895	11,956

Repayments of lease deposits from lessees	(14,816)	(12,598)
Other - net	(758)	(2,232)
Net cash provided by (used in) investing activities	(67,037)	(243,355)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	(18,787)	23,641
Proceeds from long-term debt	127,634	190,116
Repayments of long-term debt	(143,456)	(202,141)
Proceeds from issuance of bonds	6,408	41,450
Payments for redemption of bonds	(27,549)	(11,960)
Dividends paid to shareholders	(15,304)	(16,069)
Dividends paid to minority shareholders	(9,065)	(9,419)
Other - net	(372)	(201)
Net cash provided by (used in) financing activities	(80,492)	15,415
Foreign currency translation adjustments on cash and cash equivalents	(5,975)	(3,440)
Net increase (decrease) in cash and cash equivalents	(17,694)	(69,198)
Cash and cash equivalents, beginning of period	280,521	306,820
Cash and cash equivalents, end of period	262,826	237,621

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

Not applicable

#### (5) Segment Information

Operating segment information

(March 1, 2010 – November 30, 2010)

(Millions of yen)

	GMS and Other Retail Store	Specialty Store	Shopping Center Development	Services and Other	Total	Elimination/corporate	Consolidated
Operating revenue							
(1) Revenue attributable to customers	3,010,554	380,197	87,652	253,898	3,732,302	—	3,732,302
(2) Intersegment revenue or transfers	26,121	8,486	38,252	555,449	628,310	(628,310)	—
Total	3,036,676	388,683	125,905	809,347	4,360,612	(628,310)	3,732,302
Operating income	29,738	2,517	27,908	27,601	87,766	5,592	93,358

Notes: 1. Classification of business segments

Businesses are classified based on the business activities that they carry out within the Aeon Group.

2. Businesses in each segment

(1) The GMS and Other Retail Store Business includes general merchandise stores (GMS), supermarkets, convenience stores, and department stores.

(2) The Specialty Store Business includes specialty stores that sell women's apparel, family casual apparel, health & beauty care products, and footwear.

(3) The Shopping Center Development Business entails the development, leasing, and operation of shopping centers and malls.

(4) The Services and Other Businesses include financial services, amusement services, food services, maintenance services, wholesale, and other activities.

Note: "Elimination/corporate" in the tables above includes figures attributable to Aeon's holding company functions.

Geographic segment information

(March 1, 2010 – November 30, 2010)

(Millions of yen)

	Japan	Asia and other	Total	Elimination/corporate	Consolidated
Operating revenue					
(1) Revenue attributable to customers	3,528,981	203,320	3,732,302	—	3,732,302
(2) Intersegment revenue or transfers	1,754	2,829	4,583	(4,583)	—
Total	3,530,736	206,149	3,736,886	(4,583)	3,732,302
Operating income	75,746	11,101	86,847	6,511	93,358

Notes: Country and geographic segmentation and major countries or regions in each segment

1. Geographic segmentation is based on geographic proximity.

2. Major countries or regions in each segment

Asia and other      China, South Korea, Taiwan, Malaysia, Thailand, Singapore, Indonesia, Vietnam, Australia, U.S.A.

Note: “Elimination/corporate” in the table above includes figures attributable to Aeon’s holding company functions.

*Additional information*

The Talbots Inc. was Aeon’s consolidated subsidiary at the end of the previous fiscal year (February 28, 2010) but ceased to be its consolidated subsidiary from the beginning of the fiscal year ended February 28, 2011, because all remaining Talbots shares held by Aeon (U.S.A.), Inc., also Aeon’s consolidated subsidiary, were sold back to Talbots on April 7, 2010. As a result, North American operations ceased to be a material component of Aeon’s business operations. Consequently, effective the first quarter of the fiscal year ended February 28, 2011, the North America segment was folded into the Asia and other segment. For reference, in the nine months ended November 30, 2010, North American operations produced no operating revenue, while they incurred an operating loss totaling 170 million yen.

Overseas sales

(March 1, 2010 – November 30, 2010)

(Millions of yen)

	Asia and other	Total
I. Overseas revenue	203,320	203,320
II. Consolidated revenue	—	3,732,302
III. Ratio of overseas to total consolidated revenue (%)	5.4	5.4

Notes: 1. Country and geographic segmentation and major countries or regions in each segment

(1) Geographic segmentation is based on geographic proximity.

(2) Major countries in each segment

Asia and other      China, South Korea, Taiwan, Malaysia, Thailand, Singapore, Indonesia, Vietnam, Australia, U.S.A.

2. “Overseas revenues” is the total of sales and other operating revenues by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

*Additional information*

The Talbots Inc. was Aeon’s consolidated subsidiary at the end of the previous fiscal year (February 28, 2010) but ceased to be its consolidated subsidiary from the beginning of the fiscal year ended February 28, 2011, because all remaining Talbots shares held by Aeon (U.S.A.), Inc., also Aeon’s consolidated subsidiary, were sold back to Talbots on April 7, 2010. As a result, operating revenues from North America in the nine months ended November 30, 2010, were nil.

## Segment Information

### 1. Overview of Reportable Segments

Aeon has adopted the “committee system” as its governance model. Under the system, operational supervision and operational execution functions are explicitly divided and allocated to individual directors and executive officers. The system enables swift management decision-making by delegating significant authority to executive officers to enable them to achieve medium- and long-term targets.

Aeon’s reportable segments are components of its operations about which segment-specific financial statements are available. These segments are subject to periodic examinations to enable Aeon’s management to decide how to allocate resources and assess performance.

Led by Aeon, a pure holding company, the Group companies conduct various business operations, including the Group’s core retail store operations, which primarily revolve around general merchandise stores, comprehensive financial services operations, shopping center development operations, and service operations.

The main operations in each reportable segment and other businesses are thus as follows.

The GMS Business includes general merchandise stores (GMS).

The Supermarket Business includes supermarkets (SM).

The Strategic Small-size Store Business includes convenience stores, small-scale supermarkets, and specialty stores that sell packaged lunches and household dishes.

The Financial Service Business includes credit card business.

The Shopping Center Development Business includes development and leasing of shopping centers and malls.

The Service Business includes facilities management services, amusement services, and food services.

The Specialty Store Business includes specialty stores that sell family casual apparel, women’s apparel, and footwear.

The ASEAN Business includes retail stores in the ASEAN region.

The China Business includes retail stores in China.

Other Businesses include discount stores, drugstores, and e-commerce etc.

## 2. Operating Revenue and Income/Loss by Reportable Segment

(March 1, 2011 – November 30, 2011)

(Millions of yen)

	GMS	Supermarket	Strategic Small-size Store	Financial Services	Shopping Center Development	Services
Operating revenue						
(1) Revenue attributable to customers	1,858,064	844,756	159,378	107,056	90,562	149,840
(2) Intersegment revenue or transfers	42,197	1,440	312	17,243	28,939	85,004
Total	1,900,262	846,197	159,691	124,299	119,501	234,845
Segment income (loss)	16,274	9,847	5,527	14,151	27,460	14,070

	Specialty Store	ASEAN	China	Other	Adjustments *1,2	Total*3
Operating revenue						
(1) Revenue attributable to customers	224,794	63,715	76,014	185,709	(11,596)	3,748,296
(2) Intersegment revenue or transfers	5,320	64	123	3,344	(183,991)	—
Total	230,115	63,779	76,138	189,054	(195,588)	3,748,296
Segment income (loss)	2,566	4,389	1,520	(1,155)	7,166	101,818

Note: 1. Main components of the minus 11,596 million yen in adjustments for revenue attributable to customers are (a) minus 90,999 million yen in adjustments to transactions reported in the segment information inclusive of consumption tax but reported in the consolidated financial statements exclusive of consumption tax and (b) 79,252 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

2. Main components of the 7,166 million yen in adjustments for segment income (loss) are (a) 4,378 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) 6,674 million yen in income of the Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and (c) minus 2,455 million yen in intersegment transaction eliminations.

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

### *Additional information*

Effective the first quarter of the fiscal year ending February 29, 2012, Aeon adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009) and its associated *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Guidance No. 20, March 21, 2008).

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

Not applicable