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Financial Results for the Six Months Ended August 20, 2008

October 8, 2008

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(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended August 20, 2008

(February 21, 2008 to August 20, 2008)

(Percentage figures represent year-on-year changes)

(1) Operating Results

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 20, 2008	2,606,925	3.2	58,661	(13.4)	59,759	(20.4)	(16,014)	-
Six months ended August 20, 2007	2,525,154	7.7	67,761	(17.7)	75,028	(10.9)	23,807	2.8
Year ended February 20, 2008	5,167,366	-	156,040	-	166,326	-	43,932	-

	Net income per share	Net income per share – fully diluted
	yen	yen
Six months ended August 20, 2008	(20.93)	-
Six months ended August 20, 2007	29.77	29.77
Year ended February 20, 2008	55.75	55.75

Note: Investment gains or losses under the equity method:

Six months ended August 20, 2008:	(5,001) million yen
Six months ended August 20, 2007:	1,035 million yen
Year ended February 20, 2008:	(548) million yen

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended August 20, 2008	3,708,102	1,145,616	22.7	1,101.19
Six months ended August 20, 2007	3,602,555	1,218,324	25.6	1,153.27
Year ended February 20, 2008	3,591,406	1,167,477	24.2	1,136.73

Note: Shareholders' equity:

Six months ended August 20, 2008:	842,544 million yen
Six months ended August 20, 2007:	922,391 million yen
Year ended February 20, 2008:	869,746 million yen

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Six months ended August 20, 2008	113,671	(164,647)	71,086	177,944
Six months ended August 20, 2007	106,826	(161,016)	(80,801)	248,140
Year ended February 20, 2008	200,050	(291,283)	(141,266)	159,744

2. Dividends

(Record date)	Dividend per share		
	End of the six months	End of the year	Full year
Year ended February 20, 2008	yen -	yen 17.00	yen 17.00
Year ended February 28, 2009 (actual)	-		17.00
Year ended February 28, 2009 (forecast)		17.00	

3. Forecast of Consolidated Earnings for the Year Ending February 28, 2009

(February 21, 2008 to February 28, 2009)

	Operating revenue	Operating income	Ordinary income	Net income	Net income per share
	million yen	million yen	million yen	million yen	yen
Full year	Over 5,400,000	165,000 to 175,000	165,000 to 175,000	11,000 to 15,000	14 to 19

A change in fiscal year date (closing date) was approved at the 83rd general shareholders' meeting held on May 15, 2008.

4. Other Information

- (1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation): None
 (2) Changes in accounting principles, procedures, and methods of disclosure used to prepare the interim financial statements:

- 1) Changes in accordance with revisions to accounting standards: Yes
 2) Changes other than the above: None

- (3) Number of outstanding shares at period-end (common stock)

- 1) Number of shares issued at period-end (including treasury stock)
 Six months ended August 20, 2008: 800,446,214 shares
 Six months ended August 20, 2007: 800,446,214 shares
 Year ended February 20, 2008: 800,446,214 shares
- 2) Number of shares of treasury stock
 Six months ended August 20, 2008: 35,322,652 shares
 Six months ended August 20, 2007: 637,869 shares
 Year ended February 20, 2008: 35,312,828 shares

Reference: Overview of Financial Results on a Non-Consolidated Basis

1. Non-Consolidated Financial Results for the Six Months Ended August 20, 2008

(February 21, 2008 to August 20, 2008)

(Percentage figures represent year-on-year changes)

(1) Operating Results

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 20, 2008	1,030,800	3.0	5,125	(41.5)	16,435	(10.5)	2,905	(78.7)
Six months ended August 20, 2007	1,001,195	5.3	8,754	1.6	18,367	20.9	13,616	2.7
Year ended February 20, 2008	2,068,712	-	31,718	-	49,534	-	2,821	-

	Net income per share
	yen
Six months ended August 20, 2008	3.80
Six months ended August 20, 2007	17.03
Year ended February 20, 2008	3.58

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended August 20, 2008	1,591,059	543,810	34.1	709.99
Six months ended August 20, 2007	1,399,565	630,504	45.0	787.70
Year ended February 20, 2008	1,340,546	552,526	41.2	721.51

Note: Shareholders' equity:

Six months ended August 20, 2008:	543,285 million yen
Six months ended August 20, 2007:	630,076 million yen
Year ended February 20, 2008:	552,098 million yen

The above forecasts 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 a review of the results of operations and earnings forecasts, see page 5 onwards.

Results of Operations

Review of Consolidated Operating Results

Consolidated operating revenue for Aeon Co., Ltd., and its 149 consolidated subsidiaries rose 3.2% compared to the interim period last year to 2,606,925 million yen. Group operating income fell 13.4% to 58,661 million yen. Consolidated ordinary income, including that from the 29 affiliates accounted for under the equity method, fell 20.4% to 59,759 million yen. As a result, Aeon recorded a consolidated net loss for the interim period under review of 16,014 million yen.

This was the twelfth consecutive year of record-high operating revenue since the company began producing consolidated interim results. However, Aeon suffered a decline in consolidated operating income amid weak consumption as it was unable to respond adequately to customers' sudden shift toward thriftiness, which weighed down the profits of Aeon Co., Ltd., Mycal Corporation, and other general merchandise store (GMS) operations in Japan.

The net loss of 16,014 million yen for the interim period under review was partly due to the impact of changes to accounting procedures (changes to tax-effect accounting procedures) as well as the recording of impairment losses and a provision for store closing expenses under extraordinary losses.

Scrap and Build

Aeon continued its scrap-and-build efforts during the interim period under review, opening 4 mall-type shopping centers, and by store format, opening 5 GMSs, 45 supermarkets, and 3 supercenters. It also shut down a total of 35 stores in Japan (no overseas stores were closed during the interim period under review), including 9 GMSs, 22 supermarkets, and other facilities.

Pursuing Group Synergies

The three functional companies launched last fiscal year—Aeon TOPVALU Co., Ltd., Aeon Global Merchandising Co., Ltd., and Aeon Global SCM Co., Ltd.—took over products, logistics centers, and other assets spun off from Aeon Co., Ltd. With this transfer, the Group's management resources and know-how will be concentrated in each of these functional companies, and the Group has moved into full swing with efforts to pursue cross-business product development, further improve procurement efficiency, and take advantage of economies of scale to reduce costs with the aim of boosting the price competitiveness and earnings potential of all Aeon Group companies.

Aeon TOPVALU Co., Ltd., pursued both new product develop and existing product renewal efforts for the TOPVALU brand, Aeon's private brand, that incorporated customer feedback. Group companies that already sell TOPVALU expanded their range of TOPVALU items. Further, The Daiei, Inc., began selling TOPVALU products, and The Maruetsu, Inc., Kohyo Co., Ltd., and CFS Corporation also began selling the products at some of their stores with a view to a full-scale rollout during the second half of the fiscal year. The Group also launched sales of TOPVALU home electronics, the first in a range of products being jointly developed with Sanyo Electric Co., Ltd. Surging fuel and raw materials prices have driven prices on foods and everyday items higher. The increase in TOPVALU sales is proof of customer support for the brand, through which Aeon provides affordable day-to-day items backed by product safety assured by strict quality-control standards. Sales of TOPVALU products rose 38.0% compared to the interim period last year to 168.3 billion yen.

With regard to national brands as well, Aeon continued to offer quality products at special low prices through the utilization of the product-demand aggregation and procurement functions of Aeon Global Merchandising Co., Ltd., and the group supply chain management capabilities and logistics network of Aeon Global SCM Co., Ltd.

Capital and Business Partnerships

Aeon Co., Ltd., and CFS Corporation signed a capital and business partnership agreement to further strengthen cooperation between the two companies and to advance a range of measures aimed at boosting the corporate value of CFS Corporation.

Aeon Co., Ltd., signed a basic capital and business partnership agreement with Shimizu Drug Co., Ltd., which operates 51 drug stores and dispensing pharmacies located mainly in Kyoto city, Kyoto prefecture. The two companies will engage in joint product purchasing and the joint procurement of materials and other items, and Shimizu Drug Co., Ltd., will participate in Aeon Welcia Stores. These initiatives will enhance the sales efforts of both companies and facilitate the development of stores apt to garner customer support.

Group Reorganization

As part of efforts to restructure the Group's supermarket businesses, Maxvalu Hokkaido Co., Ltd., and Joy Co., Ltd. (consolidated subsidiaries of Aeon Co., Ltd.) were merged, with Maxvalu Hokkaido Co., Ltd., as the surviving entity. Aeon Co., Ltd., also transferred 15 supermarkets in the Keihanshin area to Kohyo Co., Ltd., a consolidated subsidiary of Aeon Co., Ltd., through a demerger.

Maxvalu Tokai Co., Ltd., acquired all shares of Season Select Co., Ltd.—which operates 14 supermarkets located mainly in Hamamatsu city, Shizuoka prefecture—from Eco's Co., Ltd., making the company a consolidated subsidiary. The two companies will build complementary relationships in merchandising and store operations, work to streamline logistics systems, and engage in other initiatives to boost competitiveness. By September 11, 2008, renovation and renewal efforts were in progress at all 14 Season Select stores, and all stores had been renamed Maxvalu.

Equity-method affiliate Tsuruya Shoe Store Co., Ltd., and consolidated subsidiary Nustep Co., Ltd., signed an agreement to merge on February 21, 2009 (tentative) with Tsuruya Shoe Store Co., Ltd., as the surviving entity. Further, Aeon Co., Ltd., Tsuruya Shoe Store Co., Ltd., and Nustep Co., Ltd., have signed a basic agreement to make the surviving entity a consolidated subsidiary of Aeon Co., Ltd., immediately after the merger. Aeon aims to achieve further growth by boosting competitiveness in the footwear business and utilizing economies of scale to reduce procurement costs while pursuing product development based on the SPA* method.

As part of Aeon's pursuit of group synergies and corporate reform efforts aimed at boosting the competitiveness of GMS operations, the operation of footwear departments at Jusco currently run by Aeon Co., Ltd., has also been transferred to Nustep Co., Ltd. This will enable the creation of appealing footwear departments that utilize the specialized knowledge and know-how of the two merging companies.

*SPA: Specialty store retailer of Private-label Apparel. SPA involves the integration of all processes along the retail value chain; from purchasing, planning, and development to manufacturing, distribution, inventory management, and sales.

New Infrastructure Services

Aeon has expanded coverage for its WAON e-money service. Around 5.60 million cards have been issued, and the service has expanded nationwide since March 2008, with WAON now accepted at a total of around 26,000 stores (as at August 31, 2008). The total monthly WAON transaction volume for August (August 1 – 31) was around 16.0 billion yen (around 10.2 million transactions at an average of around 1,600 yen per transaction).

Aeon Co., Ltd., has pledged its support for the Shimane Ubiquitous Project, a regional revitalization project undertaken through collaboration between industry, academia, government, and the public, and has reached a basic agreement on the issuance of Ai-pocket WAON cards, which incorporate WAON functionality into the Ai-pocket cards issued by Media Scope Co., Ltd., to encourage contributions to the local community

and the environment. Aeon began issuing the Ai-pocket WAON cards at Aeon stores (Jusco, Saty) and other locations in Shimane prefecture from October 4, 2008.

New Businesses

Aeon established a new company, AT Japan Co., Ltd., to import and sell Andrew's Ties brand products in Japan. Andrew's Ties is a network of necktie shops operated by Italian company Zadi International s.r.l.

Businesses in China

Qingdao Aeon Dongtai Co., Ltd., opened Aeon Yantai Shopping Center in Yantai city, Shandong province, China. This is the first mall-type shopping center to be opened in Yantai city. Beijing Aeon Co., Ltd., plans to open Beijing's first mall-type shopping center, the Aeon Beijing International Mall Shopping Center, during the second half of the fiscal year. Aeon will continue such efforts to further expand its network of stores in North China.

Segment Information

GMS and Other Retail Store Operations

GMS Operations

Aeon continued resolutely with a scrap-and-build strategy tuned to changes in economic conditions and conditions in store locations. During the interim period under review, it opened 4 new GMS stores in Japan and shut down 9. As a result, Aeon had 564 GMSs in operation in Japan at the end of the interim period under review.

On a non-consolidated basis, the parent company, Aeon Co., Ltd., saw comparable store sales slip 0.1% compared to the interim period last year as consumers became increasingly cautious in their spending due to uncertainty regarding the economic outlook caused by surging raw materials and crude oil prices. Although gross margins on clothing were below last fiscal year's level, gross margins on food, housing and recreational products improved, which saw the total gross margin for directly operated stores remain at a level comparable to that for the interim period last year. A contributing factor was 1.7% growth in food sales at comparable stores compared to the interim period last year, attributable to support from price-conscious customers for TOPVALU, Aeon's private brand, and for other products offered at special low prices made possible by the efforts of the Group's functional companies. Selling, general and administrative expenses at comparable stores fell 0.4% compared to the interim period last year. As a result, Aeon Co., Ltd., posted operating revenue of 1,030.8 billion yen, representing growth of 3.0% compared to the interim period last year, but operating income slipped to 41.5% to 5,125 million yen. In summary, sales of food held firm despite the weak consumption environment, but sales of and gross margins on clothing fell short of expectations, and the Group also recorded expenses such as those associated with the new e-money services business, which went nationwide from March.

Mycal Corporation saw comparable store sales edge up 0.2% compared to the interim period last year due to factors such as an expansion of TOPVALU sales and the development of sales floors that meet customer needs. Mycal Corporation posted lower revenue and earnings, however, owing to factors that included a decline in sales and a rise in expenses due to the renovation of large stores and changes to store formats.

Operating revenues for the domestic general merchandise store business of Aeon subsidiaries grew 4.9% compared to the interim period last year to 1,654,180 million yen, while operating income was weighed down heavily by the declines in earnings mainly at Aeon Co., Ltd., and Mycal Corporation, ending 87.6% lower at 1,218 million yen as a result.

Supermarket Operations

In its domestic supermarket operations, Aeon launched 45 new stores and closed down 22 to finish the interim period with a total of 1,201 supermarkets in operation.

Supermarket operating Group firms in Japan strived to enhance competitiveness by working to increase sales of TOPVALU products, utilizing the demand-aggregation functions of national brands, and streamlining sales floor operations. They also further boosted localization efforts, offering product lineups that meet regional needs and promoting local consumption of locally grown foods, while pursuing a range of environmental initiatives such as reviewing how checkout bags are distributed and installing equipment that reduces environmental burdens.

Maxvalu Tohoku Co., Ltd., and Maxvalu Hokkaido Co., Ltd., were affected by a weakening of regional economies and experienced a decline in earnings, but Maxvalu Nishinohon Co., Ltd., posted increases in both revenues and earnings. As a whole, domestic supermarket operations produced operating revenues of 387,761 million yen, an increase of 13.7% from the interim period last year, and operating income of 8,280 million yen, an increase of 0.4%.

In Japan, Ministop Co., Ltd., worked to raise profitability by placing more stringent criteria on the opening of new stores and relocating existing stores to prime locations, and also actively developed and boosted sales of original items in the box lunch and prepared foods category, and the sweet pastries and desserts category. The introduction of Taspo, an age-verification integrated-circuit card (ICC), during the interim period under review also had a favorable effect, and comparable store sales grew 2.9%. The company also upgraded store systems and invested in systems related to e-money services in line with plans, so that overall it achieved growth in revenues but saw earnings decline. Overseas, Ministop Korea Co., Ltd., which now operates 1,047 stores (as at August 31, 2008), enjoyed strong business that drove growth in both revenues and earnings in local currency terms. However, foreign exchange effects meant that Ministop Co., Ltd., saw both revenues and earnings decline on a consolidated basis.

GMS and Other Retail Operations in China and the rest of Asia

Qingdao Aeon Dongtai Co., Ltd., opened 1 new GMS, bringing the total number of stores operated by Aeon Group companies in China and the rest of Asia outside of Japan to 72. Overall, these companies produced operating revenues of 103,490 million yen, an increase of 4.3% from the interim period last year, and operating income of 5,077 million yen, an increase of 24.3%.

In China, Aeon Group companies continued to enjoy growth due to the properly planned arrangement of sales floors—made possible by the improved store-management skills of local employees—appropriate responses to local community events, and other factors.

Operating revenues from operations in China as a whole fell slightly to 47,938 million yen, a 0.3% decline, due to the ongoing full renovation of the flagship store of Aeon Stores (Hong Kong) Co., Ltd., and foreign exchange translation effects, but the company again enjoyed significant growth in earnings with operating income from Chinese operations rising 26.0% to 2,796 million yen.

In Malaysia, Aeon Co. (M) Bhd. enjoyed profit and revenue growth. In addition to renewing shopping centers, the company focused on product management for the best selling products at its directly operated stores and enhanced its products and services lineup in major categories.

Specialty Store Operations

Of Aeon's overseas specialty stores, U.S. firm The Talbots, Inc., saw revenues and earnings decline as comparable store sales slipped 10.9% amid an extremely weak consumption environment. With its new management team, Talbots pursued new product development during the interim period under review while reducing inventories and reviewing its sales and discount policies. The company also made significant progress with business restructuring plans, closing 43 stores in its kid's and men's clothing and U.K. operations, from which it plans to completely withdraw from during the third quarter.

Of Aeon's domestic specialty stores, Mega Petro Co., Ltd., enjoyed revenue and earnings growth. The company capitalized on the advantages of being a shopping-center-based operator by pursuing joint sales promotion efforts with shopping centers, and also revitalized its existing gas stations. But the effects of

weakening consumption were felt by clothing specialty shop operator Blue Grass Co., Ltd., where sales of mainstay products were poor and the discounting of seasonal goods increased. As a result, the company experienced lower revenues and earnings.

Shopping Center Development Operations

Aeon Mall Co., Ltd., actively renewed and increased floor space at existing shopping centers and introduced specialty stores with strong customer draw to boost competitiveness. Due to the merger with Diamond City Co., Ltd., last fiscal year (on August 21, 2007), contributions from stores opened last fiscal year, and other factors, the company achieved growth in both revenue and earnings.

Equity-method affiliate Loc Development Co., Ltd., opened 4 new shopping centers to bring the total number of centers operated to 42 at the end of the interim period under review.

Service and Other Operations

Aeon Delight Co., Ltd., in addition to handling facilities management at new Aeon stores, continued to grow contract numbers in a wide range of areas, such as non-Aeon Group commercial facilities, hotels, and offices. The contribution from service contracts acquired last fiscal year for stores of The Daiei, Inc., efforts to consolidate subcontract counterparties, and a review of the profitability of existing contracts also helped the company produce growth in both revenues and earnings.

Certo Corporation also enjoyed revenue and earnings growth. The company undertook an internal reorganization and utilized regionally focused sales strategies to acquire non-Aeon Group clients in the materials sector.

Aeon Fantasy Co., Ltd., enjoyed revenue growth but suffered an earnings decline. The company revitalized existing stores operated within its amusement facilities business and trialed new business formats that offer attractions utilizing digital technology. The 14 new stores contributed to sales, but customer numbers dropped off sharply amid the weakening consumption environment, and comparable store sales slipped 4.8% compared to the interim period last year.

Aeon Credit Service Co., Ltd., saw credit card transaction volume increase steadily as newly launched alliance cards resulted in increased cardholder sign-ups in Japan, and due to efforts such as the development of affiliate stores in the public charges and utilities segment and joint projects with partner companies. In the banking services agency business, the company utilized its sales network and expertise in acquiring new customers to expand the number of new accounts opened at Aeon Bank, Ltd. As a result of the company's concentrated efforts since last fiscal year, over 80% of the balance of outstanding loans are now subject to new interest rates that were set in response to the lowering of the interest-rate cap due to the enforcement of the revised Money Lending Act. The volume of revolving and installment-plan transactions also rose 23% compared to the interim period last year. Overseas operations grew smoothly on the back of increased credit card shopping transaction volume, driven by sales promotions at Aeon stores, an increase in policies in force issued under the company's insurance agency activities as a result of stronger consultation-based and telemarketing sales efforts, and other factors. Foreign exchange translation effects on overseas business and other factors saw revenue and earnings at Aeon Credit Service Co., Ltd., decline on a consolidated basis, although they exceeded initial expectations.

Full-Year Outlook

For the full year ending February 28, 2009, Aeon expects consolidated revenues to exceed 5,400,000 million yen, consolidated operating income to be between 165,000 and 175,000 million yen, consolidated ordinary income of between 165,000 and 175,000 million yen, and consolidated net income to total between 11,000 and 15,000 million yen.

Aeon discloses earnings forecasts in the form of ranges (instead of as a single figure) that take into consideration variables such as weather conditions and economic trends. The Group hopes to improve

disclosure by presenting the relevant views and assumptions employed in producing forecasts, and enhancing monthly and quarterly forecasts. The Group will also disclose, as early as possible, any news concerning earnings results.

We believe that consolidated figures represent a true picture of Aeon as a whole, and we therefore release forecasts of consolidated earnings only and not of non-consolidated earnings.

As consumers become increasingly cautious in their spending and weak consumption levels persist, Aeon will work to boost earnings potential by mobilizing its three functional companies to reduce costs.

In particular, Aeon will focus heavily on increasing clothing sales under its private brand TOPVALU in a bid to boost profitability in its GMS and other retail store operations, which constitute the core of the Group's earnings.

Aeon will work to reform its GMS operations through efforts to strengthen collaboration between Group companies, utilize its unique operating platform, which covers a range of activities from product sales through to financing, and restructure its specialty store and other operations.

All Group companies will actively pursue initiatives to cut personnel and facilities expenses and other selling, general and administrative expenses while also working to improve cash flow by securitizing real estate such as store assets, something that Aeon has done successfully many times in the past, and reducing interest-bearing debt.

Aeon Retail Co., Ltd., which took over retail and other operating divisions from Aeon Co., Ltd., implemented structural reforms effective September 13, 2008, in a bid to further ensure the success of efforts to reform the earnings structure of GMS operations. In addition to revising operations in an effort to integrate and streamline functions, the company will also implement initiatives to strengthen sales efforts, such as the assignment of around 600 staff to stores.

Aeon Credit Service Co., Ltd., will work to overhaul its earnings structure. The company will boost the competitiveness of its credit card business by stepping up efforts to increase alliance card sign-ups in a bid to open up new customer segments and increasing credit card shopping transaction volumes under revolving payment plans. It will also continue making solid efforts in new businesses such as its e-money business, banking services agency activities, and payment acceptance services for affiliate stores. In overseas businesses, the company will strengthen its credit card services as well as related services, such as its insurance agency and loan servicing activities. It will also work to establish an operating base in Vietnam as quickly as possible following its recent entry into that market.

Aeon Mall Co., Ltd., will open 4 new shopping centers, including Aeon LakeTown, which was established in conjunction with Aeon Retail Co., Ltd., as a commercial hub in Koshigaya Laketown, an innovative, eco-focused urban development project being developed in Koshigaya city, Saitama prefecture, by the Urban Renaissance Agency. Aeon Mall Co., Ltd., also plans to increase sales space and renovate 3 of its existing shopping centers to boost competitiveness in this area.

In Japan, Aeon plans to open 7 GMSs and 1 supercenter during the second half of the fiscal year.

In its domestic supermarket operations, Aeon plans to open 31 stores during the second half of the fiscal year, with the majority of those to be opened by the Group's Maxvalu companies.

In China, Aeon will combine Group strengths to open the Aeon Beijing International Mall Shopping Center, which will be the first mall-type shopping center in the city of Beijing. Including this shopping center, overall Aeon plans to open 6 GMSs, 1 supermarket, and 1 other facility in China and the rest of Asia outside of Japan.

Transition to a Pure Holding Company Structure

In accordance with a resolution passed at the annual shareholders' meeting held on May 15, 2008, Aeon Co., Ltd., divested its retail and other operating divisions, transferring them to wholly owned subsidiary Aeon Retail Co., Ltd., and became a pure holding company as of August 21, 2008. Through this change, the company aims to raise the corporate value of the entire Aeon Group by building a new growth model for the group, restructuring its business, and further strengthening efforts to concentrate and decentralize. As a pure holding company, Aeon Co., Ltd., will work to maximize group synergies by devising group strategies, optimally allocating Group management resources, ensuring awareness of and adherence to Aeon's corporate philosophy and fundamental principles, and providing shared services. At the same time, Aeon Retail Co., Ltd., and other Group operating companies will build new levels of expertise, strengthen management interaction with local communities, and strive for increased customer satisfaction.

As a pure holding company, Aeon Co., Ltd., will maintain its stock market listing and its committee-style corporate governance system, which entails maintaining three committees—the Audit, Nomination, and Compensation Committees—each filled by a majority of outside directors, to ensure management transparency across the entire Group. Aeon will also step up its approach to managing each of its businesses individually, which will involve assigning CEOs to each of Aeon's 11 business segments.

Consolidated Financial Condition

Liabilities and Assets at Interim Period End

Assets

Total consolidated assets at the end of the interim period under review totaled 3,708,102 million yen, an increase of 116,695 million yen from the end of the previous fiscal year. The increase was mainly due to a 48,514 million yen increase in trade notes and accounts receivable, attributable to a rise in receivables in conjunction with an expansion of financial subsidiaries' operations, and a 61,408 million yen increase in fixed assets in conjunction with the opening of new stores.

Liabilities

Consolidated liabilities were up 138,556 million yen from the end of the previous fiscal year to 2,562,486 million yen. The increase was mainly due to an 89,690 million yen increase in short-term borrowings and other interest-bearing debt and a 41,206 million yen increase in trade notes and accounts payable.

Consolidated Interim Cash Flows

Cash and cash equivalents

Cash and cash equivalents amounted to 177,944 million yen at the end of the interim period under review, an increase of 18,199 million yen from the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was 113,671 million yen, 6,844 million yen higher than in the interim period last year. The increase compared to the previous interim period was mainly due to higher figures for the "increase in notes and accounts payable-trade" and "other assets and liabilities" items of the cash flows statement, which were partly offset by a higher figure for the "increase in notes and accounts receivable-trade" item.

Cash flow from investing activities

Net cash used in investing activities was 164,647 million yen, an increase of 3,630 million yen compared to the interim period last year. This was mainly due to an increase in outlays for the purchase of property, buildings and equipment, which was partly offset by a decrease in outlays for the purchase of investment securities.

Cash flow from financing activities

Net cash provided by financing activities was 71,086 million yen, an increase of 151,887 million yen compared to the interim period last year. This was mainly due to an increase in proceeds from long-term debt and a greater net increase in short-term borrowings and commercial paper.

Dividend Policy and Dividends for the Fiscal Year Ending February 28, 2009

Basic Medium- to Long-Term Policy

Aeon Co., Ltd., considers it crucial to maintain the best balance between paying dividends and improving corporate value through medium- to long-term growth. It believes in returning profits to shareholders, whom it considers partners in business management.

Dividends

Aeon Co., Ltd., provides dividends based on consolidated earnings results with a view to rewarding shareholders appropriately for their support. Specifically, the company has set a target dividend payout ratio of 15% or more, setting a lower limit of 15 yen per share on annual dividends. The group will work to return profits to shareholders even more in line with earnings growth.

Use of retained earnings

Retained earnings are essential for funding investments in future growth. Aeon Co., Ltd., strives to meet shareholder expectations by improving corporate value through medium- to long-term growth.

Dividend Forecast for the Fiscal Year Ending February 28, 2009

Aeon Co., Ltd., does not pay interim dividends. But given the Group's performance outlook for the current fiscal term and based on its basic policy, Aeon plans to pay an annual dividend of 17 yen per share of common stock to reward shareholders for their support.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of August 20, 2008		As of August 20, 2007		As of February 20, 2008	
	Amount	%	Amount	%	Amount	%
Assets						
I Current assets						
1. Cash and time deposits	192,327		261,590		175,274	
2. Notes and accounts receivable-trade	405,632		345,043		357,118	
3. Marketable securities	5,265		7,052		7,282	
4. Merchandise inventories	334,183		328,055		346,682	
5. Deferred tax assets	40,703		36,234		37,432	
6. Financial loan	498,060		515,451		503,814	
7. Other	140,979		119,938		131,527	
Allowance for doubtful accounts	(55,491)		(47,167)		(49,201)	
Total current assets	1,561,662	42.1	1,566,198	43.5	1,509,930	42.1
II Fixed assets						
1. Property, buildings and equipment						
1) Buildings and structures	832,583		757,636		786,075	
2) Furniture and fixtures	121,580		118,759		120,347	
3) Land	328,101		300,175		316,649	
4) Construction in progress	34,031		28,183		33,172	
5) Other	3,816		1,593		2,459	
Total property, buildings and equipment	1,320,113	35.6	1,206,347	33.5	1,258,705	35.0
2. Intangible fixed assets						
1) Goodwill	85,910		85,786		82,651	
2) Software	29,116		31,429		28,324	
3) Other	30,720		31,919		28,073	
Total intangible fixed assets	145,747	3.9	149,135	4.1	139,049	3.9
3. Investments and other assets						
1) Investment securities	215,225		205,564		210,633	
2) Deferred tax assets	42,861		52,351		52,006	
3) Fixed leasehold deposits to lessors	353,312		357,910		355,156	
4) Deposits for stores in progress	4,310		4,755		4,433	
5) Other	82,863		82,840		79,015	
Allowance for doubtful accounts	(18,459)		(23,413)		(18,189)	
Total investments and other assets	680,113	18.4	680,008	18.9	683,056	19.0
Total fixed assets	2,145,974	57.9	2,035,491	56.5	2,080,810	57.9
III Deferred assets	466	0.0	864	0.0	665	0.0
Total assets	3,708,102	100.0	3,602,555	100.0	3,591,406	100.0

	As of August 20, 2008		As of August 20, 2007		As of February 20, 2008	
	Amount	%	Amount	%	Amount	%
Liabilities						
I Current liabilities						
1. Notes and accounts payable-trade	611,096		559,847		569,889	
2. Short-term borrowings	138,763		109,341		106,363	
3. Current portion of long-term debt	147,880		147,756		156,188	
4. Bonds due within one year	31,662		20,199		25,410	
5. Commercial paper	43,000		3,000		3,000	
6. Income taxes payable	27,818		32,753		38,006	
7. Provision for bonuses	16,717		16,406		17,216	
8. Provision for store closing expenses	6,335		4,832		7,791	
9. Allowance for point program	8,119		5,118		5,272	
10. Current portion of secured and unsecured obligations under reorganization proceedings of subsidiaries	1,903		1,910		1,904	
11. Notes payable, construction	85,289		75,136		102,251	
12. Current period impairment loss on leased assets	1,354		2,217		1,405	
13. Other	331,384		305,477		299,059	
Total current liabilities	1,451,324	39.1	1,283,996	35.7	1,333,760	37.1
II Long-term liabilities						
1. Bonds	186,770		203,065		202,186	
2. Long-term debt	582,880		545,656		548,118	
3. Deferred tax liabilities	8,107		13,251		6,983	
4. Liability for employees' retirement benefits	47,980		49,176		46,830	
5. Liability for directors' retirement benefits	1,104		777		1,387	
6. Provision for store closing expenses	9,053		13,648		9,869	
7. Provision for contingent liabilities	1,493		1,913		1,505	
8. Allowance for loss on refund of interest received	8,089		6,997		8,540	
9. Allowance for loss on redemption of gift coupons	2,044		-		-	
10. Secured and unsecured obligations under reorganization proceedings of subsidiaries	9,703		11,758		9,845	
11. Lease deposits from lessees	222,311		216,644		221,468	
12. Impairment loss on leased assets	2,680		5,129		2,789	
13. Other	28,941		32,215		30,644	
Total long-term liabilities	1,111,161	30.0	1,100,234	30.5	1,090,169	30.4
Total liabilities	2,562,486	69.1	2,384,231	66.2	2,423,929	67.5
Net assets						
I Shareholders' equity						
1. Common stock	199,054	5.4	199,054	5.5	199,054	5.5
2. Capital surplus	264,967	7.1	264,968	7.3	264,968	7.4
3. Retained earnings	424,543	11.4	431,930	12.0	453,399	12.6
4. Treasury stock	(61,524)	(1.6)	(855)	(0.0)	(61,515)	(1.7)
Total shareholders' equity	827,041	22.3	895,096	24.8	855,906	23.8

	As of August 20, 2008		As of August 20, 2007		As of February 20, 2008	
	Amount	%	Amount	%	Amount	%
II Valuation and translation adjustments						
1. Unrealized gain on available-for-sale securities	16,781	0.4	21,281	0.6	14,977	0.4
2. Deferred gain (loss) on derivatives under hedge accounting	(292)	(0.0)	(464)	(0.0)	(916)	(0.0)
3. Foreign currency translation adjustments	(985)	(0.0)	6,477	0.2	(220)	(0.0)
Total valuation and translation adjustments	15,502	0.4	27,294	0.8	13,839	0.4
III Stock acquisition rights	785	0.0	427	0.0	427	0.0
IV Minority interests	302,285	8.2	295,504	8.2	297,302	8.3
Total net assets	1,145,616	30.9	1,218,324	33.8	1,167,477	32.5
Total net assets and liabilities	3,708,102	100.0	3,602,555	100.0	3,591,406	100.0

Consolidated Statements of Income

(Millions of yen)

Six months ended
August 20, 2008

Six months ended August
20, 2007

Year ended February 20,
2008

	Six months ended August 20, 2008		Six months ended August 20, 2007		Year ended February 20, 2008	
	Amount	%	Amount	%	Amount	%
I Net sales	2,349,578	100.0	2,271,122	100.0	4,650,088	100.0
II Cost of sales	1,680,168	71.5	1,615,250	71.1	3,313,381	71.3
Gross profit on sales	669,409	28.5	655,872	28.9	1,336,707	28.7
III Other revenues	257,346	10.9	254,031	11.2	517,277	11.2
Gross profit from operations	926,756	39.4	909,903	40.1	1,853,985	39.9
IV Selling, general and administrative expenses	868,094	36.9	842,142	37.1	1,697,944	36.5
Operating income	58,661	2.5	67,761	3.0	156,040	3.4
V Other income						
1. Interest income	1,686		2,090		4,110	
2. Dividend income	836		1,021		1,351	
3. Amortization of negative goodwill	5,753		5,612		11,226	
4. Equity in gains of associated companies	-		1,035		-	
5. Penalty income from leaving tenants	1,943		1,089		2,293	
6. Other	4,949	15,168	5,321	16,170	9,504	28,486
Ordinary income	59,759	2.5	75,028	3.3	166,326	3.6
VI Other expenses						
1. Interest expense	5,851		6,377		12,774	
2. Equity in losses of associated companies	5,001		-		548	
3. Other	3,218	14,071	2,525	8,902	4,877	18,200
Ordinary income	59,759	2.5	75,028	3.3	166,326	3.6
VII Extraordinary gains						
1. Gain on sale of property, buildings and equipment	212		564		4,979	
2. Gain on sale of investment securities	7,230		3,627		8,647	
3. Gain on reversal of allowance for doubtful accounts	303		3,842		3,751	
4. Gain on early termination of long-term contracts	1,994		-		3,770	
5. Other	5,855	15,596	3,565	11,599	19,909	41,058
Ordinary income	59,759	2.5	75,028	3.3	166,326	3.6
VIII Extraordinary losses						
1. Loss on disposal of property, buildings and equipment	1,788		1,216		4,452	
2. Impairment loss	17,369		16,946		46,339	
3. Provision of allowance for doubtful accounts	7,661		-		356	
4. Provision for store closing expenses	2,710		3,233		3,051	
5. Other	10,698	40,229	5,510	26,906	28,610	82,810
Ordinary income	59,759	2.5	75,028	3.3	166,326	3.6
Income before income taxes and minority interests	35,126	1.5	59,721	2.6	124,575	2.7
Income taxes						
Current	29,499		29,750		63,249	
Deferred	8,352	37,852	(9,833)	19,917	(6,638)	56,611
Ordinary income	37,852	1.6	19,917	0.9	56,611	1.3
Minority interests	13,289	0.6	15,996	0.7	24,031	0.5
Net income	(16,014)	(0.7)	23,807	1.0	43,932	0.9

Consolidated Statements of Changes in Shareholders' Equity

Six months ended August 20, 2008 (February 21, 2008, to August 20, 2008)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of February 20, 2008	199,054	264,968	453,399	(61,515)	855,906
Changes during period					
Cash dividends			(13,008)		(13,008)
Net income (loss)			(16,014)		(16,014)
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		0		1	1
Increase in retained earnings due to adoption of US accounting standards by subsidiaries in the US			167		167
Net change in items other than shareholders' equity during period					
Total changes during period	-	0	(28,855)	(9)	(28,865)
Balance as of August 20, 2008	199,054	264,967	424,543	(61,524)	827,041

	Valuation and translation adjustments						
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance as of February 20, 2008	14,977	(916)	(220)	13,839	427	297,302	1,167,477
Changes during period							
Cash dividends							(13,008)
Net income (loss)							(16,014)
Purchase of treasury stock							(10)
Disposal of treasury stock							1
Increase in retained earnings due to adoption of US accounting standards by subsidiaries in the US							167
Net change in items other than shareholders' equity during period	1,804	623	(765)	1,663	357	4,982	7,003
Total changes during period	1,804	623	(765)	1,663	357	4,982	(21,861)
Balance as of August 20, 2008	16,781	(292)	(985)	15,502	785	302,285	1,145,616

Consolidated Statements of Cash Flows

		(Millions of yen)		
		Six months ended August 20, 2008	Six months ended August 20, 2007	Year ended February 20, 2008
		Amount	Amount	Amount
I	Cash flows from operating activities			
	Income before income taxes and minority interests	35,126	59,721	124,575
	Depreciation and amortization	68,727	67,550	134,457
	Amortization of goodwill	4,206	4,232	8,346
	Amortization of negative goodwill	(5,753)	(5,612)	(11,226)
	Increase in allowance for doubtful accounts	25,309	18,651	40,257
	Increase (decrease) in allowance for loss on refund of interest received	(451)	7	1,551
	Increase in allowance for loss on redemption of gift coupons	2,044	-	-
	Increase (decrease) in provision for bonuses	(773)	2,014	3,699
	Increase in liabilities for retirement benefits	1,037	2,905	3,674
	Increase (decrease) in provision for store closing expenses	(2,270)	2,076	1,123
	Interest and dividend income	(2,522)	(3,111)	(5,461)
	Interest expense	5,851	6,377	12,774
	Foreign exchange loss (gain) - net	(111)	217	622
	Equity in losses (gains) of associated companies	5,001	(1,035)	548
	Gain on sales of property, buildings and equipment	(212)	(564)	(4,979)
	Loss on disposals and sales of property, buildings and equipment	2,680	2,051	5,830
	Impairment losses	17,369	16,946	46,339
	Net gain (loss) on sales of securities	(7,231)	(3,627)	(8,648)
	Increase in notes and accounts receivable - trade	(53,041)	(29,139)	(44,140)
	(Increase) decrease in merchandise inventories	11,959	5,858	(17,314)
	Increase in financial loan receivable	(16,505)	(23,908)	(44,311)
	Increase in notes and accounts payable - trade	43,350	30,319	42,583
	Other assets and liabilities	21,564	3,926	(12,903)
	Other - net	1,313	5,637	9,900
	Sub total	156,669	161,494	287,300
	Interest and dividends received	2,250	2,554	4,942
	Interest paid	(5,740)	(6,160)	(12,425)
	Corporate taxes paid	(39,508)	(51,062)	(79,766)
	Net cash provided by (used in) operating activities	113,671	106,826	200,050

	(Millions of yen)		
	Six months ended August 20, 2008	Six months ended August 20, 2007	Year ended February 20, 2008
	Amount	Amount	Amount
II Cash flows from investing activities			
Purchase of marketable securities	(4,216)	(4,087)	(6,685)
Proceeds from sales of marketable securities	6,226	2,000	4,893
Purchase of property, buildings and equipment	(172,829)	(126,296)	(270,505)
Proceeds from sales of property, buildings and equipment	1,481	18,095	50,759
Purchase of investment securities	(7,796)	(77,527)	(97,930)
Proceeds from sales of investment securities	12,469	4,221	11,028
Proceeds from redemption of preferred securities and government bonds	-	5,000	8,000
Cash paid in conjunction with the purchases of consolidated subsidiaries	(561)	-	(9,517)
Cash received in conjunction with the purchases of consolidated subsidiaries	47	8,068	8,068
Payments for fixed leasehold deposits to lessors	(7,557)	(14,493)	(25,716)
Collection of fixed leasehold deposits to lessors	9,617	15,824	28,502
Proceeds from lease deposits from lessees	10,201	11,074	25,184
Repayments of lease deposits from lessees	(9,019)	(8,498)	(17,066)
Other - net	(2,710)	5,601	(298)
Net cash provided by (used in) investing activities	(164,647)	(161,016)	(291,283)
III Cash flows from financing activities			
Net increase (decrease) in short-term borrowings and commercial paper	73,019	(2,547)	(2,464)
Proceeds from long-term debt	121,554	34,403	118,343
Repayments of long-term debt	(92,272)	(81,827)	(147,408)
Proceeds from issuance of bonds	10,981	22,770	25,134
Payments for redemption of bonds	(19,821)	(31,710)	(45,950)
Proceeds from issuance of common stock	-	509	526
Repayments of secured and unsecured obligations under reorganization proceedings of subsidiaries	(205)	(230)	(2,807)
Proceeds from issuance of subsidiaries' stock to minority shareholders	89	55	2,398
Repurchase of subsidiaries' stock from minority shareholders	(226)	(1,279)	(1,427)
Dividends paid to shareholders	(13,008)	(11,994)	(11,994)
Dividends paid to minority shareholders	(6,674)	(6,110)	(9,539)
Other - net	(2,350)	(2,838)	(66,076)
Net cash provided by (used in) financing activities	71,086	(80,801)	(141,266)
IV Foreign currency translation adjustments on cash and cash equivalents	(1,910)	280	9,898
V Net increase (decrease) in cash and cash equivalents	18,199	(134,710)	(222,601)
VI Cash and cash equivalents, beginning of year	159,744	382,851	382,851
VII Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	-	-	(504)
VIII Cash and cash equivalents, end of period	177,944	248,140	159,744