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Financial Results for the Fiscal Year ended February 28, 2017

April 12, 2017

Company name	**Aeon Co., Ltd.**
Listings	The First Section of Tokyo Stock Exchange
Security code	8267
URL	http://www.aeon.info/
Representative	Motoya Okada, President
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Scheduled dates:

Ordinary general meeting of shareholders	May 24, 2017
Commencement of dividend payments	May 1, 2017
Submission of statutory financial report	May 25, 2017
Supplementary materials to the financial results	Available
Fiscal year-end earnings results briefing	Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Fiscal Year ended February 28, 2017 (March 1, 2016 to February 28, 2017)

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

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended February 28, 2017	8,210,145	0.4	184,739	4.4	187,351	4.3	11,255	87.3
Year ended February 29, 2016	8,176,732	15.5	176,977	25.2	179,674	17.8	6,008	(85.7)

Note: Comprehensive income: Year ended February 28, 2017: 70,710 million yen (-%)
Year ended February 29, 2016: (3,523) million yen (-%)

	Earnings per share	Earnings per share – fully diluted	Return on equity	Ordinary income to total assets
	yen	yen	%	%
Year ended February 28, 2017	13.44	13.20	1.0	2.2
Year ended February 29, 2016	7.19	7.02	0.5	2.2

Reference: Equity in gains (losses) of equity-method affiliates:
Year ended February 28, 2017: (40) million yen
Year ended February 29, 2016: 2,012 million yen

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
February 28, 2017	8,750,856	1,862,410	12.9	1,349.79
February 29, 2016	8,225,874	1,819,474	13.9	1,364.57

Note: Total equity: February 28, 2017: 1,131,380 million yen February 29, 2016: 1,141,794 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

(3) Cash Flow Position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended February 28, 2017	294,893	(267,710)	81,450	802,099
Year ended February 29, 2016	43,156	(446,612)	313,344	700,511

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended Feb. 29, 2016	-	14.00	-	14.00	28.00	23,565	389.4	2.0
Year ended Feb. 28, 2017	-	15.00	-	15.00	30.00	25,249	223.2	2.2
Year ending Feb. 28, 2018 (forecast)	-	15.00	-	15.00	30.00		167.6	

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2018 (March 1, 2017 to February 28, 2018)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Six months ending August 31, 2017	-	-	-	-	-	-
Full year	8,300,000	1.1	195,000	5.6	190,000	1.4

	Profit (loss) attributable to owners of the parent		Earnings per share
	million yen	%	yen
Six months ending August 31, 2017	-	-	-
Full year	15,000	33.3	17.90

Note: Aeon does not disclose earnings forecasts for the first six months of the fiscal year ending February 28, 2018.

***Notes**

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

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:
1) Changes in accordance with amendments to accounting standards: Yes

2) Changes other than the above 1): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
*For details, see "Material Changes to the Basis of Preparation of Consolidated Financial Statements" on page 23 in the Accompanying Materials.

(3) Number of shares issued (common stock)
1) Number of shares issued at end of period (treasury stock included):
February 28, 2017: 871,924,572 shares
February 29, 2016: 871,924,572 shares
2) Number of shares held in treasury at end of period:
February 28, 2017: 33,734,908 shares
February 29, 2016: 35,181,560 shares
3) Average number of shares outstanding during the period:
Year ended February 28, 2017: 837,428,762 shares
Year ended February 29, 2016: 836,049,625 shares
* For the number of shares serving as basis for calculation of earnings per share (consolidated), see "Per Share Information" on page 31.

For Reference

1. Non-consolidated Financial Results for the Fiscal Year ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(Percentage figures represent year-on-year changes)

(1) Operating Results

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended February 28, 2017	62,636	(38.8)	44,386	(48.1)	25,402	(65.5)	12,014	(78.0)
Year ended February 29, 2016	102,372	26.1	85,455	33.9	73,531	27.2	54,579	106.2

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Year ended February 28, 2017	14.35	14.34
Year ended February 29, 2016	65.28	65.14

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
February 28, 2017	1,446,725	688,217	47.5	820.56
February 29, 2016	1,417,158	688,139	48.5	821.49

Note: Total equity: February 28, 2017: 687,855 million yen February 29, 2016: 687,445 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

***Audit Status**

This report is exempt from the audit requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, the audit of the fiscal year-end financial results had not been completed.

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

(Note on the forward-looking statements)

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

For the forecasts herein, please refer to "(1) Analysis of Operating Results: Outlook for the Fiscal Year ending February 28, 2018" on page 8 in the section "1. Review of Operating Results and Financial Statements" in the Accompanying Materials.

Accompanying Materials

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1. Review of Operating Results and Financial Statements
(1) Analysis of Operating Results

Summary of Operating Results

For the fiscal year from March 1, 2016 to February 28, 2017, Aeon Co., Ltd. (hereinafter "Aeon") posted year-on-year increases in consolidated sales and profits covering the results of Aeon and its 296 consolidated subsidiaries. Consolidated operating revenue totaled a record high of 8,210,145 million yen (up 0.4% year on year). Consolidated operating income totaled 184,739 million yen (up 4.4% year on year). Consolidated ordinary income totaled 187,351 million yen (up 4.3% year on year). Profit attributable to owners of the parent totaled 11,255 million yen (up 87.3% year on year). Regarding business segments, six of the eight segments (Supermarket and Discount Store Business, Financial Services Business, Drugstore and Pharmacy Business, Services and Specialty Store Business, Small-sized Store Business, and Shopping Center Development Business) posted year-on-year increases in operating income, which bolstered consolidated results. This reflected the success of ongoing business portfolio diversification begun previously in response to customers' changing needs and lifestyles.

Common Group Strategy:

- From June, Aeon began a new Group-wide point service, WAON POINT, for cash payments. The new program is gradually merging the separate point card programs operated by each Group company. As of the end of August, the number of WAON POINT Card users had surpassed 30 million. Besides purchases at participating stores, users can accumulate points through walking and other health-promotion activities, as well as through environmental protection activities. Going forward, Aeon will further promote the use of points for donations and other social contributions activities as well as collaboration with each region of Japan, aiming to create an exceptionally social- and public-oriented common point service which can serve as a platform for local communities.
- In June, Aeon established Aeon Saveur Co., Ltd. based on an agreement with Picard Surgelés SAS (head office: Paris, France), which operates small-scale frozen food supermarkets in Europe, primarily France, to jointly pursue the full-scale launch of the "Picard" frozen-food supermarkets in Japan. Three stores were opened during the period to establish Japan's first specialty frozen foods supermarkets, including "Picard Aoyama Kottodori Store" as the first store on November 23. Backed by the management philosophy of "delicious meals anytime, for everyone, 365 days a year," the new chain's delicious and attractive products—prepared using the most advanced frozen foods technologies—have elicited a positive customer response.
- In June, Aeon established Bio c'Bon Japon Co., Ltd. as a joint venture with Marne & Finance Europe (head office: Brussels, Belgium), which operates small-scale organic supermarkets "Bio c'Bon" in Europe, primarily France. The venture opened its first store, Bio c'Bon Azabujuban Store, on December 9. The store features a delicatessen area with an open kitchen where customers can purchase and conveniently enjoy organic foods at the store, including ready-to-eat meals and sandwiches. Customers are responding positively to the chain's proposals for new organic lifestyles.
- As part of the strategic shift to Asian markets, Aeon established Aeon Orange Co., Ltd. (hereinafter "Aeon Orange") in the fast-growing market of Myanmar as a joint venture with local company Creation Myanmar Group of Companies Limited (hereinafter "CMGC"), which manages supermarkets, specialty stores, real-estate and other businesses. In August, Aeon Orange acquired 14 stores from CMGC affiliate Hypermart to launch supermarket operations, and on September 30, the company opened its first store as a new company, Aeon Orange North Okkalapa Store, in Yangon City, the country's largest city.
- Aeon is striving to build local ecosystems based on a new framework for regional development that unites a wide range of community members, from residents to governments and corporations. As part of the program, Aeon launched a mobile sales van

on November 17 in the Kotehashidai district of Hanamigawa Ward, Chiba City, to serve customers who have difficulty traveling to stores for daily shopping. The company also signed an agreement with Chiba Kita police station to help preserve a safe and secure environment for the community in addition to shopping support.

- In November, amid rising interest in health and wellness products among customers, Aeon launched a rebranding program for the Topvalu Gurinai brand, which features a product lineup both healthy and friendly to the environment. Based on customer input, a lineup of 22 new products, mostly processed foods, were launched with consideration of 109 additives and ingredients. Another 12 products under the sub-brand "Yasashi Gohan" which do not use seven specified ingredients were launched for customers with food allergies. Some of the products are available in family-size portions to enable entire families to share the same meal, in contrast to the one-serving portions typically offered for customers with allergies.

Business Segment Information

GMS Business

The GMS (General Merchandise Store) Business posted operating income of 2,481 million yen (down 73.6%) on operating revenue of 3,012,263 million yen (up 6.1% year on year) for the fiscal year. Although performance was impacted by the transfer of stores from The Daiei, Inc. (hereinafter "Daiei"), which operates under the Supermarket and Discount Store Business segment, the main operating companies, including Aeon Retail Co., Ltd. (hereinafter "Aeon Retail"), Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido"), Aeon Kyushu Co., Ltd., and Sunday Co., Ltd., posted a steady improvement in profitability.

Aeon Retail continued to develop sales floors meeting customers' changing lifestyles and needs, while also actively making new proposals to customers. To support the growing number of working women and double-income households, the company introduced "Mainichi Yoruichi" evening food promotions between 6 p.m. and 9 p.m. Additionally, Aeon Retail became Japan's first major general retailer to launch a "Black Friday" sales event over three days between November 25 and 27, 2016. The event proved popular with consumers, with year-on-year same-store sales surging more than 15% during the promotion period and apparel sales alone jumping more than 30%. Aeon Retail's same-store sales declined 2.3% year on year due in part to poor weather, including a record number of typhoons in August and September (apparel sales declined 4.1%, food sales declined 1.3%, and housing and recreational product sales declined 3.1% year on year). Gross profit margin improved, however, by 0.8 point year on year due to continued profitability improvement driven by product and sales floor reforms promoted since the previous fiscal year. Additionally, SG&A expenses at existing stores declined by 1.5% year on year. As a result, Aeon Retail achieved year-on-year increases in both operating revenue and operating income, with operating income improving by 3,557 million yen year on year.

Aeon Hokkaido took measures to bolster stores transferred from Daiei. The company completed large-scale refurbishments of the transferred Sapporo Asabu Store, Higashi Sapporo Store, and Shin Sapporo Store to create new sales floors matching the needs of customers at urban-style stores directly connected to subway stations. As a result of the refurbishments and store specialization, combined sales at the transferred stores increased 5.0% year on year, including sales from the period prior to the transfer, making a significant contribution to Aeon Hokkaido's performance. Regarding the transferred stores' operating income, the company accelerated by one full year its plan for making the stores profitable, achieving profitability in the current year.

Supermarket and Discount Store Business

The Supermarket and Discount Store Business posted operating income of 31,288 million yen (up 47.9% year on year) on operating revenues of 2,890,232 million yen (down 5.3% year on

year) for the fiscal year. Excluding the impact of the transfer of Daiei's GMS stores to GMS operational companies, the business posted a year-on-year increase in operating revenues.

Daiei, which is concentrating its operations in Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, refurbished 12 stores during the period, which steadily elicited a positive response from urban customers. Daiei's same-store gross profit margin increased by 0.8 point year on year due to reduced markdowns and other improvements resulting from enhanced sales floor management. The company also continued to make progress in its structural reform program, which includes rationalization of head office expenses and productivity improvements. As a result, Daiei achieved a significant improvement in operating profitability.

United Super Markets Holdings Inc. (hereinafter "U.S.M.H.") continued to promote joint procurement among its three subsidiaries aimed at lowering the cost of sales of products, implement cost-reduction measures to lower store materials and fixtures expenses, and take other measures to enhance Group synergy. The three subsidiaries also held joint sales promotions during the period which contributed to higher customer traffic. In October, consolidated subsidiary Kasumi Co., Ltd. built a meat processing center within its Sakura distribution center in Sakura City, Chiba Prefecture. The new center will raise logistics efficiency and expand capacity for processed meats to serve the planned growth in the number of stores.

Maxvalu Tokai Co., Ltd. (hereinafter "Maxvalu Tokai") focused initiatives on strengthening product freshness. For agricultural products, the company shortened delivery time from farms to stores, while for marine products, it established supply routes from producers at ports. Maxvalu Tokai also continued to further develop its commitment to locally rooted management by development of new products using local materials and expansion of sales corners for local products. As a result, the company achieved growth in both revenue and income.

Small-sized Store Business

The Small-sized Store Business recorded operating income of 2,776 million yen (up 119.4% year on year) on operating revenues of 378,703 million yen (up 0.5% year on year) for the fiscal year.

In Japan, Ministop Co., Ltd. posted a year-on-year increase in operating revenue on an expanded number of stores and an improved lineup of chilled bento lunch boxes, stuffed bread, and other daily food items. Operating income declined, however, due to higher selling and administrative expenses resulting from an increase in new store openings and active refurbishment of existing stores. Ministop Korea Co., Ltd. posted a year-on-year decline in operating revenue, as the previous fiscal year's results covered a 14-month period and foreign exchange rates impacted results in yen terms.

My Basket Co., Ltd. (hereinafter "My Basket") posted higher operating revenue and operating income. The company enhanced its fresh foods and delicatessen products, improved sales floor layouts while implementing training for services and customer engagement techniques. My Basket also strove to raise profitability by generating Group synergy through the use of joint logistics networks and other means.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of 22,053 million yen (up 18.6% year on year) on operating revenues of 623,631 million yen (up 5.3% year on year) for the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries actively promoted the "Welcia Model" through refurbishment of existing stores. The company raised the percentage of drugstores offering prescription drugs, while promoting 24-hour stores to enhance customer convenience. These and other measures raised sales of the prescription drugs section and led to higher same-store sales.

B.B.ON Co., Ltd., a consolidated subsidiary of Welcia Holdings, actively promoted new initiatives, including the opening of new urban-style drugstores in Nihonbashi, Tokyo, and

Kawaramachi, Kyoto which support both inner and outer health and beauty by combining beauty, prescription drugs, and health. Furthermore, to raise business efficiency, Welcia Yakkyoku Co., Ltd. carried out a merger of CFS Corporation on September 1.

Financial Services Business

The Financial Services Business earned operating income of 61,904 million yen (up 12.5% year on year) on operating revenue of 372,046 million yen (up 4.1% year on year) for the fiscal year.

Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") continued to take initiatives to improve work efficiency through digitalization of operations on a global scale, enhance product and service convenience, and optimize its balance sheet to improve profitability. As a new initiative, the company launched a contest, "Aeon Financial Service Innovation 2016," in which participants used Fintech to create new services designed to raise the convenience of products and services used by consumers in their daily lives. In the credit card business, the company offered double TOKIMEKI points to customers using Aeon credit cards at designated Aeon Group stores. Aeon Financial Service also strengthened promotion of the "Aeon Wallet" smartphone application which allows customers to confirm and manage their credit card payment information and Aeon Bank account balances from a single application.

In the banking business, Aeon Bank, Ltd. continued to expand its branch network by opening a new branch at Aeon Mall Nagakute (Aichi Prefecture), raising the total number of branches to 134. In the housing loan business, the bank offered competitive special interest rate plans while continuously strengthening the promotion of the Aeon Select Club featuring a daily 5% discount for housing loan customers on purchases at Aeon Group stores. In the unsecured loan business, the bank carried out campaigns for education and other special-purpose loans while bolstering Internet promotions. Furthermore, to accelerate the provision of customer services, the bank installed a self-service device at its Aeon Lake Town branch offering various transactions via videophone.

In the overseas business, the business conducted joint promotions with partner companies to expand the number of Aeon credit cardholders. It also refurbished branches through the installment of tablet devices and digital signage designed to raise customer service and promote greater productivity through low-cost operations.

In the fee-based services business, measures were taken in the e-money business to further develop the network of WAON participating stores, mainly members offering products and services closely related to customers' daily needs and lifestyles. As a result of these and other activities, cumulative issuance of WAON e-money cards grew to approximately 64 million cards as of the end of the fiscal year, with WAON e-money transaction volume in the period totaling approximately 2,082,400 million yen, a 1.1% year-on-year increase.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 46,851 million yen (up 4.0% year on year) on operating revenue of 315,940 million yen (up 16.1% year on year) for the fiscal year.

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") opened six new shopping centers and refurbished 20 existing shopping centers in Japan, including two expansions, during the period.

At shopping centers in Japan, Aeon Mall promoted the use of Aeon credit cards and WAON e-money cards in its Group-wide sales promotions and held customer participation-style events, leading to strong tenant sales. OPA Co., Ltd. (hereinafter "OPA"), which became a subsidiary of Aeon Mall in March 2016, promoted a format shift from its previous fashion orientation to a new lifestyle proposal company. In the overseas business, which promises to be a future growth driver, Aeon Mall opened shopping centers in Vietnam and Hebei Province, China. Of the 17 existing shopping centers, 10 turned profitable in the period, boosting the overall profitability of the overseas business. As a result, Aeon Mall posted higher operating revenue and income for the year.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 26,393 million yen (up 0.3% year on year) on operating revenue of 765,669 million yen (up 3.3% year on year) for the fiscal year.

In the facilities management business, Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") began offering integrated facility management (IFM) services, which integrate, manage and operate all facility outsourcing services. The company also successively expanded its sanitation and cleaning services, which had been designed primarily for hospitals, into other types of facilities requiring high levels of sanitation, including laboratories operated by foreign capital IT companies, clean rooms, and offices. As a result, Aeon Delight posted higher operating revenue and income for the year.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") continued to enjoy higher sales of amusement machines in Japan, which have risen since September 2015. Same-store product sales began to rise year on year in September 2016 for the first time in 31 months and continued to improve thereafter, leading to a 7.3% year-on-year increase for the second half of the fiscal year. Aeon Fantasy actively replaced amusement machines at outlets of Fun Field Co., Ltd., which merged into Aeon Fantasy in June 2015, to enhance outlet appeal. Additionally, the branding of former Fun Field outlets was changed to Mollyfantasy and PALO at all stores. Owing to these initiatives, monthly same-store sales at outlets previously management by Fun Field began to rise year on year from July. In its overseas business, Aeon Fantasy posted operating income, continuing its profitability from the previous year. As a result, Aeon Fantasy posted higher operating revenue and income for the year.

International Business

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

The International Business posted operating revenue of 398,395 million yen (down 6.6% year on year) and an operating loss of 5,401 million yen (a decline of 2,952 million yen year on year).

In Malaysia, Aeon Co. (M) Bhd. opened one of the largest shopping centers in the country, Aeon Mall Shah Alam, in Shah Alam, the capital of Selangor State, in March as a flagship shopping center. In May, the company opened Aeon Mall Kota Bharu, its first on the eastern coast of the Malay Peninsula as part of the strategy to develop new markets. The shopping center has enjoyed a positive response from local customers since its opening. In ASEAN, Aeon Vietnam Co., Ltd. and Aeon Cambodia Co., Ltd. both turned profitable on an operating basis for the year.

In China, Aeon Stores (Hong Kong) Co., Limited introduced the Aeon Style brand overseas by completely refurbishing its flagship stores into Aeon Style Kornhill in July and Aeon Style Whampoa in September. On the China mainland, the earnings of existing stores improved during the period as the business continued to take initiatives to strengthen the business foundation and bolster earnings.

Implementation of Corporate Governance During the Period
Aeon Co., Ltd. operates an Audit Committee, Nomination Committee, and Compensation Committee, all three of which consist of a majority of outside directors. Additionally, the company has appointed directors to conduct its management oversight function and executive officers to conduct the management execution function. Aeon operates as a company with a nomination committee and other committees system to strengthen its management oversight.

Status of implementation of the Board of Directors and each committee

(* denotes outside director)

	Meetings Held	Members	Main Functions
Board of Directors	7	Chairman: Hiroshi Yokoo Motoya Okada, Yoshiki Mori, Akinori Yamashita, *Takejiro Sueyoshi, *Keiichi Tadaki, *Ken Sato, *Yukako Uchinaga, *Toru Nagashima	● Oversee the work performance of the directors and executive officers. ● Make decisions on matters stipulated under Article 416 of the Company Act as well as matters that cannot be entrusted to the executive officers.
Audit Committee	9	Chairman: *Keiichi Tadaki *Ken Sato, *Yukako Uchinaga, *Toru Nagashima	● Audit the work performance of the directors and executive officers. ● Decide the contents of proposals to nominate or dismiss the accounting auditor, as well as proposals to forgo the reappointment of the accounting auditor, all of which are submitted to the General Meeting of Shareholders.
Nomination Committee	3	Chairman: *Takejiro Sueyoshi *Yukako Uchinaga, *Toru Nagashima, Motoya Okada	Decide the contents of proposals for the nomination or dismissal of directors, which are submitted to the General Meeting of Shareholders.
Compensation Committee	3	Chairman: *Ken Sato *Takejiro Sueyoshi, *Keiichi Tadaki, Motoya Okada	Decide individual compensation, etc. received by directors and executive officers.

Hand-in-hand with Communities
Beginning March 2016, the Aeon Group has taken new steps toward regional (hometown) re-creation in the Tohoku region with renewed determination expressed by the slogan "Nigiwai Tohoku - Join Hands and Foster the Power of Hometown." In order to widen the ring of Tohoku re-creation, the company is implementing four central policies: Revitalizing local industries through business activities; Creating job opportunities and worker-friendly environment; Environmental and social contribution activities to jointly shape the future of regions; and Creating communities where people can live with peace of mind.

Under the "Project Aeon Joining Hands," a 10-year program to support the restoration effort through joint management and employee cooperation in volunteer activities, the Group has

planted a cumulative 202,000 trees and involved 237,000 employees in various collaborative volunteer activities. Additionally, since 2016, the Aeon Group has promoted the "Aeon Future Co-creation Program" as a way to solve local community issues.

Regarding the Kumamoto earthquake which struck in April 2016, the Aeon Group rapidly distributed some 5.3 million emergency relief supplies to support relief and recovery efforts based on comprehensive support agreements with local governments. Additionally, Aeon collected a total of 609 million yen in financial donations through WAON point donations, a Yellow Receipt campaign to support Kumamoto and Oita, and relief and recovery donation from Aeon. At the same time, Aeon Group companies implemented various community support activities, including mobile sales vans for people unable to reach stores.

In March 2016, Aeon formulated the "Aeon Group BCM Five-Year Plan" to establish business continuity for times of disaster. The company also launched the "Aeon BCM Project" to rapidly establish PDCA cycles for ensuring more effective business continuity plans in the five areas of information systems, facilities, goods and logistics, training, and external collaboration.

Outlook for the Fiscal Year ending February 28, 2018

Consolidated Operating Results Forecast (millions of yen)

	Fiscal year to end-February,	
	2018 (forecast)	2017 (actual)
Operating revenue	8,300,000	8,210,145
Operating income	195,000	184,739
Ordinary income	190,000	187,351
Profit attributable to owners of the parent	15,000	11,255

The Aeon Group has formulated the Aeon Group Medium-term Management Plan in which the initial year is the fiscal year ending February 28, 2018. Under the plan, the Aeon Group will implement business model innovation for its existing businesses while establishing new growth models and developing Group companies into the No. 1 companies in their respective business areas and regions. For the plan's initial year ending February 28, 2018, the Group will focus its efforts on "Completion of earnings structure reforms of existing businesses" and developing proposal for innovations in logistics, IT and other business platforms. Additionally, the Group will develop plans for improving the performance of unprofitable businesses.

The first year of the plan prioritizes the earnings structure reforms at Aeon Retail Co., Ltd. and The Daiei, Inc., the main companies in the Group's core GMS and Supermarket businesses. Aeon Retail, for example, its promoting customer-oriented product categories by eliminating conventional categorizations and redesigning sales floors around customer lifestyle scenes. By adopting sales floors and product lineups enabling a more flexible response to customer needs, Aeon Retail will advance new systems for improving store competitiveness and sales capabilities. At the same time, the promotion of refurbishments of existing stores will lead to higher customer traffic and higher gross margins.

Furthermore, Aeon will assign executive officers to promote Group reforms in each business area and clearly delineate management responsibilities. Based on this structure, the Group will carry out reorganizations to accelerate business reforms and growth strategies and ensure steady progress in earnings structure reforms.

(2) Analysis of Financial Condition

Consolidated Assets, Liabilities, Net Assets, and Cash Flows (millions of yen)

	Fiscal year to end-February,			
	2017	2016	2015	2014
Total assets	8,750,856	8,225,874	7,859,803	6,815,241
Interest-bearing debt	2,257,094	2,170,800	1,845,032	1,574,892
Breakdown:				
Interest-bearing debt of financial subsidiaries	823,800	796,448	719,303	633,369
Interest-bearing debt excluding that of financial subsidiaries	1,433,294	1,374,351	1,125,728	941,522
Net assets	1,862,410	1,819,474	1,829,980	1,684,569
Cash and cash equivalents, ending balance	802,099	700,511	778,151	633,123
Cash flow from operating activities	294,893	43,156	398,453	482,765
Cash flow from investing activities	(267,710)	(446,612)	(361,838)	(221,621)
Cash flow from financing activities	81,450	313,344	95,527	(67,806)

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets at February 28, 2017 totaled 8,750,856 million yen, an increase of 524,981 million yen, or 6.4%, from the end of the previous fiscal year (February 29, 2016). The increase was chiefly attributable to increases of 252,766 million yen in loans and bills discounted for banking business, 106,657 million yen in cash and time deposits, and 92,581 million yen in notes and accounts receivable-trade, consisting mostly of installment plan accounts receivable at financial subsidiaries.

Consolidated liabilities at February 28, 2017 totaled 6,888,445 million yen, an increase of 482,046 million yen, or 7.5%, from February 29, 2016. The increase was chiefly attributable to increases of 382,554 million yen in deposits for banking business and 73,961 million yen in corporate bonds (including bonds redeemable within one year).

Consolidated net assets at February 28, 2017 totaled 1,862,410 million yen, an increase of 42,935 million yen, or 2.4%, from February 29, 2016. The increase was chiefly attributable to an increase of 53,508 million yen in non-controlling interest in financial and other subsidiaries, which outweighed a decline of 11,472 million yen in foreign currency translation adjustments.

Consolidated Cash flows

Cash and cash equivalents

The balance of cash and cash equivalents at February 28, 2017 was 802,099 million yen, an increase of 101,588 million yen, or 14.5%, from February 29, 2016.

Cash flow from operating activities

Net cash provided by operating activities in the fiscal year ended February 28, 2017 was 294,893 million yen (up 583.3% year on year). The 251,736 million yen increase from the previous fiscal year reflects increases of 63,879 million yen in notes and accounts receivable-trade and 63,567 million yen in loans in banking business, factors reducing cash flows, which were outweighed by increases of 202,988 million yen in deposits received in banking business, 67,408 million yen in notes and accounts payable-trade, and 56,169 million yen income before income taxes excluding depreciation and amortization and other non-cash expenses, all of which were factors increasing cash flows.

Cash flow from investing activities

Net cash used in investing activities during the fiscal year ended February 28, 2017, was 267,710 million yen (down 40.1% year on year). This 178,901 million yen decrease from the

previous fiscal year reflects an increase of 149,302 million yen in purchase of marketable securities in banking business, as well as increases of 254,424 million yen in proceeds from sale and redemption of marketable securities in banking business and 104,368 million yen proceeds from sale of fixed assets.

Cash flow from financing activities
Net cash provided by financing activities during the fiscal year ended February 28, 2017, was 81,450 million yen (down 74.0% year on year). This 231,894 million yen decrease mainly reflects an increase of 36,843 million yen in proceeds from issuance of bonds, as well as decreases of 199,786 million yen in short-term borrowings and commercial paper and 90,465 million yen in proceeds from long-term debt.

(3) Dividend Policy and Dividends for the Fiscal Year ended February 28, 2017, and the Fiscal Year ending February 28, 2018

1) Basic Medium- to Long-Term Policy
Aeon Co., Ltd. strives to maintain an optimal balance between paying dividends and improving corporate value through medium- to long-term growth as a key management priority. It believes in returning profits to shareholders, whom it considers partners in business management.

(Dividends)
Aeon Co., Ltd. sets dividends in consideration of its consolidated earnings results and strives to reward shareholders appropriately for capital invested. Specifically, Aeon has set a target of maintaining its annual dividend payment at or above the previous year's payment and implementing a dividend payout ratio of 30% as the Aeon Group endeavors to increase earnings and return even more to shareholders in coming years.

(Use of internal reserves)
Internal reserves 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.

2) Dividends for the Fiscal Year ended February 28, 2017, and Starting Date for Dividend Payments
Pursuant to a resolution by the Board of Directors at its meeting on April 12, 2017, the year-end dividend payment from retained earnings for the fiscal year ended February 28, 2017 will be 15 yen per share. The total annual dividend for the fiscal year will therefore be 30 yen per share, including the interim payment of 15 yen per share. The starting date for dividend payments (effective date) is Monday, May 1, 2017.

3) Dividend Forecast for the Fiscal Year ending February 28, 2018
Based on the basic policy outlined above, the forecast for dividend payments for the fiscal year ending February 28, 2018 is 30 yen per share, consisting of an interim payment of 15 yen per share and a year-end payment of 15 yen per share.

2. **Management Strategies and Policies**

(1) Basic Policy on Management

Aeon's fundamental management principles are the pursuit of peace, respect for humanity, and contributions to local communities—with the customer's point of view as the core. On the basis of this unchanging philosophy, the Aeon Group focuses first and foremost on its customers and ensuring customer satisfaction, constantly innovating to promptly and precisely respond to changes in the external environment and customer needs.

Aeon aims to be a "glocal" company, meaning that management must both meet global quality standards and at the same time remain rooted in local communities.

From the viewpoint of corporate social responsibility (CSR), the company has instituted the Aeon Code of Conduct, a set of behavior guidelines and standards for decision-making for all Group employees to follow in their daily work activities. Aeon is instilling this code throughout the Group.

On the basis of this code, Aeon is striving to achieve long-term prosperity and growth by building excellent relationships with its customers, shareholders, business partners, local communities, and employees, while continuing to offer products and services that satisfy customers.

(2) Medium-term Management Strategy

Aeon Group's Sustainable Growth

In recent years, customers' lifestyles and values have changed dramatically due to the comforts and conveniences brought by information as well as technology and technological innovation, and they continue to diversify at an accelerated pace. Companies that have succeeded in responding to these dramatic changes in social trends with technological innovation and digitalization have realized strong growth.

Amid this business environment, the Aeon Group is striving to remain a corporate group with an ever-lasting innovative spirit by developing innovative business models for its existing business while at the same time establishing new business models to enable Group companies to become the No. 1 companies in their respective regions and business areas. These strategies will ensure that the Aeon Group achieves sustainable growth and raises its earnings.

1) Reorganization of Group business structure

Regarding the long-cultivated business portfolio, Aeon will develop innovative new structures responsive to changing environments and through which each business can leverage higher profitability, while also enabling each business to expand in growing new markets.

The retail business is anchored by the GMS and Supermarket businesses. Aeon will promote cost structure reforms in these businesses to raise productivity and growth. In the food area, new structures will be established to strengthen the regional orientation. In the apparel, housing and recreational, and health and beauty care (H&BC) areas, structures for deploying product lineups and manufacturing will be enhanced to further raise the level of product specialization. Aeon will also continue to promote the common Group strategy of shifting to the four growth areas of Asia markets, urban markets, senior-oriented markets, and digital markets. In the market for senior citizen customers, G.G. (Grand Generation) stores and malls are being developed, while for urban customers, small-sized stores are being opened to raise convenience. In these ways, Aeon is developing innovative new store formats to meet the needs while also improving earnings growth. Additionally, amid higher consumer spending on services, Aeon is creating new models combining goods and services sales to expand earnings in the services field. The structural reform plan also entails reorganizing businesses to eliminate overlapping functions and unnecessary function dispersion among Group companies and business areas. These measures will raise Group productivity and efficiency.

2) Reform of business foundation

Currently, the Aeon Group draws its differentiation from competitors and cost-competitiveness from such business foundations as its private brand, logistics, and IT systems. Aeon will continue to make innovations in these foundations, which will function as its core competitiveness into the future. In the private brand area, Aeon will anticipate customer needs, develop products with new value, and generate demand in order to further raise the Group's sales capability and cost competitiveness. IT infrastructure innovations will also be implemented to raise productivity and efficiency in logistics, product planning and development, sales activities and other areas of management and business operations.

3) Reform of organizational structure
Aeon will implement organizational structure reforms to realize a truly No. 1 corporate group comprised of No. 1 companies in their respective markets and regions. Specifically, in order to strengthen businesses and front-line sales capabilities, Aeon will reallocate management resources to businesses and regions and leverage its role as a pure holdings company to specialize on promoting management functions laterally throughout the Group. Aeon will also assign executive officers to leaders in charge of promoting reforms to accelerate reforms and growth strategies based on clear management responsibilities.

Promoting Active Roles for Employees and Diversity
The Aeon Group's Basic Policy on Corporate Governance states that employees are the most important management resource, using their talents to create new value for customers. Based on this policy, the Aeon Group is promoting diversity management to ensure that each and every employee can realize his or her potential while also enabling the Group to pursue innovative management reflecting diverse values. The Group is sharing best practices through such internal Group programs as the "Daimanzoku Award" for Diversity, promoting heightened awareness at management levels, and expanding the establishment of Aeon Yumemirai Nursery Schools at Aeon Group business sites.

These and other initiatives have won industry praise. Aeon was awarded Stage 3 "Eruboshi" designation by Japan's Minister of Health, Labour, and Welfare, recognizing companies excelling at the advancement of women in their workforces, and the company also received the "Platinum Kurumin" award granted to companies supporting healthy work-life balance. The private organization work with pride, which promotes diversity management initiatives for LGBT and other sexual minorities, recognized Aeon with a silver "PRIDE" designation. Aeon has also been recognized for its health management practices, which are based on the recognition that good employee health is vital for company activities. In fiscal 2016, Aeon was included among the "Companies with Excellent Health Management (White 500)" given to Japan's top 500 companies in health management in the first year of a joint program by the Ministry of Economy, Trade, and Industry and the Nippon Kenko Kaigi.

3. Basic Policy Regarding Selection of Accounting Standards
The Aeon Group uses Japan accounting standards for its financial reporting.

Regarding the adoption of International Financial Reporting Standards (IFRS), Aeon will take appropriate measures in consideration of various developments in and outside Japan.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	736,056	842,714
Call loans	-	25,000
Notes and accounts receivable - trade	1,094,906	1,187,488
Marketable securities	237,767	185,098
Merchandise inventories	575,620	586,202
Deferred tax assets	43,249	53,257
Financial loan	300,854	299,271
Loans and bills discounted for banking business	1,217,376	1,470,142
Other	281,518	323,662
Allowance for doubtful accounts	(51,409)	(53,061)
Total current assets	4,435,940	4,919,774
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,472,547	1,487,044
Tools, furniture and fixtures, net	209,414	224,190
Land	811,128	804,884
Lease assets, net	49,612	68,483
Construction in progress	67,142	70,584
Other, net	5,596	4,592
Total property, buildings and equipment	2,615,442	2,659,779
Intangible fixed assets		
Goodwill	181,806	161,694
Software	64,550	73,839
Lease assets	16,320	22,890
Other	39,152	36,411
Total intangible fixed assets	301,830	294,837
Investments and other assets		
Investment securities	195,658	205,069
Net defined benefit asset	7,976	10,693
Deferred tax assets	87,687	87,341
Fixed leasehold deposits to lessors	413,599	404,867
Deposits for stores in progress	4,960	4,415
Other	187,084	183,031
Allowance for doubtful accounts	(24,304)	(18,953)
Total investments and other assets	872,661	876,465
Total fixed assets	3,789,934	3,831,081
Total assets	8,225,874	8,750,856

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	892,629	888,422
Deposits for banking business	2,116,171	2,498,725
Short-term borrowings	328,570	354,475
Current portion of long-term debt	280,662	301,860
Bonds due within one year	4,197	27,655
Commercial paper	115,500	43,498
Lease obligations	11,055	13,039
Income taxes payable	58,715	49,277
Provision for bonuses	24,496	26,196
Provision for store closing expenses	7,468	5,505
Allowance for point program	24,649	21,358
Notes payable, construction	93,632	86,453
Other	574,218	601,991
Total current liabilities	4,531,966	4,918,460
Long-term liabilities		
Bonds	385,381	435,885
Convertible bonds with stock acquisition rights	50	30,000
Long-term debt	975,055	972,900
Lease obligations	55,377	60,137
Deferred tax liabilities	36,410	48,350
Liability for directors' retirement benefits	1,428	1,345
Provision for store closing expenses	4,317	4,237
Provision for contingent liabilities	159	92
Allowance for loss on refund of interest received	4,474	3,808
Provisions for losses on unredeemed gift coupons	4,717	4,904
Net defined benefit liability	27,432	25,735
Asset retirement obligations	75,119	80,734
Lease deposits from lessees	264,976	262,850
Other	39,532	39,001
Total long-term liabilities	1,874,432	1,969,985
Total liabilities	6,406,399	6,888,445

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
	Amount	Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	316,894	315,813
Retained earnings	588,306	575,147
Treasury stock	(42,538)	(40,709)
Total shareholders' equity	1,082,670	1,070,259
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	42,815	52,440
Deferred gain (loss) on derivatives under hedge accounting	(5,237)	(2,588)
Foreign currency translation adjustments	21,651	10,178
Remeasurements of defined benefit plans	(104)	1,091
Total accumulated other comprehensive income	59,123	61,121
Stock acquisition rights	1,979	1,820
Non-controlling interest	675,700	729,209
Total net assets	1,819,474	1,862,410
Total net assets and liabilities	8,225,874	8,750,856

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

Consolidated Statements of Income

(Millions of yen)

	Year ended February 29, 2016	Year ended February 28, 2017
	Amount	Amount
Operating revenue		
Net sales	7,235,084	7,253,529
Operating revenue in the financial services business	319,174	329,923
Other operating revenue	622,473	626,691
Total operating revenue	8,176,732	8,210,145
Operating costs		
Cost of sales	5,268,101	5,245,626
Operating costs in the financial services business	30,233	28,842
Total operating costs	5,298,334	5,274,469
Gross profit on sales	1,966,983	2,007,903
Gross profit from operations	2,878,398	2,935,675
Selling, general and administrative expenses		
Advertising expense	194,798	193,753
Provision of allowance for doubtful accounts	42,214	43,561
Employees' salaries and bonuses	940,957	971,001
Provision for bonuses	24,496	26,196
Statutory welfare benefit expense	145,819	155,686
Utilities expense	158,096	141,134
Depreciation and amortization	203,583	217,548
Repairs and maintenance expense	142,627	144,773
Rent expense	422,275	428,723
Amortization of goodwill	16,519	15,615
Other	410,031	412,940
Total selling, general and administrative expenses	2,701,420	2,750,935
Operating income	176,977	184,739
Other income		
Interest income	3,063	3,008
Dividend income	2,475	2,232
Equity in gains of equity-method affiliates	2,012	-
Income from unredeemed gift coupons	2,934	3,082
Penalty income from leaving tenants	2,477	3,153
Reversal of allowance for doubtful accounts	1,904	1,867
Gain on collection of fixed leasehold deposits	1,433	2,946
Other	9,391	9,962
Total other income	25,693	26,254
Other expenses		
Interest expense	13,760	14,945
Equity in losses of equity-method affiliates	-	40
Other	9,235	8,656
Total other expenses	22,996	23,642
Ordinary income	179,674	187,351

(Millions of yen)

	Year ended February 29, 2016	Year ended February 28, 2017
	Amount	Amount
Extraordinary gains		
Gain on sale of fixed assets	9,207	26,342
Gain on sale of investment securities	19,398	3,673
Gain on withdrawal of assets from retirement benefit trust	13,603	-
Gain on sale of subsidiaries' stock	7,570	-
Gain on step acquisition	7,698	-
Other	6,556	4,294
Total extraordinary gains	64,035	34,310
Extraordinary losses		
Loss on sale of fixed assets	1,037	7,432
Impairment loss	46,518	45,253
Amortization of goodwill	6,181	3,443
Provision for store closing expenses	5,380	3,955
Loss on disposal of property, buildings and equipment	3,748	4,086
Loss related to store closing	1,199	1,695
Other	10,418	6,456
Total extraordinary losses	74,484	72,322
Income before income taxes	169,225	149,339
Income taxes		
Current	98,621	75,475
Deferred	9,778	(1,857)
Total income taxes	108,399	73,617
Profit	60,825	75,721
Profit attributable to non-controlling interest	54,816	64,466
Profit attributable to owners of the parent	6,008	11,255

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended February 29, 2016	Year ended February 28, 2017
	Amount	Amount
Profit	60,825	75,721
Other comprehensive income		
Unrealized gain on available-for-sale securities	(6,074)	9,743
Deferred gain (loss) on derivatives under hedge accounting	(2,323)	4,398
Foreign currency translation adjustments	(34,269)	(20,544)
Remeasurements of defined benefit plans	(21,664)	1,466
Share of other comprehensive income of equity-method affiliates	(18)	(75)
Total other comprehensive income	(64,349)	(5,010)
Comprehensive income	(3,523)	70,710
(Breakdown)		
Comprehensive income attributable to owners of the parent	(39,381)	13,253
Comprehensive income attributable to non-controlling interest	35,857	57,457

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	220,007	316,894	609,125	(44,235)	1,101,792
Cumulative effects of changes in accounting policies			(3,244)		(3,244)
Restated balance	220,007	316,894	605,881	(44,235)	1,098,548
Changes during period					
Cash dividends			(23,564)		(23,564)
Profit attributable to owners of the parent			6,008		6,008
Repurchase of stock				(86)	(86)
Disposal of treasury stock			(18)	1,783	1,765
Net change in items other than shareholders' equity during period					
Total changes during period	-	-	(17,575)	1,697	(15,878)
Balance at end of period	220,007	316,894	588,306	(42,538)	1,082,670

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	49,573	(3,144)	37,587	20,497	104,513	1,910	621,763	1,829,980
Cumulative effects of changes in accounting policies								(3,244)
Restated balance	49,573	(3,144)	37,587	20,497	104,513	1,910	621,763	1,826,736
Changes during period								
Cash dividends								(23,564)
Profit attributable to owners of the parent								6,008
Repurchase of stock								(86)
Disposal of treasury stock								1,765
Net change in items other than shareholders' equity during period	(6,758)	(2,093)	(15,936)	(20,601)	(45,389)	68	53,937	8,616
Total changes during period	(6,758)	(2,093)	(15,936)	(20,601)	(45,389)	68	53,937	(7,261)
Balance at end of period	42,815	(5,237)	21,651	(104)	59,123	1,979	675,700	1,819,474

Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	220,007	316,894	588,306	(42,538)	1,082,670
Cumulative effects of changes in accounting policies					-
Restated balance	220,007	316,894	588,306	(42,538)	1,082,670
Changes during period					
Cash dividends			(24,407)		(24,407)
Profit attributable to owners of the parent			11,255		11,255
Repurchase of stock				(19)	(19)
Disposal of treasury stock			(6)	1,848	1,842
Change in equity interest of parent arising from transactions with non-controlling shareholders		(1,081)			(1,081)
Net change in items other than shareholders' equity during period					
Total changes during period	-	(1,081)	(13,158)	1,828	(12,411)
Balance at end of period	220,007	315,813	575,147	(40,709)	1,070,259

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	42,815	(5,237)	21,651	(104)	59,123	1,979	675,700	1,819,474
Cumulative effects of changes in accounting policies					-			-
Restated balance	42,815	(5,237)	21,651	(104)	59,123	1,979	675,700	1,819,474
Changes during period								
Cash dividends								(24,407)
Profit attributable to owners of the parent								11,255
Repurchase of stock								(19)
Disposal of treasury stock								1,842
Change in equity interest of parent arising from transactions with non-controlling shareholders								(1,081)
Net change in items other than shareholders' equity during period	9,624	2,649	(11,472)	1,196	1,998	(159)	53,508	55,347
Total changes during period	9,624	2,649	(11,472)	1,196	1,998	(159)	53,508	42,935
Balance at end of period	52,440	(2,588)	10,178	1,091	61,121	1,820	729,209	1,862,410

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended February 29, 2016	Year ended February 28, 2017
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	169,225	149,339
Depreciation and amortization	215,033	231,904
Amortization of goodwill	22,700	19,058
Gain on withdrawal of assets from retirement benefit trust	(13,603)	-
Increase (decrease) in allowance for doubtful accounts	1,914	906
Increase (decrease) in allowance for loss on refund of interest received	(370)	(666)
Increase (decrease) in provision for bonuses	4,953	1,225
Increase (decrease) in net defined benefit liability	(33,716)	258
(Increase) decrease in net defined benefit asset	(2,327)	(2,529)
Interest and dividend income	(5,538)	(5,241)
Interest expense	13,760	14,945
Foreign exchange (gains) losses – net	(1,357)	(172)
Equity in (gains) losses of equity-method affiliates	(2,012)	40
Gain on sale of fixed assets	(9,207)	(26,342)
Loss on disposal and sale of fixed assets	5,907	12,421
Impairment losses	46,518	45,253
(Gain) loss on sale of marketable securities and investment securities	(18,503)	(3,673)
(Gain) loss on sale of subsidiaries' stock	(7,570)	-
(Gain) loss on step acquisition	(7,629)	-
(Increase) decrease in notes and accounts receivable – trade	(60,196)	(124,076)
(Increase) decrease in merchandise inventories	(18,477)	(13,825)
(Increase) decrease in financial loan receivable	(17,110)	2,540
(Increase) decrease in loans in banking business	(197,306)	(260,874)
Increase (decrease) in notes and accounts payable – trade	(66,732)	675
Increase (decrease) in deposits received in banking business	179,565	382,554
Other assets and liabilities	(65,276)	(30,271)
Other – net	2,545	(4,932)
Sub total	135,185	388,518
Interest and dividends received	6,040	5,387
Interest paid	(13,582)	(14,135)
Income taxes paid	(84,486)	(84,877)
Net cash provided by operating activities	43,156	294,893

(Millions of yen)

	Year ended February 29, 2016	Year ended February 28, 2017
	Amount	Amount
Cash flows from investing activities		
Purchase of marketable securities	-	(167)
Proceeds from sale and redemption of marketable securities	50	100
Purchase of marketable securities in banking business	(190,184)	(339,487)
Proceeds from sale and redemption of marketable securities in banking business	135,973	390,398
Purchase of fixed assets	(518,317)	(519,897)
Proceeds from sale of fixed assets	80,361	184,730
Purchase of investment securities	(5,534)	(9,630)
Proceeds from sale of investment securities	50,700	12,823
Proceeds from sale of subsidiaries' stock	5,462	-
Cash paid in conjunction with the purchases of consolidated subsidiaries' stock	(5,304)	-
Payments for fixed leasehold deposits to lessors	(21,651)	(31,609)
Collection of fixed leasehold deposits to lessors	31,845	40,753
Proceeds from lease deposits from lessees	27,826	25,521
Repayments of lease deposits from lessees	(24,646)	(26,596)
Other – net	(13,195)	5,351
Net cash provided by (used in) investing activities	(446,612)	(267,710)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	155,450	(44,336)
Proceeds from long-term debt	412,854	322,389
Repayments of long-term debt	(273,020)	(296,972)
Proceeds from issuance of bonds	97,781	134,624
Payments for redemption of bonds	(42,930)	(30,759)
Purchase of treasury stock	(86)	(19)
Proceeds from issuance of subsidiaries' stock to non-controlling shareholders	4,094	17,292
Repurchase of subsidiaries' stock from non-controlling shareholders	(8,260)	(731)
Dividends paid to shareholders	(23,564)	(24,407)
Dividends paid to non-controlling shareholders	(18,863)	(19,350)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	10,560
Other – net	9,890	13,162
Net cash provided by (used in) financing activities	313,344	81,450
Foreign currency translation adjustments on cash and cash equivalents	(2,147)	(7,044)
Net increase (decrease) in cash and cash equivalents	(92,258)	101,588
Cash and cash equivalents, beginning of period	778,151	700,511
Increase in cash and cash equivalents resulting from stock transfer	13,745	-
Increase in cash and cash equivalents resulting from merger	873	-
Cash and cash equivalents, end of period	700,511	802,099

(5) Notes on the Going-concern Assumption

Not applicable

(6) Material Changes to the Basis of Preparation of Consolidated Financial Statements

Changes to accounting policy

(Accounting Standards for Business Combinations)

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

Financial statements for the fiscal year ended February 29, 2016 have been recast to reflect these presentation changes.

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

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

(Changes to Presentation of Consolidated Statements of Income)

Effective the fiscal year ended February 28, 2017, "restructuring costs," which was reported separately under "extraordinary losses" in the fiscal year ended February 29, 2016, is included in "other" under extraordinary losses. The financial statements for the fiscal year ended February 29, 2016 have been recast to reflect the presentation change.

As a result, in the consolidated income statements for the fiscal year ended February 29, 2016, "restructuring costs" of 3,494 million yen is no longer reported as a separate item, but it is included in "other."

(7) Additional Information

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

The Company has introduced Employee Stock Ownership Plan Trust ("ESOP Trust"), which is an incentive scheme that provides the Company's work force with ownership interest in the Company to further enhance the corporate value over the mid-to-long term.

The Company's stock held by ESOP Trust is included in the treasury stock under net assets with the book value of 4,290 million yen for 3,380,600 shares as of February 28, 2017. The book value of long-term debt (including the current portion) recorded in accordance with the adoption of the gross accounting method is 3,600 million yen.

(8) Notes on the Consolidated Financial Statements

Notes and other supplementary information for the consolidated balance sheets, the consolidated statements of income and consolidate statements of comprehensive income, the consolidated statements of changes in shareholders' equity, and the consolidated statements of cash flows are omitted from this report.

(Segment and Other Information)

[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 Co., Ltd, a pure holding company, the Group companies conduct various business operations centering on the Group's core retail store operations, including general merchandise stores, financial services operations, shopping center development operations, and service and specialty store 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 and Discount Store Business includes supermarkets and discount stores.

The Small-sized Store Business includes convenience stores, small-scale supermarkets, and specialty stores that sell packaged lunches and ready-to-eat meals.

The Drugstore and Pharmacy Business includes drugstores and pharmacies.

The Financial Services Business includes credit card, fee-based services, and banking businesses.

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

The Services and Specialty Store Business includes facilities management services, amusement services, food services, and specialty stores that sell family casual apparel, women's apparel, footwear, and others.

International Business includes retail stores in the ASEAN region and China.

Other Businesses include digital business, etc.

2. Operating revenue, income/loss, assets, liabilities and other items by reportable segment

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(Millions of yen)

	Reportable segment						
	GMS	Supermarket and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	2,674,323	3,039,446	371,189	592,046	319,174	204,129	566,383
(2) Intersegment revenue or transfers	163,915	13,851	5,723	318	38,077	67,995	174,882
Total	2,838,239	3,053,298	376,913	592,364	357,252	272,124	741,265
Segment income (loss)	9,390	21,157	1,265	18,589	55,027	45,068	26,320
Segment assets	1,443,598	1,108,680	167,118	276,998	3,555,733	1,164,851	385,908
Segment interest-bearing debt	383,434	282,440	7,470	25,886	796,448	429,736	64,560
Other items:							
Depreciation and amortization	50,907	39,277	11,084	10,096	19,262	42,232	16,567
Equity in gains (losses) of equity-method affiliates	107	610	(43)	317	927	(46)	73
Impairment loss	15,203	21,609	2,291	2,527	37	1,193	2,110
Investment in equity-method affiliates	1,662	21,280	509	2,764	27,372	148	2,652
Increase in tangible and intangible fixed assets	70,405	88,792	17,536	17,529	39,005	179,470	26,123

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the consolidated financial statements*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	424,959	8,191,651	7,796	8,199,448	(22,715)	8,176,732
(2) Intersegment revenue or transfers	1,523	466,288	5,395	471,684	(471,684)	-
Total	426,482	8,657,940	13,192	8,671,132	(494,399)	8,176,732
Segment income (loss)	(2,449)	174,370	(3,518)	170,852	6,125	176,977
Segment assets	326,887	8,429,777	6,455	8,436,233	(210,358)	8,225,874
Segment interest-bearing debt	51,964	2,041,940	3,950	2,045,890	124,909	2,170,800
Other items:						
Depreciation and amortization	17,393	206,822	368	207,190	7,843	215,033
Equity in gains (losses) of equity-method affiliates	(257)	1,689	(2)	1,686	325	2,012
Impairment loss	1,375	46,348	-	46,348	169	46,518
Investment in equity-method affiliates	1,563	57,954	21	57,975	4,001	61,977
Increase in tangible and intangible fixed assets	40,193	479,055	667	479,722	10,952	490,675

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

2. Main components of the minus 22,715 million yen in adjustments for revenue attributable to customers are (a) minus 70,831 million yen in adjustments to transactions reported in the reportable segment information and (b) 48,130 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

3. Main components of the 6,125 million yen in adjustments for segment income are (a) 4,815 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) 1,401 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and (c) minus 2,340 million yen in intersegment transaction eliminations.

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

Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

(Millions of yen)

	Reportable segment						
	GMS	Supermarket and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	2,825,386	2,868,198	372,755	623,512	329,923	242,517	583,940
(2) Intersegment revenue or transfers	186,877	22,034	5,947	119	42,122	73,423	181,728
Total	3,012,263	2,890,232	378,703	623,631	372,046	315,940	765,669
Segment income (loss)	2,481	31,288	2,776	22,053	61,904	46,851	26,393
Segment assets	1,462,549	1,010,714	170,704	295,293	4,050,134	1,242,310	404,474
Segment interest-bearing debt	418,219	242,003	7,574	24,256	823,800	459,394	79,692
Other items:							
Depreciation and amortization	53,417	40,107	10,900	11,182	21,084	50,080	17,766
Equity in gains (losses) of equity-method affiliates	(56)	616	(37)	465	385	(148)	100
Impairment loss	16,550	16,678	2,602	1,809	110	3,014	2,080
Investment in equity-method affiliates	1,717	21,609	1,596	3,151	32,399	-	2,691
Increase in tangible and intangible fixed assets	122,796	59,280	14,979	24,596	45,019	159,144	24,278

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the consolidated financial statements*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	396,617	8,242,851	6,696	8,249,547	(39,401)	8,210,145
(2) Intersegment revenue or transfers	1,778	514,032	11,429	525,462	(525,462)	-
Total	398,395	8,756,883	18,125	8,775,009	(564,863)	8,210,145
Segment income (loss)	(5,401)	188,347	(4,036)	184,311	428	184,739
Segment assets	314,318	8,950,499	21,277	8,971,776	(220,920)	8,750,856
Segment interest-bearing debt	60,407	2,115,349	7,115	2,122,465	134,629	2,257,094
Other items:						
Depreciation and amortization	17,173	221,712	683	222,395	9,508	231,904
Equity in gains (losses) of equity-method affiliates	(1,665)	(341)	-	(341)	300	(40)
Impairment loss	2,262	45,109	112	45,221	32	45,253
Investment in equity-method affiliates	12	63,177	-	63,177	4,251	67,429
Increase in tangible and intangible fixed assets	33,200	483,296	1,362	484,659	13,223	497,883

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

2. Main components of the minus 39,401 million yen in adjustments for revenue attributable to customers are as follows:
   (a) Minus 76,397 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 36,948 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

3. Main components of the 428 million yen in adjustments for segment income are as follows:
   (a) 2,727 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 846 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and
   (c) Minus 1,894 million yen in intersegment transaction eliminations

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

[Related Information]

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

1. Information by merchandise and service

The information is omitted here because the same information is presented in the "Segment Information" above.

2. Information by geographic area

(1) Operating revenue

(Millions of yen)

Japan	ASEAN	China	Other	Total
7,464,583	333,196	248,540	130,411	8,176,732

Note: Operating revenues are based on the location of customers and classified into countries or regions.

(2) Property, buildings and equipment

(Millions of yen)

Japan	ASEAN	China	Other	Total
2,302,332	222,402	83,391	7,316	2,615,442

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the operating revenue on the consolidated statements of income.

Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

1. Information by merchandise and service

The information is omitted here because the same information is presented in the "Segment Information" above.

2. Information by geographic area

(1) Operating revenue

(Millions of yen)

Japan	ASEAN	China	Other	Total
7,543,969	312,717	242,068	111,390	8,210,145

Note: Operating revenues are based on the location of customers and classified into countries or regions.

(2) Property, buildings and equipment

(Millions of yen)

Japan	ASEAN	China	Other	Total
2,337,090	232,362	82,188	8,137	2,659,779

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the operating revenue on the consolidated statements of income.

[Impairment loss on fixed assets by reportable segment]

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

The information is omitted here because the same information is presented in the "Segment Information" above.

Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

The information is omitted here because the same information is presented in the "Segment Information" above.

[Amortization for and unamortized balance of goodwill by reportable segment]

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

(Millions of yen)

	Reportable segment					
	GMS	Supermarket and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development
Amortization for the fiscal year ended Feb. 29, 2016	156	8,658	2,158	3,065	3,071	2,462
Balance at Feb. 29, 2016	1,733	39,815	21,551	51,844	25,971	28,289

	Reportable segment			Other	Adjustments	Total
	Services and Specialty Store	International	Total			
Amortization for the fiscal year ended Feb. 29, 2016	1,418	1,684	22,675	-	25	22,700
Balance at Feb. 29, 2016	9,779	2,713	181,698	-	107	181,806

Note: Amortization of goodwill for the fiscal year ended February 29, 2016 includes 6,181 million yen of "amortization of goodwill" reported under extraordinary losses.

Year ended February 28, 2016 (March 1, 2016 – February 28, 2017)

(Millions of yen)

	Reportable segment					
	GMS	Supermarket and Discount Store	Small-sized Store	Drugstore and Pharmacy	Financial Services	Shopping Center Development
Amortization for the fiscal year ended Feb. 28, 2017	210	5,680	2,150	3,993	3,083	2,617
Balance at Feb. 28, 2017	1,521	33,941	19,380	47,851	22,910	26,165

	Reportable segment			Other	Adjustments	Total
	Services and Specialty Store	International	Total			
Amortization for the fiscal year ended Feb. 28, 2017	1,009	289	19,034	-	23	19,058
Balance at Feb. 28, 2017	8,649	1,191	161,611	-	83	161,694

Note: Amortization of goodwill for the fiscal year ended February 28, 2017 includes 3,443 million yen of "amortization of goodwill" reported under extraordinary losses as well as 1,819 million yen of "impairment loss" for the International segment.

[Gain on negative goodwill by reportable segment]

Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)

Not applicable

Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)

Not applicable

(Per Share Information)

	Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)	Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)
Net assets per share (yen)	1,364.57	1,349.79
Earnings per share (yen)	7.19	13.44
Earnings per share - fully diluted (yen)	7.02	13.20

(Note) Data for calculation

1. Net assets per share

	February 29, 2016	February 28, 2017
Total net assets on the consolidated balance sheets (millions of yen)	1,819,474	1,862,410
Net assets attributable to common stock (millions of yen)	1,141,794	1,131,380
Main component of difference: Non-controlling interests (millions of yen)	675,700	729,209
Number of common stock shares issued (thousands of shares)	871,924	871,924
Number of common stock shares in treasury (thousands of shares)	35,181	33,734
Number of common stock shares used for calculation of net assets per share (thousands of shares)	836,743	838,189

2. Earnings per share and earnings per share fully diluted

	Year ended February 29, 2016 (March 1, 2015 – February 29, 2016)	Year ended February 28, 2017 (March 1, 2016 – February 28, 2017)
Profit attributable to owners of the parent (millions of yen)	6,008	11,255
Amount not attributable to common stockholders (millions of yen)	-	-
Profit attributable to common shares of the parent (millions of yen)	6,008	11,255
Average number of common stock shares outstanding (thousands of shares)	836,049	837,428
Main components of adjustment for profit attributable to owners of the parent used to calculate earnings per share - fully diluted (millions of yen)		
Changes in equity interest resulted from issuance of stock acquisition rights by consolidated subsidiaries	(130)	(199)
Adjustment for profit attributable to owners of the parent (millions of yen)	(130)	(199)
Increase in the number of common stock shares used to calculate earnings per share - fully diluted (thousands of shares)	1,774	362
Residual securities not included in the calculation for earnings per share - fully diluted because they have no dilutive effect	-	-

Note. 1. The average number of common stock shares outstanding for the fiscal year ended February 28, 2017 does not include the Company's common stock held by the Employee Stock Ownership Plan Trust (the number of shares that trust holds as of February 29, 2016 and February 28, 2017 were 4,794 thousand shares and 3,380 thousand shares, respectively). The Average number of common stock shares held by the trust was 5,469 thousand shares for the fiscal year ended February 29, 2016, and 4,127 thousand shares for the fiscal year ended February 28, 2017.