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# Financial Results for the Fiscal Year ended February 28, 2018

April 11, 2018


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 shareholder | May 23, 2018 |
| Commencement of dividend payments | May 1, 2018 |
| Submission of statutory financial report | May 24, 2018 |

| | |
|---|---|
| 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, 2018 (March 1, 2017 to February 28, 2018)

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

| | Operating revenue | | Operating income | | Ordinary income | | Profit attributable to owners of the parent | |
|---|---|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Year ended February 28, 2018 | 8,390,012 | 2.2 | 210,273 | 13.8 | 213,772 | 14.1 | 24,522 | 117.9 |
| Year ended February 28, 2017 | 8,210,145 | 0.4 | 184,739 | 4.4 | 187,351 | 4.3 | 11,255 | 87.3 |

Note: Comprehensive income: Fiscal Year ended February 28, 2018: 124,403 million yen (75.9%)
Fiscal Year ended February 28, 2017: 70,710 million yen (-%)

| | Earnings per share | Earnings per share – fully diluted | Return on equity | Ordinary income to total assets |
|---|---|---|---|---|
| | yen | yen | % | % |
| Year ended February 28, 2018 | 29.23 | 28.75 | 2.1 | 2.3 |
| Year ended February 28, 2017 | 13.44 | 13.20 | 1.0 | 2.2 |

Reference: Equity in gains (losses) of equity-method affiliates:
Year ended February 28, 2018: 3,839 million yen
Year ended February 28, 2017: (40) million yen

(2) Financial Position

| | Total assets | Net assets | Total equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| February 28, 2018 | 9,452,756 | 1,916,737 | 12.2 | 1,371.60 |
| February 28, 2017 | 8,750,856 | 1,862,410 | 12.9 | 1,349.79 |

Note: Total equity: February 28, 2018: 1,151,561 million yen February 28, 2017: 1,131,380 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, 2018 | 463,911 | (427,854) | 28,641 | 870,013 |
| Year ended February 28, 2017 | 294,893 | (267,710) | 81,450 | 802,099 |

**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. 28, 2017 | - | 15.00 | - | 15.00 | 30.00 | 25,249 | 223.2 | 2.2 |
| Year ended Feb. 28, 2018 | - | 15.00 | - | 15.00 | 30.00 | 25,250 | 102.6 | 2.2 |
| Year ending Feb. 28, 2019 (forecast) | - | 17.00 | - | 17.00 | 34.00 | | 81.6 | |

**3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2019 (March 1, 2018 to February 28, 2019)**

(Percentage figures represent year-on-year changes)

| | Operating revenue | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % |
| Six months ending August 31, 2018 | - | - | - | - | - | - |
| Full year | 8,700,000 | 3.7 | 240,000 | 14.1 | 240,000 | 12.3 |

| | Profit (loss) attributable to owners of the parent | | Earnings per share |
|---|---|---|---|
| | million yen | % | yen |
| Six months ending August 31, 2018 | - | - | - |
| Full year | 35,000 | 42.7 | 41.69 |

Note: Aeon does not disclose earnings forecasts for the first six months of the fiscal year ending February 28, 2019.

***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: None

2) Changes other than the above 1): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury stock included):
February 28, 2018: 871,924,572 shares
February 28, 2017: 871,924,572 shares

2) Number of shares held in treasury at end of period:
February 28, 2018: 32,347,411 shares
February 28, 2017: 33,734,908 shares

3) Average number of shares outstanding during the period:
Fiscal Year ended February 28, 2018: 838,844,483 shares
Fiscal Year ended February 28, 2017: 837,428,762 shares

* For the number of shares serving as basis for calculation of earnings per share (consolidated), see "Per Share Information" on page 33.

**For Reference**

**1. Non-consolidated Financial Results for the Fiscal Year ended February 28, 2018 (March 1, 2017 to February 28, 2018)**

(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, 2018 | 58,766 | (6.2) | 38,995 | (12.1) | 18,701 | (26.4) | 16,941 | 41.0 |
| Year ended February 28, 2017 | 62,636 | (38.8) | 44,386 | (48.1) | 25,402 | (65.5) | 12,014 | (78.0) |

| | Earnings per share | Earnings per share – fully diluted |
|---|---|---|
| | yen | yen |
| Year ended February 28, 2018 | 20.19 | 20.19 |
| Year ended February 28, 2017 | 14.35 | 14.34 |

(2) Financial Position

| | Total assets | Net assets | Total equity ratio | Net assets per share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| February 28, 2018 | 1,509,365 | 707,628 | 46.9 | 842.38 |
| February 28 2017 | 1,446,725 | 688,217 | 47.5 | 820.56 |

Note: Total equity: February 28, 2018: 707,315 million yen February 28, 2017: 687,855 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

***Audit Status**

This report is not subject to audit by certified public accountant and audit firm.

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

(Note on the forward-looking statements)

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.
For the forecasts herein, please refer to “(3) Outlook for the Fiscal Year ending February 28, 2019” on page 11 in section “1. Review of Operating Results and Financial Statements” in the Accompanying Materials.

**Accompanying Materials**

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

### 1) Summary of Operating Results

For the fiscal year ended February 28, 2018 (March 1, 2017-February 28, 2018), Aeon Co., Ltd. (hereinafter "Aeon") and its 291 consolidated subsidiaries earned profit attributable to owners of the parent of 24,522 million yen (up 117.9% year on year). Consolidated operating revenue for the period totaled a record high of 8,390,012 million yen (up 2.2% year on year), while consolidated operating income totaled a record high of 210,273 million yen (up 13.8% year on year). The GMS (General Merchandise Store) Business, which has been implementing earnings structure reforms, improved its gross profit margin and managed expenses efficiently to achieve the largest margin of improvement among the business segments. The International Business turned profitable on an operating basis by bolstering responsiveness to customer needs in each country. The Financial Services Business, Shopping Center Development Business, and Drugstore and Pharmacy Business all achieved steady growth to continue as profit pillars for the Group, while the Supermarket Business returned to year-on-year profit growth in the fourth quarter of the fiscal year. Consolidated ordinary income rose 14.1% year on year to a record high of 213,772 million yen. All levels of profit achieved the targets for the initial year of the Aeon Group Medium-term Management Plan.

**Common Group Strategy:**

- Under the Aeon Group Medium-term Management Plan begun in the fiscal year under review, the Aeon Group is implementing earnings structure reforms of existing businesses and Group-wide structural reforms towards new growth as its two main initiatives. In December, "Aeon Group Toward 2020" management policies were also announced to chart the Group's transformation through shifts to regional markets, digital markets, and Asian markets, along with correspondent shifts in investments. Specifically, Aeon will integrate and restructure the food operations of its Supermarket and GMS businesses in each region in response to customers changing food needs and to implement digitalization, with the ultimate aim of attaining a No. 1 share in each region. In the apparel and housing and recreational product categories, Aeon is aiming for further growth in the GMS business by spinning off operations into specialized companies and raising their degree of specialization. Other targets include raising the ratio of Group operating income from Asian business other than Japan to 23%, as well as raising the ratio of Group operating revenues from digital business to 12% by shifting investments from the traditional focus of stores to IT, logistics, and digitalization.

- In June, Aeon concluded a Comprehensive Memorandum of Understanding on Investment and Business Promotion in Hanoi with the Hanoi People's Committee (Vietnam) under which Aeon will support the city's economic vitalization and the region's further development through the development of large-scale shopping centers and retail, along with finance and other services. In November, Aeon concluded a Memorandum of Understanding for Cooperation on the Sale of Indonesian Products with the export development office of the Ministry of Trade, Republic of Indonesia. Under this agreement, Aeon and Indonesia will establish a comprehensive collaborative framework to leverage Aeon's global logistics and retail networks to strengthen promotion of certified Halal and other products, for which demand is expected to grow in the future.

- In January, Aeon lowered the prices of 100 Topvalu products, including sliced bread, dishwashing detergent, and other daily necessities. Since November 2016, Aeon has lowered the prices of 263 Topvalu products, gradually increasing the scope of price reductions by redoubling company-wide efforts to rationalize costs through the maximization of the Group's economies of scale, higher efficiency in production and logistics, and use of optimal sources of raw materials in and outside Japan. As a result,

Group sales of Topvalu products increased 1.6% year on year to 727.1 billion yen.

**2) Business Segment Information**

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

**GMS Business**

The GMS Business posted operating income of 10,536 million yen (an improvement of 11,858 million yen year on year) on operating revenue of 3,084,278 million yen (up 0.6% year on year) for the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") opened nine new stores during the period. Aeon Style Toyota (Aichi Prefecture), which opened in September, has established itself as a community-rooted store by offering a wide range of food products selected to meet the tastes of a local populace with a large proportion of people originally from Kyushu. Additionally, to serve a region with many young families, the store is offering a "Maimai Kitchen" food court welcoming to mothers and children, as well as special car parking slots for parents with children. As a result, the store achieved higher-than-projected increases in sales and profit for the year. In November, Aeon Style Kemigawahama (Chiba Prefecture) opened as the first newly established Aeon store to be dedicated to the "Grand Generation (G.G)." Viewing the senior generation from a new perspective, G.G stands for the generation of senior citizen customers who have aged gracefully and enjoy active lifestyles which make the most of their wealth of wisdom and experience. Aeon Style Kemigawahama offers a wide range of products and services around the theme of health. Among the services, the store promotes the theme of community by offering group stretching exercises at event spaces and a fitness club specially designed for seniors, along with living support services to help customers solve daily lifestyle problems - services which have been well-received among customers. Aeon Retail promoted these types of value-added products and services along with reasonable prices to satisfy economizing customers, while also refurbishing 51 existing stores. As a result, the number of goods purchased per customer at existing stores rose 1.1% year on year (after adjustment for days of the week), while gross profit margin also improved through higher sales of Topvalu products and other measures. Additionally, Aeon Retail successfully reduced costs, including through more efficient use of marketing and promotion expenses. As a result, operating profitability improved by 3,430 million yen year on year.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido") promoted a strategy of developing stores to best match their communities. In the food section, stores featured seasonal food products and popular foods from around Japan through "Aeon Dosan Day" and local Japanese products fairs. The stores also boosted sales in the health and beauty care category and flower and garden category by strengthening store specialization. The My Basket business and the Online Supermarket business both posted double-digit increases in sales year on year to contribute to the company's record operating revenue (up 1.2% year on year). Aeon Hokkaido also posted record profits at every level of earnings by improving gross profit margin for the third straight year and reducing SG&A expenses and other measures.

**Supermarket Business**

The Supermarket Business posted operating revenue of 3,240,978 million yen (up 0.7% year on year) for the fiscal year. Operating income declined to 30,722 million yen (down 8.8% year on year). The business environment remained severe throughout the year due to the impact of lower prices for agricultural products and the impact of October typhoons on same-store sales, higher personnel costs associated with expanded social insurance coverage, and higher unit price of electricity charge. The business responded with continual programs to serve the needs of customers in local communities while promoting productivity improvements. As a result, it

rebounded with a year-on-year increase in profit in the fourth quarter.

The Daiei, Inc. (hereinafter "Daiei"), which is concentrating its operations in the Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, implemented retail format, product, and structural reforms. In addition to refurbishing 15 stores, the company implemented its "Every Day Same Low Price" (EDSLP) program through its "Eh! Yasui Ne!" sales promotion while actively promoting weekly sales boost products. Daiei also lowered workloads at individual stores by expanding usage of food processing centers, while reducing expenses through efficient marketing and promotions and other measures. Since the fiscal year ended February 2016, Daiei has achieved three straight years of improvement in profitability.

United Super Markets Holdings Inc. continued to promote product reforms, ICT reforms, cost structure reforms, and logistics reforms, which are the key initiatives under its current medium-term management plan. Consolidated subsidiary Maruetsu, Inc. expanded the use of semi-automatic self-checkout registers to 189 stores as a labor-saving measure, while also rolling out the "Total Labor Scheduling Program (LSP)" at all stores to support efficient store operations.

Maxvalu Nishinihon Co., Ltd. deployed the self-scan system "My-Pi" in January as part of its program to digitalize stores. The My-Pi system is a specialized terminal which customers use to scan items for purchase and check out rapidly by simply reading the scanned item list into the check-out terminal. By proposing a new style of shopping, the company aims to improve customer convenience and raise store efficiency while relieving check-out congestion.

**Drugstore and Pharmacy Business**

The Drugstore and Pharmacy Business recorded operating income of 27,700 million yen (up 25.6% year on year) on operating revenues of 696,392 million yen (up 11.7% year on year) for the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries actively carried out refurbishments of existing stores to promote the "Welcia Model" built on four pillars of "drugstore and pharmacy," "late-night operations," "counseling," and "nursing." Same-store sales increased steadily as the company increased prescription drug sales by expanding the number of drugstores offering prescription drugs (1,160 stores as of February 28, including two in Singapore), while expanding the number of 24-hour stores to provide customers with peace of mind and enhanced convenience.

Welcia Holdings also actively promoted community-rooted management by developing new products around the key theme of health, responding to customer demand for quick meals with bento lunch boxes and ready-to-eat meals, and expanding the development of Welcafe corners in the stores to serve as community meeting and collaboration sites. On March 1, Welcia Holdings established Welcia-BHG (Singapore) Pte. Ltd. in Singapore, followed by the opening of the company's first local store in November and second store in December. On September 1, Welcia Holdings acquired the shares of Marudai Sakurai Pharmacy Limited, an operator of drugstores primarily in the Tohoku region, making the company a subsidiary. Including these stores, Welcia Holdings operated 1,693 stores (including stores outside Japan) as of February 28, 2018.

**Financial Services Business**

The Financial Services Business earned operating income of 69,766 million yen (up 12.7% year on year) on operating revenue of 408,092 million yen (up 9.7% year on year) for the fiscal year.

In Japan, Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") expanded card usage at Aeon Group stores and among external member stores while developing new customers among the younger generations. These initiatives included the issuance of new credit cards developed with external companies and cards featuring popular characters, along with continued promotional efforts with partner companies. The company also made strides reforming its business model through the application of new technologies. The company began a demonstration project using robotic technologies to sign up new card members, while it

became the first Japanese financial institution to introduce a system enabling customers to make bank transactions using only biometric data. Aeon Bank, which celebrated its 10th anniversary, continued to bolster its business foundation in Japan, bringing its network to 138 branches. Aeon Bank also launched Aeon Bank iDeCo (individual-type defined contribution pension plan) services and installment-type NISA (Nippon Individual Savings Account) accounts. Additionally, on October 1, Aeon Credit Service transferred to Aeon Bank the management of in-store Aeon Bank branches, which Aeon Credit Service has been managing as the in-store branch agent. The management of all branches directly by Aeon Bank will facilitate the seamless provision of asset formation services.

In the overseas business, in Hong Kong, the business endeavored to expand credit card transaction volume and the number of cardholders by launching a new initiative to award double the normal sales points on Aeon store purchases to holders of the Aeon gold card members, as well as by issuing new collaboration cards featuring popular characters. In Thailand, Aeon collaborated with a major retailer to launch a new joint credit card and implemented joint promotions with partners. Aeon also responded to new credit card regulations while instituting more rigorous application screening process to reduce bad debt costs. In Malaysia, the business continued to promote paperless systems using tablets and digital signage. In the Philippines, Aeon started an auto loan business for taxi operators using new IoT devices. These and other new technologies were also rolled out in Cambodia in order to raise the level of services for customers.

**Shopping Center Development Business**

The Shopping Center Development Business earned operating income of 51,542 million yen (up 10.0% year on year) on operating revenue of 335,664 million yen (up 6.2% year on year) for the fiscal year.

Aeon Mall Co., Ltd. (hereinafter “Aeon Mall”) actively promoted refurbishments and floor space expansion of existing shopping centers, completing floor expansions of two shopping centers and refurbishments of 12 shopping centers in Japan. The company appealed to senior citizens and other new customer segments by promoting the “Happiness Mall” program with such initiatives as “Opera de Aeon Mall” and mall-walking. The company also implemented sales initiatives with the goal of enhancing localization. As a result, Aeon Mall posted higher customer traffic and specialty store sales year on year. In the year, the company opened five new shopping centers, including Aeon Mall New Komatsu (Ishikawa Prefecture) and Aeon Mall Matsumoto (Nagano Prefecture). At overseas shopping centers, which are positioned as critical growth drivers for the future, 14 of 19 shopping centers opened as of the end of the previous fiscal year were profitable in the period, and the overseas shopping center business as a whole showed the prospect of turning profitable in future quarters.

OPA Co., Ltd., which operates urban fashion buildings, opened Mito OPA (Ibaraki Prefecture) in March, its first new store in four years. In October, the company opened Takasaki OPA (Gunma Prefecture) as its flagship store since its corporate rebirth, while also transforming Akita FORUS, which closed at the end of the previous fiscal year, into the Akita OPA (Akita Prefecture) following a complete refurbishment.

Overall, Aeon Mall posted record annual operating revenue and record income at all levels of earnings.

**Services and Specialty Store Business**

The Services and Specialty Store Business posted operating income of 20,261 million yen (down 23.2% year on year) on operating revenue of 774,237 million yen (up 1.1% year on year) for the fiscal year.

Aeon Delight Co., Ltd. (hereinafter “Aeon Delight”) strove to develop new customers in and outside Japan, while strengthening proposal capabilities to existing customers to enhance asset value. Aiming to improve automation and efficiency in the facility management business, Aeon Delight conducted demonstration tests and research and development on such new technologies as IoT and AI, including the deployment of remote monitoring and automated control systems

for various types of facilities.

Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) continued to enjoy higher sales from amusement machines at existing outlets in Japan, which have risen year on year for 30 straight months since September 2015. The company also expanded its offerings of original prizes and successfully continued online sales promotions begun in the previous fiscal year, leading to a strong increase in sales from crane-type game machines. Aeon Fantasy opened eight new outlets and refurbished 42 existing outlets in Japan during the year, leading to a 15% year-on-year increase in sales at refurbished outlets. Outside Japan, Aeon Fantasy opened 44 new outlets in China and 34 in ASEAN. In China, the number of customers joining the mobile phone application program grew steadily, boosting sales and profit in the country. In ASEAN, existing outlet sales rose steadily year on year and the region achieved profitability. As a result, Aeon Fantasy posted record results for sales and incomes at all levels of earnings.

**International Business**

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

The International Business posted operating income of 232 million yen (an improvement of 5,634 million yen) on operating revenue of 418,884 million yen (up 5.1% year on year).

In Malaysia, Aeon Co. (M) Bhd. opened a new store in the State of Johor in September. The new store is proposing new lifestyles through a kitchen studio located next to the fresh foods section, and sections for imported food products. The company also continued to open new AEON Wellness drugstores as solution stores helping customers solve daily beauty and healthy issues, expanding the chain to more than 50 stores. Refurbishments of existing stores, reforms to product lineups and sales floors, and strengthened initiatives for social events led to higher gross profit margins and boosted the company’s overall performance.

Aeon Vietnam Co., Ltd. (hereinafter “Aeon Vietnam”) posted higher sales by enhancing responsiveness to social events, including new product proposals for Black Friday sales and Christmas. As the popularity of fresh food products continues to grow each year, Aeon Vietnam succeeded in generating new demand through such initiatives as launching sales of imported pears from Japan for the first time in the country in August, while also expanding the number of in-house developed products. In the apparel category, the company developed sales floors, products, and services to match the changing lifestyles and new needs of its customers, which supported the development of new customers, particularly younger customers. In shopping center management, the company actively attracted new tenants. Overall, the success of these initiatives led to strong increases in sales and profits for the period.

In China, Guangdong Aeon (Guangdong Aeon Teem Co., Ltd.) opened a new store in December, expanding the number of Aeon Group GMS store in China (including Hong Kong) to 55 stores. Aeon Qingdao (Qingdao Aeon Dongtai Co., Ltd.) returned to profitability after closing underperforming stores in the previous fiscal year, refurbishing flagship stores, and refocusing management resources into existing stores. As a result of these initiatives, performance in mainland China improved significantly.

**3) 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 | Chairperson: Hiroshi Yokoo Motoya Okada, Yoshiki Mori, Akinori Yamashita, *Ken Sato, *Yukako Uchinaga, *Toru Nagashima, *Takashi Tsukamoto, *Kotaro Ohno | ● Oversee the work performance of the directors and executive officers.<br>● 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 | Chairperson: *Ken Sato *Yukako Uchinaga, *Toru Nagashima, *Kotaro Ohno | ● Audit the work performance of the directors and executive officers.<br>● Decide the contents of proposals to nominate, dismiss or forgo the reappointment of the accounting auditor, which are submitted to the General Meeting of Shareholders. |
| Nomination Committee | 3 | Chairperson:*Yukako Uchinaga *Kotaro Ohno, *Takashi Tsukamoto, 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 | Chairperson: *Toru Nagashima, *Ken Sato, *Takashi Tsukamoto, Motoya Okada | Decide individual compensation, etc. received by directors and executive officers. |

**4) Fulfillment of Corporate Social Responsibility During Fiscal Year**

The Aeon Sustainability Principle defines initiatives the entire Aeon Group takes in support of the development of a sustainable society. In addition to the previously defined environmental priorities, social priorities were newly defined and added under the principle during the fiscal year under review. Based on the principle, Aeon announced in April 2017 the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 as a way of fulfilling its social responsibility throughout the supply chain. In October, Aeon further announced Group-wide targets for reducing food waste.

| Aeon Sustainability Principle | |
|---|---|
| Aeon aims to realize a sustainable society and ensure Group growth based on our basic principle of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.<br>In conducting activities, we will think globally and advance activities locally from both environmental and social viewpoints in actively pursuing sustainability with many different stakeholders. | |
| **Environment Priority Issues**<br>・Realization of low-carbon society<br>・Conservation of biodiversity<br>・Better use of resources | **Society Priority Issues**<br>・Responding to diverse consumer issues<br>・Carrying out fair business practices<br>・Creating workplaces that respect human rights and diversity<br>・Collaborating with the community |

During the year, Aeon also continued to take steps toward the achievement of Aeon ECO Project, which supports the establishment of a low-carbon society through a reduction in energy usage, the expansion of renewable energies, and the establishment of disaster-prevention sites.

To preserve biodiversity, Aeon also strengthened sales of ASC-certified products produced through aquaculture methods with a low burden on the environment, along with MSC-certified marine products produced naturally using sustainable fishery methods. In October, Aeon became the first Asian retailer to join The Global Sustainable Seafood Initiative (GSSI), an international organization dedicated to promoting sustainable marine products.

Since 1991, Aeon has carried out tree-planting activities in and outside Japan. Including the tree-planting initiatives of the Aeon Environmental Foundation, Aeon has planted a cumulative of more than 11.66 million trees.

To promote recycling, Aeon announced a new initiative this year to reduce food waste by half by 2025, while also targeting the establishment a food resource recycling model at 10 or more sites in Japan by 2020.

In regard to community collaboration initiatives, Aeon continued to work together with customers to support organizations benefitting their communities. Aeon continued to promote the Happy Yellow Receipt Campaign, which donates goods to organizations worth 1% of collected shopping receipts, while expanding the regional WAON program, which supports local community development with a portion of the WAON e-money used. Aeon also continued to promote comprehensive partnership agreements with local governments around Japan as a way to support community safety, security and vitalization, while also raising the level of citizen services.

The Aeon Environmental Foundation carries out environmental conservation activities to ensure that future generations inherit a beautiful planet. The foundation promotes tree-planting in and outside Japan, implements environmental activities in collaboration with governments and research organizations around the world, including the secretariats for the United Nations Environment Programme and the Convention on Biological Diversity, and supports organizations championing the environment through various activities. Aeon also has partnerships with leading universities throughout Asia to nurture human resources for the environmental field and promote other environmental activities with the ultimate aim of realizing enriched ways of life in a society coexisting with nature.

The Aeon 1% Club supports programs for sound development of the next generation, promotion of friendship with foreign countries, and sustainable development of regional communities using 1% of the pretax profits of major Group companies. During the year under review, club-funded programs included continuous-style agriculture training for children, exchange programs for Asian high-school students, and support for disaster-stricken areas.

**Hand-in-hand with Communities**

The Aeon Group is supporting the Tohoku region as transitions from rebuilding after the Great East Japan Earthquake to a new stage of regional (hometown) re-creation. Under the slogan "Nigiwai Tohoku - Join Hands and Foster the Power of Hometown," Aeon is implementing various initiatives based on 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 is promoting the "Aeon Future Co-creation Program" and other initiatives to rejuvenate local communities through community exchange-based activities. Some 284,000 Group employees have acted as volunteers in various initiatives under the project. The project has also succeeded in planting of a cumulative of more than 250,000 trees along the Tohoku coast.

**(2) Analysis of Financial Condition**

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

| | Fiscal year to end-February, | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 |
| Total assets | 9,452,756 | 8,750,856 | 8,225,874 | 7,859,803 |
| Interest-bearing debt | 2,344,381 | 2,257,094 | 2,170,800 | 1,845,032 |
| Breakdown: | | | | |
| Interest-bearing debt of financial subsidiaries | 809,773 | 823,800 | 796,448 | 719,303 |
| Interest-bearing debt excluding that of financial subsidiaries | 1,534,608 | 1,433,294 | 1,374,351 | 1,125,728 |
| Net assets | 1,916,737 | 1,862,410 | 1,819,474 | 1,829,980 |
| Cash and cash equivalents, ending balance | 870,013 | 802,099 | 700,511 | 778,151 |
| Cash flow from operating activities | 463,911 | 294,893 | 43,156 | 398,453 |
| Cash flow from investing activities | (427,854) | (267,710) | (446,612) | (361,838) |
| Cash flow from financing activities | 28,641 | 81,450 | 313,344 | 95,527 |

**Consolidated Assets, Liabilities, and Net Assets**

Consolidated assets at February 28, 2018 totaled 9,452,756 million yen, an increase of 701,899 million yen, or 8.0%, from the end of the previous fiscal year (February 28, 2017). The increase was chiefly attributable to increases of 349,539 million yen in loans and bills discounted for banking business, 104,614 million yen in notes and accounts receivable-trade, consisting mostly of installment plan accounts receivable at financial subsidiaries, 75,339 million yen in cash and time deposits, and among fixed assets, an increase of 95,333 million yen in property, buildings and equipment related mainly to the opening of new shopping centers.

Consolidated liabilities at February 28, 2018 totaled 7,536,019 million yen, an increase of 647,573 million yen, or 9.4%, from February 28, 2017. The increase was chiefly attributable to increases of 508,564 million yen in deposits for banking business, 44,375 million yen in bonds (including bonds redeemable within one year), and 37,550 million yen in commercial paper.

Consolidated net assets at February 28, 2018 totaled 1,916,737 million yen, an increase of 54,326 million yen, or 2.9%, from February 28, 2017. The increase was chiefly attributable to an increase of 34,045 million yen in non-controlling interest and 25,261 million yen on unrealized gain on available-for-sale securities.

**Consolidated Cash flows**

*Cash and cash equivalents*

The balance of cash and cash equivalents at February 28, 2018 was 870,013 million yen, an increase of 67,913 million yen, or 8.5%, from February 28, 2017.

*Cash flow from operating activities*

Net cash provided by operating activities in the fiscal year ended February 28, 2018 was 463,911 million yen (up 57.3% year on year). The 169,018 million yen increase from the previous fiscal year reflects an increase of 90,826 million yen in loans in banking business, a factor reducing cash flows, which was outweighed by increases of 126,010 million yen in deposits received in banking business and 96,657 million yen in other assets and liabilities, which were factors increasing cash flows.

*Cash flow from investing activities*

Net cash used in investing activities during the fiscal year ended February 28, 2018 was 427,854 million yen (up 59.8% year on year). The 160,143 million yen increase from the previous fiscal year reflects a decline of 54,660 million yen in purchase of fixed assets, which was outweighed

by decreases of 106,921 million yen in proceeds from sale of fixed assets and 77,606 million yen in proceeds from sale and redemption of marketable securities in banking business.

*Cash flow from financing activities*
Net cash provided by financing activities during the fiscal year ended February 28, 2018 was 28,641 million yen (down 64.8% year on year). The 52,809 million yen decrease mainly reflects an increase of 57,326 million yen in short-term borrowings and commercial paper, a factor increasing cash, as well as a decrease of 62,881 million yen in proceeds from issuance of bonds and an increase of 32,874 million yen in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, factors which reduced cash.

**(3) Outlook for the Fiscal Year ending February 28, 2019**
Consolidated Operating Results Forecast (millions of yen)

| | Fiscal year to end-February, | |
|---|---|---|
| | 2019 (forecast) | 2018 (actual) |
| Operating revenue | 8,700,000 | 8,390,012 |
| Operating income | 240,000 | 210,273 |
| Ordinary income | 240,000 | 213,772 |
| Profit attributable to owners of the parent | 35,000 | 24,522 |

As a corporate group with an ever-lasting innovative spirit, Aeon is striving to realize sustainable management for both the growth of the Group and the development of society. In parallel with this ongoing effort, Aeon is implementing the Aeon Group Medium-term Management Plan, which began with the year under review and which promotes earnings structure reforms of existing businesses as well as Group-wide structural reforms towards new growth.

In December 2017, Aeon announced the “Aeon Group Toward 2020” management policies to further define the medium-term management plan. The policies articulate the transformation in Aeon’s direction toward regional, digital, and Asian markets and a corresponding shifts in investments. In response to changes in the business environment in Japan, Aeon plans to integrate and restructure the food operations of GMS and Supermarket businesses by February 2021 and aim for a No. 1 market share in each region. Aeon also seeks to raise the ratio of sales from digital business as well as raise the ratio of operating income from China and ASEAN. Furthermore, the allocation of investment into IT, logistics, and digitalization will be increased. The year ending February 2019 is seen as a key foothold for achieving the targets of 10 trillion yen in operating revenue and 340 billion yen in operating income in the year ending February 2021. To this end, Aeon will continue to implement earnings structure reforms at Aeon Retail Co., Ltd. and The Daiei, Inc., the main companies in the Group’s core GMS and Supermarket businesses. Additionally, Aeon will implement priority issues management and strategic realignment at Group companies to promote earnings improvement, and study ways to innovate IT and logistics platforms.

**(4) Dividend Policy and Dividends for the Fiscal Year ended February 28, 2018, and the Fiscal Year ending February 28, 2019**

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, 2018, and Starting Date for Dividend Payments
Pursuant to a resolution by the Board of Directors at its meeting on April 11, 2018, the year-end dividend payment from retained earnings for the fiscal year ended February 28, 2018 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 Tuesday, May 1, 2018.

3) Dividend Forecast for the Fiscal Year ending February 28, 2019
Based on the basic policy outlined above, the forecast for dividend payments for the fiscal year ending February 28, 2019 is 34 yen per share, consisting of an interim payment of 17 yen per share and a year-end payment of 17 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, demographic change and technological innovation in IT and other areas have brought upon dramatic changes in the business environments at unexpected speeds. At the same time, consumer needs have continued to evolve. They have shifted spending from goods to experience, developed a higher awareness of health and prevention, and sought to further economize by seeking lower-priced products. Overall, these trends have made the business environment surrounding the retail industry more challenging.

Amid this environment, Aeon aims to be a corporate group with its ever-lasting innovative spirit which can anticipate various future changes and remain among the global leaders in terms of sales and profit. To that end, towards 2020, Aeon is innovating its business to ensure that it can be the No. 1 retail company in each region and business field. At the same time, Aeon is

reallocating a large portion of its investment into digital markets and Asia with the aim of achieving continual growth and higher earnings.

1) Main initiatives for Group business structural reform

Amid changes in the business environment surrounding the food market, the Aeon Group is strengthening its private brand and shifting towards SPA models for its food business in response to customers' growing health-consciousness and desire to economize, with the aim of further enriching customer lifestyles. The Group is also aiming to dramatically enhance differentiation in the food business by integrating and restructuring food operations in the Group's core Supermarket and GMS businesses. An integrated business of sufficient scale will enable Aeon to root its operations in each region and stably deliver fresher products to customers, develop more local products, develop stores, and promote better management of logistics and processing centers.

Additionally, the Group is pursuing integration of its discount stores businesses, which has combined annual sales of 400 billion yen. The integrated business will develop original products, refocus and narrow its products lineup, and raise logistics efficiency to achieve overwhelmingly low prices and establish a new discount store model.

The GMS Business's food operations will be spun off into regional companies, while the apparel, housing and recreational products, and H&BC (health and beauty care) operations will be spun off into specialty companies which can unify product and sales, with the aim of becoming No. 1 in each of their fields. Regarding food, Aeon will leverage the unique characteristics of each region to build strong food sections. Regarding apparel, Aeon will refocus resources into growth areas and establish SPA models. Regarding housing and recreational products, Aeon will leverage home fashion brand HOME COORDY to further develop private brand products with exceptional functionality and design. Regarding H&BC, Aeon will leverage the Group's economies of scale to develop new products and conduct joint product procurement to ensure higher service levels and profitability. Additionally, Aeon will develop a new format of food-oriented stores on the scale of 3,000 $m^2$ featuring combinations of food, H&BC and restaurants. This new format will bolster GMS Business growth.

To strengthen the e-commerce business, Aeon will build new marketplaces where Group companies, along with tenants and local producers and sellers, can sell their products. The marketplace will enable participants to sell well-known products and private-brand products online and in stores, becoming a model for collaborative growth with communities. To raise customer convenience, customers will be able to pick up goods ordered online at stores, while stores themselves will be digitalized through register-free checkout and other initiatives. Regarding online supermarkets, Aeon will appoint an executive responsible for the business and aim to build a new business model featuring higher convenience through faster order and delivery, along with pick up at any Group store.

2) Innovation of business platforms

In support of the three previously stated reform initiatives, Aeon will innovate its IT, logistics and other platforms. In conjunction with the integration of the GMS and Supermarket businesses' food operations, Aeon will innovate the IT, logistics, and supply chain management platforms used previously to maximize the earnings of the individual businesses by reviewing the platforms in each region. The aim will be to construct new platforms that promote SPA models in the food business, ensure delivery of fresher foods, and enable a seamless operation between e-commerce marketplaces and stores. Additionally, Aeon will aim to further raise competitiveness by building supply structures to delivery products reflecting customer demands within Asia, as well as on a global level.

Aeon will invest 500 billion yen over three years in business platform innovations, along with the expansion of its private-brand business and digital markets, including e-commerce and store digitalization. These investments will ensure completion of food business reforms and digital reforms as early as possible.

**Promoting Active Roles for Employees and Diversity**

Aeon believes that employees are its most important management resource, using their talents to create new value for customers. 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, nurturing management talent who can deliver results for their organizations while also ensuring a healthy work-life balance for themselves and their subordinates, and increasing the number of childcare facilities located within its offices. Aeon has begun a new three-year program with the goals of having all employees "Understand" diversity, ensuring that internal systems and work environments "Change," and enabling these efforts "Expand" throughout the business. In addition to promoting active roles for female employees, this new program will expand these efforts to people with disabilities, non-Japanese employees, and LGBT employees. As a result of its initiatives, in March 2018, Aeon Co., Ltd. was included in the Nadeshiko Brand companies list, a selection of enterprises chosen and announced jointly by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) in recognition of their outstanding promotion of female employees in the workplace.

## 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 and Main Notes
### (1) Consolidated Balance Sheets

(Millions of yen)

| | As of February 28, 2017 | As of February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| **Assets** | | |
| Current assets | | |
| Cash and time deposits | 842,714 | 918,053 |
| Call loans | 25,000 | - |
| Notes and accounts receivable - trade | 1,187,488 | 1,292,103 |
| Marketable securities | 185,098 | 208,866 |
| Merchandise inventories | 586,202 | 600,287 |
| Deferred tax assets | 53,257 | 45,707 |
| Financial loan | 299,271 | 347,829 |
| Loans and bills discounted for banking business | 1,470,142 | 1,819,681 |
| Other | 323,662 | 298,118 |
| Allowance for doubtful accounts | (53,061) | (56,525) |
| Total current assets | 4,919,774 | 5,474,121 |
| Fixed assets | | |
| Property, buildings and equipment | | |
| Buildings and structures, net | 1,487,044 | 1,529,041 |
| Tools, furniture and fixtures, net | 224,190 | 228,380 |
| Land | 804,884 | 828,326 |
| Lease assets, net | 68,483 | 75,653 |
| Construction in progress | 70,584 | 93,251 |
| Other, net | 4,592 | 459 |
| Total property, buildings and equipment | 2,659,779 | 2,755,112 |
| Intangible fixed assets | | |
| Goodwill | 161,694 | 155,628 |
| Software | 73,839 | 77,090 |
| Lease assets | 22,890 | 26,584 |
| Other | 36,411 | 35,796 |
| Total intangible fixed assets | 294,837 | 295,100 |
| Investments and other assets | | |
| Investment securities | 205,069 | 252,386 |
| Net defined benefit asset | 10,693 | 16,209 |
| Deferred tax assets | 87,341 | 96,951 |
| Fixed leasehold deposits to lessors | 404,867 | 406,500 |
| Deposits for stores in progress | 4,415 | 2,349 |
| Other | 183,031 | 166,126 |
| Allowance for doubtful accounts | (18,953) | (12,102) |
| Total investments and other assets | 876,465 | 928,421 |
| Total fixed assets | 3,831,081 | 3,978,634 |
| Total assets | 8,750,856 | 9,452,756 |

(Millions of yen)

| | As of February 28, 2017 | As of February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| **Liabilities** | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 888,422 | 906,195 |
| Deposits for banking business | 2,498,725 | 3,007,289 |
| Short-term borrowings | 354,475 | 332,486 |
| Current portion of long-term debt | 301,860 | 272,136 |
| Bonds due within one year | 27,655 | 25,803 |
| Commercial paper | 43,498 | 81,049 |
| Lease obligations | 13,039 | 14,460 |
| Income taxes payable | 49,277 | 50,003 |
| Provision for bonuses | 26,196 | 31,874 |
| Provision for store closing expenses | 5,505 | 5,790 |
| Allowance for point program | 21,358 | 19,435 |
| Notes payable, construction | 86,453 | 106,253 |
| Other | 601,991 | 594,862 |
| Total current liabilities | 4,918,460 | 5,447,642 |
| Long-term liabilities | | |
| Bonds | 435,885 | 482,112 |
| Convertible bonds with stock acquisition rights | 30,000 | 29,948 |
| Long-term debt | 972,900 | 1,026,738 |
| Lease obligations | 60,137 | 61,055 |
| Deferred tax liabilities | 48,350 | 54,648 |
| Liability for directors' retirement benefits | 1,345 | 927 |
| Provision for store closing expenses | 4,237 | 3,776 |
| Provision for contingent liabilities | 92 | 75 |
| Allowance for loss on refund of interest received | 3,808 | 3,098 |
| Provisions for losses on unredeemed gift coupons | 4,904 | 4,956 |
| Net defined benefit liability | 25,735 | 25,643 |
| Asset retirement obligations | 80,734 | 85,993 |
| Lease deposits from lessees | 262,850 | 264,591 |
| Other | 39,001 | 44,811 |
| Total long-term liabilities | 1,969,985 | 2,088,377 |
| Total liabilities | 6,888,445 | 7,536,019 |

(Millions of yen)

| | As of February 28, 2017 | As of February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| **Net assets** | | |
| Shareholders' equity | | |
| Common stock | 220,007 | 220,007 |
| Capital surplus | 315,813 | 306,464 |
| Retained earnings | 575,147 | 574,409 |
| Treasury stock | (40,709) | (38,962) |
| Total shareholders' equity | 1,070,259 | 1,061,920 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 52,440 | 77,701 |
| Deferred gain (loss) on derivatives under hedge accounting | (2,588) | (3,013) |
| Foreign currency translation adjustments | 10,178 | 13,356 |
| Remeasurements of defined benefit plans | 1,091 | 1,597 |
| Total accumulated other comprehensive income | 61,121 | 89,641 |
| Stock acquisition rights | 1,820 | 1,921 |
| Non-controlling interest | 729,209 | 763,254 |
| Total net assets | 1,862,410 | 1,916,737 |
| Total net assets and liabilities | 8,750,856 | 9,452,756 |

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

### Consolidated Statements of Income

(Millions of yen)

| | Year ended February 28, 2017 | Year ended February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| Operating revenue | | |
| Net sales | 7,253,529 | 7,380,567 |
| Operating revenue in the financial services business | 329,923 | 363,824 |
| Other operating revenue | 626,691 | 645,620 |
| Total operating revenue | 8,210,145 | 8,390,012 |
| Operating costs | | |
| Cost of sales | 5,245,626 | 5,325,422 |
| Operating costs in the financial services business | 28,842 | 31,260 |
| Total operating costs | 5,274,469 | 5,356,683 |
| Gross profit on sales | 2,007,903 | 2,055,144 |
| Gross profit from operations | 2,935,675 | 3,033,329 |
| Selling, general and administrative expenses | | |
| Advertising expense | 193,753 | 184,715 |
| Provision of allowance for doubtful accounts | 43,561 | 45,597 |
| Employees' salaries and bonuses | 971,001 | 990,440 |
| Provision for bonuses | 26,196 | 31,874 |
| Statutory welfare benefit expense | 155,686 | 169,113 |
| Utilities expense | 141,134 | 146,381 |
| Depreciation and amortization | 217,548 | 225,982 |
| Repairs and maintenance expense | 144,773 | 145,802 |
| Rent expense | 428,723 | 435,817 |
| Amortization of goodwill | 15,615 | 15,405 |
| Other | 412,940 | 431,926 |
| Total selling, general and administrative expenses | 2,750,935 | 2,823,056 |
| Operating income | 184,739 | 210,273 |
| Other income | | |
| Interest income | 3,008 | 2,540 |
| Dividend income | 2,232 | 2,371 |
| Equity in gains of equity-method affiliates | - | 3,839 |
| Income from unredeemed gift coupons | 3,082 | 3,414 |
| Penalty income from leaving tenants | 3,153 | 2,759 |
| Reversal of allowance for doubtful accounts | 1,867 | 716 |
| Gain on collection of fixed leasehold deposits | 2,946 | 2,707 |
| Other | 9,962 | 9,756 |
| Total other income | 26,254 | 28,106 |
| Other expenses | | |
| Interest expense | 14,945 | 15,321 |
| Equity in losses of equity-method affiliates | 40 | - |
| Other | 8,656 | 9,286 |
| Total other expenses | 23,642 | 24,607 |
| Ordinary income | 187,351 | 213,772 |
| Extraordinary gains | | |
| Gain on sale of fixed assets | 26,342 | 22,582 |
| Other | 7,968 | 4,604 |
| Total extraordinary gains | 34,310 | 27,186 |
| Extraordinary losses | | |
| Loss on sale of fixed assets | 7,432 | 3,606 |

| | | |
|---|---|---|
| Impairment loss | 45,253 | 48,332 |
| Amortization of goodwill | 3,443 | - |
| Provision for store closing expenses | 3,955 | 4,132 |
| Loss on disposal of property, buildings and equipment | 4,086 | 3,466 |
| Loss related to store closing | 1,695 | 3,558 |
| Other | 6,456 | 9,267 |
| Total extraordinary losses | 72,322 | 72,364 |
| Income before income taxes | 149,339 | 168,594 |
| Income taxes | | |
| Current | 75,475 | 83,807 |
| Deferred | (1,857) | (8,072) |
| Total income taxes | 73,617 | 75,735 |
| Profit | 75,721 | 92,859 |
| Profit attributable to non-controlling interest | 64,466 | 68,336 |
| Profit (loss) attributable to owners of the parent | 11,255 | 24,522 |

**Consolidated Statements of Comprehensive Income**

(Millions of yen)

| | Year ended February 28, 2017 | Year ended February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| Profit | 75,721 | 92,859 |
| Other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 9,743 | 23,645 |
| Deferred gain (loss) on derivatives under hedge accounting | 4,398 | (54) |
| Foreign currency translation adjustments | (20,544) | 7,087 |
| Remeasurements of defined benefit plans | 1,466 | 706 |
| Share of other comprehensive income of equity-method affiliates | (75) | 159 |
| Total other comprehensive income | (5,010) | 31,544 |
| Comprehensive income | 70,710 | 124,403 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 13,253 | 53,041 |
| Comprehensive income attributable to non-controlling interest | 57,457 | 71,361 |

### (3) Consolidated Statements of Changes in Shareholders' Equity

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 |
| 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 |
| 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 |

Year ended February 28, 2018 (March 1, 2017 – February 28, 2018)

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period | 220,007 | 315,813 | 575,147 | (40,709) | 1,070,259 |
| Changes during period | | | | | |
| Cash dividends | | | (25,249) | | (25,249) |
| Profit attributable to owners of the parent | | | 24,522 | | 24,522 |
| Repurchase of stock | | | | (27) | (27) |
| Disposal of treasury stock | | | (10) | 1,775 | 1,764 |
| Change in equity interest of parent arising from transactions with non-controlling shareholders | | (9,348) | | | (9,348) |
| Net change in items other than shareholders' equity during period | | | | | |
| Total changes during period | - | (9,348) | (738) | 1,747 | (8,338) |
| Balance at end of period | 220,007 | 306,464 | 574,409 | (38,962) | 1,061,920 |

| | 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 | 52,440 | (2,588) | 10,178 | 1,091 | 61,121 | 1,820 | 729,209 | 1,862,410 |
| Changes during period | | | | | | | | |
| Cash dividends | | | | | | | | (25,249) |
| Profit attributable to owners of the parent | | | | | | | | 24,522 |
| Repurchase of stock | | | | | | | | (27) |
| Disposal of treasury stock | | | | | | | | 1,764 |
| Change in equity interest of parent arising from transactions with non-controlling shareholders | | | | | | | | (9,348) |
| Net change in items other than shareholders' equity during period | 25,261 | (425) | 3,177 | 505 | 28,519 | 100 | 34,045 | 62,665 |
| Total changes during period | 25,261 | (425) | 3,177 | 505 | 28,519 | 100 | 34,045 | 54,326 |
| Balance at end of period | 77,701 | (3,013) | 13,356 | 1,597 | 89,641 | 1,921 | 763,254 | 1,916,737 |

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

| | Year ended February 28, 2017 | Year ended February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| Cash flows from operating activities | | |
| Income before income taxes | 149,339 | 168,594 |
| Depreciation and amortization | 231,904 | 239,835 |
| Amortization of goodwill | 19,058 | 15,405 |
| Increase (decrease) in allowance for doubtful accounts | 906 | 2,056 |
| Increase (decrease) in allowance for loss on refund of interest received | (666) | (709) |
| Increase (decrease) in provision for bonuses | 1,225 | 5,152 |
| Increase (decrease) in net defined benefit liability | 258 | (897) |
| (Increase) decrease in net defined benefit asset | (2,529) | (3,302) |
| Interest and dividend income | (5,241) | (4,912) |
| Interest expense | 14,945 | 15,321 |
| Foreign exchange (gains) losses – net | (172) | (1,234) |
| Equity in (gains) losses of equity-method affiliates | 40 | (3,839) |
| Gain on sale of fixed assets | (26,342) | (22,582) |
| Loss on disposal and sale of fixed assets | 12,421 | 8,787 |
| Impairment losses | 45,253 | 48,332 |
| (Gain) loss on sale of marketable securities and investment securities | (3,673) | (870) |
| (Increase) decrease in notes and accounts receivable – trade | (124,076) | (95,615) |
| (Increase) decrease in merchandise inventories | (13,825) | (9,768) |
| (Increase) decrease in financial loan receivable | 2,540 | (37,224) |
| (Increase) decrease in loans in banking business | (260,874) | (351,701) |
| Increase (decrease) in notes and accounts payable – trade | 675 | 13,112 |
| Increase (decrease) in deposits received in banking business | 382,554 | 508,564 |
| Other assets and liabilities | (30,271) | 66,386 |
| Other – net | (4,932) | (2,778) |
| Sub total | 388,518 | 556,112 |
| Interest and dividends received | 5,387 | 6,328 |
| Interest paid | (14,135) | (14,866) |
| Income taxes paid | (84,877) | (83,662) |
| Net cash provided by operating activities | 294,893 | 463,911 |

(Millions of yen)

| | Year ended February 28, 2017 | Year ended February 28, 2018 |
|---|---|---|
| | Amount | Amount |
| Cash flows from investing activities | | |
| Purchase of marketable securities | (167) | - |
| Proceeds from sale and redemption of marketable securities | 100 | - |
| Purchase of marketable securities in banking business | (339,487) | (333,760) |
| Proceeds from sale and redemption of marketable securities in banking business | 390,398 | 312,791 |
| Purchase of fixed assets | (519,897) | (465,236) |
| Proceeds from sale of fixed assets | 184,730 | 77,808 |
| Purchase of investment securities | (9,630) | (7,228) |
| Proceeds from sale of investment securities | 12,823 | 3,802 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (13,277) |
| Payments for fixed leasehold deposits to lessors | (31,609) | (37,959) |
| Collection of fixed leasehold deposits to lessors | 40,753 | 34,991 |
| Proceeds from lease deposits from lessees | 25,521 | 23,075 |
| Repayments of lease deposits from lessees | (26,596) | (21,468) |
| Other – net | 5,351 | (1,391) |
| Net cash provided by (used in) investing activities | (267,710) | (427,854) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings and commercial paper | (44,336) | 12,990 |
| Proceeds from long-term debt | 322,389 | 332,895 |
| Repayments of long-term debt | (296,972) | (306,502) |
| Proceeds from issuance of bonds | 134,624 | 71,742 |
| Payments for redemption of bonds | (30,759) | (27,499) |
| Purchase of treasury stock | (19) | (27) |
| Proceeds from issuance of subsidiaries' stock to non-controlling shareholders | 17,292 | 10,185 |
| Repurchase of subsidiaries' stock from non-controlling shareholders | (731) | (4,140) |
| Dividends paid to shareholders | (24,407) | (25,249) |
| Dividends paid to non-controlling shareholders | (19,350) | (21,132) |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | 10,560 | 2,859 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (1,747) | (34,622) |
| Other – net | 14,909 | 17,141 |
| Net cash provided by (used in) financing activities | 81,450 | 28,641 |
| Foreign currency translation adjustments on cash and cash equivalents | (7,044) | 3,726 |
| Net increase (decrease) in cash and cash equivalents | 101,588 | 68,425 |
| Cash and cash equivalents, beginning of period | 700,511 | 802,099 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | - | (511) |
| Cash and cash equivalents, end of period | 802,099 | 870,013 |

**(5) 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.

(Notes on the Going-concern Assumption)

Not applicable

(Changes to Presentation of Consolidated Statements of Income)

(Consolidated Statements of Income and related statements)

Effective the fiscal year ended February 28, 2018, "gain on sale of investment securities," which was separately presented in "extraordinary gains" in the fiscal year ended February 28, 2017, is included in "other" under "extraordinary gains" as the amount is no longer material. Consolidated financial statements for the fiscal year ended February 28, 2017 have been recast to reflect the change to presentation.

As a result, "gain on sale of investment securities" of 3,673 million yen, which was separately presented under "extraordinary gains" of the consolidated statements of income for the fiscal year ended February 28, 2017, is included in "other."

(Consolidated Statements of Cash Flows and related statements)

Effective the fiscal year ended February 28, 2018, "payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation," which was included in "other" under "cash flows from financing activities" in the fiscal year ended February 28, 2017, is separately presented as its materiality has increased. Consolidated financial statements for the fiscal year ended February 28, 2017 have been recast to reflect the change to presentation.

As a result, for the consolidated statements of cash flows for the fiscal year ended February 28, 2017, 13,162 million yen included in "other" under "cash flows from financing activities" has been recast as "payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" of minus 1,747 million yen and "other" of 14,909 million yen.

(Additional Information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

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

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

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

The Company's stock held by ESOP Trust is included in the treasury stock under net assets with the book value of 2,617 million yen for 2,062,800 shares as of February 28, 2018. The book value of long-term debt (including the current portion) recorded in accordance with the adoption of the gross accounting method is 1,200 million yen.

**(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), specialty stores that sell packaged lunches and ready-to-eat meals and digital business.

The Supermarket Business includes supermarkets, discount stores, convenience stores and small-scale supermarkets

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 mobile marketing business, etc.

2. Changes in Reportable Segment

In order to tackle with new management challenges, the Company implemented organizational reforms to further strengthen the solid Group management structure along the lines of the Company's basic policies, namely autonomous management by operating companies, deeper community-rooted management, and promotion of priority Group challenges.

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

With respect to changes in primary Group companies, Origin Toshu Co., Ltd. that was included in Small-sized Store Business has been reclassified into GMS Business given its close ties with GMS Business. The segment amounts for the fiscal year ended February 28, 2017 have been recast to conform to the current period presentation.

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

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

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | GMS | Supermarket | Drugstore and Pharmacy | Financial Services | Shopping Center Development | Services and Specialty Store |
| Operating revenue: | | | | | | |
| (1) Revenue attributable to customers | 2,877,650 | 3,195,308 | 623,512 | 329,923 | 242,517 | 583,940 |
| (2) Intersegment revenue or transfers | 189,515 | 22,271 | 119 | 42,122 | 73,423 | 181,728 |
| Total | 3,067,165 | 3,217,579 | 623,631 | 372,046 | 315,940 | 765,669 |
| Segment income (loss) | (1,321) | 33,688 | 22,053 | 61,904 | 46,851 | 26,393 |
| Segment assets | 1,497,362 | 1,148,888 | 295,293 | 4,050,134 | 1,242,310 | 404,474 |
| Segment interest-bearing debt | 425,303 | 249,607 | 24,256 | 823,800 | 459,394 | 79,692 |
| Other items: | | | | | | |
| Depreciation and amortization | 54,738 | 50,124 | 11,182 | 21,084 | 50,080 | 17,766 |
| Equity in gains (losses) of equity-method affiliates | (56) | 578 | 465 | 385 | (148) | 100 |
| Impairment loss | 16,871 | 19,071 | 1,809 | 110 | 3,014 | 2,080 |
| Investment in equity-method affiliates | 1,717 | 23,205 | 3,151 | 32,399 | - | 2,691 |
| Increase in tangible and intangible fixed assets | 126,011 | 71,700 | 24,596 | 45,019 | 159,144 | 24,278 |

| | Reportable segment | | Other | Total | Adjustments *1, 2 | Reported in the consolidated financial statements*3 |
|---|---|---|---|---|---|---|
| | International | Total | | | | |
| Operating revenue: | | | | | | |
| (1) Revenue attributable to customers | 396,617 | 8,249,468 | 78 | 8,249,547 | (39,401) | 8,210,145 |
| (2) Intersegment revenue or transfers | 1,778 | 510,959 | 7,034 | 517,993 | (517,993) | - |
| Total | 398,395 | 8,760,428 | 7,112 | 8,767,540 | (557,395) | 8,210,145 |
| Segment income (loss) | (5,401) | 184,168 | 222 | 184,390 | 348 | 184,739 |
| Segment assets | 314,318 | 8,952,782 | 16,751 | 8,969,534 | (218,678) | 8,750,856 |
| Segment interest-bearing debt | 60,407 | 2,122,463 | - | 2,122,463 | 134,631 | 2,257,094 |
| Other items: | | | | | | |
| Depreciation and amortization | 17,173 | 222,150 | 245 | 222,395 | 9,508 | 231,904 |
| Equity in gains (losses) of equity-method affiliates | (1,665) | (341) | - | (341) | 300 | (40) |
| Impairment loss | 2,262 | 45,221 | - | 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 | 483,951 | 708 | 484,659 | 13,223 | 497,883 |

Notes: 1. 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 service transactions reported in the reportable segment information, and
(b) 36,948 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

2. Main components of the 348 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 1,973 million yen in intersegment transaction eliminations.

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

Year ended February 28, 2018 (March 1, 2017 – February 28, 2018)

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | GMS | Supermarket | Drugstore and Pharmacy | Financial Services | Shopping Center Development | Services and Specialty Store |
| Operating revenue: | | | | | | |
| (1) Revenue attributable to customers | 2,876,183 | 3,225,229 | 696,049 | 363,824 | 257,579 | 595,289 |
| (2) Intersegment revenue or transfers | 208,095 | 15,749 | 343 | 44,267 | 78,084 | 178,948 |
| Total | 3,084,278 | 3,240,978 | 696,392 | 408,092 | 335,664 | 774,237 |
| Segment income (loss) | 10,536 | 30,722 | 27,700 | 69,766 | 51,542 | 20,261 |
| Segment assets | 1,459,044 | 1,151,421 | 337,656 | 4,612,894 | 1,308,628 | 418,369 |
| Segment interest-bearing debt | 422,333 | 253,950 | 37,598 | 809,773 | 498,650 | 99,747 |
| Other items: | | | | | | |
| Depreciation and amortization | 54,710 | 50,414 | 12,000 | 23,873 | 51,417 | 19,005 |
| Equity in gains (losses) of equity-method affiliates | 12 | 1,020 | 606 | 1,996 | - | 86 |
| Impairment loss | 15,707 | 16,337 | 2,130 | 52 | 8,173 | 4,669 |
| Investment in equity-method affiliates | 1,782 | 24,061 | 3,729 | 36,100 | - | 2,693 |
| Increase in tangible and intangible fixed assets | 65,464 | 71,118 | 15,060 | 31,756 | 223,942 | 30,312 |

| | Reportable segment | | Other | Total | Adjustments *1, 2 | Reported in the consolidated financial statements*3 |
|---|---|---|---|---|---|---|
| | International | Total | | | | |
| Operating revenue: | | | | | | |
| (1) Revenue attributable to customers | 416,431 | 8,430,588 | 47 | 8,430,635 | (40,622) | 8,390,012 |
| (2) Intersegment revenue or transfers | 2,453 | 527,941 | 10,766 | 538,707 | (538,707) | - |
| Total | 418,884 | 8,958,529 | 10,813 | 8,969,343 | (579,330) | 8,390,012 |
| Segment income (loss) | 232 | 210,761 | 400 | 211,161 | (888) | 210,273 |
| Segment assets | 320,973 | 9,608,988 | 19,791 | 9,628,780 | (176,023) | 9,452,756 |
| Segment interest-bearing debt | 65,017 | 2,187,069 | - | 2,187,069 | 157,312 | 2,344,381 |
| Other items: | | | | | | |
| Depreciation and amortization | 17,898 | 229,320 | 391 | 229,711 | 10,123 | 239,835 |
| Equity in gains (losses) of equity-method affiliates | (262) | 3,459 | - | 3,459 | 379 | 3,839 |
| Impairment loss | 1,261 | 48,332 | - | 48,332 | - | 48,332 |
| Investment in equity-method affiliates | 835 | 69,204 | - | 69,204 | 4,576 | 73,781 |
| Increase in tangible and intangible fixed assets | 19,240 | 456,895 | 572 | 457,468 | 11,394 | 468,862 |

Notes: 1. Main components of the minus 40,622 million yen in adjustments for revenue attributable to customers are as follows:

(a) minus 76,811 million yen in adjustments to transactions reported in the reportable segment information, and

(b) 36,089 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

2. Main components of the minus 888 million yen in adjustments for segment income are as follows:
   (a) 1,055 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) minus 10 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 1,895 million yen in intersegment transaction eliminations

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

[Related Information]

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.

Year ended February 28, 2018 (March 1, 2017 – February 28, 2018)

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 |
|---|---|---|---|---|
| 7,674,425 | 334,981 | 262,081 | 118,523 | 8,390,012 |

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 |
|---|---|---|---|---|
| 2,408,350 | 250,696 | 87,038 | 9,027 | 2,755,112 |

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

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

Year ended February 28, 2018 (March 1, 2017 – February 28, 2018)

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

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | GMS | Supermarket | Drugstore and Pharmacy | Financial Services | Shopping Center Development | Services and Specialty Store |
| Amortization for the fiscal year ended Feb. 28, 2017 | 2,305 | 5,735 | 3,993 | 3,083 | 2,617 | 1,009 |
| Balance at Feb. 28, 2017 | 20,543 | 34,299 | 47,851 | 22,910 | 26,165 | 8,649 |

| | Reportable segment | | Other | Adjustments | Total |
|---|---|---|---|---|---|
| | International | Total | | | |
| Amortization for the fiscal year ended Feb. 28, 2017 | 289 | 19,034 | - | 23 | 19,058 |
| Balance at Feb. 28, 2017 | 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" recorded under extraordinary losses. In addition, 1,819 million yen of "impairment loss" of goodwill is recorded in the International business.

Year ended February 28, 2018 (March 1, 2017– February 28, 2018)

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | GMS | Supermarket | Drugstore and Pharmacy | Financial Services | Shopping Center Development | Services and Specialty Store |
| Amortization for the fiscal year ended Feb. 28, 2018 | 2,464 | 2,753 | 3,456 | 2,856 | 2,628 | 980 |
| Balance at Feb. 28, 2018 | 18,078 | 31,608 | 53,729 | 20,075 | 23,537 | 7,684 |

| | Reportable segment | | Other | Adjustments | Total |
|---|---|---|---|---|---|
| | International | Total | | | |
| Amortization for the fiscal year ended Feb. 28, 2018 | 241 | 15,381 | - | 23 | 15,405 |
| Balance at Feb. 28, 2018 | 855 | 155,568 | - | 59 | 155,628 |

[Gain on negative goodwill by reportable segment]

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

Not applicable

Year ended February 28, 2018 (March 1, 2017 – February 28, 2018)

Not applicable

**(Per Share Information)**

| | Year ended February 28, 2017 (March 1, 2016 – February 28, 2017) | Year ended February 28, 2018 (March 1, 2017 – February 28, 2018) |
|---|---|---|
| Net assets per share (yen) | 1,349.79 | 1,371.60 |
| Earnings per share (yen) | 13.44 | 29.23 |
| Earnings per share - fully diluted (yen) | 13.20 | 28.75 |

(Note) Data for calculation

1. Net assets per share

| | February 28, 2017 | February 28, 2018 |
|---|---|---|
| Total net assets on the consolidated balance sheets (millions of yen) | 1,862,410 | 1,916,737 |
| Net assets attributable to common stock (millions of yen) | 1,131,380 | 1,151,561 |
| Main component of difference: Non-controlling interests (millions of yen) | 729,209 | 763,254 |
| Number of common stock shares issued (thousands of shares) | 871,924 | 871,924 |
| Number of common stock shares in treasury (thousands of shares) | 33,734 | 32,347 |
| Number of common stock shares used for calculation of net assets per share (thousands of shares) | 838,189 | 839,577 |

2. Earnings per share and earnings per share fully diluted

| | Year ended February 28, 2017 (March 1, 2016 – February 28, 2017) | Year ended February 28, 2018 (March 1, 2017 – February 28, 2018) |
|---|---|---|
| Profit attributable to owners of the parent (millions of yen) | 11,255 | 24,522 |
| Amount not attributable to common stockholders (millions of yen) | - | - |
| Profit attributable to common shares of the parent (millions of yen) | 11,255 | 24,522 |
| Average number of common stock shares outstanding (thousands of shares) | 837,428 | 838,844 |
| 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 | (199) | (392) |
| Adjustment for profit attributable to owners of the parent (millions of yen) | (199) | (392) |
| Increase in the number of common stock shares used to calculate earnings per share - fully diluted (thousands of shares) | 362 | 330 |
| 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, 2018 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 28, 2017 and 2018 were 3,380 thousand shares and 2,062 thousand shares, respectively). The Average number of common stock shares held by the trust was 4,127 thousand shares for the fiscal year ended February 28, 2017, and 2,749 thousand shares for the fiscal year ended February 28, 2018.

**(Material Subsequent Events)**

Corporate bonds issued by a consolidated subsidiary

Aeon Mall Co., Ltd., a consolidated subsidiary of the Company, issued unsecured bonds.

The details are outlined below.

| | | |
|---|---|---|
| (1) | Name of bonds | Aeon Mall Co., Ltd.<br>Unsecured bonds (with special pari passu conditions among bonds) series 14 |
| (2) | Total amount of bonds | 30,000 million yen |
| (3) | Denomination per bond | 1 million yen |
| (4) | Coupon rate | 0.39% |
| (5) | Issue price | 100 yen per face value of 100 yen |
| (6) | Date of issuance | March 7, 2018 |
| (7) | Method and due date for the redemption | Bullet bond, where the entire face value is paid at once on the maturity date of March 7, 2023. |
| (8) | Collateral | No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds. |
| (9) | Use of proceeds | The proceeds will be added to the fund for redemption of commercial papers and payment of borrowings. |