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Financial Results for the Three Months ended May 31, 2018

July 4, 2018

Company name **Aeon Co., Ltd.**
Listings The First Section of Tokyo Stock Exchange
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Scheduled dates:
Submission of statutory quarterly financial report July 13, 2018
Commencement of dividend payments -

Supplementary materials to the quarterly results Available
Quarterly earnings results briefing Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Three Months ended May 31, 2018 (March 1, 2018 to May 31, 2018)

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

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2018	2,104,633	1.8	39,632	8.2	40,244	7.5	6,558	78.3
Three months ended May 31, 2017	2,068,114	1.1	36,634	11.4	37,443	8.0	3,679	-

Note: Comprehensive income: Three months ended May 31, 2018: 11,575 million yen (-32.0 %)
Three months ended May 31, 2017: 17,011 million yen (424.2%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2018	7.81	7.78
Three months ended May 31, 2017	4.39	4.37

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
May 31, 2018	9,739,677	1,882,220	11.6	1,345.50
February 28, 2018	9,452,756	1,916,737	12.2	1,371.60

Note: Total equity: May 31, 2018: 1,130,018 million yen February 28, 2018: 1,151,561 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

2. Dividends

Record date or period	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	yen	yen	yen	yen	yen
Year ended February 28, 2018	-	15.00	-	15.00	30.00
Year ending February 28, 2019	-				
Year ending February 28, 2019 (forecast)		17.00	-	17.00	34.00

Note: No changes were made to the latest release of dividend forecasts.

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

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,700,000	3.7	240,000	14.1	240,000	12.3	35,000	42.7	41.69

Note: No changes were made to the latest release of earnings forecasts.

***Notes**

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

(2) Use of accounting methods specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:

1) Changes in accordance with amendments to accounting standards: Yes
2) Changes other than the above 1): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

Note: For details, see "(3) Notes on the Consolidated Financial Statements (Changes in Accounting Policy)" in section "2. Consolidated Financial Statements and Main Notes" on page 12.

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (treasury shares included):
May 31, 2018: 871,924,572 shares
February 28, 2018: 871,924,572 shares

2) Number of shares held in treasury at end of period:
May 31, 2018: 32,073,303 shares
February 28, 2018: 32,347,411 shares

3) Average number of shares outstanding during the period:
Three months ended May 31, 2018: 839,679,976 shares
Three months ended May 31, 2017: 838,315,122 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (May 31, 2018: 1,802,800 shares, February 28, 2018: 2,062,800 shares) is included in the number of shares held in treasury.

***Quarterly review status**

This report is exempt from the quarterly review by certified public accountant or 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) Consolidated Earnings Forecast” on page 6 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

Summary of Operating Results

For the first three months of the fiscal year ending February 28, 2019 (March 1, 2018 - May 31, 2018), Aeon Co., Ltd. (hereinafter "Aeon") posted consolidated operating revenue of 2,104,633 million yen (up 1.8%), setting a new first-quarter record for a seventh consecutive year. Consolidated operating profit was 39,632 million yen (up 8.2%), surpassing the previous record set in the first quarter of fiscal 2017. Consolidated ordinary profit was 40,244 million yen (up 7.5%), also a record high. Profit attributable to owners of parent was 6,558 million yen (up 78.3%). Aeon posted an operating profit in six segments: the Supermarket Business, Health and Wellness Business, Financial Services Business, Shopping Center Development Business, Services and Specialty Store Business, and International Business. The GMS (General Merchandise Store) Business, which returned to profitably in the previous fiscal year (March 1, 2017 - February 28, 2018), contributed to the consolidated results by posting year-on-year improvement in operating profit of 1,828 million yen.

Common Group Strategy:

- In March, Aeon instituted and announced Aeon Decarbonization Vision 2050, a major sustainable management initiative for achieving balance between the Group's growth and the development of society. Aeon aims to reduce total emissions of CO_2 and other greenhouse gases from the Group's stores to zero and will work together with all of our stakeholders, including customers and business partners, to realize a decarbonized society. Simultaneously, Aeon has set an interim target of reducing store CO_2 emissions by 35% compared to the fiscal 2010 level by 2030 by striving to reduce power usage by at least 1% per year.
- In April, Aeon announced an equity investment in Boxed, a U.S.-based venture company, as part of the "Shift to Digital." Boxed has expertise such as the capability to propose advanced customer solutions that utilize artificial intelligence (AI) and an original highly automated logistics system. Aeon aims to acquire Boxed's expertise and maximize customer satisfaction by building and strengthening a partnership in the areas of data platforms and logistics.
- Bio c'Bon Japon Co., Ltd. operates Bio c'Bon organic supermarkets, which originated in France, and is working to expand the organic market and realize customer health and wellness in Japan. The company opened the Bio c'Bon Azabujuban Store, the first Bio c'Bon in Japan, in December 2016, followed by the Bio c'Bon Nakameguro Store in April and the Bio c'Bon Gaien Nishi-dori Store in May.
- Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") is implementing initiatives that go beyond the provision of better products and services to enhance the social significance of its stores by transforming them into public infrastructure essential to communities by means such as improving the comfort and convenience of facilities. In April, the company started a "cash out" service that enables customers to withdraw small amounts of cash from certain cash registers at 43 Aeon and Aeon Style stores in Honshu. By making it possible to withdraw cash while shopping, Aeon Retail is attempting to increase convenience for customers in suburbs and areas where depopulation and population aging are advancing who find ATM use inconvenient.
- Aeon is implementing initiatives aimed at passing rich marine products resources down to future generations. As part of this effort, in April Aeon launched two additional types of Topvalu hand-rolled rice ball, using as ingredients *mentaiko* (seasoned cod roe) and *sujiko* (salted salmon roe) certified by the Marine Stewardship Council (MSC) as caught by sustainable fisheries. In May, Aeon launched Topvalu Aquaculture Stewardship Council (ASC)-certified Izumi sea bream, farmed using an environmentally friendly, sustainable method, the first such product in Japan.

Business Segment Information

Results by business segment are as follows.

From the first quarter of the fiscal year under review, Aeon has revised the business segments presented as reportable segments, and the comparisons and analysis for the first quarter are based on the revised segments. Also, the segment name Drugstore and Pharmacy Business has been changed to Health and Wellness Business.

GMS Business

The GMS Business posted an operating loss of 4,550 million yen (improvement of 1,828 million yen year on year) on operating revenue of 751,010 million yen (down 0.1%) for the first three months of the fiscal year.

Aeon Retail opened three new stores in the first quarter. Aeon Style Zama (Kanagawa Prefecture), opened in March, focusing on its location in an area with many young family households busy with work and child-raising, has prepared a fully featured eat-in space where customers can conveniently enjoy their favorite ready-to-eat meals and *bento* (prepacked meals). Also, the store provides a buffet counter that features fish purchased from fishing ports in Kanagawa and operates the company's first grilled fish shop in the Kanto area, which cooks and sells fish. Furthermore, the store provides highly specialized products and services. For instance, it has initiated a service that enables customers to receive products ordered on Aeon's e-commerce site at stores. At the same time, Aeon Retail strove to realize prices that respond to the needs of thrift-conscious customers and refurbished 12 existing stores, which led to a 2.3% year-on-year same-store increase in the number of items purchased per customer. Also, year-on-year improvement of 0.4 points in the gross profit margin at directly operated floors, coupled with efficient use of expenses, resulted in profitability improvement of 1,227 million yen.

At Aeon Retail Store Co., Ltd. (hereinafter "Aeon Retail Store"), which took over management of general merchandise stores in Honshu from The Daiei, Inc. (hereinafter "Daiei") in September 2015 and March 2016, penetration of Aeon products and sales policies and introduction of an organization and operating structure to increase the degree of management control over transferred stores resulted in same-store traffic and net sales increases of 3.7% and 2.8%, respectively. Thanks to an increase in the sales contribution of Topvalu, Aeon's private brand, the gross profit margin at directly operated floors increased 0.4 points year on year. Furthermore, strong sales at refurbished stores and a success in controlling expenses contributed to operating profitability improvement of about 600 million yen in the first quarter.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido"), to achieve its aspiration of being the most trusted company in Hokkaido, renewed and reopened Aeon Mall Sapporo Hassamu, one of Hokkaido's largest shopping malls, in March. The mall pursued measures to become a place where local residents meet and interact, such as being the first in Hokkaido to install priority counter seats for children on baby food in its food court. Aeon Hokkaido also conducted a campaign as a corporate partner in the Hokkaido Naming 150th Anniversary Project and held events such as a producing area direct delivery sale from fishing ports. It worked to strengthen its digital capabilities by renewing its e-shop online shopping site and introducing the Aeon shopping app. Even as Aeon Hokkaido actively invested for future growth, business performance was generally in line with plans thanks to higher revenue for an eight consecutive year from the mainstay food category and improvement of the gross profit margin.

Supermarket Business

The Supermarket Business posted operating revenues of 798,780 million yen (down 0.4% year on year) and operating profit of 2,071 million yen (up 6.6%).

Daiei strengthened sales with the "Eh! Yasui Ne!" sales promotion to respond to customer thriftiness and implemented an initiative to improve the freshness of vegetables by offering vegetables delivered directly from markets. It also worked to cut expenses through work reduction at stores and efficient use of marketing and promotion expenses.

Maxvalu Kyushu Co., Ltd. (hereinafter “Maxvalu Kyushu”) refurbished three stores. It renewed product lineups and sales floors in response to the needs of local customers and implemented initiatives such as expanding offerings of regional and locally procured products, mainly fresh foods, and introducing small in-store bakeries. Maxvalu Kyushu also expanded introduction of an automatic ordering system aimed at reducing unplanned work and total working hours and worked to curtail expenses by replacing aging freezer and refrigeration cases as an energy conservation measure. As a result of these efforts, net sales increased 1.3% year on year, and operating profit improved by more than 300 million yen.

United Super Markets Holdings Inc. and its consolidated subsidiaries increased profits by continuing to implement objectives set out in its medium-term management plan, namely product reform, ICT reform, cost structure reform, and logistics reform. Maruetsu, Inc., which has made the fiscal year under review a year for transformation to a new business structure, pursued gross profit margin improvement by reviewing its purchasing structure and working to improve accuracy in purchasing and sales planning and also expanded introduction of semi-automatic self-checkout registers to 194 stores as a labor-saving measure. Kasumi Co., Ltd. worked to increase customer convenience by introducing Aeon’s WAON e-money payment service and the WAON Card Integrated Kasumi Card in March.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 5,569 million yen (down 2.7% year on year) on operating revenues of 193,891 million yen (up 13.4%) for the first three months of the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries actively implemented the Welcia Model—built on the four pillars of drugstore and pharmacy, late-night operations, counseling, and nursing—by refurbishing existing stores, bracing for the impact of drug price reductions accompanying revision of medical treatment fees under the Japanese healthcare system in April. As a result, same-store sales remained strong thanks to an increase in prescription drug sales due to expansion of the number of stores offering prescription drugs (an increase of 25 stores from February 28, 2018 to 1,185 stores (including two in Singapore) as of May 31, 2018) and expansion of number of 24-hour stores for the purpose of providing customers with peace of mind and enhanced convenience (145 stores as of May 31, 2018). Welcia Holdings actively strengthened the product line and services at urban and 24-hour stores and engaged in product development with health as the key development theme. Welcia Holdings pursued scale expansion and synergy by rapidly introducing the Welcia Model at Marudai Sakurai Pharmacy Limited, a company with a business base in the Tohoku region that became a subsidiary in September 2017, and IPPONDO Co., Ltd., a company operating stores mainly in Tokyo that became a subsidiary in March. As a result of these efforts, the number of stores increased by 60 compared with February 28, 2018 to 1,753 stores (including stores outside Japan) as of May 31, 2018.

Financial Services Business

The Financial Services Business earned operating profit of 17,452 million yen (up 17.2% year on year) on operating revenue of 106,334 million yen (up 8.7%) for the first three months of the fiscal year.

In the domestic business operations of Aeon Financial Service Co., Ltd. (hereinafter “Aeon Financial Service”), Aeon Credit Service Co., Ltd. worked to acquire cardholders and promoted credit card use through measures such as enrollment points for various credit cards and invitations to theme park events. Aeon Bank, Ltd. steadily expanded the balance of investment products such as investment trusts following the conversion of all in-store branches to directly operated branches in the previous fiscal year. It also worked to expand its customer base by strengthening consulting services, and the executed amount of housing loans reached a record high in March. In addition, Aeon Bank expanded its asset formation services through measures such as initiating an automatic investment service for beginning investors and handling foreign currency deposits.

In the overseas business, the listed companies in Hong Kong, Thailand, and Malaysia played a central role in efforts to expand operations. Through a collaborative project with a popular animation program in Hong Kong and a joint sales promotion project to commemorate the first anniversary of an alliance with a major local retail group in Thailand, the business worked to expand the number of cardholders and promote credit card usage. The Group's first Aeon platinum card was issued in Malaysia to develop a new customer segment. Furthermore, in Cambodia, which has a high cash payment rate, a mobile e-money service was introduced as an initiative to promote cashless transactions.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 13,124 million yen (up 4.2% year on year) on operating revenue of 88,613 million yen (up 6.9%) for the first three months of the fiscal year.

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall"), which is actively engaging in floor space expansion or refurbishment of existing shopping centers, completed floor expansion of one shopping center and refurbishment of three shopping centers in Japan in the first quarter. Specialty store sales exceeded the prior-year level thanks to success in attracting new customer segments, including seniors through initiatives such as mall-walking activities and Opera de Aeon Mall and successful operating policies to promote localization. Aeon Mall opened two new shopping centers and in April opened THE OUTLETS HIROSHIMA, a new format for regional innovative commercial facilities based on the concept "Genuine outlets, entertainment, and encounters with the local community." In overseas operations, positioned as a future growth driver, all 7 shopping centers opened in the ASEAN region up to the previous fiscal year achieved profitability, as did 10 of 17 shopping centers in China. Operating profit improved by 223 million yen year on year, and China achieved profitability.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating profit of 6,600 million yen (down 18.9% year on year) on operating revenue of 197,121 million yen (up 0.7% year on year) for the first three months of the fiscal year.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") implemented various initiatives for the purpose of alleviating a labor shortage in the facilities management industry in order to improve productivity in Japan and overseas. In Japan, it sought to expand sales opportunities by implementing laborsaving measures at approximately 30 permanently staffed facilities management sites and reallocating staff to sites with travelling personnel. In April, Aeon Delight established AeonDelight DeepBlue Technology(Shanghai) Co., Ltd. in China through a joint capital investment with a company that has strong AI R&D and technological capabilities. Aeon Delight will pursue significant productivity improvement by proceeding with automation and efficiency improvement in facilities management operations in Japan and overseas and enhance convenience for facilities users.

At Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy"), in Japan, same-store sales from amusement machines were strong, increasing 6.2% year on year. Expanded introduction of original prizes and active Web-based sales promotion conducted since 2016 were successful, and the crane-type game category contributed significantly to the sales increase. Aeon Fantasy also started highly popular new businesses, introducing Molly Online, an online crane-type game, in March and opening the first OYUGIWA hot bath facility in April. Aeon Fantasy actively made investments for growth in the first quarter, opening 3 new outlets and refurbishing and expanding 21 outlets in Japan, and sales at the refurbished outlets grew steadily by 16.5% year on year. The company also actively undertook overseas business expansion, opening 2 new outlets in China and 5 in the ASEAN region. Overseas profitability improved as the business in Vietnam moved into the black, following the businesses in Malaysia, the Philippines, and Indonesia.

International Business

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

The International Business posted operating revenue of 115,012 million yen (up 7.8% year on year) and operating profit of 195 million yen (an improvement of 1,525 million yen).

Aeon Malaysia (Aeon Co. (M) Bhd.) concluded in January a memorandum of understanding concerning an operating alliance with Honestbee Sdn. Bhd., a company that operates a shopping agent service in the greater Kuala Lumpur area. The service is offered at three stores and is off to a favorable start. Aeon Malaysia achieved increases in sales and profit by succeeding with a policy of tapping into February Lunar New Year demand at an early date and continuous refurbishment of existing stores.

Aeon Vietnam Co., Ltd. has continuously focused effort on responding to social events. During the Tet holiday (the Vietnamese Lunar New Year), one of the largest sales seasons of the year, the company achieved double-digit sales growth year on year thanks in part to the contribution from gift products. Expansion of a line of clothing products developed in-house and efforts to expand handling of new food categories, such as organic vegetables and imported products, led to substantial increases in sales and profit.

In China, sales and profit increased thanks to the positive contribution of a cold wave on the mainland and in Hong Kong in January and February to higher sales of winter clothing and a successful early response to the Lunar New Year sales season. In response to expansion of e-commerce, Group companies experimented with new e-commerce initiatives under the omni-channel strategy Aeon has formulated. Meanwhile, to demonstrate the strength of brick-and-mortar stores, the companies enhanced customer convenience by expanding in-store food and beverage consumption and focusing effort on fresh food and delicatessen products.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of May 31, 2018 totaled 9,739,677 million yen, an increase of 286,920 million yen, or 3.0%, from the end of the previous fiscal year (February 28, 2018). The increase is mainly attributable to, in current assets, increases of 120,529 million yen in loans and bills discounted for banking business and 96,015 million yen in notes and accounts receivable-trade, which outweighed a decrease of 67,847 million yen in cash and deposits, mainly at financial subsidiaries, and in non-current assets, an increase of 68,861 million yen in property, plant and equipment due to the opening of new shopping centers.

Consolidated liabilities as of May 31, 2018 were 7,857,456 million yen, an increase of 321,437 million yen, or 4.3%, from February 28, 2018. The increase is mainly attributable to increases of 134,627 million yen in deposits for banking business, 53,760 million yen in notes and accounts payable-trade, 35,933 million yen in bonds payable (including the current portion of bonds), and 39,231 million yen in long-term loans payable (including the current portion of long-term loans payable).

Consolidated net assets as of May 31, 2018 were 1,882,220 million yen, a decrease of 34,516 million yen, or 1.8%, from February 28, 2018.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 28, 2019 is unchanged from the forecast announced April 11, 2018.

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

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

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	918,053	850,205
Call loans	-	4,417
Notes and accounts receivable - trade	1,292,103	1,388,118
Securities	208,866	248,298
Inventories	600,287	605,849
Deferred tax assets	45,707	46,753
Operating loan	347,829	356,616
Loans and bills discounted for banking business	1,819,681	1,940,210
Other	298,118	319,538
Allowance for doubtful accounts	(56,525)	(95,239)
Current assets	5,474,121	5,664,771
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,529,041	1,579,065
Tools, furniture and fixtures, net	228,380	233,862
Land	828,326	872,840
Construction in progress	93,251	66,295
Other, net	76,112	71,911
Property, plant and equipment	2,755,112	2,823,973
Intangible assets		
Goodwill	155,628	157,075
Software	77,090	79,856
Other	62,380	62,034
Intangible assets	295,100	298,966
Investments and other assets		
Investment securities	252,386	252,274
Net defined benefit asset	16,209	17,120
Deferred tax assets	96,951	104,915
Guarantee deposits	406,500	414,082
Other	168,475	175,558
Allowance for doubtful accounts	(12,102)	(11,987)
Investments and other assets	928,421	951,965
Non-current assets	3,978,634	4,074,905
Assets	9,452,756	9,739,677

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	906,195	959,955
Deposits for banking business	3,007,289	3,141,917
Short-term loans payable	332,486	354,308
Current portion of long-term loans payable	272,136	264,827
Current portion of bonds	25,803	41,679
Commercial papers	81,049	67,833
Income taxes payable	50,003	22,408
Provision for bonuses	31,874	41,165
Provision for loss on store closing	5,790	6,211
Provision for point card certificates	19,435	17,861
Other provision	1,385	638
Notes payable - facilities	106,253	107,418
Other	607,937	680,006
Current liabilities	5,447,642	5,706,233
Non-current liabilities		
Bonds payable	482,112	502,170
Bonds with subscription rights to shares	29,948	29,947
Long-term loans payable	1,026,738	1,073,278
Deferred tax liabilities	54,648	55,214
Provision for loss on store closing	3,776	3,378
Provision for loss on interest repayment	3,098	2,624
Other provision	5,957	5,814
Net defined benefit liability	25,643	25,222
Asset retirement obligations	85,993	91,079
Long-term guarantee deposited	264,591	265,977
Other	105,868	96,513
Non-current liabilities	2,088,377	2,151,222
Liabilities	7,536,019	7,857,456

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	306,464	306,718
Retained earnings	574,409	558,380
Treasury shares	(38,962)	(38,617)
Shareholders' equity	1,061,920	1,046,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77,701	80,028
Deferred gains or losses on hedges	(3,013)	(2,357)
Foreign currency translation adjustment	13,356	4,280
Remeasurements of defined benefit plans	1,597	1,576
Total accumulated other comprehensive income	89,641	83,529
Subscription rights to shares	1,921	2,074
Non-controlling interests	763,254	750,127
Net assets	1,916,737	1,882,220
Liabilities and net assets	9,452,756	9,739,677

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

Consolidated Statement of Income

(Millions of yen)

	Three Months ended May 31, 2017	Three Months ended May 31, 2018
	Amount	Amount
Operating revenue		
Net sales	1,820,351	1,841,741
Operating revenue from financial services business	86,866	95,467
Other operating revenue	160,896	167,424
Operating revenue	2,068,114	2,104,633
Operating cost		
Cost of sales	1,324,173	1,338,309
Operating cost from financial services business	7,734	9,087
Operating cost	1,331,908	1,347,396
Gross profit (loss)	496,177	503,432
Operating gross profit (loss)	736,205	757,237
Selling, general and administrative expenses	699,570	717,605
Operating profit (loss)	36,634	39,632
Non-operating income		
Interest income	787	739
Dividend income	300	281
Share of profit of entities accounted for using equity method	961	879
Other	5,062	5,116
Non-operating income	7,112	7,017
Non-operating expenses		
Interest expenses	3,885	4,021
Other	2,419	2,382
Non-operating expenses	6,304	6,404
Ordinary profit (loss)	37,443	40,244
Extraordinary income		
Gain on sales of non-current assets	6,999	219
Gain on transfer from business divestitures	1,420	-
Other	266	205
Extraordinary income	8,686	424
Extraordinary losses		
Impairment loss	832	1,075
Loss on retirement of non-current assets	1,125	484
Provision for loss on store closing	803	958
Other	3,231	837
Extraordinary losses	5,992	3,355
Profit (loss) before income taxes	40,137	37,313
Income taxes		
Current	18,179	17,274
Deferred	1,116	(2,922)
Income taxes	19,295	14,352
Profit (loss)	20,841	22,961
Profit (loss) attributable to non-controlling interests	17,161	16,402
Profit (loss) attributable to owners of parent	3,679	6,558

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three Months ended May 31, 2017	Three Months ended May 31, 2018
	Amount	Amount
Profit (loss)	20,841	22,961
Other comprehensive income		
Valuation difference on available-for-sale securities	8,049	3,296
Deferred gains or losses on hedges	(841)	987
Foreign currency translation adjustment	(11,160)	(15,555)
Remeasurements of defined benefit plans, net of tax	149	42
Share of other comprehensive income of entities accounted for using equity method	(26)	(157)
Other comprehensive income	(3,830)	(11,386)
Comprehensive income	17,011	11,575
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	4,880	446
Comprehensive income attributable to non-controlling interests	12,130	11,128

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

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

(Changes in Accounting Policy)

From the first quarter of the fiscal year ending February 28, 2019, foreign consolidated subsidiaries and some other Aeon Group companies have adopted the following accounting standards.

For the adoption of these standards, the Company applied transitional measures which recognizes the cumulative effects of adoption of these standards as of the date of adoption, as it is permitted for a first-time adopter.

1. IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for classification, measurement and hedge accounting of financial instruments.

Due to the adoption of IFRS 9 by foreign consolidated subsidiaries and some other Aeon Group companies, the measurement method has been changed mainly for Financial Services Business's accounts receivable as well as allowance for doubtful accounts for operating loan.

As a result, as of the beginning of the first quarter of the fiscal year ending February 28, 2019, allowance for doubtful accounts and deferred tax assets increased by 35,017 million yen and 6,776 million yen, respectively, while non-controlling interests, retained earnings, and foreign currency translation adjustment (credit) decreased 18,269 million yen, 9,960 million yen and 10 million yen, respectively.

For reference, this change has little impact on profit/loss and per share information for the first three months of the fiscal year ending February 28, 2019.

2. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 introduces an entity's single and comprehensive model for accounting of revenue from contracts with customers. Due to the adoption of IFRS 15 by foreign consolidated subsidiaries and some other Aeon Group companies, from the first quarter of the fiscal year ending February 28, 2019, some promotion expenses that were previously accounted for as selling, general and administrative expenses have been deducted from net sales.

For reference, this change has little impact on profit/loss and per share information for the first three months of the fiscal year ending February 28, 2019.

(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 shares under net assets with the book value of 2,617 million yen for 2,062,800 shares as of February 28, 2018 and 2,287

million yen for 1,802,800 shares as of May 31, 2018. The book value of current portion of long-term loans payable recorded in accordance with the adoption of the gross accounting method is 1,200 million yen as of February 28, 2018 and 600 million yen as of May 31, 2018.

(Segment Information)

I. Three Months ended May 31, 2017 (March 1 – May 31, 2017)

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	702,853	797,716	170,956	86,866	63,472	150,014
(2) Intersegment revenue or transfers	48,715	4,034	85	10,929	19,434	45,723
Total	751,568	801,750	171,041	97,796	82,906	195,738
Segment income (loss)	(6,378)	1,943	5,724	14,893	12,597	8,139

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	106,203	2,078,083	552	2,078,635	(10,521)	2,068,114
(2) Intersegment revenue or transfers	488	129,410	4,356	133,767	(133,767)	-
Total	106,691	2,207,493	4,908	2,212,402	(144,288)	2,068,114
Segment income (loss)	(1,329)	35,590	(75)	35,514	1,119	36,634

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

2. Main components of the minus 10,521 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 20,418 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 9,710 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the 1,119 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,651 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) minus 270 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 254 million yen in intersegment transaction eliminations.

4. Segment income adjustments are based on operating profit reported in the quarterly Consolidated Statement of Income for the corresponding period.

II. Three Months ended May 31, 2018 (March 1 – May 31, 2018)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	696,366	795,198	193,780	95,467	68,629	150,950
(2) Intersegment revenue or transfers	54,644	3,582	111	10,866	19,984	46,171
Total	751,010	798,780	193,891	106,334	88,613	197,121
Segment income (loss)	(4,550)	2,071	5,569	17,452	13,124	6,600

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	114,322	2,114,714	175	2,114,889	(10,256)	2,104,633
(2) Intersegment revenue or transfers	690	136,051	3,275	139,326	(139,326)	-
Total	115,012	2,250,765	3,451	2,254,216	(149,582)	2,104,633
Segment income (loss)	195	40,463	(380)	40,083	(450)	39,632

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

2. Main components of the minus 10,256 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 19,624 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 9,331 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the minus 450 million yen in adjustments for segment income (loss) are as follows:
   (a) 228 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) minus 435 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 220 million yen in intersegment transaction eliminations.

4. Segment income adjustments are based on operating profit reported in the quarterly Consolidated Statement of Income for the corresponding period.

2. Change of reportable segment

In line with organizational reforms, from the first quarter of the fiscal year ending February 28, 2019, the Company has renamed Drugstore and Pharmacy Business to Health and Wellness Business and reclassified some consolidated subsidiaries to the business from Services and Specialty Store Business. Furthermore, Digital Business that was previously included in GMS Business has been reclassified to Other.

For reference, segment information for the three months ended May 31, 2017 were prepared based on the current segmentation.

(Material Subsequent Events)

Corporate bonds issued by a consolidated subsidiary

Aeon Mall Co., Ltd., a consolidated subsidiary of the Company, issued unsecured bonds on July 3, 2018 based on the resolution made at the board of directors' meeting held on June 11, 2018. The details are outlined below.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 15
(2)	Total amount of bonds	15,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.030%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 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 July 2, 2021.
(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 used as funds for facilities.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 16
(2)	Total amount of bonds	10,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.370%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 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 July 3, 2025.
(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 used as funds for facilities.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 17
(2)	Total amount of bonds	20,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.500%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 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 July 3, 2028.
(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 used as funds for facilities.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 18
(2)	Total amount of bonds	5,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	1.050%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 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 July 2, 2038.
(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 used as funds for facilities.