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Financial Results for the Six Months ended August 31, 2018

October 10, 2018

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Listings The First Section of Tokyo Stock Exchange
Security code 8267
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Scheduled dates:
Submission of statutory quarterly financial report October 15, 2018
Commencement of dividend payments October 25, 2018

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 Six Months ended August 31, 2018 (March 1, 2018 to August 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	%
Six Months ended August 31, 2018	4,266,401	2.3	89,854	5.7	90,898	6.2	10,560	150.3
Six Months ended August 31, 2017	4,168,603	1.4	85,040	17.5	85,571	17.0	4,218	-

Note: Comprehensive income: Six Months ended August 31, 2018: 16,756 million yen (-61.0 %)
Six Months ended August 31, 2017: 42,937 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six Months ended August 31, 2018	12.57	12.30
Six Months ended August 31, 2017	5.03	4.82

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2018	9,864,726	1,882,992	11.4	1,332.34
February 28, 2018	9,452,756	1,916,737	12.2	1,371.60

Note: Total equity: August 31, 2018: 1,121,401 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	-	17.00			
Year ending February 28, 2019 (forecast)			-	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 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 "(4) Notes on the Consolidated Financial Statements (Changes in Accounting Policy)" on page 15 in section "2. Consolidated Financial Statements and Main Notes."

(4) Number of shares issued (common shares)

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

2) Number of shares held in treasury at end of period:
August 31, 2018: 30,246,017 shares
February 28, 2018: 32,347,411 shares

3) Average number of shares outstanding during the period:
Six Months ended August 31, 2018: 840,159,887 shares
Six Months ended August 31, 2017: 838,492,294 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (August 31, 2018: - 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 7 in section “1. Review of Operating Results and Financial Statements” in the Accompanying Materials.

Accompanying Materials

Contents

1. Review of Operating Results and Financial Statements 2
(1) Analysis of Operating Results 2
(2) Consolidated Financial Condition 6
(3) Consolidated Earnings Forecast 7
2. Consolidated Financial Statements and Main Notes 8
(1) Consolidated Balance Sheet 8
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 11
Consolidated Statement of Income 11
Consolidated Statement of Comprehensive Income 12
(3) Consolidated Statement of Cash Flows 13
(4) Notes on the Consolidated Financial Statements 15
(Notes on the Going-concern Assumption) 15
(Notes on Significant Changes in the Amount of Shareholders' Equity) 15
(Changes in Accounting Policy) 15
(Additional Information) 15
(Segment Information) 16

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

Summary of Operating Results

For the first six months of the fiscal year ending February 28, 2019 (March 1, 2018 - August 31, 2018), Aeon Co., Ltd. (hereinafter "Aeon") posted record-high consolidated operating revenue, operating profit, and ordinary profit. Consolidated operating revenue was 4,266,401 million yen (up 2.3% year on year), while consolidated operating profit was 89,854 million yen (up 5.7% year on year) and consolidated ordinary profit was 90,898 million yen (up 6.2% year on year). Profit attributable to owners of parent was 10,560 million yen (up 150.3% year on year). Aeon posted year-on-year increases in operating revenue in all business segments and 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 profitability in the previous fiscal year (March 1, 2017 - February 28, 2018), contributed to the consolidated results by achieving year-on-year improvement in operating profit of 4,085 million yen. Looking at profit by region, the overseas share of operating profit increased from 11.0% in the first half of the previous fiscal year to 19.1%, and the overseas contribution to consolidated results increased as a result of growth in the overseas operations of the Financial Services Business and Shopping Center Development Business in addition to results improvement in the International Business.

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 creation of a sustainable 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 the Group's stakeholders, including customers and business partners, to help realize a decarbonized society. Aeon has also 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 startup 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.
- Aeon is proactively working to balance sustainability of natural resources and sustained development of business activities in accordance with the Aeon Sustainable Procurement Policy, which was instituted in April 2017. 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 Aquaculture Stewardship Council (ASC)-certified Topvalu Izumi sea bream farmed using an environmentally friendly, sustainable method, the first such product in Japan. In June, Aeon announced the Aeon Policy on Eel Handling, which sets forth a policy of shifting to procurement of sustainability-proven eels and actively proposing new foods, such as *kabayaki* (grilled eel/fish) prepared using ingredients other than eel.
- In June, Aeon entered into an Agreement on Materials Procurement Cooperation during Disasters with the Tokyo Municipal Government. The agreement stipulates cooperation in procurement of liquid infant formula and emergency relief supplies during disasters. Aeon has entered into agreements with some 900 municipalities nationwide that stipulate that Aeon and local governments will cooperate in supplies procurement in times of emergency.

When torrential rainfall struck in July 2018, Aeon delivered more than 920,000 daily necessity items to 32 municipalities in accordance with these agreements.

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 half 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 5,860 million yen (improvement of 4,085 million yen year on year) on operating revenue of 1,534,689 million yen (up 0.7%) for the first six months of the fiscal year.

AEON Retail Co., Ltd. (hereinafter "Aeon Retail") opened four new stores in the first half. Aeon Style Zama (Kanagawa Prefecture), opened in March, and focusing on its location in an area with many young family households busy with work and child-rearing, has prepared a fully featured eat-in space where customers can conveniently enjoy their favorite ready-to-eat food and *bento* (prepacked meals). 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 the store. Aeon Style Iwaki Onahama (Fukushima Prefecture), which opened in June, has prepared a selection of local produce and products from around the world under the key themes of organic produce, health and wellness, and tradition, and offers popular food unique to Onahama, a port town in Iwaki City. The same-store sales trend improved as a result of factors including strong beverage category sales due to the extreme heat and stepping up of "Mainichi Yoruichi" evening food promotions. Aeon Retail refurbished 18 existing stores, the gross profit margin improved 0.2 percentage points year on year thanks to a decrease in the frequency and margin of markdowns and growth in Topvalu sales, and this, coupled with efficient use of expenses, resulted in profitability improvement of 3,020 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. 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 an increase of 2.4% in same-store net sales. Sales at refurbished stores were strong. The Aeon Shin Urayasu Store (Chiba Prefecture), which was refurbished in May of last year, increased customer stay times by expanding its eat-in space, and sales increased 17.6% year on year. Furthermore, success in controlling expenses contributed to operating profitability improvement of 954 million yen in the first half.

In March, Aeon Hokkaido Corporation refurbished Aeon Mall Sapporo Hassamu, one of Hokkaido's largest shopping malls, to make it a new place where local residents meet and interact. As a result of efforts to create appealing facilities that meet the needs of local customers, such as being the first in Hokkaido to install priority counter seats for children on baby food in its food court, specialty store sales increased 7.4% year on year. Also, at the Aeon Takikawa Store, as a result of refurbishment of the food section focused on providing products at prices that offer good value for money and creating a sales floor that's easy for customers to navigate, the food section drove overall sales, and net sales increased 13.6% year on year. Furthermore, operating profit was generally in line with plan as a result of efforts to increase customer convenience, such as introduction of a smartphone shopping app and the start of an online supermarket in-store pickup service.

Supermarket Business

The Supermarket Business posted operating revenues of 1,629,848 million yen (up 0.4% year on year) and operating profit of 11,119 million yen (up 2.3%).

Maxvalu Kyushu Co., Ltd. (hereinafter “Maxvalu Kyushu”) opened two stores in the first half. Maxvalu Kibanadai Store (Miyazaki Prefecture), which opened following rebuilding of an existing store, was reborn as a store that meticulously meets customer needs through an expanded product selection, introduction of a corner for promoting local production for local consumption, and opening of an eat-in corner. Maxvalu Mizukidai Store (Kumamoto Prefecture), which opened following the transfer of a shuttered competitor’s store, meets the needs of neighborhood customers with food items frequently requested by existing customers, an expanded product selection at the ready-to-eat food corner, and a newly opened freshly baked bread corner. Maxvalu Kyushu also refurbished existing stores and implemented initiatives such as expanding offerings of regional and locally procured products, mainly fresh foods, and introducing freshly baked bread. As a result of these efforts, Maxvalu Kyushu’s net sales increased 1.4% year on year, and operating profit improved by 525 million yen.

United Super Markets Holdings Inc. and its consolidated subsidiaries integrated purchasing of products in some categories and expanded joint merchandise planning and joint procurement. Furthermore, they reduced systems costs in ICT departments and, in overall cost structure reforms, strove to cut costs through joint procurement of materials and to reduce operating costs at the operating companies. 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 195 stores as a labor-saving measure. Kasumi Co., Ltd. worked to increase customer convenience by, for example, 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 13,620 million yen (up 4.6% year on year) on operating revenues of 394,875 million yen (up 13.3%) for the first six 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, counseling, late-night operations, and nursing—by refurbishing existing stores and other actions. Same-store sales were strong thanks to expansion of the number of 24-hour stores (165 stores as of August 31, 2018) for the purpose of providing customers with peace of mind and enhanced convenience, and growth in prescription drug sales due to expansion of the number of stores offering prescription drugs (1,210 stores as of August 31, 2018).

Welcia Holdings engaged in product development with health as the key development theme and, to enhance customer convenience, proactively sold packaged lunches and ready-to-eat meals, expanded its receiving agent service, sold prepaid cards that can be used for online shopping and other payments, and installed parcel pickup lockers.

Welcia Holdings increased the number of group stores to 1,773 as of August 31, 2018 by opening 54 stores, mainly in the high-priority Tohoku and Kansai regions, and adding 41 stores operated by IPPONDO Co., Ltd., a company operating mainly in Tokyo that became a subsidiary in March.

Financial Services Business

The Financial Services Business earned operating profit of 31,951 million yen (down 3.0% year on year) on operating revenue of 211,767 million yen (up 7.0%) for the first six months of the fiscal year.

In the domestic business operations of Aeon Financial Service Co., Ltd. (hereinafter “Aeon Financial Service”), for the purpose of acquiring new cardholders and increasing credit card use at Aeon Group stores and external member stores, subsidiary Aeon Credit Service Co., Ltd. implemented enrollment and card use promotion programs and engaged in collaborative initiatives with participating retailers. Aeon Bank, Ltd. steadily increased its balances of deposits and loans, such as foreign currency deposits and housing loans, thanks to the provision

of seamless financial services following the conversion of all in-store branches to directly operated branches in the previous fiscal year for the purpose of strengthening the domestic operational infrastructure.

Aeon Financial Service has made systems (IT) investment an objective in the medium-term management plan. As a first-half initiative, the company worked to diversify payment methods that utilize FinTech, such as starting a complete smartphone app-based service at certain restaurants covering everything from customer orders to payment utilizing IoT technology and demonstration testing of cardless payment utilizing biometric identification technology. It also continued IT investment aimed at expanding asset formation services, such as development of an original household accounts app that enables customers to simply manage their assets using a smartphone.

Aeon Financial Service worked to expand its overseas operations by making efforts to develop new customer segments, mainly in Hong Kong, Thailand, and Malaysia. The company worked to acquire cardholders and promote credit card use through a collaborative alliance card campaign in Hong Kong featuring popular Japanese animation characters and an alliance card cardholder recruitment program with Thai Airways targeting customers with incomes exceeding a certain level. In Malaysia, the company introduced a loan product that offers preferential interest rates according to customer income in an effort to increase transaction volume and reduce credit costs by acquiring high-value customers.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 25,439 million yen (up 8.2% year on year) on operating revenue of 178,187 million yen (up 8.0%) for the first six months of the fiscal year.

Aeon Mall Co., Ltd. (hereinafter “Aeon Mall”) completed floor expansion of two existing shopping centers and refurbishment of five shopping centers in Japan in the first half and worked to increase market share in those areas. Aeon Mall opened three new shopping centers: Aeon Mall Zama (Kanagawa Prefecture) in March, THE OUTLETS HIROSHIMA (Hiroshima Prefecture) in April, and Aeon Mall Iwaki Onahama (Fukushima Prefecture) in June. THE OUTLETS HIROSHIMA is a facility that attracts visitors from a wide area based on the concept “Genuine outlets, entertainment, and encounters with the local community.” The tenant composition offers visitors an in-depth experience of the characteristics of Hiroshima Prefecture by introducing amusement facilities in collaboration with a local baseball club and sports teams and a zone featuring local foods and famous local products. Since it opened, it has drawn customers from within and beyond the prefecture and enjoyed strong sales. Going forward, to prevent injuries resulting from earthquakes or other disasters, Aeon Mall will review the materials used for facilities within mall buildings as well as their installation methods and take measures to enhance facility safety and earthquake resistance.

In overseas operations, positioned as a future growth driver, all seven shopping centers opened in the ASEAN region up to the previous fiscal year achieved profitability, as did ten of seventeen shopping centers in China. Aeon Mall’s overseas operations posted operating profit improvement of 853 million year on year and achieved profitability.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating profit of 13,721 million yen (down 14.7% year on year) on operating revenue of 395,368 million yen (up 1.2% year on year) for the first six months of the fiscal year.

Aeon Delight Co., Ltd. (hereinafter “Aeon Delight”) achieved sales and profit increases and posted record-high first-half sales and profits. Aeon Delight considers its mission to be the provision of safe, secure, and comfortable environments at facilities and their surroundings. Immediately after the earthquake in northern Osaka in June and the torrential rainfall in western Japan in July, the company established response headquarters and devoted itself to the early resumption of operation of commercial facilities, which are a form of daily life infrastructure that supports local communities, through the provision of services such as building restoration

work, extraordinary cleaning, and the delivery of supplies. With labor shortages becoming serious in Japan and China, the company began construction of the Aeon Delight Platform with a view to alleviating labor shortages internally and at client companies. The Aeon Delight Platform will provide optimal solutions to issues facing individual customers by gathering, accumulating, and analyzing data obtained inside and outside of facilities where the company provides services. Aeon Delight also proceeded with conversion to remote monitoring and automated control utilizing sensing technologies. Furthermore, 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 and began development of a new model for facility management operations utilizing AI and IoT.

At Aeon Fantasy Co., Ltd., first-half sales reached a record high of 37,763 million yen (up 5.7% year on year) thanks to sales expansion fueled by overseas store openings. The company also further expanded introduction of limited-availability original prizes, such as prizes developed in collaboration with popular YouTubers. The cumulative number of views of YouTube videos related to the company for the six-month period from March to August was 91.8 million, exceeding the full-year number of views the previous year. The promotional effect of these efforts contributed to raising the level of sales. In overseas operations, the company opened ten new outlets in China and 14 in the ASEAN region and also proactively refurbished existing outlets. As a result, profit in China increased and the ASEAN operations moved into the black.

International Business

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

The International Business posted operating revenue of 220,498 million yen (up 8.1% year on year) and operating profit of 534 million yen (an improvement of 1,777 million yen).

In Malaysia, the 6% consumption tax (GST) was abolished following a change of government in May. At a time of increasing reluctance to purchase ahead of abolition of the consumption tax, Aeon Malaysia (Aeon Co. (M) Bhd.) secured sales by boosting sales promotions, such as a 6% reduction sale. Since June, demand has recovered, mainly for home appliances and other consumer durables and household products.

Aeon Vietnam Co., Ltd. achieved same-store sales growth of 11.1% year on year. The company substantially increased the number of customers by expanding a line of clothing products developed in-house to achieve differentiation adapted to local needs. It also expanded its offering of organic vegetables and imported food products and stepped up food sales promotions. As a result, clothing and food drove overall sales. The company 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, gift product sales were strong thanks to an increase in the number of regular customers, and the company achieved 18% sales growth year on year. As a result of these initiatives, first-half sales and profit increased year on year.

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 successful early preparation for the Lunar New Year sales season. Strong performance at Aeon Kornhill Store and Aeon Whampoa Store, Aeon Stores (Hong Kong) Co., Limited's flagship stores, which were completely refurbished in the Aeon Style format in 2016, drove the company's results.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of August 31, 2018 were 9,864,726 million yen, an increase of 411,970 million yen, or 4.4%, from the end of the previous fiscal year (February 28, 2018). The increase is mainly attributable to, in current assets, increases of 180,293 million yen in notes and accounts receivable-trade, 132,353 million yen in securities, and 123,971 million yen in loans and bills discounted for banking business, which outweighed a decrease of 109,972 million yen

in cash and deposits, mainly at financial subsidiaries, and in non-current assets, an increase of 86,294 million yen in property, plant and equipment due to the opening of new shopping centers.

Consolidated liabilities as of August 31, 2018 were 7,981,734 million yen, an increase of 445,715 million yen, or 5.9%, from February 28, 2018. The increase is mainly attributable to increases of 280,215 million yen in deposits for banking business, 60,172 million yen in notes and accounts payable-trade, and 84,350 million yen in bonds payable (including the current portion of bonds).

Consolidated net assets as of August 31, 2018 were 1,882,992 million yen, a decrease of 33,745 million yen, or 1.8%, from February 28, 2018.

The balance of cash and cash equivalents at August 31, 2018 was 758,502 million yen, a decrease of 111,510 million yen from February 28, 2018.

Net cash provided by operating activities in the six months ended August 31, 2018 was 228,505 million yen. The net inflow reflects increases of 229,119 million yen in profit before income taxes, excluding depreciation and amortization and other non-cash expenses, and 280,215 million yen in deposits for banking business, which were partially offset by increases of 167,300 million yen in notes and accounts receivable-trade and 124,368 million yen in loans in banking business.

Net cash used in investing activities was 409,738 million yen, mainly reflecting 247,953 million yen for settlement of equipment fund due to the purchase of fixed assets and 406,133 million yen in acquisition of securities for banking business, which were partially offset by 254,246 million yen in proceeds from sales and redemption of securities in banking business.

Net cash provided by financing activities was 74,684 million yen. This reflects fund procurement operations of 139,906 million yen in proceeds from long-term loans payable and 84,998 million yen in proceeds from issuance of bonds, which outweighed 101,713 million yen in repayments of long-term loans payable and a net decrease of 29,825 million yen in short-term bank loans and commercial papers.

(3) Consolidated Earnings Forecast

The consolidated 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 August 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	918,053	808,080
Call loans	-	15,269
Notes and accounts receivable - trade	1,292,103	1,472,397
Securities	208,866	341,220
Inventories	600,287	580,155
Deferred tax assets	45,707	46,014
Operating loan	347,829	362,537
Loans and bills discounted for banking business	1,819,681	1,943,653
Other	298,118	319,822
Allowance for doubtful accounts	(56,525)	(99,105)
Current assets	5,474,121	5,790,044
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,529,041	1,609,137
Tools, furniture and fixtures, net	228,380	234,723
Land	828,326	876,992
Construction in progress	93,251	47,735
Other, net	76,112	72,817
Property, plant and equipment	2,755,112	2,841,407
Intangible assets		
Goodwill	155,628	153,400
Software	77,090	81,356
Other	62,380	61,995
Intangible assets	295,100	296,752
Investments and other assets		
Investment securities	252,386	233,952
Net defined benefit asset	16,209	17,819
Deferred tax assets	96,951	103,861
Guarantee deposits	406,500	416,491
Other	168,475	176,200
Allowance for doubtful accounts	(12,102)	(11,805)
Investments and other assets	928,421	936,521
Non-current assets	3,978,634	4,074,681
Assets	9,452,756	9,864,726

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	906,195	966,367
Deposits for banking business	3,007,289	3,287,505
Short-term loans payable	332,486	296,840
Current portion of long-term loans payable	272,136	284,329
Current portion of bonds	25,803	76,233
Commercial papers	81,049	82,835
Income taxes payable	50,003	43,470
Provision for bonuses	31,874	30,094
Provision for loss on store closing	5,790	7,152
Provision for point card certificates	19,435	19,562
Other provision	1,385	679
Notes payable - facilities	106,253	90,838
Other	607,937	653,533
Current liabilities	5,447,642	5,839,443
Non-current liabilities		
Bonds payable	482,112	516,032
Bonds with subscription rights to shares	29,948	29,946
Long-term loans payable	1,026,738	1,055,746
Deferred tax liabilities	54,648	48,200
Provision for loss on store closing	3,776	3,200
Provision for loss on interest repayment	3,098	2,165
Other provision	5,957	5,846
Net defined benefit liability	25,643	24,826
Asset retirement obligations	85,993	93,106
Long-term guarantee deposited	264,591	266,281
Other	105,868	96,938
Non-current liabilities	2,088,377	2,142,290
Liabilities	7,536,019	7,981,734

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	306,464	307,222
Retained earnings	574,409	562,366
Treasury shares	(38,962)	(36,303)
Shareholders' equity	1,061,920	1,053,293
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77,701	63,553
Deferred gains or losses on hedges	(3,013)	(1,619)
Foreign currency translation adjustment	13,356	4,751
Remeasurements of defined benefit plans	1,597	1,421
Total accumulated other comprehensive income	89,641	68,107
Subscription rights to shares	1,921	2,081
Non-controlling interests	763,254	759,509
Net assets	1,916,737	1,882,992
Liabilities and net assets	9,452,756	9,864,726

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

Consolidated Statement of Income

(Millions of yen)

	Six Months ended August 31, 2017	Six Months ended August 31, 2018
	Amount	Amount
Operating revenue		
Net sales	3,671,329	3,738,800
Operating revenue from financial services business	176,017	189,463
Other operating revenue	321,257	338,138
Operating revenue	4,168,603	4,266,401
Operating cost		
Cost of sales	2,658,774	2,709,620
Operating cost from financial services business	15,622	17,601
Operating cost	2,674,397	2,727,221
Gross profit (loss)	1,012,554	1,029,179
Operating gross profit (loss)	1,494,205	1,539,180
Selling, general and administrative expenses	1,409,165	1,449,325
Operating profit (loss)	85,040	89,854
Non-operating income		
Interest income	1,550	1,580
Dividend income	1,335	1,291
Share of profit of entities accounted for using equity method	1,642	1,327
Other	8,955	9,282
Non-operating income	13,484	13,480
Non-operating expenses		
Interest expenses	8,082	8,214
Other	4,871	4,222
Non-operating expenses	12,953	12,436
Ordinary profit (loss)	85,571	90,898
Extraordinary income		
Gain on sales of non-current assets	7,259	3,391
Gain on transfer from business divestitures	1,425	-
Insurance income	42	2,921
Other	983	874
Extraordinary income	9,711	7,187
Extraordinary losses		
Impairment loss	6,895	6,929
Provision for loss on store closing	2,750	2,799
Loss on retirement of non-current assets	1,923	1,357
Disaster-related loss	-	3,576
Other	4,071	1,643
Extraordinary losses	15,642	16,307
Profit (loss) before income taxes	79,640	81,778
Income taxes		
Current	40,099	40,214
Deferred	1,412	(1,642)
Income taxes	41,511	38,571
Profit (loss)	38,128	43,206
Profit (loss) attributable to non-controlling interests	33,909	32,646
Profit (loss) attributable to owners of parent	4,218	10,560

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six Months ended August 31, 2017	Six Months ended August 31, 2018
	Amount	Amount
Profit (loss)	38,128	43,206
Other comprehensive income		
Valuation difference on available-for-sale securities	13,114	(13,364)
Deferred gains or losses on hedges	(1,101)	2,369
Foreign currency translation adjustment	(7,465)	(15,299)
Remeasurements of defined benefit plans, net of tax	204	(45)
Share of other comprehensive income of entities accounted for using equity method	57	(111)
Other comprehensive income	4,808	(26,450)
Comprehensive income	42,937	16,756
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	12,184	(10,973)
Comprehensive income attributable to non-controlling interests	30,752	27,729

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months ended August 31, 2017	Six Months ended August 31, 2018
	Amount	Amount
Cash flows from operating activities		
Profit (loss) before income taxes	79,640	81,778
Depreciation	119,202	124,243
Amortization of goodwill	7,434	7,569
Increase (decrease) in allowance for doubtful accounts	1,509	7,656
Increase (decrease) in provision for loss on interest repayment	(1,358)	(933)
Increase (decrease) in provision for bonuses	1,652	(1,870)
Increase (decrease) in net defined benefit liability	(140)	(329)
Decrease (increase) in net defined benefit asset	(1,615)	(1,864)
Interest and dividend income	(2,885)	(2,871)
Interest expenses	8,082	8,214
Share of (profit) loss of entities accounted for using equity method	(1,642)	(1,327)
Impairment loss	6,895	6,929
Decrease (increase) in notes and accounts receivable - trade	(168,572)	(167,300)
Decrease (increase) in inventories	16,133	19,206
Decrease (increase) in operating loans receivable	(18,808)	(15,873)
Decrease (increase) in cash loans and bills discounted for banking business	(151,039)	(124,368)
Increase (decrease) in notes and accounts payable - trade	61,188	62,509
Increase (decrease) in deposits for banking business	273,004	280,215
Increase/decrease in other assets/liabilities	8,233	(6,128)
Other, net	(5,086)	4,312
Subtotal	231,826	279,769
Interest and dividend income received	3,081	3,817
Interest expenses paid	(8,553)	(8,354)
Income taxes paid	(44,874)	(46,727)
Net cash provided by (used in) operating activities	181,480	228,505

(Millions of yen)

	Six Months ended August 31, 2017	Six Months ended August 31, 2018
	Amount	Amount
Cash flows from investing activities		
Proceeds from sales and redemption of securities	-	441
Acquisition of securities for banking business	(186,669)	(406,133)
Proceeds from sales and redemption of securities in banking business	174,443	254,246
Purchase of non-current assets	(247,699)	(247,953)
Proceeds from sales of non-current assets	7,848	18,061
Purchase of investment securities	(3,894)	(6,386)
Proceeds from sales of investment securities	1,564	3,114
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(4,061)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(657)
Payments for guarantee deposits	(24,995)	(23,220)
Proceeds from collection of guarantee deposits	18,724	12,925
Proceeds from guarantee deposits received	12,140	13,963
Repayments of guarantee deposits received	(10,620)	(11,156)
Other, net	(7,818)	(12,921)
Net cash provided by (used in) investing activities	(266,977)	(409,738)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	41,485	(29,825)
Proceeds from long-term loans payable	152,337	139,906
Repayments of long-term loans payable	(157,492)	(101,713)
Proceeds from issuance of bonds	60,372	84,998
Redemption of bonds	(23,456)	(1,984)
Proceeds from share issuance to non-controlling shareholders	1,481	396
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2,859	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(34,573)	—
Cash dividends paid	(12,624)	(12,625)
Dividends paid to non-controlling interests	(11,685)	(13,112)
Other, net	8,584	8,645
Net cash provided by (used in) financing activities	27,289	74,684
Effect of exchange rate change on cash and cash equivalents	(2,432)	(4,962)
Net increase (decrease) in cash and cash equivalents	(60,639)	(111,510)
Cash and cash equivalents, beginning of period	802,099	870,013
Cash and cash equivalents, end of period	741,460	758,502

(4) 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 recognize the cumulative effects of adoption of these standards as of the date of adoption, as 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 the 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 and retained earnings decreased 18,269 million yen and 9,971 million yen, respectively.

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

(Additional Information)

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

In June 2018, the Company ended an incentive scheme Employee Stock Ownership Plan Trust ("ESOP Trust"), which had provided the Company's work force with ownership interest in the Company with the aim of further enhancing corporate value over the mid to long term.

The Company's stock held by ESOP Trust was 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. The book value of current portion of long-term loans payable recorded in accordance with the adoption of the gross accounting method was 1,200 million yen as of February 28, 2018. At the end of the first six months of the fiscal year ending February 28, 2019, the balances of treasury shares and current portion of long-term loans payable do not include those held by the trust.

(Segment Information)

I. Six Months ended August 31, 2017 (March 1 – August 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	1,421,708	1,615,038	348,189	176,017	126,059	296,864
(2) Intersegment revenue or transfers	102,109	7,798	213	21,911	38,885	93,787
Total	1,523,817	1,622,837	348,403	197,928	164,945	390,651
Segment income (loss)	(9,945)	10,868	13,015	32,934	23,515	16,090

	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	202,698	4,186,576	685	4,187,262	(18,658)	4,168,603
(2) Intersegment revenue or transfers	1,240	265,946	8,344	274,290	(274,290)	-
Total	203,938	4,452,522	9,030	4,461,553	(292,949)	4,168,603
Segment income (loss)	(1,243)	85,234	(213)	85,020	19	85,040

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

2. Main components of the minus 18,658 million yen in adjustments for operating revenue attributable to customers are as follows:
   (a) Minus 38,490 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 19,697 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 19 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,490 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 685 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 760 million yen in intersegment transaction eliminations.

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

II. Six Months ended August 31, 2018 (March 1 – August 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	1,418,737	1,622,772	394,657	189,463	137,906	301,527
(2) Intersegment revenue or transfers	115,952	7,075	217	22,304	40,281	93,840
Total	1,534,689	1,629,848	394,875	211,767	178,187	395,368
Segment income (loss)	(5,860)	11,119	13,620	31,951	25,439	13,721

	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	219,189	4,284,254	2,202	4,286,457	(20,055)	4,266,401
(2) Intersegment revenue or transfers	1,308	280,980	6,482	287,462	(287,462)	-
Total	220,498	4,565,235	8,684	4,573,920	(307,518)	4,266,401
Segment income (loss)	534	90,526	874	91,401	(1,546)	89,854

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

2. Main components of the minus 20,055 million yen in adjustments for operating revenue attributable to customers are as follows:
   (a) Minus 38,635 million yen in adjustments to service transactions reported in the reportable segment information, and
   (b) 18,503 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 1,546 million yen in adjustments for segment income are as follows:
   (a) 415 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 1,353 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 556 million yen in intersegment transaction eliminations.

4. Segment income adjustments are based on operating income (loss) 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 the Drugstore and Pharmacy Business to Health and Wellness Business and reclassified some consolidated subsidiaries to the business from the Services and Specialty Store Business. Furthermore, the Digital Business, which was previously included in the GMS Business, has been reclassified to Other.

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