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Financial Results for the Nine Months ended November 30, 2018

January 9, 2019

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 January 15, 2019
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 Nine Months ended November 30, 2018 (March 1, 2018 to November 30, 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	%
Nine months ended November 30, 2018	6,339,364	2.1	109,011	6.0	110,287	4.9	630	-
Nine months ended November 30, 2017	6,206,571	1.7	102,798	20.4	105,106	23.6	(4,404)	-

Note: Comprehensive income: Nine months ended November 30, 2018: 14,212 million yen (-80.0 %)
Nine months ended November 30, 2017: 70,966 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Nine months ended November 30, 2018	0.75	0.40
Nine months ended November 30, 2017	(5.25)	-

Note: Even though there were dilutive shares outstanding, earnings per share - fully diluted for the nine months ended November 30, 2017 is not indicated because a net loss per share was reported for the period.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
November 30, 2018	10,069,669	1,850,373	10.8	1,294.66
February 28, 2018	9,452,756	1,916,737	12.2	1,371.60

Note: Total equity: November 30, 2018: 1,089,687 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 "(3) Notes on the Consolidated Financial Statements (Changes in Accounting Policy)" on page 13 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):
November 30, 2018: 871,924,572 shares
February 28, 2018: 871,924,572 shares

2) Number of shares held in treasury at end of period:
November 30, 2018: 30,245,425 shares
February 28, 2018: 32,347,411 shares

3) Average number of shares outstanding during the period:
Nine months ended November 30, 2018: 840,662,346 shares
Nine months ended November 30, 2017: 838,664,278 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (November 30, 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

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

Summary of Operating Results

For the first nine months of the fiscal year ending February 28, 2019 (March 1, 2018 - November 30, 2018), Aeon Co., Ltd. (hereinafter "Aeon") posted record-high consolidated operating revenue and operating profit and year-on-year increases on each profit line. Consolidated operating revenue was 6,339,364 million yen (up 2.1% year on year), consolidated operating profit was 109,011 million yen (up 6.0% year on year), and consolidated ordinary profit was 110,287 million yen (up 4.9% year on year). Profit attributable to owners of parent was 630 million yen (improving 5,034 million yen year on year), marking a return to nine-month profitability for the first time in four years. Profitability improved in five business segments: The GMS (General Merchandise Store) Business, Supermarket Business, Financial Services Business, Shopping Center Development Business, and International Business. In the third quarter, although a mild winter affected the results of the domestic retail operations, the overseas results of the Financial Services Business and Shopping Center Development Business and the results of the International Business, which consists of overseas retail operations, steadily improved and contributed to the consolidated operating results.

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 is working together with all of the Group's stakeholders, including customers and business partners, to help realize a decarbonized society. At the same time, 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 October, Aeon entered into agreements for mergers of supermarket operations in each region of Japan in accordance with the Aeon Group Medium-term Management Plan. The integrated companies to be created in each region will aim to become the companies contributing the most to their local communities, while responding to the diversification of food preferences, such as preferences for low-priced food, healthy food, and local food, and also responding to greater time pressures, intensification of competition surrounding increasingly borderless food markets, and changes in the labor environment. The schedule for integration of the main companies involved in mergers in each region is shown below.

Region	Main involved companies	Timing of merger
Hokkaido	Aeon Hokkaido, Maxvalu Hokkaido	March 2020
Tohoku	Maxvalu Tohoku, Aeon Retail Tohoku Company	March 2020
Tokai, Chubu	Maxvalu Tokai, Maxvalu Chubu	September 2019
Kinki	Daiei, Kohyo	March 2020
Chugoku, Shikoku	Maxvalu Nishinihon, Marunaka, Sanyo Marunaka	March 2019
Kyushu	Aeon Kyushu, Maxvalu Kyushu, Aeon Store Kyushu	September 2019

- In October, Aeon entered into a capital and business alliance agreement with Fuji Co., Ltd. Aeon and Fuji Co., Ltd., which share a common philosophy of contributing to people's lives and local communities, will pursue synergies in various areas, such as joint development of original private brand products for the Chugoku and Shikoku regions and initiatives to refurbish shopping centers and general merchandise stores, through collaboration that makes maximum use of one another's management resources. By

promoting this partnership, they aim to form the leading business alliance in the Chugoku and Shikoku regions, which will enjoy the sustained support of customers in the regions, continue to contribute to the development of the regions, and by extension, make them companies where employees can continue to work with pride.

- In October, Aeon became the first retailer in Asia to begin offering products with GLOBALG.A.P. Number labels (hereinafter "GGN label"), which identify farm products supplied from GLOBALG.A.P.-certified farms. GLOBALG.A.P. is an international certification system for farms that are committed to food safety and sustainable production management, including consideration of the environment and occupational safety. Offering GGN-labeled products has made it easy for customers to select in stores agricultural products produced at farms that engage in agricultural production process management compliant with international standards. Also, Aeon announced in September that it will aim for organic farm product sales of 10.0 billion yen in 2020. By strengthening partnerships with organic farm product producers nationwide, Aeon will help realize crop yield increases, stable supply, and reduction of cultivation costs through innovation and sharing of cultivation techniques and scale expansion, and will deliver affordably priced, fresh organic farm products to customers.
- In June, Aeon entered into an Agreement on Materials Procurement Cooperation during Disasters with the Tokyo Metropolitan Government that stipulates cooperation in procurement of liquid infant formula and emergency relief supplies during disasters. As a good corporate citizen of local communities, 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. At the time of the 2018 Hokkaido Eastern Iburi Earthquake as well, Aeon provided assistance with procurement of daily necessities and collaborated with partner companies to supply products from Honshu to stores in Hokkaido using emergency transportation.

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 nine-month period 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 18,815 million yen (improvement of 2,218 million yen year on year) on operating revenue of 2,272,923 million yen (up 0.3%) for the first nine months of the fiscal year.

AEON Retail Co., Ltd. (hereinafter "Aeon Retail") opened eight new stores during the period. 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 convenient services that are closely attuned to customers' lifestyles. For instance, it has initiated a service that enables customers to receive products ordered on Aeon's online shopping site at the store. In November, Aeon Retail started full-scale provision of the in-store pickup service, which enables customers to pick up at stores merchandise ordered and paid for on Aeon's online shopping site, and offers the service at approximately 400 Aeon and Aeon Style stores in Honshu and Shikoku. Aeon Style Sendai Oroshimachi (Miyagi Prefecture), which opened in September, has one of the largest food floors in the Tohoku region, which combines an approximately 700-seat food court and food specialty stores as well as a special eat-in area where customers can bring food and drink purchased elsewhere in the mall or enjoy the deliciousness of food freshly prepared on the

spot. At the food court, it has introduced Putmenu, a service that enables customers to order and pay for food and beverages without waiting in line at cash registers, greatly enhancing convenience for customers with small children and busy businesspeople. Aeon Retail also refurbished 29 existing stores. Aeon Style Itabashi (Tokyo), which converted to the Aeon Style format in early November, reinforced its food offering and introduced a large specialty store sales floor featuring Kids Republic, Glam Beautique, Home Coordy, and iC. November sales and number of customers were up 8.2% and 10.6%, respectively, year on year.
Aeon Hokkaido Corporation was affected by the Hokkaido Eastern Iburi Earthquake and power outages in every region of Hokkaido in September, and product supply became unstable. However, out of a desire to aid Hokkaido's rapid recovery, after the earthquake the Aeon Group made a concerted effort in cooperation with business partners to engage in emergency procurement to make available the largest selection of food products and other goods and quickly resumed operation. By holding a special sale in support of affected regions and special days focused on food products produced in Hokkaido, Aeon Hokkaido also won the support of customers, and this contributed to food section sales increases. In response to an energy-saving mood and an increase in the price of kerosene after the earthquake, the company proposed eco-home ideas focused on energy saving and enhanced its offering of products for spending time at home in warmth and comfort through carefully selected sets of products and product proposals possible only for Aeon. As a result, unit sales of room shoes, blankets, and other items increased sharply.

Supermarket Business
The Supermarket Business posted operating revenues of 2,429,819 million yen (up 0.5% year on year) and operating profit of 13,171 million yen (up 4.6%).
Maxvalu Kyushu Co., Ltd. (hereinafter "Maxvalu Kyushu") opened five new stores in the first nine months of the fiscal year. Maxvalu Kibanadai Store (Miyazaki Prefecture), which opened in March 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 the opening of an eat-in corner. Maxvalu Express Ohori Store (Fukuoka Prefecture), which opened in September, is a new type of urban store that has undertaken product mix and store operation innovation, incorporating elements of a convenience store in its store operation. The company also refurbished fifteen existing stores, renewing product selections and sales floors in response to the needs of local customers and expanding offerings of local and regional products with a focus on fresh foods.
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 198 stores and introduced electronic shelf labels at 20 urban stores as labor-saving measures. It also expanded to 46 the number of stores with delicatessen areas featuring seasonal fresh ingredients as a response to the popularization of supermarket delicatessens. To increase customer convenience, Kasumi Co., Ltd. introduced Aeon's WAON e-money payment service in March and began a completely cashless store experiment at Kasumi Tsukuba University Store (Ibaraki Prefecture), which opened in October.

Health and Wellness Business
The Health and Wellness Business recorded operating profit of 17,311 million yen (down 0.2% year on year) on operating revenues of 589,932 million yen (up 12.1%) for the first nine 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 (184 stores as of November 30, 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 (1,244 stores as of November 30, 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 1,800 as of November 30, 2018 by opening 83 new stores, mainly in the high-priority Tohoku and Kinki 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 47,460 million yen (up 7.6% year on year) on operating revenue of 320,452 million yen (up 8.9%) for the first nine months of the fiscal year.
In the domestic business operations of Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service"), the number of active cardholders and shopping transaction volume increased due to issuance of various new credit cards, reward point measures implemented in collaboration with Aeon Group retail stores, and other initiatives. Deposits and housing loans increased and the balance of asset management products, an area of particular emphasis, steadily increased, contributing to revenue expansion.
With regard to systems (IT) investment, which Aeon Financial Service has made an objective in the medium-term management plan, in November Aeon Credit Service Co., Ltd. began switching to contactless payment cards that enable payment by simply waving a credit card. The Aeon Group plans to replace 100,000 cash registers installed at Group stores with contactless payment terminals beginning in March 2019. Aeon Bank, Ltd. (hereinafter "Aeon Bank") has also begun promoting new card-less services including the introduction of an app that makes it possible to complete some transactions simply by waving a smartphone near an Aeon Bank ATM.
Against the backdrop of a robust consumption environment, mainly in Hong Kong, Thailand, and Malaysia, Aeon Financial Service achieved strong operating results in its international operations by making efforts to develop new customer segments, including the affluent, and steadily implementing cost control. Following issuance of a platinum card in Malaysia to acquire high-income customers, the company also issued a platinum card that offers incentives at Aeon stores in Japan to customers in Thailand, where there is strong demand for travel to Japan.
The company introduced in Indonesia a scheme similar to the auto loan business it initiated in the Philippines in July 2017. This scheme improves the credit of commercial drivers, who are low- to middle-income earners, and helps stabilize income and create employment by installing an IoT device in purchased vehicles and remotely controlling the vehicles, for example by disabling the engine, in the event of non-payment or fraudulent removal of the device. Horizontal deployment of this success story increases local subsidiary revenues and contributes to resolving social issues.

Shopping Center Development Business
The Shopping Center Development Business earned operating profit of 37,043 million yen (up 7.6% year on year) on operating revenue of 266,410 million yen (up 7.7%) for the first nine months of the fiscal year.
In Japan, Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") completed floor expansion of two

existing shopping centers and refurbishment of six shopping centers and opened four new shopping centers in the nine-month period, including new-format mall THE OUTLETS HIROSHIMA (Hiroshima Prefecture). Aeon Mall Tsu-Minami (Mie Prefecture) opened in November following the rebuilding and expansion of Aeon Tsu Minami Shopping Center SUNVALLEY, which first opened in 1978 and operated for 40 years. This mall aims to enhance customer convenience by introducing the latest digital content, such as installing digital signage at some 60 locations within the facility, including a 270-inch large LED vision system installed at an event plaza. Also, the Aeon Mall Black Friday sale was held at all Aeon malls nationwide for three days from November 23 to 25 with the aim of stimulating consumption demand in Japan. The number of specialty stores participating in the sale has increased each year, and Aeon sought to attract more customers through various events, such as limited-time novelty items and a campaign offering quintuple points for payment by credit card. The results were favorable, with customer traffic and sales exceeding the prior-year level during the sale period.
In overseas operations, positioned as a future growth driver, Aeon Mall opened three new malls during the nine-month period: Aeon Mall Yantai Jinshatan (Yantai City, Shandong Province, China), Aeon Mall Sen Sok City (Phnom Penh, Cambodia), and Aeon Mall Guangzhou Jinsha (Guangzhou City, Guangdong Province, China). Aeon Mall Guangzhou Jinsha, which opened in November, is located in an area where population growth can be expected accompanying progress with public transportation and housing development. Along with Aeon Mall Guangzhou Panyu Square (Guangzhou City, Guangdong Province), the first Aeon Mall in Guangzhou City, and Aeon Mall Foshan Dali (Foshan City, Guangdong Province), the first Aeon Mall in Foshan City, the new mall will reinforce Aeon Mall's dominant strategic position in the Guangdong area. All seven existing 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 1,267 million yen year on year and achieved profitability.

Services and Specialty Store Business
The Services and Specialty Store Business posted operating profit of 13,499 million yen (down 25.5% year on year) on operating revenue of 576,983 million yen (up 1.1% year on year) for the first nine months of the fiscal year.
Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") achieved sales and profit increases and posted record-high nine-month profits. Under the management principle "We will continue to create environmental value of clients and local communities," in October the company instituted Aeon Delight Vision 2025 for the purpose of achieving further sustained growth and declared its aspiration to be an environmental value creation company that resolves social issues with safety and security, labor shortages, and the environment, as the three pillars of its growth strategy in Asia.
As a safety and security initiative, immediately after natural disasters occurred in various areas due to the Hokkaido Eastern Iburi Earthquake in September and typhoon landfalls, Aeon Delight established response headquarters and worked toward the early recovery of disaster-stricken areas through the provision of services such as building restoration work, extraordinary cleaning, and the delivery of supplies. To address labor shortages, the company began construction of the Aeon Delight Platform, which 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. As an environmental initiative, in October Aeon Delight newly established the Electricity Planning Department to commercialize Energy Management Services and began creating new electric power-based business.
Overseas, for the purpose of further expansion of the business in China, in October Aeon Delight made two core local operating companies wholly owned subsidiaries through acquisition of additional equity. Furthermore, in the ASEAN region, Aeon Delight acquired 90% of the shares of PT Sinar Jernih Sarana (hereinafter "SJS"), a cleaning company that does business in Indonesia. Going forward, it will expand SJS's business domain from cleaning to facilities management and security and develop it into a facilities management company.

At Aeon Fantasy Co., Ltd., although nine-month same-store sales fell slightly year on year, partly due to the impact of strong growth in amusement machine sales in the same period of the previous fiscal year, sales are now on a recovery trend thanks to hit prizes developed in collaboration with popular YouTubers in the prizes division and the impact of bringing forward the introduction of medal game machines by the medals division. Aeon Fantasy's ASEAN operations showed a revenue increase thanks to improvement of the operating results in Indonesia, Vietnam, and Thailand and operating profit moved into the black.

International Business

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

The International Business posted operating revenue of 330,149 million yen (up 7.6% year on year) and operating loss of 103 million yen (improvement of 2,754 million yen).

In Malaysia, Aeon Co. (M) Bhd. achieved sales generally in line with plan. Sales increased sharply after abolition of the 6% goods and services tax (GST) in June, and in response to the introduction of a sales and services tax in September the company held a price freeze sale as a measure to combat purchasing restraint from September onward.

Aeon Vietnam Co., Ltd. achieved same-store sales growth of 10.5% year on year. The company expanded a line of clothing products developed in-house to achieve differentiation adapted to local needs and sold key items at low prices. It also expanded its offering of organic vegetables and imported food products and stepped up food sales promotions. As a result, year-on-year clothing and food sales increased by 14.7% and 15.7%, respectively, in the first nine months of the fiscal year. Aeon Vietnam Co., Ltd. operates the No. 1 sales floors in local communities for social occasions and community events. For the Harvest Moon Festival, new products such as Western moon cakes and a large and varied selection of merchandise, in addition to traditional moon cakes, resulted in year-on-year growth of 56.8% in sales of food during the festival period. As a result of these initiatives, nine-month sales and profit increased year on year.

In China, sales increased and profitability improved by 1,036 million yen thanks to the positive contribution of a cold wave in January and February to higher sales of winter clothing, successful early preparation for the Lunar New Year sales season, and strong food sales driven by day of week promotions. 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 November 30, 2018 were 10,069,669 million yen, an increase of 616,912 million yen, or 6.5%, from the end of the previous fiscal year (February 28, 2018). The increase is mainly attributable to, in current assets, increases of 247,627 million yen in notes and accounts receivable-trade, 183,073 million yen in securities, and 157,876 million yen in loans and bills discounted for banking business, which outweighed a decrease of 180,379 million yen in cash and deposits, mainly at financial subsidiaries, and in non-current assets, an increase of 119,361 million yen in property, plant and equipment due to the opening of new shopping centers.

Consolidated liabilities as of November 30, 2018 were 8,219,295 million yen, an increase of 683,276 million yen, or 9.1%, from February 28, 2018. The increase is mainly attributable to increases of 355,401 million yen in deposits for banking business, 75,079 million yen in notes and accounts payable-trade, 76,188 million yen in bonds payable (including current portion of bonds), and 74,738 million yen in long-term loans payable (including current portion of long-term loans payable).

Consolidated net assets as of November 30, 2018 were 1,850,373 million yen, a decrease of 66,363 million yen, or 3.5%, from February 28, 2018.

(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 November 30, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	918,053	737,674
Call loans	-	13,655
Notes and accounts receivable - trade	1,292,103	1,539,730
Securities	208,866	391,939
Inventories	600,287	626,182
Deferred tax assets	45,707	52,932
Operating loan	347,829	388,338
Loans and bills discounted for banking business	1,819,681	1,977,558
Other	298,118	335,632
Allowance for doubtful accounts	(56,525)	(102,371)
Current assets	5,474,121	5,961,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,529,041	1,626,720
Tools, furniture and fixtures, net	228,380	237,750
Land	828,326	881,068
Construction in progress	93,251	54,853
Other, net	76,112	74,081
Property, plant and equipment	2,755,112	2,874,474
Intangible assets		
Goodwill	155,628	149,593
Software	77,090	85,938
Other	62,380	61,950
Intangible assets	295,100	297,482
Investments and other assets		
Investment securities	252,386	225,320
Net defined benefit asset	16,209	18,416
Deferred tax assets	96,951	104,347
Guarantee deposits	406,500	427,640
Other	168,475	172,180
Allowance for doubtful accounts	(12,102)	(11,465)
Investments and other assets	928,421	936,439
Non-current assets	3,978,634	4,108,396
Assets	9,452,756	10,069,669

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	906,195	981,275
Deposits for banking business	3,007,289	3,362,691
Short-term loans payable	332,486	357,382
Current portion of long-term loans payable	272,136	237,399
Current portion of bonds	25,803	52,984
Current portion of bonds with subscription rights to shares	-	29,946
Commercial papers	81,049	111,223
Income taxes payable	50,003	28,029
Provision for bonuses	31,874	50,097
Provision for loss on store closing	5,790	6,960
Provision for point card certificates	19,435	19,912
Other provision	1,385	1,079
Notes payable – facilities	106,253	65,442
Other	607,937	706,040
Current liabilities	5,447,642	6,010,464
Non-current liabilities		
Bonds payable	482,112	531,120
Bonds with subscription rights to shares	29,948	-
Long-term loans payable	1,026,738	1,136,213
Deferred tax liabilities	54,648	45,585
Provision for loss on store closing	3,776	3,173
Provision for loss on interest repayment	3,098	2,458
Other provision	5,957	5,888
Net defined benefit liability	25,643	24,451
Asset retirement obligations	85,993	93,753
Long-term guarantee deposited	264,591	268,807
Other	105,868	97,377
Non-current liabilities	2,088,377	2,208,830
Liabilities	7,536,019	8,219,295

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	306,464	304,875
Retained earnings	574,409	538,130
Treasury shares	(38,962)	(36,308)
Shareholders' equity	1,061,920	1,026,704
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77,701	57,282
Deferred gains or losses on hedges	(3,013)	(1,850)
Foreign currency translation adjustment	13,356	6,269
Remeasurements of defined benefit plans	1,597	1,280
Total accumulated other comprehensive income	89,641	62,982
Subscription rights to shares	1,921	2,017
Non-controlling interests	763,254	758,668
Net assets	1,916,737	1,850,373
Liabilities and net assets	9,452,756	10,069,669

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

Consolidated Statement of Income

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
	Amount	Amount
Operating revenue		
Net sales	5,466,217	5,551,123
Operating revenue from financial services business	261,533	286,142
Other operating revenue	478,819	502,099
Operating revenue	6,206,571	6,339,364
Operating cost		
Cost of sales	3,959,001	4,032,373
Operating cost from financial services business	23,390	26,136
Operating cost	3,982,391	4,058,510
Gross profit (loss)	1,507,216	1,518,749
Operating gross profit (loss)	2,224,179	2,280,854
Selling, general and administrative expenses	2,121,381	2,171,843
Operating profit (loss)	102,798	109,011
Non-operating income		
Interest income	2,266	2,403
Dividend income	1,594	1,553
Share of profit of entities accounted for using equity method	2,753	1,963
Other	13,921	14,037
Non-operating income	20,535	19,958
Non-operating expenses		
Interest expenses	11,722	12,162
Other	6,505	6,518
Non-operating expenses	18,228	18,681
Ordinary profit (loss)	105,106	110,287
Extraordinary income		
Gain on sales of non-current assets	7,772	5,710
Insurance income	62	5,947
Gain on transfer from business divestitures	1,433	-
Other	1,343	976
Extraordinary income	10,611	12,633
Extraordinary losses		
Impairment loss	9,544	9,909
Provision for loss on store closing	3,945	4,738
Loss on retirement of non-current assets	2,301	2,118
Disaster-related loss	-	7,416
Other	6,254	2,317
Extraordinary losses	22,045	26,500
Profit (loss) before income taxes	93,671	96,421
Income taxes		
Current	59,018	60,273
Deferred	(6,065)	(9,192)
Income taxes	52,952	51,081
Profit (loss)	40,719	45,339
Profit (loss) attributable to non-controlling interests	45,123	44,709
Profit (loss) attributable to owners of parent	(4,404)	630

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
	Amount	Amount
Profit (loss)	40,719	45,339
Other comprehensive income		
Valuation difference on available-for-sale securities	27,036	(20,381)
Deferred gains or losses on hedges	(87)	1,941
Foreign currency translation adjustment	2,941	(12,512)
Remeasurements of defined benefit plans, net of tax	297	(90)
Share of other comprehensive income of entities accounted for using equity method	57	(84)
Other comprehensive income	30,246	(31,127)
Comprehensive income	70,966	14,212
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	22,926	(26,028)
Comprehensive income attributable to non-controlling interests	48,039	40,240

(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 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 nine 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 nine 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 nine 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. Nine Months ended November 30, 2017 (March 1 – November 30, 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	2,112,865	2,405,682	525,737	261,533	189,194	433,025
(2) Intersegment revenue or transfers	153,876	11,610	328	32,750	58,080	137,832
Total	2,266,741	2,417,292	526,065	294,283	247,275	570,858
Segment income (loss)	(21,034)	12,596	17,344	44,100	34,422	18,112

	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	305,042	6,233,081	720	6,233,802	(27,230)	6,206,571
(2) Intersegment revenue or transfers	1,819	396,297	12,898	409,195	(409,195)	-
Total	306,861	6,629,379	13,619	6,642,998	(436,426)	6,206,571
Segment income (loss)	(2,858)	102,683	(33)	102,649	148	102,798

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

2. Main components of the minus 27,230 million yen in adjustments for operating revenue attributable to customers are as follows:
   (a) Minus 57,551 million yen in adjustments to service transactions reported in the reportable segment information, and
   (b) 30,231 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 148 million yen in adjustments for segment income (loss) are as follows:
   (a) 2,265 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 679 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 1,403 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. Nine Months ended November 30, 2018 (March 1 – November 30, 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	2,099,969	2,419,797	589,616	286,142	206,355	438,405
(2) Intersegment revenue or transfers	172,953	10,021	315	34,309	60,054	138,577
Total	2,272,923	2,429,819	589,932	320,452	266,410	576,983
Segment income (loss)	(18,815)	13,171	17,311	47,460	37,043	13,499

	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	328,148	6,368,436	3,031	6,371,468	(32,103)	6,339,364
(2) Intersegment revenue or transfers	2,000	418,234	9,669	427,904	(427,904)	-
Total	330,149	6,786,670	12,701	6,799,372	(460,007)	6,339,364
Segment income (loss)	(103)	109,566	856	110,423	(1,412)	109,011

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

2. Main components of the minus 32,103 million yen in adjustments for operating revenue attributable to customers are as follows:
   (a) Minus 59,444 million yen in adjustments to service transactions reported in the reportable segment information, and
   (b) 27,236 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 1,412 million yen in adjustments for segment income are as follows:
   (a) 1,409 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 1,329 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 1,419 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 nine months ended November 30, 2017 was prepared based on the current segmentation.