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Financial Results for the Three Months ended May 31, 2019

July 5, 2019

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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	July 12, 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 Three Months ended May 31, 2019 (March 1, 2019 to May 31, 2019)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2019	2,116,349	0.6	27,745	(30.0)	24,240	(39.8)	(4,342)	-
[Excluding effects of improper accounting treatment etc. at subsidiary]	[2,130,962	1.3]	[42,289	6.7]	[38,790	(3.6)]	[3,578	(45.4)]
Three months ended May 31, 2018	2,104,633	1.8	39,632	8.2	40,244	7.5	6,558	78.3

Note: Comprehensive income: Three months ended May 31, 2019: -3,116 million yen (-%)
Three months ended May 31, 2018: 11,575 million yen (-32.0%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2019	(5.16)	-
[Excluding effects of improper accounting treatment etc. at subsidiary]	[4.25]	[4.22]
Three months ended May 31, 2018	7.81	7.78

Note: 1. Even though the Company has dilutive shares, earnings per share - fully diluted for the three months ended May 31, 2019 is not indicated because a net loss per share was recorded for the period.
2. The figures in square brackets show consolidated operating results that exclude the financial effect of adjustments recorded as a lump sum in the three months ended May 31, 2019, to correct for the

improper accounting treatment and erroneous revisions of consolidated subsidiary Kajitaku Co., Ltd in past fiscal years.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
May 31, 2019	10,596,093	1,828,185	9.9	1,249.22
February 28, 2019	10,045,380	1,875,364	10.9	1,299.32

Reference: Total equity: May 31, 2019: 1,051,487 million yen February 28, 2019: 1,093,635 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

Note: The Company has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending February 29, 2020. This accounting standard has been retroactively applied to the figures for the previous fiscal year.

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, 2019	-	17.00	-	17.00	34.00
Year ending February 29, 2020	-				
Year ending February 29, 2020 (forecast)		18.00	-	18.00	36.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2020 (March 1, 2019 to February 29, 2020)

(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	8,600,000	1.0	230,000	8.4	220,000	2.3	25,000	5.8	29.70

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 13.

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (treasury shares included):

May 31, 2019: 871,924,572 shares

February 28, 2019: 871,924,572 shares

2) Number of shares held in treasury at end of period:

May 31, 2019: 30,210,433 shares

February 28, 2019: 30,227,327 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2019: 841,706,372 shares

Three months ended May 31, 2018: 839,679,976 shares

***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

1) Summary of Operating Results

For the first three months of the fiscal year ending February 29, 2020 (March 1, 2019 - May 31, 2019), Aeon Co., Ltd. (hereinafter "Aeon") posted consolidated operating revenue of 2,116,349 million yen (up 0.6%), setting a new first-quarter record for an eighth consecutive year. Consolidated operating profit was 27,745 million yen (down 30.0%), and loss attributable to owners of parent was 4,342 million yen (a profit decrease of 10,901 million yen compared to the first quarter of the previous fiscal year). The principal reason for the profit decline is that in the first quarter Aeon recognized as a lump-sum loss the adjustment due to improper accounting treatment and erroneous revisions from past fiscal years discovered at Kajitaku Inc., a subsidiary of Aeon Delight Co., Ltd., which is a consolidated subsidiary of Aeon. Excluding the financial impact of this matter, operating income was 42,289 million yen (up 6.7%). Details on the accounting treatment issue have been posted on the Aeon Delight website (https://www.aeondelight.co.jp/english/ir/). A breakdown of operating profit by segment shows that while the GMS (General Merchandise Store) Business and Supermarket Business were affected by cooling of consumer sentiment and unfavorable weather, profit increased in the Health and Wellness Business and Shopping Center Development Business as well as in the International Business, which continues to show recovery. After excluding the financial effect of the abovementioned accounting treatment issue, profit also increased in the Services and Specialty Store Business. Although profit decreased in the Financial Services Business, the decline is attributable to increased sales promotion for the purpose of future transaction volume expansion, and business performance progressed as expected.

Common Group Strategy:

- To accelerate implementation of the Aeon Group Medium-term Management Plan, announced in December 2017, in March 2019 Aeon newly assigned three Executive Vice President and Representative Executive Officers Responsible for Business Operations under the direction of the Group CEO. Through transfer of authority, Aeon will proceed with the shift to regional markets, shift to Asian markets, and shift to digital markets set forth as the direction for transformation of the Group in the Medium-term Management Plan as well as an investment shift to support these initiatives.

- In October 2018, Aeon entered into basic agreements concerning mergers of supermarket operations in six regions of Japan. In March 2019, Maxvalu Nishinihon Co., Ltd. made Marunaka Co., Ltd., and Sanyo Marunaka Co., Ltd. subsidiaries, marking the start of a new integrated management structure in the Chugoku and Shikoku regions. In April, Aeon Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. entered into a merger agreement for Hokkaido, and Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. entered into a merger agreement for the Tokai and Chubu regions. The mergers are scheduled for March 2020 in Hokkaido and for September 2019 in the Tokai and Chubu regions. 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, increasing demand for time-saving foods and ingredients, intensification of competition in increasingly borderless food markets, and changes in the labor environment.

- In April, Aeon established Aeon Digital Management Center ("DMC"), a new company in China. Aeon opened its first store in Hong Kong in 1985 and now has eight businesses operating some 470 stores in China and the Hong Kong SAR. By establishing DMC, Aeon will accelerate a digital shift closely tied to store operation. DMC will adopt AI and other technologies to provide a new customer experience unique to Aeon by developing a new business model involving the fusion of brick-and-mortar stores and online stores accessed by

smartphone apps and will also undertake productivity improvement in back-office operations and nurture IT personnel knowledgeable about the retail business.

- To increase the use of renewable energy, Aeon will begin introducing the purchase power agreement (PPA) model at commercial facilities. First, in March Aeon entered into an agreement to provide the roof space of Aeon Town Konan (Saga Prefecture), operated by Aeon Town Co., Ltd., to a PPA provider and purchase power generated using solar panels installed on the roof for its own consumption. The introduction of the PPA model is part of initiatives to achieve the targets in Aeon Decarbonization Vision 2050. Aeon will continue with efforts to increase the use of solar power generation by effectively utilizing the commercial facilities of Group companies.

- In response to customers' desire to contribute to environmental protection through shopping, in May Aeon announced the launch of 24 Topvalu environment-friendly products at approximately 510 Aeon, Aeon Style, and other Aeon Group stores nationwide. Momentum to re-examine how we use plastic has increased in recent years, and in June Aeon began rolling out the provision of tote bags and shopping bags made using recycled materials and simple eating utensils and other products made using bamboo pulp and FSC-certified wooden materials. Aeon will continue to expand the offering of environment-friendly products in the Topvalu line.

2) Business Segment Information

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.

GMS Business

The GMS Business posted an operating loss of 5,434 million yen (a profit decrease of 884 million yen year on year) on operating revenue of 754,208 million yen (up 0.4% year on year) for the first three months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") opened 4 new stores during the first quarter. Aeon Style Kamiasao (Kanagawa Prefecture), which opened in March, is a one-stop supermarket that meets all of the shopping needs of local customers. The supermarket features a delicatessen area where customers can enjoy steak, pasta, and other food on the spot, and a product lineup centered on fresh food and ready-to-eat items and also offers over-the-counter and prescription drugs. The store is strengthening its offering of products with local roots to meet the needs of the "Grand Generation" (active seniors), within which demographic there is particularly strong demand for locally produced products. For instance, it has an agricultural produce section with a permanent area for freshly picked local vegetables, sells produce in small quantities, and offers famous confections that are popular in Kawasaki City. Reflecting feedback from local customers, Aeon Style Makuhari Bay Park (Chiba Prefecture), which opened in April, has an excellent offering of food products that bring genuine deliciousness to meals prepared at home and a fine selection of restaurants and cafes where people can take their time and relax. Caférrant, a specialty shop that sells coffee beans and imported foods, operates Aeon's first cafe serving coffee authentically brewed using carefully selected beans roasted at the shop. Although same-store sales at Aeon Retail declined 0.1% year on year in the first quarter, due in part to unfavorable weather including a drop in temperature in April, sales recovered to 101.1% of the prior-year level in May. The company will continue to flexibly respond to customer needs through initiatives including utilization of smartphone app coupons to increase the number of members, consolidating measures against competitors, strengthening "Mainichi Yoruichi" evening food promotions, capturing demand ahead of the upcoming consumption tax increase, and streamlining expense management.

At Aeon Hokkaido Corporation, sales of outdoor-related products were strong during the ten-day Golden Week holiday period and the "Reiwa Shukusai", an event to celebrate the start of the

Reiwa era in Japan, and sales of apparel, food, and household merchandise during those periods all increased sharply year on year by 5.8%. A Shikoku fair, one of a series of domestic product fairs held to introduce to customers popular food ingredients from across Japan, was well received and contributed to a sales increase from the food section. Also, as a result of enhancement of the selection of health and wellness products in response to growing health consciousness, women's athleisure (athletic/leisure) wear drove sales of apparel, and pillows and mattresses helped drive sales of household and recreational merchandise.

In March, Aeon Kyushu Co., Ltd. renewed and reopened Aeon Mall Fukuoka Ito (Fukuoka Prefecture) as an existing store refurbishment initiative. In light of an increase in the number of young families, a characteristic feature of the mall's service area, the company expanded the food court, infant nursing area, and other facilities to enable customers with small children to shop in greater comfort. The introduction of new sales floors and specialty stores and other changes were well received, customer traffic increased year on year after the renewal, and overall mall sales exceeded the original plan. In March, Aeon Kyushu implemented initiatives to support customers in their daily lives through product prices. It lowered prices on carefully selected national brand daily necessities and expanded its offering of Topvalu Best Price private brand products with the aim of providing the lowest prices in the region on products with quality that satisfies customers.

Supermarket Business

The Supermarket Business posted an operating loss of 1,753 million yen (a profit decrease of 3,824 million yen) on operating revenue of 792,074 million yen (down 0.8% year on year).

Maxvalu Hokkaido Co., Ltd. (hereinafter "Maxvalu Hokkaido") completed major refurbishment of two stores and small-scale refurbishment of four stores. At Maxvalu Eniwa (Hokkaido) and The Big Iwamizawa (Hokkaido), which both underwent major refurbishment, Maxvalu Hokkaido altered sales floor layouts making it easier for people to move about while shopping and, in response to requests from many customers, expanded its offering of food products that can be prepared quickly and products that meet the needs of health consciousness consumers. As an initiative to increase product appeal, Maxvalu Hokkaido began delivering popular flat-price freshly baked bread to stores that do not have on-site baking facilities. Sales at stores offering the bread were strong, and the company plans to further increase the number of stores that carry it. Although SG&A expenses increased because of factors including higher personnel costs due to rising unit labor costs and an increase in electricity charges, same-store sales increased by 1.2% and overall sales increased by 2.2% year on year thanks to these initiatives, and as a result, operating loss improved.

With cost of sales rising against a backdrop of labor shortages and high raw materials costs, United Super Markets Holdings Inc. and its consolidated subsidiaries worked to cut costs as a common group strategy, continuing to integrate purchasing of products in some categories and expanding areas of joint procurement. They also continued with ICT department system cost and maintenance cost reduction initiatives and proceeded with introduction of cashless payment methods to enhance customer convenience. In cost structure reforms, they reduced the rate of growth in labor costs through office work labor-saving measures and reduced the cost of introducing kitchen equipment and store facilities through joint negotiation.

Maruetsu, Inc. proceeded with introduction of store fixtures for the purpose of labor-saving and expanded introduction of electronic shelf labels to 50 Maruetsu Petit stores. Kasumi Co., Ltd. strengthened its framework for implementing store-level measures to develop product offerings and services adapted to local communities.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 7,500 million yen (up 34.7% year on year) on operating revenue of 214,212 million yen (up 10.5%) 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 through refurbishment of existing stores and other

measures. Same-store sales were strong, supported by growth in prescription drug sales due to expansion of the number of stores offering prescription drugs (1,304 stores as of May 31). Welcia Holdings engaged in product development with health as the key development theme, activities aimed at reducing the use of plastic shopping bags, and initiatives to create worker-friendly workplace environments.

In March, Welcia Holdings implemented a reorganization of consolidated subsidiaries to solidify its business foundation in urban areas, with Welcia Yakkyoku Co., Ltd. becoming the surviving company and IPPONDO Co., Ltd. the dissolved company in an absorption-type merger. Welcia Holdings increased the number of group stores to 1,913 as of May 31, 2019 by opening 38 new stores, mainly in the high-priority Tohoku and Kinki regions.

Financial Services Business

The Financial Services Business earned operating profit of 16,522 million yen (down 5.3% year on year) on operating revenue of 115,301 million yen (up 8.4%) for the fiscal year.

In its domestic business operations, Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") conducted the U-25 New Life Support Campaign, designed to acquire young cardholders and promote Aeon Card use, as a means of promoting cashless payment. In May, the company worked to enhance customer convenience by introducing a service to instantly issue Aeon Cards in Aeon Wallet, the official Aeon Card smartphone app. In April, Aeon Insurance Service Co. Ltd. changed its trade name to Aeon no Hoken Sodan (which means "Aeon insurance counseling") with the aim of creating retail offices that are more approachable and inviting.

In its international operations, Aeon Financial Service worked to expand its business by offering services that meet customer needs. For instance, it sought to increase customer loyalty by promoting credit cards and loans targeting medium- and high-income persons, mainly in Thailand and Malaysia. It is also proceeding with digitalization and working to improve customer convenience and profitability by streamlining business processes. To cite an example, Aeon Financial Service has developed a smartphone app for accepting and screening loan applications (processes that had until now been carried out at retail offices) that will make it possible to shift to paperless processing and shorten loan screening times.

Aeon Financial Service Co., Ltd. transitioned from a bank holding company to an operating company on April 1. Through this organizational change, the company will redouble efforts to provide financial services adapted to the life stages and lifestyles of customers in Japan and other Asian countries in order to become the "No. 1 retail financial services company in Asia" and will engage in new business unconstrained by traditional business domains and further strengthen collaboration with retailers.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 15,637 million yen (up 19.1% year on year) on operating revenue of 92,603 million yen (up 4.5%) for the first three months of the fiscal year.

To enhance its competitive advantage in the shopping mall market in Japan, Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") is working to create malls that are the top malls in their respective regions by an overwhelming margin. During the first quarter, it completed floor expansion of 3 existing shopping centers and refurbished 8 shopping centers in Japan. In April, it reopened Aeon Mall Higashiura (Aichi Prefecture), Aeon Mall Natori (Miyagi Prefecture), and Aeon Mall Okinawa Rycom (Okinawa Prefecture) following expansion work. With this latest floor expansion Aeon Mall Natori has become one of the largest shopping centers in the Tohoku region. The number of specialty stores increased by 50 to 240 stores, and a roofed deck was installed at the expanded building to increase customer comfort by linking the mall directly to a train station. Aeon Mall Okinawa Rycom increased its floor space by partially converting a piloti parking space into stores. By attracting 8 new stores and replacing 10 stores in the existing building it became one of the largest shopping centers in Okinawa Prefecture.

Aeon Mall's overseas operations achieved growth in revenue and profit in both China and the ASEAN region. In China, accompanying progress with a market dominance store-opening

strategy centered on four areas—Beijing-Tianjin-Shandong, Jiangsu- Zhejiang, Hubei, and Guangdong—Aeon Mall's brand power and customer-drawing power have increased. This has further increased branding benefits such as the ability to attract excellent specialty stores and obtain leases with more advantageous terms and conditions. In Cambodia, Aeon Mall Sen Sok City (Phnom Penh), the second Aeon shopping center in the country, opened Food Republic, an entertainment-type food court that originated in Singapore. Based on an open kitchen concept, the food court has a large number of food stalls providing cuisine from countries around the world and issues rechargeable cards to facilitate cashless payments.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating loss of 7,740 million yen (a profit decrease of 14,341 million yen year on year) on operating revenue of 181,654 million yen (down 7.8% year on year) for the first three months of the fiscal year. However, segment profit was ¥6,803 million yen (up 3.1%) after excluding the impact of improper accounting etc. at Kajitaku Inc., a consolidated subsidiary of Aeon Delight Co., Ltd.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") aspires to be an environmental value creation company that resolves social issues and has made safety and security, labor shortages, and the environment the three pillars of its growth strategy in Asia. As a safety and security initiative, Aeon Delight proceeded with a transition to direct management of maintenance and inspection work in facilities management in order to provide a higher level of safety and security in times of natural disaster. To address labor shortages, the company proceeded with construction of the Aeon Delight Platform, which will provide optimal solutions to issues facing individual customers, such as facilities management-related labor-saving, by gathering and accumulating data obtained inside and outside of facilities where the company provides services and analyzing this using AI. As an environmental initiative, Aeon Delight is conducting verification tests on renewable energy power wheeling utilizing blockchain technology and constructing a power wheeling framework. To accelerate the Aeon Delight Group's overall growth strategy, the company will strengthen the Group governance system, put in place measures to prevent the reoccurrence of improper accounting, and further consolidate the management foundation by re-examining the medium- and long-term growth strategy, and endeavor to return the Group to a growth trajectory.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") made concentrated investments in the first quarter in the medals division, a division it selected for strategic reinforcement in the fiscal year ending February 29, 2020. The newly introduced Kids Medal series drove strong results, a price structure review conducted at each store was successful, and medals division sales rose sharply by 9.3% year on year. Molly Online, a new online crane-type game business introduced in March 2018, achieved steady sales growth, with original prizes available only from Aeon Fantasy and prizes developed in collaboration with YouTubers proving highly popular. As a result, domestic operations achieved revenue and profit increases. Although the company's China operations were affected by the repercussions of a discount sale held during the Lunar New Year period and intensification of competition, Aeon Fantasy obtained a license for the redemption method (which enables the exchange of points for prizes in accordance with game results) at seven stores as a new initiative. Sales at those stores have increased by 11% since introduction of the redemption method, and the company plans to rapidly expand the number of stores involved. Profit increased at the company's ASEAN operations due in part to refurbishment of stores in Thailand and Vietnam.

International Business

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

The International Business posted operating profit of 1,696 million yen (a profit increase of 1,532 million yen) on operating revenue of 116,882 million yen (up 1.6% year on year).

In Malaysia, Aeon Co. (M) Bhd. opened Aeon Mall Nilai, its 34th mall. It achieved results

above plan at the new mall by providing a product selection adapted to the local characteristics of an area with many ethnic Malay residents and successfully strengthening the delicatessen category. During the Chinese New Year sales season, proactive introduction of low-priced products, particularly clothing, and a successful flat-price sale held from the beginning of the year contributed to a sales increase. In the food category, the company reduced opportunity loss and secured gross profit by meticulously managing markdowns. As a result of these initiatives, business performance was strong, and revenue and profit increased.

In March, Aeon Thailand Co., Ltd. opened a supermarket in a northern suburb of Bangkok. The new supermarket offers a complete product lineup to meet demand from nearby offices, and sales were substantially above plan. The company increased revenue by strengthening day of week promotions and customer appreciation day promotions, and profitability improved as well.

In China, in the results of sales promotions during the Lunar New Year, the time of year when sales are highest, sales promotions timed to coincide with the peak in demand contributed to strong sales at Aeon Beijing and Aeon Qingdao, and profitability improved. Beginning with a digital coupon campaign at Aeon Hubei, Group companies in China proceeded with conversion to digital sales promotions involving delivery of coupons and sale information to smartphones. The coupon redemption rate exceeded 40% for some digital sales promotions, which contributed greatly contributed to sales expansion.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Aeon has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter. This accounting standard has been retroactively applied to the figures for the previous fiscal year.

Consolidated assets as of May 31, 2019 totaled 10,596,093 million yen, an increase of 550,713 million yen, or 5.5%, from the end of the previous fiscal year (February 28, 2019). The increase is mainly attributable to, in current assets, increases of 107,831 million yen in notes and accounts receivable-trade, mainly at financial subsidiaries, and 102,842 million yen in loans and bills discounted for banking business, and in non-current assets, an increase of 346,607 million yen in property, plant and equipment due to the impact of the opening of new shopping centers and the application of IFRS 16 at overseas subsidiaries.

Consolidated liabilities as of May 31, 2019 were 8,767,908 million yen, an increase of 597,892 million yen, or 7.3%, from February 28, 2019. The increase is mainly attributable to an increase of 288,136 million yen in lease obligations (included in “other” under current liabilities and non-current liabilities) due to the application of IFRS 16 at overseas subsidiaries, as well as increases of 92,769 million yen in commercial papers, 87,939 million yen in short-term loans payable, and 60,173 million yen in deposits for banking business.

Consolidated net assets as of May 31, 2019 were 1,828,185 million yen, a decrease of 47,179 million yen, or 2.5%, from February 28, 2019.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 29, 2020 is unchanged from the forecast announced April 10, 2019.

*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, 2019	As of May 31, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	852,382	916,006
Call loans	27,138	38,981
Notes and accounts receivable - trade	1,461,616	1,569,448
Securities	428,657	360,662
Inventories	598,420	602,484
Operating loan	393,914	410,453
Loans and bills discounted for banking business	1,965,353	2,068,195
Other	335,513	343,864
Allowance for doubtful accounts	(104,335)	(106,240)
Current assets	5,958,661	6,203,855
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,549,236	1,587,838
Tools, furniture and fixtures, net	224,925	229,547
Land	890,857	912,749
Construction in progress	51,887	51,961
Other, net	73,965	355,382
Property, plant and equipment	2,790,872	3,137,479
Intangible assets		
Goodwill	147,727	143,936
Software	88,989	93,063
Other	64,406	63,807
Intangible assets	301,123	300,807
Investments and other assets		
Investment securities	231,120	221,136
Net defined benefit asset	19,552	20,319
Deferred tax assets	155,129	163,375
Guarantee deposits	424,362	422,729
Other	175,113	136,895
Allowance for doubtful accounts	(10,554)	(10,505)
Investments and other assets	994,722	953,951
Non-current assets	4,086,718	4,392,237
Assets	10,045,380	10,596,093

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	914,150	961,090
Deposits for banking business	3,443,053	3,503,226
Short-term loans payable	385,634	473,573
Current portion of long-term loans payable	230,054	248,529
Current portion of bonds	96,312	70,088
Current portion of bonds with subscription rights to shares	29,946	29,946
Commercial papers	92,079	184,849
Income taxes payable	56,526	25,304
Provision for bonuses	33,078	43,760
Provision for loss on store closing	10,882	9,050
Provision for point card certificates	20,943	21,495
Other provision	1,214	633
Notes payable - facilities	68,999	65,492
Other	624,279	695,464
Current liabilities	6,007,156	6,332,506
Non-current liabilities		
Bonds payable	489,661	549,163
Long-term loans payable	1,127,742	1,088,363
Deferred tax liabilities	37,323	34,957
Provision for loss on store closing	2,958	2,856
Provision for loss on interest repayment	3,842	3,854
Other provision	6,441	7,216
Net defined benefit liability	28,311	27,995
Asset retirement obligations	94,955	95,206
Long-term guarantee deposited	265,622	264,079
Other	106,000	361,708
Non-current liabilities	2,162,859	2,435,401
Liabilities	8,170,015	8,767,908

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	302,636	302,344
Retained earnings	561,135	525,694
Treasury shares	(36,290)	(36,271)
Shareholders' equity	1,047,490	1,011,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,391	40,657
Deferred gains or losses on hedges	(2,542)	(2,979)
Foreign currency translation adjustment	2,155	3,226
Remeasurements of defined benefit plans	(859)	(1,192)
Total accumulated other comprehensive income	46,145	39,712
Subscription rights to shares	1,960	1,966
Non-controlling interests	779,768	774,731
Net assets	1,875,364	1,828,185
Liabilities and net assets	10,045,380	10,596,093

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

Consolidated Statement of Income

(Millions of yen)

	Three Months ended May 31, 2018	Three Months ended May 31, 2019
	Amount	Amount
Operating revenue		
Net sales	1,841,741	1,857,959
Operating revenue from financial services business	95,467	103,997
Other operating revenue	167,424	154,392
Operating revenue	2,104,633	2,116,349
Operating cost		
Cost of sales	1,338,309	1,350,799
Operating cost from financial services business	9,087	9,587
Operating cost	1,347,396	1,360,387
Gross profit (loss)	503,432	507,159
Operating gross profit (loss)	757,237	755,961
Selling, general and administrative expenses	717,605	728,216
Operating profit (loss)	39,632	27,745
Non-operating income		
Interest income	739	794
Dividend income	281	334
Share of profit of entities accounted for using equity method	879	512
Other	5,116	5,279
Non-operating income	7,017	6,921
Non-operating expenses		
Interest expenses	4,021	7,810
Other	2,382	2,615
Non-operating expenses	6,404	10,426
Ordinary profit (loss)	40,244	24,240
Extraordinary income		
Gain on sales of non-current assets	219	1,299
Other	205	256
Extraordinary income	424	1,556
Extraordinary losses		
Impairment loss	1,075	549
Loss on retirement of non-current assets	484	772
Provision for loss on store closing	958	1,071
Loss on closing of stores	283	1,180
Other	553	1,235
Extraordinary losses	3,355	4,809
Profit (loss) before income taxes	37,313	20,987
Income taxes		
Current	17,274	22,337
Deferred	(2,922)	(4,268)
Income taxes	14,352	18,069
Profit (loss)	22,961	2,918
Profit (loss) attributable to non-controlling interests	16,402	7,261
Profit (loss) attributable to owners of parent	6,558	(4,342)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three Months ended May 31, 2018	Three Months ended May 31, 2019
	Amount	Amount
Profit (loss)	22,961	2,918
Other comprehensive income		
Valuation difference on available-for-sale securities	3,296	(6,567)
Deferred gains or losses on hedges	987	(921)
Foreign currency translation adjustment	(15,555)	911
Remeasurements of defined benefit plans, net of tax	42	(228)
Share of other comprehensive income of entities accounted for using equity method	(157)	771
Other comprehensive income	(11,386)	(6,035)
Comprehensive income	11,575	(3,116)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	446	(10,775)
Comprehensive income attributable to non-controlling interests	11,128	7,658

(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 beginning of the first quarter of the fiscal year ending February 29, 2020, foreign consolidated subsidiaries and some other Aeon Group companies have adopted IFRS 16 Leases. In conjunction with this, for lessee lease transactions, right-of-use (ROU) assets and lease obligations were recognized for all leases in principle, and depreciation on ROU assets and interest expenses for lease obligations have been recorded. With the adoption of IFRS 16 Leases, these companies applied transitional measures that recognize the cumulative effects of adoption of IFRS 16 as of the date of adoption, as is permitted for first-time adopters.

As a result of this change, at the beginning of the first quarter of the fiscal year ending February 29, 2020, among others ROU assets (included in "other" under property, plant and equipment) and lease obligations (included in "other" under current liabilities and non-current liabilities) increased 280,817 million yen and 288,136 million yen respectively, while retained earnings and non-controlling interests decreased 16,785 million yen, and 11,568 million yen respectively. In addition, compared with figures under the previous accounting policy, operating profit for the three months ended May 31, 2019, increased 2,450 million yen, while ordinary profit and profit before income taxes decreased 1,336 million yen.

For reference, this change has little impact on per share information for the three months ended May 31, 2019.

(Additional Information)

1. Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc."
   With the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending February 29, 2020, deferred tax assets are presented under "investments and other assets," and deferred tax liabilities are presented under "non-current liabilities."

2. Improper and erroneous accounting treatment at a consolidated subsidiary (Kajitaku Co., Ltd.)
   On June 27, 2019, consolidated subsidiary Aeon Delight Co., Ltd. received a report on improper accounting at its consolidated subsidiary Kajitaku Co., Ltd. ("Final Report on the Investigation on Kajitaku Co., Ltd.'s Inappropriate Accounting") from a Special Investigation Committee.

   The cumulative financial effects of improper and erroneous accounting treatment conducted by Kajitaku in past fiscal years were recognized as a lump sum in the Consolidated Statement of Income for the three months ended May 31, 2019, and under "Services and Specialty Store" in "1. Operating revenue and income/loss by reportable segment" in the "Segment Information" section for the same period.

   As a result, in the Consolidated Statement of Income, operating revenue decreased 14,613 million yen, operating profit decreased 14,544 million yen, ordinary profit decreased 14,549

million yen, and profit attributable to owners of parent decreased 7,920 million yen. In the Segment Information section, “Revenue attributable to customers” and total operating revenue for “Services and Specialty Store” and “Reported in the quarterly consolidated statement of income” each decreased 14,613 million yen, and “Segment income (loss)” for “Services and Specialty Store” and “Reported in the quarterly consolidated statement of income” each decreased 14,544 million yen.

(Segment Information)

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

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	114,331	2,114,723	(327)	2,114,395	(9,761)	2,104,633
(2) Intersegment revenue or transfers	695	136,056	12,073	148,130	(148,130)	-
Total	115,026	2,250,779	11,746	2,262,525	(157,892)	2,104,633
Segment income (loss)	164	40,432	(637)	39,795	(162)	39,632

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

2. Main components of the minus 9,761 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) 9,825 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 162 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 148 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 219 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, 2019 (March 1 – May 31, 2019)

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	696,544	789,308	214,121	103,997	72,221	136,235
(2) Intersegment revenue or transfers	57,663	2,766	91	11,304	20,381	45,418
Total	754,208	792,074	214,212	115,301	92,603	181,654
Segment income (loss)	(5,434)	(1,753)	7,500	16,522	15,637	(7,740)

	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	116,108	2,128,537	401	2,128,938	(12,589)	2,116,349
(2) Intersegment revenue or transfers	773	138,399	12,408	150,807	(150,807)	-
Total	116,882	2,266,937	12,809	2,279,746	(163,397)	2,116,349
Segment income (loss)	1,696	26,427	153	26,580	1,165	27,745

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

2. Main components of the minus 12,589 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 22,959 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 10,338 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 1,165 million yen in adjustments for segment income (loss) are as follows:
   (a) 923 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) 629 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 365 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 changes, from the first quarter of the fiscal year ending February 29, 2020, the Company has reclassified some of the functional companies included in "Adjustments" to include them in "International" business and "Other." For reference, segment information for the three months ended May 31, 2018 was 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 (with special pari passu conditions among bonds) on July 3, 2019. The details are outlined below.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 20
(2)	Total amount of bonds	10,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.05%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2019
(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 1, 2022.
(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, payment of borrowings, and redemption of bonds.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 21
(2)	Total amount of bonds	10,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.29%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2019
(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, 2026.
(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, payment of borrowings, and redemption of bonds.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 22
(2)	Total amount of bonds	20,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.40%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2019

(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, 2029.
(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, payment of borrowings, and redemption of bonds.

(1)	Name of bonds	Aeon Mall Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 23
(2)	Total amount of bonds	10,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.90%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2019
(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 1, 2039.
(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, payment of borrowings, and redemption of bonds.