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Financial Results for the Three Months ended May 31, 2017

July 5, 2017

Company name **Aeon Co., Ltd.**
Listings The First Section of Tokyo Stock Exchange
Security code 8267
URL <http://www.aeon.info/>
Representative Motoya Okada, President
Contact Kaori Miyake
Executive Officer CSR & Communication
Telephone +81 43-212-6042

Scheduled dates:

Submission of statutory financial report July 14, 2017

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, 2017 (March 1, 2017 to May 31, 2017)

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

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2017	2,068,114	1.1	36,634	11.4	37,443	8.0	3,679	-
Three months ended May 31, 2016	2,046,142	1.3	32,873	(5.8)	34,679	(3.1)	(6,254)	-

Note: Comprehensive income: Three months ended May 31, 2017: 17,011 million yen (424.2%)
Three months ended May 31, 2016: 3,244 million yen (-88.4%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2017	4.39	4.37
Three months ended May 31, 2016	(7.47)	-

Note: Even though the Company has dilutive shares, earnings per share - fully diluted for the three months ended May 31, 2016 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
May 31, 2017	8,924,198	1,838,599	12.5	1,334.92
February 28, 2017	8,750,856	1,862,410	12.9	1,349.79

Note: Total equity: May 31, 2017: 1,119,348 million yen February 28, 2017: 1,131,380 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, 2017	-	15.00	-	15.00	30.00
Year ending February 28, 2018	-				
Year ending February 28, 2018 (forecast)		15.00	-	15.00	30.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2018 (March 1, 2017 to February 28, 2018)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Profit (loss) attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,300,000	1.1	195,000	5.6	190,000	1.4	15,000	33.3	17.90

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: None
 - 2) Changes other than the above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at end of period (treasury stock included):
May 31, 2017: 871,924,572 shares
February 28, 2017: 871,924,572 shares
 - 2) Number of shares held in treasury at end of period:
May 31, 2017: 33,410,854 shares
February 28, 2017: 33,734,908 shares
 - 3) Average number of shares outstanding during the period:
Three months ended May 31, 2017: 838,315,122 shares
Three months ended May 31, 2016: 836,856,978 shares

* The Company's stock held by Employee Stock Ownership Plan Trust (May 31, 2017: 3,067,600 shares, February 28, 2017: 3,380,600 shares) is included in the number of shares held in treasury.

***Quarterly review status**

This report is exempt from the quarterly review of accounts requirements of Japan's Financial Instruments and Exchange Act.

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

(Note on the forward-looking statements)

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. Actual results may differ materially from the above forecasts due to a range of factors.

For the forecasts herein, please refer to "(3) Consolidated Earnings Forecast" on page 6 in section "1. Review of Operating Results and Financial Statements" in the Accompanying Materials.

Accompanying Materials

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

Summary of Operating Results

For the first three months of the fiscal year ending February 28, 2018 (March 1, 2017 - May 31, 2017), Aeon Co., Ltd. (hereinafter “Aeon”) posted consolidated operating revenue of 2,068,114 million yen (up 1.1% year on year), rewriting its first-quarter record for the sixth consecutive year. Consolidated operating income totaled 36,634 million yen (up 11.4% year on year), rewriting the previous record high posted in the first quarter of fiscal 2015. Consolidated ordinary income totaled 37,443 million yen (up 8.0% year on year). Profit attributable to owners of the parent totaled 3,679 million yen, improving 9,934 million yen year on year and rebounding to profitability due to the increase in operating income owing to improved profitability in the GMS (General Merchandise Store) Business and higher extraordinary gains. Regarding the profitability of the business segments, six segments (GMS Business, Drugstore and Pharmacy Business, Financial Services Business, Shopping Center Development Business, Services and Specialty Store Business, and International Business) posted year-on-year increases in operating income, which bolstered consolidated results.

Common Group Strategy:

- Aeon has announced the Aeon Group Medium-term Management Plan (FY2017-FY2019), which begins with the current fiscal year ending February 28, 2018. Amid the diversification of customer values and lifestyles and the rapid digitalization of society, Aeon recognizes the importance of having each of its Group businesses and companies establish No. 1 positions in their respective industries and regions in order for the Group to continue its sustainable growth. Over the next three years, Aeon will implement two major reform initiatives: earnings structure reforms of existing businesses (Aeon Retail Co., Ltd. and The Daiei, Inc.), and Group-wide structural reforms towards new growth (Group business structural reforms and business foundation reforms).
- Aeon has announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 with regard to agricultural, livestock and fishery products as well as paper, pulp, timber and palm oil. These initiatives are in line with the Sustainable Development Goals (SDGs) described in the 2030 Agenda for Sustainable Development adopted by the United Nations in 2015, and represent the evolution of the efforts taken by the Aeon until now. Promoting the procurement of products produced in line with global standards will help to ensure the “safety and security” of products for customers on an ongoing basis while also contributing to the creation of a sustainable society.
- Launched in April 2007, Aeon’s e-money WAON celebrates its 10th anniversary this year. Customers appreciate WAON for the convenience of not having to search through wallets for coins, along with the benefit of the points accumulation. As of March 31, 2017, the cumulative issuance of WAON cards had reached 64.5 million cards and spending with the cards now surpasses 2 trillion yen annually, reflecting the extent to which WAON has become rooted in customers’ lives. Aeon has striven to make WAON an important part of social infrastructure by continuing to expand the network of member stores in and outside the Aeon Group, with the number reaching 287,000 outlets.
- Aeon has been implementing product-oriented reforms to its private brand Topvalu in response to heightened consumer interest in health and wellness and ecological lifestyle. As part of these initiatives, a series of 14 products including shampoos and liquid detergents were launched in March under the brand Topvalu Gurinai Free From, which do not contain additives or materials which can cause skin problems or damage to the environment. Additionally, in response to the depletion of eel, Aeon launched an alternative Topvalu Plump Roasted Whitefish in May using aquaculture pangasius

whitefish certified by the Aquaculture Stewardship Council as raised responsibly through environmentally friendly, sustainable methods.

- The Aeon Group companies have lowered prices, mainly on items frequently purchased by customers. From April, the Aeon Group reduced prices of 15 Topvalu products (raising the number of lower-priced products to approximately 150 Topvalu products since November 2016), while also lowering the price of some national brands. Aeon believes that part of a retail company's mission is to procure necessary products and services on behalf of customers and sell them at reasonable prices, thereby helping customers cope with constant changes to their living environments, including rising electricity rates and high gasoline prices. Based on this approach, Aeon has realized price reductions by raising the efficiency of logistics operations and procuring materials in and outside Japan from best sources, among its various measures to rationalize costs.

Business Segment Information

Results by business segment are disclosed as follows.

From the first quarter of the fiscal year under review, Aeon has changed the reporting of its business segment information. The comparisons and analysis for the current consolidated first quarter are based on the segment information after the change.

GMS Business

The GMS Business posted an operating loss of 6,744 million yen on operating revenue of 753,013 million yen (down 0.7% year on year) for the first three month of the fiscal year. The operating loss narrowed by 3,539 million yen due to improvements at Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") and at stores transferred from The Daiei, Inc. (hereinafter "Daiei"). Among the Group's seven consolidated business segments, the GMS Business posted the largest improvement, contributing to consolidated results.

Aeon Retail opened two new stores in the first quarter and refurbished 23 existing stores to offer product selections and services to best match the diversifying needs of customers. Although Aeon Retail's same-store sales declined 2.7% year on year, gross profit margin improved by 0.2 point due to progress in product and sales floor reforms which have supported continued improvement in profitability. Additionally, the success of cost-control initiatives lowered SG&A expenses at existing stores by 2.2% year on year, with operating profitability improving by 1,693 million yen year on year.

Regarding GMS stores for which Aeon Retail took over operations from Daiei in September 2015 and March 2016, the successful promotion of Aeon products and marketing strategies boosted same-store sales by 3.3% year on year, while gross profit margin rose by 1.6 point.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido") refurbished 19 stores during the first quarter based on the strategy of creating stores to meet customers' value expectations. Aeon Sapporo Soen Store expanded its lineup of products to meet increased ready-made meals demand and became Aeon Hokkaido's first store to offer buffet-style ready-to-eat meals priced by weight. Aeon Hokkaido also expanded its product selections and sales strategies around the theme of health and wellness. Regarding stores transferred from Daiei to Aeon Hokkaido in September 2015, sales showed steady progress with a year-on-year increase of 6.4%.

Supermarket Business

The Supermarket Business posted operating revenues of 801,750 million yen (up 0.7% year on year) for the first three months of the fiscal year. Although operating income declined to 1,943 million yen (down 64.2% year on year), operating loss narrowed at Daiei and Aeon Market Co. Ltd., both of which promoted store reorganizations oriented around specific regions and store formats.

Daiei, which is concentrating its operations in the Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, continued to promote gross profit margin improvement through enhanced sales floor management level and

expense reductions through higher productivity. For the first quarter, Daiei narrowed its operating loss by approximately 600 million yen.

Maxvalu Tokai Co., Ltd. promoted health-oriented sales corners such as prepared food sections with ready-to-eat meals proposed by registered nutritionists, along with health and wellness product corners. The company also promoted its locally rooted management by enhancing its lineups of local foods in each specific region and seasonal merchandise.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of 6,059 million yen (up 53.6% year on year) on operating revenues of 167,271 million yen (up 8.7% year on year) for the first three months of the fiscal year.

Welcia Holdings Co., Ltd. and its consolidated subsidiaries actively promoted new store openings and the refurbishment of existing stores. The company increased prescription drug sales by expanding the number of drugstores offering prescription drugs (1,042 stores as of May 31), while promoting 24-hour stores (102 stores as of May 31) to provide customers with peace of mind and enhance convenience. These and other measures led to steady sales growth in the period.

Financial Services Business

The Financial Services Business earned operating income of 14,893 million yen (up 8.7% year on year) on operating revenue of 97,796 million yen (up 9.1% year on year) for the first three months of the fiscal year.

In the credit card business, Aeon Financial Service Co., Ltd. (hereinafter “Aeon Financial Service”) strove to enhance product and service convenience by continuing to offer double TOKIMEKI points on purchase amounts to customers using Aeon credit cards at designated Aeon Group stores. Aeon Financial Service also strengthened the function of the “Aeon Wallet” smartphone application which allows customers to confirm and manage their credit card payment information and Aeon Bank account balances from a single application.

In the banking business, Aeon Bank, Ltd. continued to expand its branch network by opening a new branch at Aeon Style Himonya (Tokyo) in March, for a total number of 134 branches. In commemoration of its 10th anniversary, Aeon Bank began offering a special commemorative interest rate for children’s savings accounts and a new account opening campaign in support of people embarking on new lifestyle.

In the overseas business, initiatives were taken in collaboration with partner companies to expand the number of Aeon credit cardholders and increase transaction volume, including issuance of a joint credit card in Thailand with major retailer Big C Supercenter, and a campaign in Hong Kong inviting customers to theme park events. The business also promoted digitalization in its global operations to improve operational efficiency. These measures included the introduction of tablet-based reception systems in Malaysian branches and the promotion of paperless systems through website-based reception systems at participating stores, measures which raised customer service and promoted greater productivity through low-cost operations. Additionally, the business promoted a reduction in bad debt expenses by shifting from consumer loans to sale of goods related lending.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of 12,597 million yen (up 8.3% year on year) on operating revenue of 82,906 million yen (up 6.1% year on year) for the first three months of the fiscal year.

Aeon Mall Co., Ltd. (hereinafter “Aeon Mall”) opened three new shopping centers and refurbished eight existing shopping centers in Japan during the period. As a result, customer traffic increased and specialty stores sales grew year on year. At shopping centers outside Japan, which are positioned as critical growth drivers for the future, 14 of 19 shopping centers were profitable in the period as the improvement in profitability continued.

OPA Co., Ltd., which operates urban fashion buildings, opened Mito OPA (Ibaraki

Prefecture) in March, its first new store in four years. The company also refurbished five existing buildings in the period to bolster the earnings power of existing stores.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of 7,804 million yen (unchanged year on year) on operating revenue of 199,468 million yen (up 1.3% year on year) for the first three months of the fiscal year.

Aeon Delight Co., Ltd. expanded its integrated facility management (IFM) services with the goal of serving as a strategic partner for facility management to contribute to customer growth through optimized services. In April, the company established Aeon Delight (Shanghai) Management Co., Ltd. as its Asian site for IMF services.

Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) continued to enjoy higher sales from amusement machines in Japan, which have risen since September 2015. To enhance customer convenience and service, the company launched a new members program, MollyFriends, and Yokubari Pass fixed-price unlimited play for a fixed time, services which helped attract customers. Additionally, Aeon Fantasy opened three new outlets and refurbished 11 existing outlets in Japan during the first quarter. Outside Japan, Aeon Fantasy opened six new outlets in both China and ASEAN. Business in Malaysia posted higher sales and profits due to robust sales at existing outlets, while businesses in the Philippines and Indonesia achieved positive operating income for the first time in the first quarter.

International Business

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

The International Business posted operating revenue of 106,691 million yen (down 4.2% year on year) and an operating loss of 1,329 million yen (an improvement of 18 million yen year on year).

Aeon (Cambodia) Co., Ltd., which turned profitable in the previous fiscal year, opened its first supermarket, Aeon Maxvalu Express Reoussey Keo Store, in the capital of Phnom Penh in March with the aim of meeting consumer demand for modern retailing facilities as living standards rise. The new store features a wide range of delicatessen items and fresh cut fruits to meet the growing need for quick meals and distinguish itself from competitors.

Aeon Vietnam Co., Ltd. posted higher sales and profits by continuing to enhance its products and services for social occasions and community events. During the Tet holiday (traditional Vietnamese New Year), the largest sales season of the year, the company achieved record sales for a single month as its offerings proved popular with customers.

In China, profitability improved for two consecutive quarters owing to continued efforts to bolster the business foundation and enhance earnings. Profitability at Aeon Qingdao (Qingdao Aeon Dongtai Co., Ltd.), Aeon East China (Aeon East China (Suzhou) Co., Ltd.), and Aeon Beijing (Beijing AEON Co., Ltd.) improved steadily.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets at May 31, 2017 totaled 8,924,198 million yen, an increase of 173,342 million yen, or 2.0%, from the end of the previous fiscal year (February 28, 2017). The increase was chiefly attributable to changes at financial subsidiaries, as increases of 144,622 million yen in loans and bills discounted for banking business and 131,748 million yen in notes and accounts receivable-trade outweighed declines of 53,463 million yen in cash and time deposits and 25,000 million yen in call loans.

Consolidated liabilities at May 31, 2017 totaled 7,085,599 million yen, an increase of 197,153 million yen, or 2.9%, from February 28, 2017. The increase was chiefly attributable to increases of 58,516 million yen in notes and accounts payable-trade and 136,809 million yen in deposits for banking business.

Consolidated net assets at May 31, 2017 totaled 1,838,599 million yen, a decline of 23,811

million yen, or 1.3%, from February 28, 2017.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 28, 2018 is unchanged from the forecast announced April 12, 2017.

*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 Sheets

	(Millions of yen)	
	As of February 28, 2017 Amount	As of May 31, 2017 Amount
Assets		
Current assets		
Cash and time deposits	842,714	789,251
Call loans	25,000	-
Notes and accounts receivable - trade	1,187,488	1,319,236
Marketable securities	185,098	184,289
Merchandise inventories	586,202	586,948
Deferred tax assets	53,257	44,935
Financial loan	299,271	311,329
Loans and bills discounted for banking business	1,470,142	1,614,765
Other	323,662	296,987
Allowance for doubtful accounts	(53,061)	(52,987)
Total current assets	4,919,774	5,094,755
Fixed assets		
Property, buildings and equipment		
Buildings and structures, net	1,487,044	1,482,330
Tools, furniture and fixtures, net	224,190	228,093
Land	804,884	806,837
Construction in progress	70,584	76,409
Other, net	73,075	69,291
Total property, buildings and equipment	2,659,779	2,662,961
Intangible fixed assets		
Goodwill	161,694	157,862
Software	73,839	76,025
Other	59,302	58,270
Total intangible fixed assets	294,837	292,157
Investments and other assets		
Investment securities	205,069	215,196
Net defined benefit asset	10,693	11,352
Deferred tax assets	87,341	87,226
Fixed leasehold deposits to lessors	404,867	406,141
Other	187,447	172,009
Allowance for doubtful accounts	(18,953)	(17,603)
Total investments and other assets	876,465	874,323
Total fixed assets	3,831,081	3,829,443
Total assets	8,750,856	8,924,198

	(Millions of yen)	
	As of February 28, 2017	As of May 31, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	888,422	946,939
Deposits for banking business	2,498,725	2,635,535
Short-term borrowings	354,475	362,093
Current portion of long-term debt	301,860	265,880
Bonds due within one year	27,655	23,895
Commercial paper	43,498	54,315
Income taxes payable	49,277	23,376
Provision for bonuses	26,196	39,355
Provision for store closing expenses	5,505	5,176
Allowance for point program	21,358	20,121
Other allowances	1,363	544
Notes payable, construction	86,453	95,511
Other	613,666	622,279
Total current liabilities	4,918,460	5,095,025
Long-term liabilities		
Bonds	435,885	445,569
Convertible bonds with stock acquisition rights	30,000	30,000
Long-term debt	972,900	987,663
Deferred tax liabilities	48,350	44,513
Provision for store closing expenses	4,237	3,826
Allowance for loss on refund of interest received	3,808	3,279
Other allowances	6,341	5,739
Net defined benefit liability	25,735	25,301
Asset retirement obligations	80,734	80,846
Lease deposits from lessees	262,850	263,644
Other	99,140	100,188
Total long-term liabilities	1,969,985	1,990,573
Total liabilities	6,888,445	7,085,599

	As of February 28, 2017 Amount	(Millions of yen) As of May 31, 2017 Amount
Net assets		
Shareholders' equity		
Common stock	220,007	220,007
Capital surplus	315,813	311,116
Retained earnings	575,147	566,200
Treasury stock	(40,709)	(40,300)
Total shareholders' equity	1,070,259	1,057,025
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	52,440	60,612
Deferred gain (loss) on derivatives under hedge accounting	(2,588)	(3,172)
Foreign currency translation adjustments	10,178	3,790
Remeasurements of defined benefit plans	1,091	1,091
Total accumulated other comprehensive income	61,121	62,322
Stock acquisition rights	1,820	2,035
Non-controlling interest	729,209	717,216
Total net assets	1,862,410	1,838,599
Total net assets and liabilities	8,750,856	8,924,198

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

Consolidated Statements of Income

	(Millions of yen)	
	Three months ended May 31, 2016	Three months ended May 31, 2017
	Amount	Amount
Operating revenue		
Net sales	1,807,535	1,820,351
Operating revenue in the financial services business	79,875	86,866
Other operating revenue	158,731	160,896
Total operating revenue	2,046,142	2,068,114
Operating costs		
Cost of sales	1,317,746	1,324,173
Operating costs in the financial services business	7,729	7,734
Total operating costs	1,325,476	1,331,908
Gross profit on sales	489,788	496,177
Gross profit from operations	720,666	736,205
Selling, general and administrative expenses	687,792	699,570
Operating income	32,873	36,634
Other income		
Interest income	577	787
Dividend income	250	300
Equity in gains of equity-method affiliates	-	961
Gain on valuation of derivative	1,939	-
Gain on collection of fixed leasehold deposits	1,255	1,516
Other	4,590	3,546
Total other income	8,614	7,112
Other expenses		
Interest expense	3,422	3,885
Equity in losses of equity-method affiliates	135	-
Other	3,250	2,419
Total other expenses	6,808	6,304
Ordinary income	34,679	37,443
Extraordinary gains		
Gain on sale of fixed assets	154	6,999
Gain on transfer from business divestitures	469	1,420
Other	109	266
Total extraordinary gains	733	8,686
Extraordinary losses		
Impairment loss	896	832
Loss on disposal of property, buildings and equipment	938	1,125
Loss on disaster	1,936	-
Other	2,176	4,034
Total extraordinary losses	5,947	5,992
Income before income taxes	29,465	40,137
Income taxes		
Current	19,153	18,179
Deferred	1,232	1,116
Total income taxes	20,385	19,295
Profit	9,080	20,841
Profit attributable to non-controlling interest	15,335	17,161
Profit (loss) attributable to owners of the parent	(6,254)	3,679

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended May 31, 2016	Three months ended May 31, 2017
	Amount	Amount
Profit	9,080	20,841
Other comprehensive income		
Unrealized gain on available-for-sale securities	9,931	8,049
Deferred gain (loss) on derivatives under hedge accounting	1,314	(841)
Foreign currency translation adjustments	(16,314)	(11,160)
Remeasurements of defined benefit plans	(601)	149
Share of other comprehensive income of equity-method affiliates	(166)	(26)
Total other comprehensive income	(5,835)	(3,830)
Comprehensive income	3,244	17,011
(Breakdown)		
Comprehensive income attributable to owners of the parent	(5,680)	4,880
Comprehensive income attributable to non-controlling interest	8,925	12,130

(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

(Additional Information)

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

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

The Company's stock held by ESOP Trust is included in the treasury stock under net assets with the book value of 3,892 million yen for 3,067,600 shares as of May 31, 2017. The book value of long-term debt (including the current portion) recorded in accordance with the adoption of the gross accounting method is 3,000 million yen.

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

Effective the first three months ended May 31, 2017, the Company has applied *Revised Implementation Guidance on Recoverability of Deferred Tax Assets* (ASBJ Guidance No. 26, revised on March 28, 2016).

(Segment Information)

I. Three Months ended May 31, 2016 (March 1 – May 31, 2016)

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	713,113	788,777	153,792	79,875	60,053	149,541
(2) Intersegment revenue or transfers	45,226	7,593	64	9,760	18,062	47,412
Total	758,340	796,371	153,857	89,635	78,116	196,954
Segment income (loss)	(10,284)	5,429	3,944	13,696	11,636	7,802

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	110,986	2,056,141	172	2,056,314	(10,171)	2,046,142
(2) Intersegment revenue or transfers	342	128,463	472	128,936	(128,936)	-
Total	111,329	2,184,605	645	2,185,250	(139,107)	2,046,142
Segment income (loss)	(1,348)	30,877	(4)	30,872	2,001	32,873

Notes: 1. “Other” segment includes business segments not categorized as reportable segments, such as mobile marketing business, etc.

2. Main components of the minus 10,171 million yen in adjustments for revenue attributable to customers are (a) minus 19,820 million yen in adjustments to transactions reported in the reportable segment information and (b) 10,555 million yen in operating revenues of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments.

3. Main components of the 2,001 million yen in adjustments for segment income (loss) are (a) 1,786 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments, (b) 568 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 900 million yen in intersegment transaction eliminations.

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

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

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Drugstore and Pharmacy	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	703,389	797,716	167,205	86,866	63,472	153,766
(2) Intersegment revenue or transfers	49,624	4,034	66	10,929	19,434	45,702
Total	753,013	801,750	167,271	97,796	82,906	199,468
Segment income (loss)	(6,744)	1,943	6,059	14,893	12,597	7,804

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statements of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	106,203	2,078,619	15	2,078,635	(10,521)	2,068,114
(2) Intersegment revenue or transfers	488	130,279	2,493	132,772	(132,772)	-
Total	106,691	2,208,899	2,509	2,211,408	(143,294)	2,068,114
Segment income (loss)	(1,329)	35,223	280	35,504	1,129	36,634

Notes: 1. “Other” segment includes business segments not categorized as reportable segments, such as mobile marketing business, etc.

2. Main components of the minus 10,521 million yen in adjustments for revenue attributable to customers are as follows:

(a) Minus 20,418 million yen in adjustments to service transactions reported in the reportable segment information, and

(b) 9,710 million yen in operating revenues of equity-method affiliates 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 1,129 million yen in adjustments for segment income (loss) are as follows:

(a) 1,651 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,

(b) Minus 270 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and

(c) Minus 244 million yen in intersegment transaction eliminations.

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

2. Changes in Reportable Segment

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

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

With respect to changes in primary Group companies, Origin Toshu Co., Ltd. that was included in Small-sized Store Business has been reclassified into GMS Business given its close ties with GMS Business. The segment amounts for the three months ended May 31, 2016 have been recast to conform to the current period presentation.

(Material Subsequent Events)

Aeon Mall Co., Ltd., a consolidated subsidiary of the Company, issued unsecured bonds on July 3, 2017 based on the resolution made by the Board of Directors on Jun 12, 2017.

The details are outlined below.

Aeon Mall Co., Ltd.		
(1)	Name of bonds	Unsecured Bonds (with special pari passu conditions among bonds) series 11
(2)	Total amount of bonds	15,000 million yen
(3)	Amount of each bond	100 million yen
(4)	Coupon rate	0.100%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2017
(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, 2020.
(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 for payment of interest-bearing debt.

Aeon Mall Co., Ltd.		
(1)	Name of bonds	Unsecured Bonds (with special pari passu conditions among bonds) series 12
(2)	Total amount of bonds	15,000 million yen
(3)	Amount of each bond	100 million yen
(4)	Coupon rate	0.360%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2017
(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, 2023.
(8)	Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
(9)	Use of proceeds	The proceeds will be used for payment of interest-bearing debt.

Aeon Mall Co., Ltd.		
(1)	Name of bonds	Unsecured Bonds (with special pari passu conditions among bonds) series 13
(2)	Total amount of bonds	20,000 million yen
(3)	Amount of each bond	100 million yen
(4)	Coupon rate	0.600%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	July 3, 2017
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of July 2, 2027.
(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 for payment of interest-bearing debt.