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## Financial Results for the Six Months ended August 31, 2020

October 7, 2020

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

Scheduled dates:

Submission of statutory quarterly financial report October 15, 2020

Commencement of dividend payments October 28, 2020

Supplementary materials to the quarterly results Available

Quarterly earnings results briefing Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

### 1. Consolidated Financial Results for the Six Months ended August 31, 2020

(March 1, 2020 to August 31, 2020)

#### (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	%
Six months ended August 31, 2020	4,270,532	(0.5)	33,902	(60.7)	27,976	(64.9)	(57,556)	-
Six months ended August 31, 2019	4,290,215	0.6	86,326	(3.9)	79,767	(12.2)	3,791	(64.1)

Note: Comprehensive income: Six months ended August 31, 2020: -51,646 million yen (-%)  
Six months ended August 31, 2019: 16,249 million yen (-3.0%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six months ended August 31, 2020	(68.14)	-
Six months ended August 31, 2019	4.50	4.23

Note: 1. Even though the Company has dilutive shares, earnings per share - fully diluted for the six months ended August 31, 2020 is not indicated because a net loss per share was recorded for the period.

#### (2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2020	11,212,904	1,767,124	8.9	1,177.95
[excl. Financial Services]	[5,566,513]	[1,420,650]	[16.2]	-
February 29, 2020	11,062,685	1,849,278	9.6	1,264.63
[excl. Financial Services]	[5,665,381]	[1,498,639]	[17.2]	-

- Reference: 1. Total equity: August 31, 2020: 995,411 million yen February 29, 2020: 1,064,515 million yen  
Total equity = Shareholders' equity plus total accumulated other comprehensive income.
2. The figures in square brackets represent consolidated financial position excluding the Financial Services Business.

## 2. Dividends

Record date or period	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
Year ended February 29, 2020	yen -	yen 18.00	yen -	yen 18.00	yen 36.00
Year ending February 28, 2021	-	18.00			
Year ending February 28, 2021 (forecast)			-	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 28, 2021 (March 1, 2020 to February 28, 2021)

(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	8,000,000	(7.0)	50,000	(76.8)	TBD		TBD		TBD
	to 8,400,000	to (2.4)	to 100,000	to (53.6)					

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

\* For the assumptions underlying the earnings forecasts and outlook for the fiscal year ending February 28, 2021, please refer to “(3) Consolidated Earnings Forecast” on page 8 in section “1. Review of Operating Results and Financial Statements” in the Accompanying Materials.

### \*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 shares)
- 1) Number of shares issued at end of period (treasury shares included):
    - August 31, 2020: 871,924,572 shares
    - February 29, 2020: 871,924,572 shares
  - 2) Number of shares held in treasury at end of period:
    - August 31, 2020: 26,887,192 shares
    - February 29, 2020: 30,162,176 shares
  - 3) Average number of shares outstanding during the period:
    - Six months ended August 31, 2020: 844,647,294 shares
    - Six months ended August 31, 2019: 841,712,765 shares

The Company's stock held by the Employee Stock Ownership Plan Trust (August 31, 2020: 4,915,100 shares, February 29, 2020: 5,626,400 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.

## 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 six months of the fiscal year ending February 28, 2021 (March 1, 2020 - August 31, 2020), Aeon Co., Ltd. (hereinafter “Aeon”) posted consolidated operating revenue of 4,270,532 million yen (down 0.5% compared to the first six months of the previous fiscal year), operating profit of 33,902 million yen (down 60.7%), ordinary profit of 27,976 million yen (down 64.9%), and loss attributable to owners of parent of 57,556 million yen (a profit decrease of 61,347 million yen). In the second quarter of the fiscal year (June 1, 2020 - August 31, 2021), Aeon returned to revenue growth, and profit decline on each income line decreased substantially, with operating profit and ordinary profit moving back into the black.

Due to the worldwide spread of the novel coronavirus (COVID-19), activity restrictions have been imposed in Japan and overseas, including a state of emergency declaration in Japan, and Aeon temporarily closed or reduced business hours at domestic and overseas malls, stores, and business offices and implemented other measures, mainly during the first quarter. This had a major impact on the operating results of the Shopping Center Development Business, Services and Specialty Store Business, and Financial Services Business, and the operating results of the GMS (General Merchandise Store) Business were also affected by people refraining from going out. However, after bottoming out in China in February, when the outbreak was expanding, and in Japan in April, when the state of emergency was declared, the operating results, showed a recovery trend from late in the first quarter into the second quarter. The Supermarket Business and Health & Welfare Business, which sell food, daily necessities, and sanitary goods, benefited from increased demand for at-home meals and products to prevent infection and achieved substantial revenue and profit increases.

#### **Common Group Strategy:**

- Aeon made a change in representative executive officers (change of president) and implemented organizational reforms effective March 1. Aeon has transitioned to coordinated management under a chairman whose responsibilities are to determine medium- to long-term Group strategy and build a distinctive corporate identity, and a president who promotes strategy execution. Aeon has also reformed its organizational structure to increase the speed of decision-making by reducing the number of executive officers from 14 to 9. Through these measures, Aeon aims to improve earnings power and achieve further Group growth by rapidly responding to environmental changes and further driving implementation of the regional shift, Asia shift, and digital shift.
- To overcome the social crisis resulting from the spread of the novel coronavirus, Aeon is seeking to build a “new normal” together with community residents in its role as a lifeline that supports communities. With this in mind, in June Aeon instituted the AEON COVID-19 Protocol for Infectious Disease Control, which sets out standards for epidemic prevention measures, to help prevent the spread of infection. The purpose of this protocol is to contribute to the realization of a society in which epidemic prevention is a part of daily life, protect the health and lifestyles of customers and employees, and ensure safe and secure lifestyles for people in local communities together with our customers by implementing epidemic prevention measures on an ongoing basis, not as a temporary initiative. Through the actions of all employees and the cooperation of customers, Aeon will make every effort to help more firmly establish a “new normal” in people’s daily lives, ensure the safety of local communities, and contribute to peace of mind.
- In July, Aeon, Aeon Style, Aeon Supercenter, Maxvalu, Maruetsu, and other Aeon Group companies began accepting at some 1,530 stores nationwide applications from customers with Aeon’s WAON e-money service and Aeon Cards with WAON functionality to participate in the My Number point program implemented by the Ministry of Internal Affairs and Communications beginning in September. Persons with My Number cards can avoid having to go to a local government service counter by applying for My Number card points

while shopping at those stores. Aeon will continue to promote cashless payment and expand services that enable customers to enjoy more convenient shopping through further expansion of the use of WAON.

- In July, Aeon and The Dow Chemical Company (hereinafter “Dow”) entered into a Carbon Project Agreement aimed at reducing greenhouse gas emissions. Under the agreement, Aeon will adopt for use in Aeon Group food products vacuum skin packaging made using a special resin produced by Dow, a global materials science company. This packaging is expected to reduce food loss by extending the shelf life of products and offering better protection from damage during shipment. Under the Carbon Project Agreement, the two companies will collaborate to reduce food loss, utilize resources more effectively, and contribute to realization of a decarbonized society.
- In accordance with basic agreements concerning supermarket management integration in six regions of Japan concluded in 2018, Aeon integrated management of supermarkets in the Chugoku and Shikoku regions and the Tokai and Chubu regions in fiscal 2019. In fiscal 2020, Aeon has completed realignment in all regions of Japan by integrating management in the Hokkaido, Tohoku, Kinki, and Kyushu regions. Specifically, management integration was carried out at Aeon Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. in Hokkaido and at Maxvalu Tohoku Co., Ltd. and AEON Retail Co., Ltd. Tohoku Company in the Tohoku region in March. In the Kinki region, The Daiei, Inc. made Kohyo Co., Ltd. a subsidiary. In the Kyushu region, management of Aeon Kyushu Co., Ltd., Maxvalu Kyushu Co., Ltd., and Aeon Store Kyushu Co., Ltd. was integrated in September. The integrated companies in each region will aim to become the companies that contribute the most to their local communities by responding to: Diversification of food preferences, such as preferences for local food, low-priced food, and healthy food; even greater consciousness of safety and security; intensification of competition in the food market with e-commerce companies, convenience stores, and other providers; and changes in the labor environment.
- Aeon has set out a policy of reorganizing the Group business structure and is proceeding with strategic liquidation and reorganization of Group companies. In March, Aeon announced that it will terminate the business operated by consolidated subsidiary Claire's Nippon Co., Ltd. in October. Aeon sold its entire shareholding in Zwei Co., Ltd. in April and terminated the business operated by Talbots Japan Co., Ltd. in May. In June, Aeon decided to sell in October its entire shareholding in Aeon Forest Co., Ltd., which operates in Japan The Body Shop, a beauty products chain based in the UK.

## **2) 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. Comparisons and analysis for the first six months of the fiscal year are based on the revised segments.

### **GMS Business**

The General Merchandise Store (GMS) Business posted an operating loss of 35,489 million yen (a profit decrease of 27,954 million yen year on year) on operating revenue of 1,479,164 million yen (down 3.3% year on year) for the first six months of the fiscal year.

In the GMS Business, demand for products related to outings and outdoor amusement decreased because of people refraining from outings and hometown visits during the Golden Week holidays and Bon festival period, shortening of school summer holidays, and cancellation of seasonal events due to the spread of COVID-19. On the other hand, sales of food, games and other products for comfortably spending time at home, and products to prevent infection were strong because of an increase in time spent at home and people refraining from going out.

To respond to continuing expansion of the mask market, Aeon Retail Co., Ltd. (hereinafter “Aeon Retail”) increased the number of stores with mask shops, which meet demand for a wide variety of masks by offering up to 400 types of masks selected with attention to material, function, color, pattern, and shape, to some 340 Aeon and Aeon Style stores in Honshu and

Shikoku. Also, the online supermarket is experiencing a further sharp increase in demand due to the COVID-19 crisis, and Aeon Retail has increased delivery slots and proceeded with diversification of ways customers can take delivery of orders by increasing the number of stores that offer a service for customers to pick up merchandise ordered online at dedicated counters or parking lots to 178 stores as of the end of August. Customer demand for non-contact and non-face-to-face services have similarly increased during the COVID-19 crisis. Regi Go is a service that meets this demand by allowing customers themselves to use dedicated loaned smartphones to scan product barcodes and pay at dedicated cash registers. Aeon Retail has introduced Regi Go at 11 stores as of the end of August, including Aeon Style Ariake (Tokyo), which opened in May, and plans to further increase the number of stores that offer the service.

Management integration of Aeon Hokkaido Corporation (hereinafter “Aeon Hokkaido”) and Maxvalu Hokkaido Co., Ltd. was carried out in March, with Aeon Hokkaido taking over operation of 84 food supermarkets, and making a fresh start under the business vision “Become a company that underpins health and wellness in Hokkaido.” During the second quarter, Aeon Hokkaido engaged in product development and other initiatives at the Food Products Development Department, which was newly established to implement new store openings and store refurbishments to generate synergies from the management integration, develop a digital environment, and promote expansion and enhancement of the private-brand food product range. In product-related initiatives, Aeon Hokkaido strengthened ties with producers located in the vicinity of stores and began providing vegetables harvested on the morning of the same day under the slogan “vegetables picked this morning”. It also developed approximately 400 items during the first half, such as potato salad made using *Danshaku* potatoes grown at the foot of Mount Yotei (Hokkaido) with a slightly sweet flavor favored by people in Hokkaido. These initiatives contributed to sales growth. Aeon Hokkaido also successfully held five domestic product fairs during the first half, at which it offered a selection of products from regions across Japan to enable people to experience a feeling of traveling while at home.

### **Supermarket Business**

The Supermarket Business posted operating profit of 32,070 million yen (a profit increase of 29,255 million yen) on operating revenue of 1,712,838 million yen (up 6.7% year on year).

The United Super Markets Holdings Group (hereinafter “U.S.M. Holdings”) has implemented digital reform initiatives, such as the Scan & Go Service, a payment function that makes possible simple, secure, smooth shopping using customers’ own smartphones without waiting in line at cash registers, and Online Delivery, a service that allows customers to pick up products ordered using smartphones at stores or designated delivery destinations within the service area. U.S.M. Holdings also implemented initiatives to streamline the company headquarters, increase the efficiency of store operations, and transform investment allocation. Responding to changes in consumer sentiment and consumption behavior during the COVID-19 crisis, Maruetsu, Inc. sought to alleviate people’s concern about the 3Cs (closed spaces, crowded places, and close-contact settings) when visiting stores by reviewing the frequency of newspaper sales flyer inserts and of measures to attract customers on certain days of the week, and also expanded to about 1,000 items its offering of carefully selected seasonal and practical products sold at special prices. Kasumi Co., Ltd. responded to lifestyle changes by expanding introduction of self-checkout machines and the Scan & Go Service.

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) worked to respond to higher demand for meals eaten at home and meals eaten alone and entrenched thriftiness during the COVID-19 crisis with measures such as a focus on price appeal for fresh foods and frequently purchased products, a selection of products sold in small quantities in individual packaging, and distribution of discount coupons via a dedicated app. Maxvalu Tokai also focused on supporting producers and stimulating consumption of local products through measures such as holding local product sales to increase opportunities for people to consume locally produced products of prefectures experiencing declining demand due to a decrease in the number of visitors to Japan and lower demand for eating out. In response to diversifying customer consumption behavior, in addition to opening an online supermarket with two supermarkets in the western Shizuoka area as delivery centers in March and April, Maxvalu Tokai enhanced the content of its online shop to enable

customers to conveniently enjoy locally produced and harvested products and local specialties from all over Japan.

### **Health and Wellness Business**

The Health and Wellness Business recorded operating profit of 25,554 million yen (up 48.3% year on year) on operating revenue of 481,058 million yen (up 11.2%) for the first six months of the fiscal year.

At Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, business performance was affected by changes in customer and patient trends, such as higher demand for hygiene-related products due to the spread of COVID-19 infection, lifestyle changes due to people refraining from going out, and fewer visits to medical institutions. In these circumstances, merchandise sales were strong because of higher demand for items such as food and products to prevent infectious disease. Same-store sales of prescription drugs were also strong due to implementation of the Welcia Model, built on the four pillars of drugstore and pharmacy, late-night operations, counseling, and nursing, through means such as increasing the number of stores offering prescription drugs (1,511 stores as of August 31, 2020). Welcia Holdings also achieved revenue and profit increases as a result of focusing on cost control measures, such as improvements in store operating efficiency from implementation of automated purchase ordering.

Welcia Holdings increased the number of group stores to 2,157 as of August 31, 2020 through the opening of new stores and by adding stores operated by Yodoya Co., Ltd., Marue Wellness Stores Inc., Neopharma Inc., and Summit Inc., which became consolidated subsidiaries during the first half due to proactive M&A activity.

### **Financial Services Business**

The Financial Services Business posted operating profit of 8,701 million yen (down 74.6% year on year) on operating revenue of 230,489 million yen (down 3.7%) for the first six months of the fiscal year.

Aeon Financial Service Co., Ltd. (hereinafter “AFS”) sequentially resumed sales, screening, and receivables collection activities previously suspended in some countries and regions due to the spread of COVID-19 infection and worked to change its service provision methods and increase contact points through non-face-to-face and non-contact services, cashless payment, and other services adapted to changing customer lifestyles and behaviors. Furthermore, AFS formed a group-wide task force and implemented initiatives to develop a business model based on non-face-to-face and non-contact services to facilitate business continuity even during the COVID-19 crisis, improve efficiency in screening and receivables collection, and promote employee work style reform through the introduction of remote work.

Aeon Bank Ltd. utilized an online reservation system and increased the number of installed video teller machines as non-face-to-face and non-contact initiatives. The bank used online advertising to promote a housing loan service that enables customers to complete the entire loan application procedure, right through to completion of the loan contract, at home via online means, telephone, and post. In addition, since July the bank has participated in the My Number point program implemented by the Ministry of Internal Affairs and Communications, is promoting credit card use through utilization of the program as impetus for acquiring new cardholders for Aeon Card and other credit cards and linkage with My Number cards, and is working to increase penetration of cashless payment.

Aeon Credit Service Co., Ltd. gradually resumed provision of Aeon Card application information at its in-store sales counters beginning in mid-May after first taking infection prevention measures and also engaged in online cardholder recruitment and sales campaign measures. While use of credit cards for travel and eating out decreased because people refrained from going out, credit card shopping transaction volume grew accompanying higher sales of food and other daily necessities at retail stores, notably Aeon Group food supermarkets, drugstores, and other stores, which account for a high proportion of overall transaction volume. In addition, sales at online supermarkets, e-commerce sites, and online shops of specialty clothing retailers (areas of emphasis for the Aeon Group), as well as sales of home appliances and other high-ticket items were strong, and shopping transaction volume showed an improvement trend.

In AFS's international operations, regulations in Thailand were eased in stages and economic activity gradually resumed beginning in June. In these circumstances, to alleviate the financial burden on customers, AFS lowered interest and fees on credit card and loan payments for a fixed period of time and set a moratorium period and also conducted a campaign to offer customers cash back in accordance with credit card usage amounts on e-commerce sites. In Malaysia, although the local subsidiary introduced a repayment moratorium and offered refinancing agreements during the two-month period of April and May in accordance with Malaysian central bank policy, it has increased the number of collection personnel since June, and collection has progressed substantially after rolling out measures such as proposing refinancing agreements to customers having trouble making payments.

### **Shopping Center Development Business**

The Shopping Center Development Business earned operating profit of 12,931 million yen (down 57.2% year on year) on operating revenue of 148,334 million yen (down 19.7%) for the first six months of the fiscal year.

In its domestic business, in response to the state of emergency declared in response to the novel coronavirus outbreak, Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") temporarily closed all 165 facilities nationwide beginning in mid-April. Subsequently, in response to the lifting of the state of emergency in stages, Aeon Mall gradually resumed operations at its facilities with all facilities operational again by the end of May. In reopening, Aeon Mall implemented measures to prevent the spread of infection and ensure safety and peace of mind, such as installing AI-based temperature screening equipment at entrances and creating better air circulation inside mall buildings by bringing in more outside air. It also completely renewed the Aeon Mall app and supported the specialty store business by providing services such as coupon issuance and point awards adapted to changes in customer behaviors, dispersing peak store visit times, and encouraging restaurant use during idle times. Aeon Mall refurbished seven malls and also carried out refurbishment and floor space expansion of Aeon Mall Takasaki (Gunma Prefecture). It renewed approximately 50% of the stores at Aeon Mall Takasaki and newly introduced lifestyle specialty stores such as a large fast fashion store, a book store, and a pet supply store.

Although Aeon Mall temporarily closed as many as 11 of 21 malls operated in China in mid-February, malls reopened in stages, and specialty store operation at all malls resumed in April. Aeon Mall implemented measures in response to changes in consumption behavior and government stimulus measures, such as the March start-up of a live commerce platform, a new sales technique that fuses video distribution and online sales, online selling by influencers and specialty store employees, a delivery campaign for restaurants, and the opening of night markets in large parking lot areas. In Vietnam, although the specialty stores of four malls were temporarily closed beginning in late March because of government regulations, stores at all malls reopened in late April. In Cambodia, although business hours at malls were reduced, normal business hours were resumed in June, and cinemas reopened in August after temporarily closing. In Indonesia, specialty stores at two malls that had temporarily closed at the end of March reopened in mid-June. With the number of cases of COVID-19 in Cambodia continuing to increase, Aeon Mall worked to secure sales by conducting a food delivery discount campaign in coordination with local companies.

### **Services and Specialty Store Business**

The Services and Specialty Store Business posted an operating loss of 14,751 million yen (a profit decrease of 16,692 million yen year on year) on operating revenue of 304,403 million yen (down 20.1% year on year) for the first six months of the fiscal year.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") was quick to respond to the COVID-19 crisis, setting up a novel coronavirus response headquarters covering Japan, China, and the ASEAN region at the beginning of February. Aeon Delight continuously provided sanitary materials, such as industrial-grade masks, gloves, and alcohol to Aeon Group stores and implemented measures such as installation of acrylic partitions for preventing infection via airborne droplets. In addition, amid changes in the safety and security standards required by people due to the COVID-19 crisis, Aeon Delight is testing various measures to strengthen prevention of contact infection and improve ventilation within facilities for the purpose of

establishing new standards for facilities management incorporating communicable disease control measures. It has also established New Standard Cleaning, a new cleaning method that creates a sanitary environment with a scientific evidence-based approach, and began provision of the service in September.

Although Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) was forced to implement prolonged temporary store closures in all businesses in Japan, China, and the ASEAN regions in March and April due to the worldwide spread of the novel coronavirus, in May it resumed operation at the majority of stores in Japan and China after first implementing measures to prevent infection. In the second quarter, Aeon Fantasy worked toward a sales recovery by continuing infection prevention measures, such as installation of acrylic partitions for preventing infection via airborne droplets and thorough disinfection and deep cleaning, and conducting sales promotions, such as the introduction of popular prizes and an event in collaboration with a large restaurant company. In its ASEAN operations, from June onward Aeon Fantasy reopened stores in four countries, excluding the Philippines. In Japan, Aeon Fantasy refurbished 17 stores with good prospects for a high return on investment and newly opened Toys Spot Palo capsule toy specialty shops in 13 locations.

### **International Business**

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

The International Business posted operating profit of 2,153 million yen (down 47.7% year on year) on operating revenue of 218,417 million yen (down 2.1% year on year).

At Aeon Co. (M) Bhd. (hereinafter “Aeon Malaysia”), although January sales increased substantially year on year thanks to a successful early start during the Chinese New Year sales season, social events were subsequently restricted following the spread of the novel coronavirus, which had a particularly strong impact on Hali Raya, a Muslim holiday at the end of May that is the most important selling period of the year. In the mall business as well, business prohibition in line with activity restrictions began from mid-March, overall mall customer traffic declined, and tenant revenue was affected. At the same time, Aeon Malaysia implemented new initiatives in response to restrictions on sales of apparel and household and recreational products, such as a drive-through pick-up service for delivering products ordered online to customers at store parking lots, a service where personal shoppers buy products on behalf of customers, and a motorbike delivery service for seniors.

Aeon Vietnam Co., Ltd., which has worked continuously to strengthen its response to social events, promoted priority merchandise during the Tet (the Vietnamese Lunar New Year) sales season, one of the most important sales seasons of the year. During the season, sales of Lunar New Year-related products were particularly strong, mainly *ao dai* (a traditional Vietnamese garment) in the apparel category and gift items and fresh foods in the food category. Subsequently, although sales were affected most in April, when a lockdown was imposed due to the spread of the novel coronavirus, sales in May, when all divisions resumed operation, recovered to a level above the previous year.

In China, sales promotions timed to coincide with the peak in demand during the Chinese New Year holiday, the time of year when sales are highest, fueled strong sales, with sales during the Chinese New Year period increasing 5% year on year. After the Chinese New Year, although sales of apparel and household and recreational products declined due to the spread of the novel coronavirus, food sales grew substantially due to more opportunities for people to eat meals at home and bulk-buying of groceries. Because infection was subsequently contained, sales in April and May exceeded the prior-year level. However, infection spread again in June, which once again affected customer traffic.

## **(2) Consolidated Financial Condition**

### **Consolidated Assets, Liabilities, and Net Assets**

Consolidated assets as of August 31, 2020 were 11,212,904 million yen, an increase of 150,218 million yen, or 1.4%, from the end of the previous fiscal year (February 29, 2020). The increase is mainly attributable to increases of 250,483 million yen in loans and bills discounted for banking

business and 112,652 million yen in securities due to the effect of newly consolidated companies, which offset a decrease of 90,773 million yen in cash and deposits.

Consolidated liabilities as of August 31, 2020 were 9,445,779 million yen, an increase of 232,372 million yen, or 2.5%, from February 29, 2020. The increase is mainly attributable to increases of 180,759 million yen in short-term loans payable and 148,273 million yen in deposits for banking business coupled with an increase of 115,866 million yen in reserve for insurance policy liabilities due to the effect of newly consolidated companies, which offset a decrease of 95,380 million yen in notes and accounts payable-trade.

Consolidated net assets as of August 31, 2020 were 1,767,124 million yen, a decrease of 82,153 million yen, or 4.4%, from February 29, 2020.

The balance of cash and cash equivalents at August 31, 2020 was 1,057,570 million yen, a decrease of 83,601 million yen from February 29, 2020.

Net cash used by operating activities in the six months ended August 31, 2020 was 79,673 million yen, mainly reflecting an increase of 250,484 million yen in loans and bills discounted for banking business and a decrease of 96,427 million yen in notes and accounts payable-trade, which offset increases of 181,235 million yen in profit before income taxes, excluding depreciation and amortization and other non-cash expenses, and 148,273 million yen in deposits for banking business.

Net cash used in investing activities was 148,633 million yen, mainly reflecting 328,830 million yen in acquisition of securities for banking business and 167,271 million yen in purchase of non-current assets, which offset 316,986 million yen in proceeds from sales and redemption of securities in banking business.

Net cash provided by financing activities was 148,032 million yen, mainly reflecting an increase of 210,019 million yen in short-term bank loans and commercial papers and 132,557 million yen in proceeds from long-term loans payable, which offset 139,243 million yen in repayments of long-term loans payable.

### **(3) Consolidated Earnings Forecast**

The consolidated earnings forecast for the year ending February 28, 2021 is unchanged from the forecast announced April 10, 2020.

#### **(Future Outlook)**

In Japan, although the number of new COVID-19 cases is currently trending down after rapidly increasing from July into August, with winter approaching the situation remains unpredictable. Looking at the global situation, the number of new cases continues to increase, and new cases are still increasing in some countries where Aeon has business operations. Aeon is continuously examining the prospects for business performance in light of the likelihood that the business environment and employment environment in Japan and overseas will become increasingly difficult and that the impact on consumer sentiment will continue. At this time, the earnings forecast announced at the beginning of the term remains unchanged.

When more rational projections become possible, Aeon will promptly announce forecasts for ordinary profit and profit attributable to owners of the parent and any revisions to the operating revenue and operating profit forecasts.

\*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**

	As of February 29, 2020 Amount	(Millions of yen) As of August 31, 2020 Amount
<b>Assets</b>		
Current assets		
Cash and deposits	1,221,991	1,131,217
Call loans	53,773	29,454
Notes and accounts receivable - trade	1,626,704	1,641,285
Securities	462,062	574,715
Inventories	575,748	531,940
Operating loan	433,808	408,791
Loans and bills discounted for banking business	2,049,319	2,299,802
Other	404,271	397,515
Allowance for doubtful accounts	(114,328)	(137,167)
Current assets	<u>6,713,352</u>	<u>6,877,556</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,555,080	1,522,773
Tools, furniture and fixtures, net	221,896	216,835
Land	926,900	935,699
Construction in progress	41,590	53,068
Other, net	348,853	323,356
Property, plant and equipment	<u>3,094,320</u>	<u>3,051,733</u>
Intangible assets		
Goodwill	133,989	130,684
Software	105,477	113,221
Other	62,421	61,103
Intangible assets	<u>301,888</u>	<u>305,008</u>
Investments and other assets		
Investment securities	229,916	246,078
Net defined benefit asset	11,975	14,879
Deferred tax assets	159,727	164,499
Guarantee deposits	414,576	413,487
Other	145,731	147,985
Allowance for doubtful accounts	(8,803)	(8,324)
Investments and other assets	<u>953,124</u>	<u>978,605</u>
Non-current assets	<u>4,349,333</u>	<u>4,335,347</u>
<b>Assets</b>	<u>11,062,685</u>	<u>11,212,904</u>

	As of February 29, 2020 Amount	(Millions of yen) As of August 31, 2020 Amount
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	1,068,427	973,047
Deposits for banking business	3,784,320	3,932,593
Short-term loans payable	253,395	434,155
Current portion of long-term loans payable	303,055	288,038
Current portion of bonds	75,633	52,708
Commercial papers	168,131	192,323
Income taxes payable	55,363	43,352
Provision for bonuses	31,475	33,003
Provision for loss on store closing	8,245	10,696
Provision for point card certificates	24,319	24,435
Other provision	1,126	666
Notes payable – facilities	58,171	41,494
Other	767,556	702,770
Current liabilities	<u>6,599,221</u>	<u>6,729,285</u>
Non-current liabilities		
Bonds payable	779,513	798,364
Long-term loans payable	1,040,774	1,039,078
Deferred tax liabilities	37,444	41,249
Provision for loss on store closing	2,923	2,603
Provision for loss on interest repayment	4,965	3,944
Other provision	7,557	6,139
Net defined benefit liability	25,496	25,053
Asset retirement obligations	97,369	100,086
Long-term guarantee deposited	261,653	259,667
Reserve for insurance policy liabilities	-	115,866
Other	356,489	324,441
Non-current liabilities	<u>2,614,186</u>	<u>2,716,493</u>
<b>Liabilities</b>	<u>9,213,407</u>	<u>9,445,779</u>

	As of February 29, 2020 Amount	(Millions of yen) As of August 31, 2020 Amount
<b>Net assets</b>		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	307,089	301,968
Retained earnings	541,180	468,369
Treasury shares	(42,455)	(37,766)
Shareholders' equity	<u>1,025,822</u>	<u>952,580</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,054	65,646
Deferred gains or losses on hedges	(4,149)	(3,924)
Foreign currency translation adjustment	(2,064)	(9,255)
Remeasurements of defined benefit plans	(10,147)	(9,635)
Total accumulated other comprehensive income	<u>38,693</u>	<u>42,831</u>
Subscription rights to shares	1,706	1,640
Non-controlling interests	783,056	770,072
Net assets	<u>1,849,278</u>	<u>1,767,124</u>
Liabilities and net assets	<u>11,062,685</u>	<u>11,212,904</u>

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

### Consolidated Statement of Income

	(Millions of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
	Amount	Amount
Operating revenue		
Net sales	3,747,953	3,789,299
Operating revenue from financial services business	216,462	206,655
Other operating revenue	325,799	274,577
Operating revenue	<u>4,290,215</u>	<u>4,270,532</u>
Operating cost		
Cost of sales	2,715,369	2,774,647
Operating cost from financial services business	18,677	32,772
Operating cost	<u>2,734,047</u>	<u>2,807,420</u>
Gross profit	<u>1,032,583</u>	<u>1,014,651</u>
Operating gross profit	<u>1,556,168</u>	<u>1,463,112</u>
Selling, general and administrative expenses	<u>1,469,841</u>	<u>1,429,209</u>
Operating profit	<u>86,326</u>	<u>33,902</u>
Non-operating income		
Interest income	1,712	1,832
Dividend income	1,297	1,248
Share of profit of entities accounted for using equity method	1,144	2,108
Other	9,953	9,337
Non-operating income	<u>14,107</u>	<u>14,527</u>
Non-operating expenses		
Interest expenses	15,787	15,878
Other	4,879	4,574
Non-operating expenses	<u>20,667</u>	<u>20,453</u>
Ordinary profit	<u>79,767</u>	<u>27,976</u>
Extraordinary income		
Gain on sales of non-current assets	1,519	2,428
Subsidies for employment adjustment	-	1,471
Other	3,888	3,461
Extraordinary income	<u>5,407</u>	<u>7,361</u>
Extraordinary losses		
Impairment loss	8,259	9,543
Loss on retirement of non-current assets	2,016	1,060
Provision for loss on store closing	3,734	3,688
Loss on closing of stores	1,653	340
Infectious disease related cost	-	31,708
Other	3,879	3,663
Extraordinary losses	<u>19,543</u>	<u>50,005</u>
Profit (loss) before income taxes	<u>65,631</u>	<u>(14,667)</u>
Income taxes		
Current	43,132	41,308
Deferred	(4,822)	(6,420)
Income taxes	<u>38,309</u>	<u>34,887</u>
Profit (loss)	<u>27,322</u>	<u>(49,554)</u>
Profit attributable to non-controlling interests	<u>23,530</u>	<u>8,001</u>
Profit (loss) attributable to owners of parent	<u>3,791</u>	<u>(57,556)</u>

## Consolidated Statement of Comprehensive Income

	Six months ended August 31, 2019	(Millions of yen) Six months ended August 31, 2020
	Amount	Amount
Profit (loss)	27,322	(49,554)
Other comprehensive income		
· Valuation difference on available-for-sale securities	8,857	11,541
· Deferred gains or losses on hedges	(3,378)	(434)
· Foreign currency translation adjustment	(16,332)	(13,961)
· Remeasurements of defined benefit plans, net of tax	(325)	665
· Share of other comprehensive income of entities accounted for using equity method	107	97
Other comprehensive income	(11,072)	(2,091)
Comprehensive income	16,249	(51,646)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	312	(53,418)
Comprehensive income attributable to non- controlling interests	15,937	1,771

### (3) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
	Amount	Amount
Cash flows from operating activities		
Profit (loss) before income taxes	65,631	(14,667)
Depreciation	146,267	149,283
Amortization of goodwill	7,301	7,054
Gain on negative goodwill	(1,303)	-
Increase (decrease) in allowance for doubtful accounts	8,820	23,724
Increase (decrease) in provision for loss on interest repayment	183	(1,020)
Increase (decrease) in provision for bonuses	(3,270)	711
Increase (decrease) in net defined benefit liability	1,312	385
Decrease (Increase) in net defined benefit asset	(2,738)	(3,635)
Interest and dividend income	(3,010)	(3,081)
Interest expenses	15,787	15,878
Share of (profit) loss of entities accounted for using equity method	(1,144)	(2,108)
Impairment loss	8,259	9,453
Decrease (increase) in notes and accounts receivable – trade	(170,110)	(24,704)
Decrease (increase) in inventories	8,080	45,340
Decrease (increase) in operating loans receivable	(42,423)	17,452
Decrease (increase) in cash loans and bills discounted for banking business	(69,693)	(250,484)
Increase (decrease) in notes and accounts payable - trade	215,907	(96,427)
Increase (decrease) in deposits for banking business	177,849	148,273
Increase/decrease in other assets/liabilities	92,372	(29,963)
Other, net	(10,220)	(6,550)
Subtotal	443,859	(15,086)
Interest and dividend income received	3,937	4,411
Interest expenses paid	(15,744)	(15,786)
Income taxes paid	(56,861)	(53,212)
Net cash provided by (used in) operating activities	375,190	(79,673)

	(Millions of yen)	
	Six months ended August 31, 2019	Six months ended August 31, 2020
	Amount	Amount
<b>Cash flows from investing activities</b>		
Purchase of securities	(1,410)	(5,584)
Proceeds from sales and redemption of securities	100	17,526
Acquisition of securities for banking business	(270,712)	(328,830)
Proceeds from sales and redemption of securities in banking business	290,886	316,986
Purchase of non-current assets	(238,082)	(167,271)
Proceeds from sales of non-current assets	7,798	18,128
Purchase of investment securities	(1,705)	(354)
Proceeds from sales of investment securities	2,037	740
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,238)	(2,475)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	28	10,266
Payments for guarantee deposits	(10,254)	(8,866)
Proceeds from collection of guarantee deposits	16,789	10,025
Proceeds from guarantee deposits received	10,880	7,690
Repayments of guarantee deposits received	(12,754)	(9,040)
Other, net	(1,801)	(7,573)
<b>Net cash provided by (used in) investing activities</b>	<b>(210,438)</b>	<b>(148,633)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term bank loans and commercial papers	108,267	210,019
Proceeds from long-term loans payable	85,941	132,557
Repayments of long-term loans payable	(111,155)	(139,243)
Proceeds from issuance of bonds	140,000	57,492
Redemption of bonds	(92,006)	(61,231)
Proceeds from share issuance to non-controlling shareholders	783	-
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	6,982	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,888)	(5,023)
Repayments of lease obligations	(33,346)	(25,440)
Cash dividends paid	(14,310)	(15,254)
Dividends paid to non-controlling interests	(12,905)	(13,090)
Other, net	4,245	7,247
<b>Net cash provided by (used in) financing activities</b>	<b>76,608</b>	<b>148,032</b>
Effect of exchange rate change on cash and cash equivalents	(2,182)	(3,368)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>239,179</b>	<b>(83,642)</b>
Cash and cash equivalents, beginning of period	814,479	1,141,171
Increase in cash and cash equivalents resulting from merger	-	41
<b>Cash and cash equivalents, end of period</b>	<b>1,053,658</b>	<b>1,057,570</b>

#### **(4) Notes on the Consolidated Financial Statements**

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Additional Information)

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

The Company has introduced an Employee Stock Ownership Plan Trust ("ESOP Trust") incentive scheme that provides 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 the ESOP Trust is included in treasury shares under net assets with a book value of 11,356 million yen for 4,915,100 shares as of August 31, 2020. The book value of long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method was 12,350 million yen.

(Segment Information)

I. Six months ended August 31, 2019 (March 1 – August 31, 2019)

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,410,200	1,599,621	432,300	216,462	143,671	289,668
(2) Intersegment revenue or transfers	120,231	5,534	174	22,934	40,954	91,467
Total	1,530,431	1,605,155	432,475	239,397	184,625	381,135
Segment income (loss)	(7,534)	2,815	17,230	34,207	30,239	1,940

	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	221,276	4,313,200	2,084	4,315,285	(25,070)	4,290,215
(2) Intersegment revenue or transfers	1,816	283,112	24,935	308,047	(308,047)	-
Total	223,092	4,596,313	27,020	4,623,333	(333,118)	4,290,215
Segment income (loss)	4,119	83,018	1,723	84,742	1,584	86,326

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

2. Main components of the minus 25,070 million yen in adjustments for revenue attributable to customers are as follows:
  - (a) minus 46,111 million yen in adjustments to transactions reported in the reportable segment information, and
  - (b) 20,988 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 1,584 million yen in adjustments for segment income (loss) are as follows:
  - (a) 1,294 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
  - (b) 478 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 157 million yen in intersegment transaction eliminations.
4. Segment income (loss) adjustments are based on operating profit reported in the quarterly Consolidated Statement of Income for the corresponding period.

II. Six months ended August 31, 2020 (March 1 – August 31, 2020)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,351,776	1,704,540	480,765	206,655	111,581	215,941
(2) Intersegment revenue or transfers	127,388	8,298	293	23,833	36,752	88,462
Total	1,479,164	1,712,838	481,058	230,489	148,334	304,403
Segment income (loss)	(35,489)	32,070	25,554	8,701	12,931	(14,751)

	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	216,920	4,288,180	3,602	4,291,782	(21,250)	4,270,532
(2) Intersegment revenue or transfers	1,496	286,525	23,718	310,244	(310,244)	-
Total	218,417	4,574,706	27,320	4,602,027	(331,494)	4,270,532
Segment income (loss)	2,153	31,170	1,139	32,309	1,593	33,902

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

2. Main components of the minus 21,250 million yen in adjustments for revenue attributable to customers are as follows:

(a) minus 42,083 million yen in adjustments to transactions reported in the reportable segment information, and

(b) 20,736 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 1,593 million yen in adjustments for segment income (loss) are as follows:

(a) 2,190 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,

(b) 731 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 1,348 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 28, 2021, the Company has reclassified some of the subsidiaries included in the Health & Wellness Business to include them in the Services and Specialty Store Business; and has also reclassified some of the subsidiaries included in the International Business to include them in digital business under “Other”. For reference, segment information for the six months ended August 31, 2019 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.

The details are outlined below.

		Aeon Mall Co., Ltd.
(1)	Name of bonds	Unsecured Bonds (with special pari passu conditions among bonds) series 25 (Sustainability Bond)
(2)	Total amount of bonds	20,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.220%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 24, 2020
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 24, 2025.
(8)	Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
(9)	Use of proceeds	The proceeds will be added to funds for COVID-19 countermeasures, Great East Japan Earthquake recovery aid, and construction of Aeon Malls inside and outside Japan.

		Aeon Mall Co., Ltd.
(1)	Name of bonds	Unsecured Bonds (with special pari passu conditions among bonds) series 26 (Sustainability Bond)
(2)	Total amount of bonds	10,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.470%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 24, 2020
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 24, 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 added to funds for COVID-19 countermeasures, Great East Japan Earthquake recovery aid, and construction of Aeon Malls inside and outside Japan.