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Financial Results for the Three Months ended May 31, 2021

July 7, 2021

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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 15, 2021
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, 2021 (March 1, 2021 to May 31, 2021)

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

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2021	2,153,215	3.7	39,183	-	40,365	-	5,001	-
Three months ended May 31, 2020	2,076,278	(1.9)	(12,552)	-	(16,072)	-	(53,973)	-

Note: Comprehensive income: Three months ended May 31, 2021: 49,513 million yen (-%)
Three months ended May 31, 2020: -68,522 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2021	5.91	5.90
Three months ended May 31, 2020	(63.92)	-

Note. Even though the Company has dilutive shares, earnings per share - fully diluted for the three months ended May 31, 2021 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
May 31, 2021	11,492,965	1,781,834	8.5	1,152.91
[excl. Financial Services]	[5,715,790]	[1,404,388]	[15.4]	-
February 28, 2021	11,481,268	1,755,776	8.5	1,147.56
[excl. Financial Services]	[5,749,281]	[1,393,624]	[15.3]	-

Reference: 1. Total equity: May 31, 2021: 975,122 million yen February 28, 2021: 970,321 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
	yen	yen	yen	yen	yen
Year ended February 28, 2021	-	18.00	-	18.00	36.00
Year ending February 28, 2022	-				
Year ending February 28, 2022 (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 28, 2022

(March 1, 2021 to February 28, 2022)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,620,000	0.2	200,000	32.8	190,000	36.9	20,000		23.65
			to 220,000	to 46.1	to 210,000	to 51.3	to 30,000	-	to 35.48

Note: Aeon has not disclosed earnings forecasts for the first six months.

*Notes

- (1) Changes affecting the consolidation status of significant subsidiaries during the period: None
- (2) Application of special accounting treatment for the 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, 2021: 871,924,572 shares
 - February 28, 2021: 871,924,572 shares
 - 2) Number of shares held in treasury at end of period:
 - May 31, 2021: 26,135,770 shares
 - February 28, 2021: 26,370,771 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2021: 845,641,717 shares

Three months ended May 31, 2020: 844,389,330 shares

The Company's stock held by the Employee Stock Ownership Plan Trust (May 31, 2021: 4,161,000 shares, February 28, 2021: 4,388,100 shares) is included in the number of shares held in treasury.

***Quarterly review status**

This report is exempt from the quarterly review by certified public accountant or audit firm.

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

(Note on the forward-looking statements)

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

For the forecasts herein, please refer to "(3) Consolidated Earnings Forecast" on page 9.

Accompanying Materials

Contents

1. Review of Operating Results and Financial Statements	2
(1) Analysis of Operating Results	2
(2) Consolidated Financial Condition	9
(3) Consolidated Earnings Forecast	9
2. Consolidated Financial Statements and Main Notes	10
(1) Consolidated Balance Sheet	10
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	13
(3) Notes on the Consolidated Financial Statements	15
(Notes on the Going-concern Assumption)	15
(Notes on Significant Changes in the Amount of Shareholders' Equity)	15
(Additional Information)	15
(Segment Information)	16
(Material Subsequent Events)	19

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 28, 2022 (March 1, 2021 - May 31, 2021), Aeon Co., Ltd. (hereinafter “Aeon”) posted consolidated operating revenue of 2,153,215 million yen (up 3.7%), was a record high exceeding the result for the first three months of the fiscal year ended February 29, 2020, prior to the COVID-19 pandemic. Consolidated operating profit was 39,183 million yen (up 51,735 million yen), ordinary profit was a record high 40,365 million yen (up 56,438 million yen), and profit attributable to owners of parent was 5,001 million yen (up 58,974 million yen). During the first three months of the fiscal year, a state of emergency was declared for certain regions as were strengthened measures to prevent the spread of COVID-19, and stores temporarily closed or shortened operating hours in the areas concerned. However, the areas covered and the specifics of restrictions were more limited than the activity restrictions that were put in place in Japan and overseas in the first three months of the previous fiscal year. The entire Group also worked together as a team to promote thorough infection prevention measures and respond to the “new normal” emerging amid the COVID-19 pandemic. As a result of these efforts, operating results in the GMS (General Merchandise Store) Business, the Financial Services Business, the Shopping Center Development Business, and the Services and Specialty Store Business all recovered significantly. In the Supermarket Business, profit greatly exceeded the level in the first three months of the fiscal year ended February 29, 2020, prior to the impact from COVID-19, as the Group bolstered lineups of products targeting growing dine-in demand amid the COVID-19 pandemic along with other efforts, despite the reactionary decline in demand following the surge in demand for infection prevention-related products and food in the same period of the previous fiscal year. As a result, operating profit recovered to a level second only to the record-high level achieved in the first quarter of the fiscal year ended February 28, 2019, while record-high ordinary profit was also achieved. Profit attributable to owners of parent turned positive for the first time in three years, since the first quarter of the fiscal year ended February 28, 2019, as in addition to the recovery in earnings down to the ordinary profit line, there was a significant decline in losses relating to efforts to respond to COVID-19 recorded in the first quarter of the previous fiscal year.

Common Group Strategy

- The Group has instituted the Aeon Group Medium-term Management Plan (FY2021-FY2025). With this new medium-term management plan the Group aims to transition to sustainable growth by 2030, viewing the further acceleration, amid the COVID-19 pandemic, of the societal changes that had been already been taking place for some time as a good opportunity for the Group to achieve dramatic growth. These societal changes include the significant changes in customers’ behavior, perceptions, and values due to the COVID-19 pandemic, as well as changes in demographics, changes in customers’ actions in response to climate change, the penetration of digital technologies into all aspects of life, heightened environmental and health awareness, as well as structural changes in the competitive environment. Under the new medium-term management plan, as a common strategy for the Group, the Group has set forth “Five Reforms” (accelerate and evolve the shift to digital, create unique value with a supply chain-focused outlook, evolve health and wellness, create “AEON Living Zones”, and further accelerate the shift to Asian markets), thereby aiming to further accelerate the four “strategic shifts” (Regional, Digital, Asia, plus Investment to support these) implemented up until this point, as well as build a business foundation to realize sustainable growth from 2025 and beyond. In addition to reforming the existing business model and establishing a new growth model, the Group will boost profitability and concentrate investment of management resources thus produced into new

growth domains, thereby having the Group work as one to acquire new growth opportunities. Please refer to <https://www.aeon.info/en/ir/policy/strategy/> for more information on the new medium-term management plan.

- Up until now, the Group has been collaborating with local governments nationwide to promote initiatives that can lead to more comfortable lifestyles for local community residents, including providing relief supplies and providing facilities for use as evacuation sites following natural disasters, such as earthquakes or typhoons. In March, in order to contribute to the prompt and smooth provision of COVID-19 vaccinations to people throughout the country, the Group began offering its shopping centers and other facilities as sites for use as mass vaccination centers in response to requests from government authorities across Japan. By June, vaccinations had begun at approximately 30 facilities, and roughly 30,000 people in these communities had already been vaccinated. Also in June, a workplace vaccination drive for Group employees and employees of specialty stores in shopping centers was launched. By the end of October, workplace vaccinations for about 150,000 people will be carried out, and Aeon will endeavor to help ensure the safety and peace of mind of people throughout the regions in which it operates.
- Aeon will utilize digital technologies to develop sales floors in response to the “new normal” amid the COVID-19 pandemic, as well as to expand services addressing the demand for non-contact, non-face-to-face services. Aeon Retail Co., Ltd.’s (hereinafter “Aeon Retail”) Regi Go, a service that allows customers themselves to use smartphones to scan items and pay for them at dedicated cash registers, initially required customers to use dedicated smartphones provided at stores, but in April Aeon Retail released an app that allows customers to use the Regi Go service with their own smartphones. Also, from the second half of 2020, Aeon has been successively introducing the “AI Kakaku” program in ready-to-eat meal sections. This simple-to-operate AI program uses environmental conditions such as sales data, weather, and the number of customers to set appropriate discount prices. Based on the track record at stores that were first to introduce AI Kakaku, by July the program had been introduced at almost all stores (approximately 350 stores), and going forward Aeon plans to expand the range of product categories it covers. Furthermore, Aeon equipped the AEON Style Kawaguchi Store (Saitama Prefecture), which opened its doors in June, with “AI cameras” that analyze store images to help improve customer service and sales areas, and Aeon plans to expand the use of this technology to 80 stores during fiscal 2021.
- Aeon Next Preparation Co., Ltd. announced it will introduce a solar power generation system with a maximum installed capacity of more than 3 megawatts on the roof of the customer fulfillment center, which is currently under construction in Honda-cho, Midori-ku, Chiba City, Chiba Prefecture. The customer fulfillment center will be a large automated warehouse featuring the latest AI and robotics technologies serving as a base for next-generation online supermarket services, and will commence operations in 2023. Electric power generated by the solar power generation system will be used to help operate the center, while the center will also conduct a proof-of-concept experiment using an AI-based energy support service in order to carry out technological development relating to general-purpose storage batteries.
- Aiming to achieve both the sustainable utilization of natural resources and the continuous development of business activities, Aeon procures products based on the “Aeon Sustainable Procurement Principles”. In March, in addition to the coffee sold under the Topvalu brand, Aeon set a target of switching by 2030 to cacao proven to be sustainable for

use in chocolate products as well. Aeon has concluded a “Memorandum of Understanding Concerning Cacao Procurement” with a non-profit organization, and will work towards achieving this target.

2. Business Segment Information

Results by segment are as follows.

From the fiscal period under review, Aeon has revised the business segments presented as reportable segments. Comparisons and analysis for the period under review are based on the revised segments.

GMS Business

The GMS Business posted an operating loss of 7,284 million yen (an improvement of 25,683 million year on year) on operating revenue of 756,434 million (up 7.1% year on year) for the first three months of the fiscal year.

Aeon Retail continued to work to capture demand arising from COVID-19. In the online supermarket business, for which demand is increasing, net sales continued to grow, increasing 16.0% year on year, as Aeon Retail strengthened pre-order sales of products exclusive to online supermarket services, revised systems in order to reduce out-of-stock rates (especially for fresh foods products), and increased the number of morning deliveries as well as the volume of deliveries. By capturing consumer stay-at-home demand as people refrained from going out, same-store sales of liquor and fresh produce in the agricultural and marine categories each grew by approximately 6% to 8% compared to the three months ended May 31, 2019, when there was no impact from COVID-19. In the gardening and greenery product category where sales of Mother’s Day gifts were strong, same-store sales increased 15.8% year on year. In the ready-to-eat meals category, which targets demand for simple and convenient yet delicious meals, same-store sales were strong with 12.1% year-on-year growth. As a result, total net sales in the food category exceeded the net sales in the three months ended May 31, 2019, prior to any impact from COVID-19. In addition, Sporsium, a shop offering items related to the priority walking and home fitness categories, saw same-store sales grow significantly by 49.4% year on year, and same-store sales of schoolbags, which were sold early on primarily through pre-order events, increased 139.6% year on year, and increased 39.4% compared to the three months ended May 31, 2019, when there was no impact from COVID-19. Additionally, Aeon Retail opened 3 new stores and refurbished 12 existing stores during the first quarter. As a result of the above initiatives, profitability improved significantly.

Aeon Hokkaido Corporation (hereinafter “Aeon Hokkaido”) carried out major refurbishments at a total of 6 stores: 2 GMS stores, 3 supermarkets, and 1 discount store. In addition to expanding the offerings of popular local products and local produce in the agricultural and marine categories with focus on freshness, Aeon Hokkaido devised product lineups and modified facilities in response to the emerging “new normal”. In terms of product-related initiatives, Aeon Hokkaido developed and sold products including local products and original products using ingredients sourced in Hokkaido. During the annual “Aeon Dosan Day” sale, Aeon Hokkaido coordinated with media outlets and interviewed local producers about the appeal of their products as well as good ways to enjoy them, and this led to strong sales and the event being a success. Elsewhere, in the online supermarket business which is seeing increasing demand, net sales increased 15.2% year on year due to the increase in new members as well as more frequent usage by existing members as they came to realize how easy the service is to use. Aeon Hokkaido also proactively reformed operations, including introducing self-checkout registers. As a result of these initiatives, Aeon Hokkaido posted increases in sales and operating profit.

Aeon Kyushu Co., Ltd. (hereinafter “Aeon Kyushu”), which merged with Maxvalu Kyushu Co., Ltd. and Aeon Store Kyushu Co., Ltd. in September 2020, carried out initiatives to bolster its food offerings while pursuing greater specialization in non-food areas, and also endeavored to provide products and services that are responsive to the changes in customers’ lifestyles. As a result of these efforts, both sales and profits increased. The Maxvalu Express Nishijin Store (Fukuoka Prefecture) which opened in April bolstered its lineup of ready-to-eat meals, freshly-baked breads, time-saving and convenient products and small-packaged products to match the characteristics of the commercial area which has a high proportion of single-person and small households. Also, in March, Aeon Kyushu opened a seafood processing center (where fresh fish, fillets, sushi, ready-to-eat fish dishes, and other items are processed) in Kumamoto Prefecture, the third seafood processing center after the processing centers in Fukuoka Prefecture and Miyazaki Prefecture, and this will help enhance store product lineups and improve productivity. Moreover, Aeon Kyushu worked to improve store productivity utilizing digital technologies, such as introducing self-checkout registers and cashless checkout registers in stores, especially in new and refurbished stores, and introducing electronic shelf labels in 3 stores.

Supermarket Business / Discount Store Business

The Supermarket Business posted operating profit of 5,225 million yen (down 68.5% year on year) on operating revenue of 679,402 million yen (down 10.0% year on year). The Discount Store Business posted operating profit of 461 million yen (down 71.8% year on year) on operating revenue of 97,640 million yen (down 6.4% year on year).

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) continued to develop sales floors in accordance with consumption demand and purchasing trends amid COVID-19, such as demand for eating alone and eating at home, and also responded to people’s strong desire to save money, including bolstering pricing strategies for frequently purchased products, strengthening the development of the Topvalu brand, and distributing discount coupons through Maxvalu’s own dedicated app. On the product side, in order to support producers and help boost the vitality of the region, Maxvalu Tokai conducted a sales campaign for Suruga sea bream, for which demand has declined significantly amid the COVID-19 pandemic, and also held a local product convention, which had been canceled last year due to COVID-19, online this year, and employees from each store who participated in the event selected products sold at their own stores and promoted sales of those items. In terms of services, Maxvalu Tokai introduced its first cashless self-checkout registers and increased the number of online supermarket delivery centers.

In March, Maxvalu Nishinohon Co., Ltd. (hereinafter “Maxvalu Nishinohon”) merged with subsidiaries Marunaka Co., Ltd. and Sanyo Marunaka Co., Ltd. to relaunch as the new Maxvalu Nishinohon. The company will leverage the management resources and know-how of each company that have been cultivated thus far to strengthen its fresh food offerings, further deepen its local community-rooted management, and increase business efficiency through digitalization and operational reforms. In addition, with the aim of improving the level of customer satisfaction with its food products, Maxvalu Nishinohon launched construction of the Okayama General Processing Center in June in order to reform the supply chain to facilitate in-house raw ingredient procurement, and food product preparation and sales, with focus on in-season foods, freshness, and great taste, including direct deliveries from production areas and fishing ports. Maxvalu Nishinohon aims to be a regional supermarket in the Chugoku/Shikoku/Hyogo area that continues to align itself with the needs of local customers.

To establish and grow the discount store business, Aeon is consolidating the discount store business within the Group. In 2019, as part of the regional integration of the Supermarket Business, Aeon Big Co., Ltd. absorbed the discount store business owned by Maxvalu Tokai and Maxvalu Chubu Co., Ltd. Furthermore, in June, Aeon Big Co., Ltd. and Maxvalu Nagano

Co., Ltd. merged, thereby consolidating the discount store business. In March, BIG-A CO., LTD. and A·Colle Co., LTD. carried out a management integration aimed at accelerating their dominance of the small-scale discount store business in the Greater Tokyo Area and building a new growth strategy.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 7,030 million yen (down 29.4% year on year) on operating revenue of 250,144 million yen (up 6.7%).

At Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, although business was affected by COVID-19, including reduced operating hours at some stores, efforts were made to continue operations and provide products and services while implementing measures to prevent infection and ensure high hygiene standards. Although merchandise sales were impacted by the reactionary dip following the surge in demand in the previous year for items such as food and products to prevent infection, sales of prescription drugs increased due to the increase in the number of stores dispensing prescription drugs (1,688 stores as of May 31, 2021) and new store openings, despite the impact from drug price revisions. With respect to SG&A expenses, Welcia Holdings worked to control expenses, especially personnel expenses, through efforts such as increasing the operating efficiency of stores by promoting thorough store labor-hour management through labor-hour control and automating ordering, while working to bolster recruitment. In March, Welcia Yakkyoku Co., Ltd., a consolidated subsidiary of Welcia Holdings, absorbed wholly-owned subsidiaries Neo Pharma Co., Ltd. and Summit Co., Ltd., which engage in the prescription drug business in the Shikoku area, centered on Ehime Prefecture, with Welcia Yakkyoku Co., Ltd. as the surviving company, and worked to increase business efficiency. As of May 31, 2021, the number of group stores is 2,258.

Financial Services Business

The Financial Services Business posted an operating profit of 22,040 million yen (a profit increase of 22,707 million yen year on year) on operating revenue of 123,280 million yen (up 12.0%) for the first three months of the fiscal year.

Amid the COVID-19 pandemic, Aeon Financial Service Co., Ltd. (hereinafter “AFS”) advanced digitalization, and strengthened its framework for both non-face-to-face sales and the screening and collection divisions.

Aeon Bank Ltd. (hereinafter “Aeon Bank”) advanced its initiative on housing loans that enables customers to complete the entire procedure, right through to completion of the loan agreement, at home through online applications, as well as via telephone, and mail. Also, Aeon Bank was able to grow the number of loan applications as well as the balance of loans despite the COVID-19 pandemic by strengthening sales targeting partnering businesses as well as by promoting competitive interest rate plans and exclusive Aeon Group shopping benefits for borrowers.

As a part of Aeon Group’s strategic efforts to promote the shift to cashless payments, the bank carried out an online-only new member sign-up/usage campaign and also conducted a new member sign-up campaign in partnership with Aeon Mall Co., Ltd. In addition, the number of credit cards equipped with contact-free payment functions exceeded 10 million cards.

In terms of credit card shopping, net sales at stores such as supermarkets and drugstores, including such stores in the Aeon Group, remained strong. Also, Aeon Bank focused on increasing transaction volume by carrying out sales promotions such as a tenfold point campaign and a campaign promoting the use of credit cards at large consumer electronics retailers in response to stay-at-home demand. Credit card use in online shopping remained robust, and transaction volume in the three months ended May 31, 2021, exceeded that of the same period in the previous fiscal year.

In AFS's international operations, in Malaysia, AFS bolstered its non-face-to-face services, including online screening for installment sales through the websites of consumer electronics stores and some participating motorbike stores as well as making online versions of loan contract documents. For motorbike loans, transaction volume increased year on year due to the implementation of initiatives such as a preferential interest rate campaign accompanying manufacturers' launches of new models as well incentive campaigns for participating stores. In Thailand, a local subsidiary of AFS concluded a joint venture agreement with local companies in order to establish a new company. Going forward, this new company will utilize the know-how and digital technologies possessed by the participating companies to determine credit risk and offer loans that are reassuring to customers.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 10,817 million (up 275.1% year on year) on operating revenue of 88,537 million yen (up 39.7% year on year).

In its domestic business, Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") temporarily closed 30 mall specialty shops and urban-type shopping centers it operates in four prefectures where states of emergency were declared on April 25 due to the COVID-19 outbreak in Japan. The scope of the state of emergency was then expanded to cover a total of 10 prefectures on May 12, but operations were resumed, with the exception of certain facilities, in conjunction with the easing of the demands of the restrictions on businesses. Subsequently, the state of emergency was extended until June 20, but all malls were back in operation from June 21. In March, AEON MALL Shinrifu South Building (Miyagi Prefecture) opened. As the largest entertainment mall in Tohoku, the mall features Tohoku's first cutting-edge experience-oriented amusement facility as well as the largest cinema in the region. To provide a new shopping experience utilizing digital technology, the mall will improve shopping convenience for customers through measures including disseminating information with the latest LED display screens and introducing a delivery robot in the mall.

In Aeon Mall's China business, specialty store sales at the 21 existing malls increased significantly by 131.5% year on year during the three months ended May 31, 2021. In China, COVID-19 has generally been brought under control, and the rising consumption demand in China resulted in robust sales at the company's mall specialty stores. At the existing 19 malls, specialty store sales increased 11.5% year on year compared to the first three months of the fiscal year ended February 29, 2020, when there were no COVID-19 impacts, as sales recovered to the double-digit growth levels seen prior to the impact of the pandemic through the fiscal year ended February 29, 2020.

In Vietnam, the most important country for new mall openings, specialty store sales at the 4 existing malls increased 21.0% year on year, and increased 23.8% compared to first quarter of the fiscal year ended February 29, 2020. Restrictions were placed on certain facilities such as amusement centers and cinemas due to COVID-19, however, merchandise sales and other areas are recovering to the double-digit growth levels of the fiscal year ended February 29, 2020 and earlier, prior to the impact of COVID-19.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating loss of 1,113 million yen (an improvement of 10,794 million yen year on year) on operating revenue of 170,340 million yen (up 27.9% year on year).

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") formulated a new 3-year medium-term management plan starting from fiscal 2021, and worked on initiatives to realize the basic policies of "Customer-oriented management", Promotion of DX", and "Group management". From March, the Customer Support Centers started operations at all branch offices in Japan, and Aeon Delight advanced the development of the new facility management model of "Area

Management” centered on Customer Support Centers through the digital transformation of work processes. To prevent COVID-19 infections, Aeon Delight continued to provide plastic partitions for blocking airborne droplets; industrial-grade masks, gloves, alcohol, and other epidemic prevention-related materials; and also worked to expand the provision of its New Standard Cleaning (hereinafter “NSC”), a new cleaning method launched in September 2020 for the COVID-19 era that creates a sanitary environment with a scientific evidence-based approach. In addition, aiming to improve ventilation in facilities, Aeon Delight worked with a manufacturer to jointly develop a network-based CO2 concentration monitoring system, and installed this system at multiple facilities.

The domestic business of Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) was impacted by temporary closures and reduced operating hours in areas where states of emergency and other restrictions were declared, but sales steadily recovered at stores in areas not subject to such restrictions, resulting in a large increase in both sales and profits compared to the first quarter of the previous fiscal year. Also, in the online crane-type machine game business, a campaign aimed at promoting proactive usage and offering prizes on a limited-time-only basis resulted in a 92.3% year-on-year surge in profit. In China, COVID-19 has generally been contained, and in addition to working to increase the number of visitors and increase the average spend per customer, Aeon Fantasy worked to secure temporary-use areas as a measure to expand operating space, and worked to expand earnings. As a result, Aeon Fantasy’s China business posted higher sales and profits than in the first quarter of the fiscal year ended February 29, 2020.

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 2,151 million yen (up 50.1% year on year) on operating revenue of 110,169 million yen (down 7.4% year on year).

At Aeon Co. (M) Bhd. (hereinafter “Aeon Malaysia”), the COVID-19 outbreak resulted in the issuance of activity restrictions from January 13 until February 9, right before the Chinese New Year. In response, Aeon Malaysia closed non-food sales areas, so sales of apparel and household & recreational products were greatly impacted. Amid this situation, Aeon Malaysia responded to the increase in dine-in demand by reviewing its product lineups and expanding its fresh food and frozen food sales floors, among other initiatives. Aeon Big (M) Sdn. Bhd. worked to improve gross profit and reduce SG&A expenses through joint procurement with Aeon Malaysia as well as other measures, which led to a significant improvement in operating profit.

Aeon Vietnam Co., Ltd. (hereinafter “Aeon Vietnam”) was impacted by government restrictions, including the suspension of certain businesses such as eating and drinking establishments and entertainment facilities, domestic travel restrictions, and school closures, amid a resurgence in COVID-19 infections in late January, prior to the Tet (the Vietnamese Lunar New Year) sales season, one of the biggest sales seasons of the year. However, Aeon Vietnam held planned early sales of items procured in preparation for Tet, such as bamboo gift baskets and ao dai (a traditional Vietnamese garment). Operating results then recovered alongside the loosening of government restrictions, resulting in an increase in sales and the posting of a profit in the first quarter.

In China, sales at AEON (HUBEI) CO., LTD., which operates in Wuhan, the location of the first outbreak of COVID-19, recovered to 50% above the level of the same quarter of the previous fiscal year, and QINGDAO AEON DONGTAI CO., LTD. resumed business in the tenant zones that were faced with business restrictions in the same period of the previous year. As a result, both companies saw an improvement in profits. Consequently, the International

Business's profit in China improved, despite a reactionary decline in demand following the previous year's spike in demand for food.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of May 31, 2021 were 11,492,965 million yen, an increase of 11,696 million yen, or 0.1%, from the end of the previous fiscal year (February 28, 2021). The increase is mainly attributable to increases of 64,233 million yen in notes and accounts receivable-trade, 13,505 million in inventories, 84,204 million yen in loans and bills discounted for banking business, and 39,185 million yen in property, plant and equipment, which were offset by a decrease of 196,236 million yen in cash and deposits and other factors.

Consolidated liabilities as of May 31, 2021 were 9,711,130 million yen, a decrease of 14,361 million yen, or 0.1%, from February 28, 2021. The decrease is mainly attributable to decreases of 87,194 million yen in notes and accounts payable-trade, 31,648 million yen in income taxes payable, and 66,542 million yen in other current liabilities, which were offset by increases of 121,278 million yen in short-term loans payable, 20,944 million yen in bonds (including the current portion of bonds), 15,425 million yen in long-term loans payable (including the current portion of long-term loans payable) and other factors.

Consolidated net assets as of May 31, 2021 were 1,781,834 million yen, an increase of 26,058 million yen, or 1.5%, from February 28, 2021.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the year ending February 28, 2022 is unchanged from the forecast announced April 9, 2021.

*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 28, 2021 Amount	(Millions of yen) As of May 31, 2021 Amount
Assets		
Current assets		
Cash and deposits	1,287,564	1,091,327
Call loans	30,841	10,914
Notes and accounts receivable - trade	1,602,703	1,666,936
Securities	620,096	618,829
Inventories	542,894	556,400
Operating loan	415,531	434,167
Loans and bills discounted for banking business	2,317,689	2,401,893
Other	453,335	448,536
Allowance for doubtful accounts	(134,409)	(125,993)
Current assets	<u>7,136,247</u>	<u>7,103,013</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,508,861	1,528,049
Tools, furniture and fixtures, net	207,096	213,236
Land	945,371	952,333
Construction in progress	46,307	47,438
Other, net	355,279	361,045
Property, plant and equipment	<u>3,062,916</u>	<u>3,102,102</u>
Intangible assets		
Goodwill	121,659	118,342
Software	122,593	123,520
Other	60,509	61,350
Intangible assets	<u>304,762</u>	<u>303,214</u>
Investments and other assets		
Investment securities	269,706	270,105
Net defined benefit asset	18,087	19,230
Deferred tax assets	147,034	150,190
Guarantee deposits	409,843	405,475
Other	140,721	147,588
Allowance for doubtful accounts	(8,051)	(7,955)
Investments and other assets	<u>977,341</u>	<u>984,635</u>
Non-current assets	<u>4,345,020</u>	<u>4,389,951</u>
Assets	<u>11,481,268</u>	<u>11,492,965</u>

	As of February 28, 2021 Amount	(Millions of yen) As of May 31, 2021 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,072,409	985,215
Deposits for banking business	4,010,090	4,023,395
Short-term loans payable	360,481	481,760
Current portion of long-term loans payable	281,435	312,074
Current portion of bonds	68,882	109,491
Commercial papers	91,269	90,004
Income taxes payable	53,954	22,306
Provision for bonuses	35,055	47,666
Provision for loss on store closing	10,143	7,675
Provision for point card certificates	25,143	25,671
Other provision	1,385	388
Notes payable - facilities	44,116	51,085
Other	824,103	757,561
Current liabilities	<u>6,878,471</u>	<u>6,914,294</u>
Non-current liabilities		
Bonds payable	907,156	887,492
Long-term loans payable	1,043,122	1,027,908
Deferred tax liabilities	40,137	40,568
Provision for loss on store closing	2,622	2,324
Provision for loss on interest repayment	5,706	4,663
Other provision	6,247	6,145
Net defined benefit liability	21,852	19,416
Asset retirement obligations	104,029	104,627
Long-term guarantee deposited	254,763	256,457
Reserve for insurance policy liabilities	86,639	77,538
Other	374,741	369,691
Non-current liabilities	<u>2,847,019</u>	<u>2,796,835</u>
Liabilities	<u>9,725,491</u>	<u>9,711,130</u>

	As of February 28, 2021 Amount	(Millions of yen) As of May 31, 2021 Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	300,964	299,810
Retained earnings	439,600	429,301
Treasury shares	(36,601)	(36,074)
Shareholders' equity	923,971	913,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,813	64,620
Deferred gains or losses on hedges	(3,122)	(3,242)
Foreign currency translation adjustment	(8,752)	5,005
Remeasurements of defined benefit plans	(4,589)	(4,307)
Total accumulated other comprehensive income	46,349	62,076
Subscription rights to shares	1,550	1,538
Non-controlling interests	783,904	805,174
Net assets	1,755,776	1,781,834
Liabilities and net assets	11,481,268	11,492,965

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

Consolidated Statement of Income

	(Millions of yen)	
	Three Months ended May 31, 2020	Three Months ended May 31, 2021
	Amount	Amount
Operating revenue		
Net sales	1,854,283	1,887,257
Operating revenue from financial services business	98,876	110,603
Other operating revenue	123,119	155,354
Operating revenue	2,076,278	2,153,215
Operating costs		
Cost of sales	1,369,765	1,373,313
Operating cost from financial services business	9,065	19,707
Operating cost	1,378,830	1,393,020
Gross profit	484,518	513,943
Operating gross profit	697,447	760,195
Selling, general and administrative expenses	710,000	721,012
Operating profit (loss)	(12,552)	39,183
Non-operating income		
Interest income	1,003	744
Dividend income	159	269
Share of profit of entities accounted for using equity method	896	1,131
Gain on investments in partnership	-	3,025
Other	5,235	7,257
Non-operating income	7,293	12,428
Non-operating expenses		
Interest expenses	8,090	8,630
Other	2,722	2,614
Non-operating expenses	10,813	11,245
Ordinary profit (loss)	(16,072)	40,365
Extraordinary income		
Gain on sale of investment securities	32	436
Gain on revision of retirement benefit plan	917	239
Subsidy income	119	926
Other	1,291	255
Extraordinary income	2,360	1,857
Extraordinary losses		
Impairment loss	3,650	313
Loss on retirement of non-current assets	722	556
Infectious disease related cost	29,893	2,613
Other	2,627	1,085
Extraordinary losses	36,893	4,568
Profit (loss) before income taxes	(50,604)	37,655
Income taxes		
Current	20,758	18,669
Deferred	(12,427)	(2,935)
Income taxes	8,331	15,734
Profit (loss)	(58,936)	21,921
Profit attributable to non-controlling interests	(4,963)	16,919
Profit (loss) attributable to owners of parent	(53,973)	5,001

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three Months ended May 31, 2020	Three Months ended May 31, 2021
	Amount	Amount
Profit (loss)	(58,936)	21,921
Other comprehensive income		
· Valuation difference on available-for-sale securities	11,448	3,044
· Deferred gains or losses on hedges	(1,061)	(124)
· Foreign currency translation adjustment	(20,502)	24,275
· Remeasurements of defined benefit plans, net of tax	487	427
· Share of other comprehensive income of entities accounted for using equity method	41	(30)
Other comprehensive income	(9,585)	27,592
Comprehensive income	(68,522)	49,513
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(51,027)	20,728
Comprehensive income attributable to non- controlling interests	(17,494)	28,785

(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 the 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 was included in treasury shares under net assets with a book value of 9,613 million yen for 4,161,000 shares as of May 31, 2021. The book value of long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method was 10,400 million yen.

(Segment Information)

I. Three Months ended May 31, 2020 (March 1 – May 31, 2020)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	643,871	750,999	104,124	234,263	98,876	45,927	89,553
(2) Intersegment revenue or transfers	62,314	4,134	203	110	11,227	17,442	43,577
Total	706,185	755,134	104,328	234,373	110,104	63,370	133,130
Segment income (loss)	(32,968)	16,601	1,637	9,953	(666)	2,883	(11,908)

	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	118,283	2,085,900	1,611	2,087,512	(11,233)	2,076,278
(2) Intersegment revenue or transfers	679	139,690	12,000	151,691	(151,691)	-
Total	118,962	2,225,590	13,612	2,239,203	(162,924)	2,076,278
Segment income (loss)	1,433	(13,033)	146	(12,887)	334	(12,552)

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

2. Main components of the minus 11,233 million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 21,362 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 10,010 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 334 million yen in adjustments for segment income (loss) are as follows:

- (a) 1,140 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
- (b) 699 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 1,493 million yen in intersegment transaction eliminations.

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

II. Three Months ended May 31, 2021 (March 1 – May 31, 2021)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	728,609	674,727	97,375	249,935	110,603	68,792	123,094
(2) Intersegment revenue or transfers	27,824	4,675	265	209	12,676	19,744	47,246
Total	756,434	679,402	97,640	250,144	123,280	88,537	170,340
Segment income (loss)	(7,284)	5,225	461	7,030	22,040	10,817	(1,113)

	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	109,276	2,162,414	1,662	2,164,077	(10,861)	2,153,215
(2) Intersegment revenue or transfers	893	113,536	11,603	125,139	(125,139)	-
Total	110,169	2,275,951	13,265	2,289,216	(136,001)	2,153,215
Segment income (loss)	2,151	39,329	576	39,905	(722)	39,183

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

2. Main components of the minus 10,861 million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 21,056 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 10,137 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 722 million yen in adjustments for segment income (loss) are as follows:

- (a) minus 673 million yen in loss of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
- (b) 1,036 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 1,099 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.

2. Change of reportable segment

In line with organizational changes, from the first quarter of the fiscal year ending February 28, 2022, the Company has reclassified “Supermarket” business to “Supermarket” business and “Discount Store” business; and has also reclassified some of the subsidiaries included in

“Services and Specialty Store” business to include them in “Other” business. For reference, segment information for the three months ended May 31, 2020 was prepared based on the current segmentation.

(Material Subsequent Events)

Corporate bonds issued by a consolidated subsidiary

Aeon Financial Service Co., Ltd., a consolidated subsidiary of the Company, issued unsecured bonds.

The details are outlined below.

(1)	Name of bonds	Aeon Financial Service Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds) series 16
(2)	Total amount of bonds	30,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.27%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	June 24, 2021
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of June 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 used for repayment of borrowings.