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Financial Results for the Six Months ended August 31, 2021

October 6, 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 October 15, 2021
Commencement of dividend payments October 28, 2021
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, 2021

(March 1, 2021 to August 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	%
Six months ended August 31, 2021	4,344,919	1.7	77,765	129.4	77,931	178.6	4,588	-
Six months ended August 31, 2020	4,270,532	(0.5)	33,902	(60.7)	27,976	(64.9)	(57,556)	-

Note: Comprehensive income: Six months ended August 31, 2021: 62,898 million yen (-%)
Six months ended August 31, 2020: -51,646 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six months ended August 31, 2021	5.43	5.40
Six months ended August 31, 2020	(68.14)	-

Note. 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, 2021	11,481,206	1,794,771	8.5	1,154.71
[excl. Financial Services]	[5,681,879]	[1,407,680]	[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: August 31, 2021: 976,988 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	-	18.00			
Year ending February 28, 2022 (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, 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	to	to	to	to	-	to
			220,000	46.1	210,000	51.3	30,000		35.48

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

*Notes

- (1) Changes affecting the consolidation status of significant subsidiaries during the period: None
- (2) 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):
 - August 31, 2021: 871,924,572 shares
 - February 28, 2021: 871,924,572 shares
 - 2) Number of shares held in treasury at end of period:
 - August 31, 2021: 25,831,162 shares
 - February 28, 2021: 26,370,771 shares

3) Average number of shares outstanding during the period:

Six Months ended August 31, 2021: 845,783,601 shares

Six Months ended August 31, 2020: 844,647,294 shares

The Company's stock held by the Employee Stock Ownership Plan Trust (August 31, 2021: 3,877,000 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 10.

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	10
2. Consolidated Financial Statements and Main Notes	11
(1) Consolidated Balance Sheet	11
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Income	14
Consolidated Statement of Comprehensive Income	15
(3) Consolidated Statement of Cash Flows	16
(4) Notes on the Consolidated Financial Statements	18
(Notes on the Going-concern Assumption)	18
(Notes on Significant Changes in the Amount of Shareholders' Equity)	18
(Additional Information)	18
(Segment Information)	19
(Material Subsequent Events)	22

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, 2022 (March 1, 2021 – August 31, 2021), Aeon Co., Ltd. (hereinafter “Aeon”) posted consolidated operating revenue of 4,344,919 million yen (up 1.7% year on year), a record high exceeding the result for the first six months of the fiscal year ended February 29, 2020, prior to the COVID-19 pandemic. Consolidated operating profit was 77,765 million yen (up 129.4%), while ordinary profit was 77,931 million yen (up 178.6%): both significant increases. Profit attributable to owners of parent turned positive, totaling 4,588 million yen (up 62,145 million yen).

During the first six months of the fiscal year, the external environment was more challenging than initially anticipated. Although the targeted regions and restrictions of the states of emergency were more limited than the restrictions on activities of the state of emergency and other measures declared in the same period of the previous fiscal year, there was still an impact from store closings, shortened operating hours, limits on the number of people allowed in stores, and other restrictions, while there were also other headwinds including a prolonging of people refraining from going out due to the dramatic surge in infections from new COVID-19 variants, as well as deterioration of consumer sentiment. Amid this environment, the Supermarket Business (which bolstered its efforts to respond to ongoing dine-in demand), the Discount Store Business, and the Health & Wellness Business (which is boosting the number of its drugstores able to process prescriptions), each posted segment profit exceeding that of the first six months of the fiscal year ended February 29, 2020, prior to the COVID-19 pandemic. Although the GMS (General Merchandise Store) Business, Financial Services Business, Shopping Center Development Business, Services and Specialty Store Business, and the International Business were each impacted by the abovementioned external environment, they were able to improve profitability compared to the same period of the previous fiscal year by strengthening online sales, implementing cost structure reforms, and other initiatives aimed at building a base for growth.

Common Group Strategy

- The Group 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.

- From April 29 through June 30, the Group raised funds to support healthcare workers battling the COVID-19 pandemic. In July, the Group announced that it would donate a total of 75,055,192 yen (the total of 37,527,596 yen raised and a matching contribution of the same amount through the AEON 1% Club Foundation) to 22 prefectural governments and six municipal governments. This fundraising campaign was based on the Group's desire to support frontline healthcare workers, and the Group worked as a team to call for support, which led to donations being made by many customers. Also, in June, aiming to help quickly end the COVID-19 pandemic not only in Japan but in ASEAN countries as well, the Group donated a total of 350 million yen to the governments of Malaysia, Vietnam, Indonesia, Thailand and Cambodia to aid progress with COVID-19 vaccinations.
- In July, the Group announced that it had set a new target of switching to renewable energy for 50% of the approximately 7.1 billion kWh (FY2020) used in stores in Japan annually by 2030. Through this target, the Group aims to achieve the goal of zero total emissions of greenhouse gases emitted from stores by 2050 as stated in the "Aeon Decarbonization Vision 2050" ahead of schedule by 2040. Aiming to achieve this, the Group will continue to expand the deployment of solar power generation systems on store rooftops and PPA models, strengthen purchases of post-FIT power, and promote direct contracts for renewable energy in each region.
- In July, the Group announced that it will begin full-fledged efforts to manage and reduce other indirect emissions classified as Scope 3 in order to more reliably reduce greenhouse gas emissions in the supply chain. Firstly, the Group will conduct a survey regarding climate change initiatives by the main contract manufacturers of health and beauty care products and Aeon's Topvalu brand food products, and thereby ascertain the current situation. In the future, the Group will calculate the CO₂ generated in the manufacturing process of Topvalu products with high accuracy and formulate a concrete reduction plan for the entire supply chain, as well as work to link it to inter-company collaboration to promote further decarbonization.
- In July, the Group announced that, in order to establish a more customer-friendly and convenient Aeon points system and to establish a common Group-wide digital platform, Aeon will convert all Tokimeki Points earned through payments made with Aeon Card credit cards from September 11, 2021 onward into WAON Points. Aeon offers two types of points: WAON Points which are awarded based on the amount paid in cash or through the WAON electric money system at Aeon Group stores; and Tokimeki Points, which are awarded depending on the value of purchases made with an Aeon Card. With this change in the point system, Aeon's points will be unified as WAON Points. Customers will earn WAON Points when using their Aeon Card, and points earned can be used for shopping in one point increments. With this change, customers will be able to more easily earn points, and Aeon's point system will become easier to understand and more convenient than ever before.
- In August, the Group announced the September launch of a comprehensive Aeon app called "iAEON", which will become a common touchpoint for the entire Group, with the aim of providing convenient and highly-satisfying services tailored to customers' lifestyles, and delivering a seamless experience integrating stores and digital services. With iAEON, customers will be able to earn, use, and exchange WAON Points and check their points

balances, make payments using mobile WAON and the QR code-based AEON Pay system, as well as access promotion information from their favorite stores, and otherwise use all of the services provided by Group companies in a single app. To further improve the convenience of the app for customers, the Group plans to add to and upgrade the functionality of the app as a common touchpoint for the entire Group. This will include increasing the number of stores that can be registered, expanding payment options, and linkage with other apps and services provided by Group companies.

- In September, Fuji Co., Ltd. (hereinafter, “Fuji”), Maxvalu Nishinohon Co., Ltd. (hereinafter “Maxvalu Nishinohon”) and Aeon, concluded a basic agreement on a merger of Fuji and Maxvalu Nishinohon in March 2024, with the objective of evolving the new company into one that is capable of playing a part in regional co-creation. Ahead of the merger, Fuji and Maxvalu Nishinohon also concluded a basic agreement regarding the establishment of a joint holding company and management integration in March 2022. Up until this point, the companies have been working to increase corporate value stemming from the capital and business tie-up between Fuji and Aeon in October 2018, and this basic agreement was concluded based on the fact that each company believed it to be necessary to further deepen their relationships in order to respond to the changes in the regional environment and the intensification of competition, as well as to speed up solutions to issues. The new integrated company will establish a fair and highly-transparent governance system and create a flexible and innovative corporate culture, as well as aim to not only bring together the insights cultivated by each company, but also to create synergies that will help optimize product offerings and logistics and processing centers, and utilize digital technologies to reduce costs and create new business models.

2. Business Segment Information

Results by segment are as follows.

From the first three months of the fiscal year, Aeon 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 16,267 million yen (an improvement of 19,222 million yen year on year) on operating revenue of 1,532,928 million (up 3.6% year on year) for the first six months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter “Aeon Retail”) continued to work to capture demand arising from the COVID-19 pandemic. In the online supermarket business, for which demand is increasing, Aeon Retail revised systems, and increased the number of morning deliveries as well as the volume of deliveries in order to reduce occurrences of products going out of stock. Single-month sales in August reached a new record high thanks to the advance planning for increased stay-at-home demand during the Tokyo Olympic and Paralympic Games, as well as efforts to bolster pre-order sales of eel and Bon festival-related products, while the number of online click & collect orders also reached a new monthly record high. As a result, online supermarket sales in the first six months of the fiscal year increased more than 20% compared to the first six months of the previous fiscal year when demand spiked. By capturing stay-at-home demand, same-store sales of liquor and fresh food in the agricultural and marine produce categories, as well as perishable processed food, each grew by approximately 5% to 9% compared to the six months ended August 31, 2019, prior to the COVID-19 pandemic. In the delicatessen category, which featured an improved product lineup, same-store sales were strong with 8.3% year-on-year growth. As a result, total net sales in the food category exceeded the net

sales in the six months ended August 31, 2019, prior to the COVID-19 pandemic, as well as the six months ended August 31, 2020 during the COVID-19 pandemic. In addition, Sporsium, a shop offering items related to the growth domains of walking and home fitness, responded to demand for health-promoting products and saw same-store sales grow significantly by more than 50% compared to the six months ended August 31, 2019. In the delicatessen category, Aeon has been rolling out use of the “AI Kakaku” program, a simple-to-operate program that uses AI to learn about environmental conditions such as sales data, weather, and the number of customers, in order to set appropriate discount prices and help with product lineup revisions. These efforts helped to reduce the amount of sales price reductions made during the six months ended August 31, 2021. Additionally, in terms of initiatives to increase customers’ experiential value and convenience, Aeon Retail rolled out Regi Go (a service that allows customers themselves to use smartphones to scan items and pay for them at dedicated cash registers) to 36 additional stores. As of August 31, 2021, this service has been introduced at a total of 58 Aeon Retail and Aeon Retail Store Co., Ltd. stores.

Aeon Kyushu Co., Ltd. (hereinafter, “Aeon Kyushu”) advanced initiatives to bolster its food offerings while pursuing greater specialization in non-food areas, both of which are called for in the new medium-term management plan. In addition to responding to growing dine-in demand amid the COVID-19 pandemic, Aeon Kyushu continued its “1,000 competitively priced items” campaign centered on daily essentials. In addition, Aeon Kyushu worked to reduce the cost-of-sales ratio utilizing economies of scale from the management integration in September 2020 of Maxvalu Kyushu Co., Ltd. and Aeon Store Kyushu Co., Ltd. Also, Aeon Kyushu opened seafood processing centers in Kumamoto Prefecture and Saga Prefecture, and these centers helped to enhance product lineups and improve productivity. In the non-food category, Aeon Kyushu increased the number of stores with Sporsium stores. Elsewhere, Aeon Kyushu expanded services addressing demand for contactless and non-face-to-face services amid the emerging new normal, including the Regi Go self-checkout system and click & collect online supermarket services.

Supermarket Business / Discount Store Business

The Supermarket Business posted operating profit of 14,128 million yen (down 51.6% year on year) on operating revenue of 1,382,099 million yen (down 8.5% year on year). The Discount Store Business posted operating profit of 1,221 million yen (down 57.9% year on year) on operating revenue of 196,099 million yen (down 4.1% year on year).

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) undertook various measures, including bolstering special promotion days and developing sales floors in accordance with needs at different times of the day, as well as expanding the lineup of small-volume products, in response to ongoing dine-in demand and firmly-rooted desire among people to economize amid the COVID-19 pandemic. Maxvalu Tokai also advanced other initiatives, including refurbishing 10 existing stores, improving product lineups and sales area layouts in accordance with the characteristics of the region, bolstering fresh delicatessen offerings, and enhancing local products cherished by locals in the region. Additionally, with the aim of addressing demand for contactless services and cashless payments, as well as to improve operational efficiency, Maxvalu Tokai introduced cashless self-checkout registers at new and refurbished stores. Also, in response to the rapid growth in online shopping amid the COVID-19 pandemic, Maxvalu Tokai newly opened two additional online supermarket centers in the six months ended August 31, 2021, bringing its total number of online supermarkets to 22 centers across five prefectures, with seven in Shizuoka Prefecture, seven in Aichi Prefecture, four in Mie Prefecture, three in Kanagawa Prefecture, and one in Gifu Prefecture.

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. Maxvalu Nishinohon also concluded a basic agreement with Fuji Co., Ltd. regarding

management integration, and going forward the company will leverage the management resources and know-how that each company has cultivated thus far to further deepen its local community-rooted management, and increase business efficiency through digitalization and operational reforms. On the products front, during the first six months of the fiscal year, Maxvalu Nishinohon responded to dine-in demand by continuing to make side dishes out of fresh foods, develop new delicatessen meals, and update popular products. In the marine produce category, the company newly introduced in-store seafood counters where grilled fish, boiled fish, and sushi are prepared, in 12 stores. As of the end of August, a total of 242 stores had such seafood counters. In addition, 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, food product preparation, and sales.

To establish and grow the discount store business, Aeon is consolidating the discount store business within the Group. 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. In June, Aeon Big Co., Ltd., which in 2019 took on the discount store businesses of Maxvalu Tokai and Maxvalu Chubu Co., Ltd., merged with Maxvalu Nagano Co., Ltd., thereby further consolidating the discount store business.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 22,195 million yen (down 13.1% year on year) on operating revenue of 510,792 million yen (up 6.2%).

At Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, although there was a reactionary dip in sales of products which saw a surge in demand in the previous fiscal year, including products to prevent infections and food products, sales of prescription drugs increased significantly due to the increase in the number of prescriptions handled as a result of the increase in the number of stores dispensing prescription drugs (1,747 stores as of August 31, 2021). As initiatives to improve productivity, Welcia Holdings worked to increase the operating efficiency of stores by promoting measures including thorough store labor-hour management and automating ordering. The company also standardized prescription dispensing operations accompanying the expansion of existing stores able to dispense prescription drugs, and optimized personnel expenses. 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. Also, during the first six months of the fiscal year, Welcia Group opened 82 new stores, and as of August 31, 2021, the number of group stores was 2,287.

Financial Services Business

The Financial Services Business posted an operating profit of 35,098 million yen (up 303.4% year on year) on operating revenue of 239,514 million yen (up 3.9%) for the first six months of the fiscal year.

Both in Japan and overseas, the Group promoted measures to respond to the new normal, including non-face-to-face sales activities through the enhancement of online services, and also strove to continue to make screening more precise and to construct a new collection framework.

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 loan execution amount as well as the balance of loans by

strengthening cooperation with partnering businesses as well as by continuing to promote competitive interest rate plans and exclusive Aeon Group shopping benefits for borrowers.

With regard to the Aeon Card, the number of new member registrations and card transaction volume both exceeded the levels in the same period of the previous fiscal year as a result of the implementation of online-only new card sign-up and usage campaigns, as well as usage campaigns with Aeon's online supermarket and delivery service providers, for which sales have been strong. Also, as of August 31, 2021, a cumulative total of 11,270,000 Aeon cards equipped with a contactless payment function had been issued. This represents more than 30% of the total number of cards issued, and is evidence of the progress that has been made in Aeon Group's shift to cashless transactions.

In Thailand, online transaction volume increased due to the implementation of sales promotions with partners including e-commerce sites and food delivery providers. Also, personal loan transaction volume increased compared to the same period of the prior fiscal year due to measures including raising credit limits for blue-chip cardholders.

In Malaysia, the company bolstered its non-face-to-face services, including continuing to focus on 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 preferential interest rate campaigns accompanying manufacturers' launches of new models as well as incentive campaigns for participating stores.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 19,773 million (up 52.9% year on year) on operating revenue of 178,731 million yen (up 20.5% year on year).

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") was impacted by the resurgence of COVID-19 infections and the accompanying expansion of the areas where states of emergency were declared and the extension of periods of states of emergency, as well as a downturn in consumer sentiment caused by the new wave of COVID-19 infections. However, Aeon Mall maintained and enhanced measures to prevent infections and ensure the safety and peace of mind of guests, including setting up temperature checkpoints in entranceways, setting up plastic partitions for blocking airborne droplets, formulating criteria for entry restrictions based on data from a visitor management system, and enhancing ventilation. Also, during the first six months of the fiscal year, Aeon Mall opened three new malls in Japan. 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. The mall also has a 350-inch LED display for disseminating information and a delivery robot in the mall as features and services to improve convenience for shoppers. The adjacent existing Shinrifu North Building mall was expanded and refurbished in July, and going forward the South Building and North Building will together increase their market share in the area as the largest mall in Tohoku.

In Aeon Mall's China business, despite some localized cases of COVID-19 infections, the impacts were limited, and consumption demand in China has also been increasing due to ongoing restrictions on overseas travel. Based on this, specialty store sales at malls recovered to the double-digit growth trend seen prior to the COVID-19 pandemic. Amid this environment, in addition to renovating five malls, in May Aeon Mall opened the AEON Mall Guangzhou Xintang (Guangzhou, Guangdong Province), the fourth mall in Guangdong Province. AEON Mall Guangzhou Xintang has introduced an AEON Mall members system using We Chat, which is widely used in China, and is also providing many services utilizing digital technology, including an AI-powered information system, facial recognition lockers, large LED displays, and digital signage to increase convenience for customers.

In Vietnam, the most important country for new mall openings, following similar agreements in February with the government of Thua Thien Hue Province, and in March with the government of Bac Ninh Province, in May AEONMALL Vietnam concluded a comprehensive memorandum of understanding concerning investment and business promotion related to shopping mall development with the government of Dong Nai Province. Dong Nai Province is located next to Ho Chi Minh City, and is a developing area where large-scale transportation development projects are being advanced, including the construction of a new international airport. Based on this memorandum of understanding, the two sides will strengthen their mutual cooperation framework targeting the development of shopping malls.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating loss of 1,358 million yen (an improvement of 13,391 million yen year on year) on operating revenue of 345,972 million yen (up 13.8% year on year).

Aeon Delight Co., Ltd. (hereinafter “Aeon Delight”) 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 the materials-related business, Aeon Delight bolstered its provision of plastic partitions for blocking airborne droplets, industrial-grade masks, gloves, alcohol, and other epidemic prevention-related materials. Also, amid the shortage of workers, Aeon Delight worked to convert to the new facility management model of “Area Management” in order to efficiently provide services utilizing their expertise in facility management while ensuring quality. As a result, as of the end of August, Aeon Delight has realized labor-savings and unmanned operations in facility management operations at a total of 123 facilities nationwide, along with reassigning approximately 100 facility management specialists to newly contracted properties and sales centers. In China, which is positioned as the company’s largest growth area in Asia, under AEON DELIGHT (China), a controlling company established in April 2021, the core operating companies are focusing on increasing contracts from the priority targets which include mid- and high-end shopping centers, hospitals, nursing homes, and re-development areas, and business has steadily expanded. Also, in June, Aeon Delight converted into a subsidiary, a company possessing a high level of expertise and a strong track record in contracting operations from Japanese-owned companies.

The domestic business of Aeon Fantasy Co., Ltd. (hereinafter “Aeon Fantasy”) carried out temporary closures and reduced operating hours in areas subject to such measures based on requests from local governments in conjunction with the declarations of states of emergency and other efforts to prevent the COVID-19 pandemic from spreading. In addition, Aeon Fantasy was also impacted by the decline in visitors during the summer holiday period due to changes in customers’ behavior. However, in the new online crane-type machine game business, which is unaffected by such issues, collaborations with popular virtual YouTubers and a concentrated roll out of limited-time-only prizes of popular characters, as well as a campaign aimed at promoting usage at home, resulted in a 78.0% year-on-year surge in net sales during the six months ended August 31, 2021. In Aeon Fantasy’s overseas business, while there were store closures accompanying restrictions enacted by the governments of ASEAN nations, online game services were launched and efforts were made to reduce expenses. In China, clusters of COVID-19 cases emerged in various areas in August, and net sales declined temporarily due to temporary closures resulting from government restrictions, but thereafter business resumed and sales returned to a recovery track.

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 2,737 million yen (up 27.2% year on year) on operating revenue of 207,798 million yen (down 4.9% year on year).

At Aeon Co. (M) Bhd. (hereinafter “Aeon Malaysia”), COVID-19 had a major impact on sales, including closures of apparel as well as household and recreational product sales areas in June. 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.

In Vietnam, COVID-19 infections spread across the country, and Aeon Vietnam Co., Ltd. (hereinafter “Aeon Vietnam”) was impacted, but in April, due to the Hùng Kings' Festival and the four-day holiday at the end of the month, Aeon Vietnam created product lineups in response to demand from customers, centered on ready-to-eat meals, and same-store sales of food in April increased 13.0% year on year. In response to the continued surge in infections from May onward, Aeon Vietnam bolstered its sales of products for which bulk purchase demand was strong, such as fresh foods, instant foods, beverages, and liquor.

In China, during the first six months of the fiscal year, sales recovered at Aeon (Hubei) Co., Ltd., which operates in Wuhan, the location of the first outbreak of COVID-19, and were up approximately 30% year on year. Meanwhile, 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. Net sales in the online supermarket business in China in the January through June period grew 42.4% compared to the same period of the previous fiscal year. Targeting a further increase in sales, the company recruited new online supermarket members and implemented measures utilizing social media to direct people to an application page, and also bolstered the provision of products addressing the demand for safety and peace of mind, freshness, and user-friendly product volumes.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of August 31, 2021 were 11,481,206 million yen, a decrease of 61 million yen, or 0.0%, from the end of the previous fiscal year (February 28, 2021). The decrease is mainly attributable to decreases of 144,615 million yen in cash and deposits and 15,012 million in inventories, which were offset by increases of 65,992 million in notes and accounts receivable-trade and 92,590 million in property, plant and equipment, among other factors.

Consolidated liabilities as of August 31, 2021 were 9,686,435 million yen, a decrease of 39,056 million yen, or 0.4%, from February 28, 2021. The decrease is mainly attributable to decreases of 92,540 million yen in notes and accounts payable-trade, 17,600 million yen in income taxes payable, and 17,213 million yen in long-term loans payable (including the current portion of long-term loans payable), which were offset by increases of 61,257 million yen in short-term loans payable, and 23,460 million yen in bonds (including the current portion of bonds), among other factors.

Consolidated net assets as of August 31, 2021 were 1,794,771 million yen, an increase of 38,994 million yen, or 2.2%, from February 28, 2021.

The balance of cash and cash equivalents at August 31, 2021 was 1,067,425 million yen, a decrease of 149,629 million yen from February 28, 2021.

Net cash used by operating activities in the six months ended August 31, 2021 was 31,578 million yen, mainly reflecting a decrease of 95,823 million yen in notes and accounts payable – trade, an increase of 66,080 million yen in notes and accounts receivable – trade, a decrease of 74,890 million yen in other assets/liabilities, which offset a 223,238 million yen increase in profit before income taxes, excluding depreciation and amortization and other non-cash expenses.

Net cash used in investing activities was 159,266 million yen, mainly reflecting 260,209 million yen in acquisition of securities for banking business and 181,599 million yen in purchase of non-current assets, which offset 267,098 million yen in proceeds from sales and redemption of securities in banking business.

Net cash provided by financing activities was 34,488 million yen, mainly reflecting 102,190 million yen in proceeds from long-term loans payable and an increase of 89,618 million yen in short-term bank loans and commercial papers, which offset 130,909 million yen in repayments of long-term loans payable.

(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 August 31, 2021 Amount
Assets		
Current assets		
Cash and deposits	1,287,564	1,142,949
Call loans	30,841	7,981
Notes and accounts receivable - trade	1,602,703	1,668,695
Securities	620,096	610,440
Inventories	542,894	527,882
Operating loan	415,531	404,812
Loans and bills discounted for banking business	2,317,689	2,362,455
Other	453,335	447,476
Allowance for doubtful accounts	(134,409)	(123,018)
Current assets	<u>7,136,247</u>	<u>7,049,675</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,508,861	1,540,767
Tools, furniture and fixtures, net	207,096	215,487
Land	945,371	979,147
Construction in progress	46,307	62,992
Other, net	355,279	357,112
Property, plant and equipment	<u>3,062,916</u>	<u>3,155,506</u>
Intangible assets		
Goodwill	121,659	115,011
Software	122,593	124,433
Other	60,509	60,779
Intangible assets	<u>304,762</u>	<u>300,224</u>
Investments and other assets		
Investment securities	269,706	272,757
Net defined benefit asset	18,087	20,098
Deferred tax assets	147,034	143,826
Guarantee deposits	409,843	403,798
Other	140,721	143,300
Allowance for doubtful accounts	(8,051)	(7,980)
Investments and other assets	<u>977,341</u>	<u>975,799</u>
Non-current assets	<u>4,345,020</u>	<u>4,431,531</u>
Assets	<u>11,481,268</u>	<u>11,481,206</u>

	As of February 28, 2021 Amount	(Millions of yen) As of August 31, 2021 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,072,409	979,868
Deposits for banking business	4,010,090	4,091,631
Short-term loans payable	360,481	421,738
Current portion of long-term loans payable	281,435	289,707
Current portion of bonds	68,882	169,115
Commercial papers	91,269	120,992
Income taxes payable	53,954	36,353
Provision for bonuses	35,055	31,895
Provision for loss on store closing	10,143	4,985
Provision for point card certificates	25,143	27,371
Other provision	1,385	565
Notes payable - facilities	44,116	72,708
Other	824,103	720,944
Current liabilities	<u>6,878,471</u>	<u>6,967,877</u>
Non-current liabilities		
Bonds payable	907,156	830,384
Long-term loans payable	1,043,122	1,017,637
Deferred tax liabilities	40,137	41,321
Provision for loss on store closing	2,622	2,940
Provision for loss on interest repayment	5,706	3,861
Other provision	6,247	6,201
Net defined benefit liability	21,852	19,185
Asset retirement obligations	104,029	104,686
Long-term guarantee deposited	254,763	257,538
Reserve for insurance policy liabilities	86,639	71,395
Other	374,741	363,404
Non-current liabilities	<u>2,847,019</u>	<u>2,718,558</u>
Liabilities	<u>9,725,491</u>	<u>9,686,435</u>

	As of February 28, 2021 Amount	(Millions of yen) As of August 31, 2021 Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	300,964	300,163
Retained earnings	439,600	428,889
Treasury shares	(36,601)	(35,396)
Shareholders' equity	923,971	913,663
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,813	66,642
Deferred gains or losses on hedges	(3,122)	(3,202)
Foreign currency translation adjustment	(8,752)	4,038
Remeasurements of defined benefit plans	(4,589)	(4,154)
Total accumulated other comprehensive income	46,349	63,324
Subscription rights to shares	1,550	1,547
Non-controlling interests	783,904	816,234
Net assets	1,755,776	1,794,771
Liabilities and net assets	11,481,268	11,481,206

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

Consolidated Statement of Income

	(Millions of yen)	
	Six Months ended August 31, 2020	Six Months ended August 31, 2021
	Amount	Amount
Operating revenue		
Net sales	3,789,299	3,814,703
Operating revenue from financial services business	206,655	214,732
Other operating revenue	274,577	315,483
Operating revenue	4,270,532	4,344,919
Operating costs		
Cost of sales	2,774,647	2,770,018
Operating cost from financial services business	32,772	35,702
Operating cost	2,807,420	2,805,721
Gross profit	1,014,651	1,044,684
Operating gross profit	1,463,112	1,539,198
Selling, general and administrative expenses	1,429,209	1,461,432
Operating profit (loss)	33,902	77,765
Non-operating income		
Interest income	1,832	1,619
Dividend income	1,248	1,399
Share of profit of entities accounted for using equity method	2,108	2,069
Gain on investments in partnership	-	4,149
Other	9,337	12,761
Non-operating income	14,527	21,999
Non-operating expenses		
Interest expenses	15,878	17,248
Other	4,574	4,585
Non-operating expenses	20,453	21,833
Ordinary profit (loss)	27,976	77,931
Extraordinary income		
Gain on sales of non-current assets	2,428	277
Gain on sale of investment securities	3	453
Insurance income	10	1,672
Subsidy income	2,687	3,353
Other	2,231	776
Extraordinary income	7,361	6,533
Extraordinary losses		
Impairment loss	9,543	2,997
Loss on retirement of non-current assets	1,060	1,203
Infectious disease related cost	31,708	4,233
Other	7,692	5,210
Extraordinary losses	50,005	13,645
Profit (loss) before income taxes	(14,667)	70,819
Income taxes		
Current	41,308	34,311
Deferred	(6,420)	2,615
Income taxes	34,887	36,926
Profit (loss)	(49,554)	33,893
Profit attributable to non-controlling interests	8,001	29,304
Profit (loss) attributable to owners of parent	(57,556)	4,588

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six Months ended August 31, 2020	Six Months ended August 31, 2021
	Amount	Amount
Profit (loss)	(49,554)	33,893
Other comprehensive income		
· Valuation difference on available-for-sale securities	11,541	6,745
· Deferred gains or losses on hedges	(434)	36
· Foreign currency translation adjustment	(13,961)	21,636
· Remeasurements of defined benefit plans, net of tax	665	637
· Share of other comprehensive income of entities accounted for using equity method	97	(50)
Other comprehensive income	(2,091)	29,005
Comprehensive income	(51,646)	62,898
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(53,418)	21,563
Comprehensive income attributable to non-controlling interests	1,771	41,334

(3) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six Months ended August 31, 2020	Six Months ended August 31, 2021
	Amount	
Cash flows from operating activities		
Profit (loss) before income taxes	(14,667)	70,819
Depreciation	149,283	153,019
Amortization of goodwill	7,054	6,752
Increase (decrease) in allowance for doubtful accounts	23,724	(10,810)
Increase (decrease) in provision for loss on interest repayment	(1,020)	(1,845)
Increase (decrease) in provision for bonuses	711	(3,851)
Increase (decrease) in net defined benefit liability	385	(308)
Decrease (Increase) in net defined benefit asset	(3,635)	(2,470)
Interest and dividend income	(3,081)	(3,019)
Interest expenses	15,878	17,248
Share of (profit) loss of entities accounted for using equity method	(2,108)	(2,069)
Impairment loss	9,543	2,997
Decrease (increase) in notes and accounts receivable – trade	(24,704)	(66,080)
Decrease (increase) in inventories	45,340	17,396
Decrease (increase) in operating loans receivable	17,452	4,623
Decrease (increase) in cash loans and bills discounted for banking business	(250,484)	(44,765)
Increase (decrease) in notes and accounts payable - trade	(96,427)	(95,823)
Increase (decrease) in deposits for banking business	148,273	81,541
Increase/decrease in other assets/liabilities	(29,963)	(74,890)
Other, net	(6,640)	(15,230)
Subtotal	(15,086)	33,233
Interest and dividend income received	4,411	4,452
Interest expenses paid	(15,786)	(17,255)
Income taxes paid	(53,212)	(52,008)
Net cash provided by (used in) operating activities	(79,673)	(31,578)

	(Millions of yen)	
	Six Months ended August 31, 2020	Six Months ended August 31, 2021
	Amount	Amount
Cash flows from investing activities		
Purchase of securities	(5,584)	(5,803)
Proceeds from sales and redemption of securities	17,526	22,074
Acquisition of securities for banking business	(328,830)	(260,209)
Proceeds from sales and redemption of securities in banking business	316,986	267,098
Purchase of non-current assets	(167,271)	(181,599)
Proceeds from sales of non-current assets	18,128	1,580
Purchase of investment securities	(354)	(1,123)
Proceeds from sales of investment securities	740	1,081
Proceeds from distribution of investment in partnerships	-	3,572
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,475)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	10,266	-
Payments for guarantee deposits	(8,866)	(9,798)
Proceeds from collection of guarantee deposits	10,025	14,646
Proceeds from guarantee deposits received	7,690	13,121
Repayments of guarantee deposits received	(9,040)	(10,548)
Other, net	(7,573)	(13,357)
Net cash provided by (used in) investing activities	(148,633)	(159,266)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	210,019	89,618
Proceeds from long-term loans payable	132,557	102,190
Repayments of long-term loans payable	(139,243)	(130,909)
Proceeds from issuance of bonds	57,492	61,000
Redemption of bonds	(61,231)	(37,568)
Proceeds from share issuance to non-controlling shareholders	-	1,674
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,023)	(21)
Repayments of lease obligations	(25,440)	(30,620)
Cash dividends paid	(15,254)	(15,300)
Dividends paid to non-controlling interests	(13,090)	(11,675)
Other, net	7,247	6,101
Net cash provided by (used in) financing activities	148,032	34,488
Effect of exchange rate change on cash and cash equivalents	(3,368)	6,726
Net increase (decrease) in cash and cash equivalents	(83,642)	(149,629)
Cash and cash equivalents, beginning of period	1,141,171	1,217,054
Increase in cash and cash equivalents resulting from merger	41	-
Cash and cash equivalents, end of period	1,057,570	1,067,425

(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 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 8,957 million yen for 3,877,000 shares as of August 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 9,750 million yen.

(Segment Information)

I. Six Months ended August 31, 2020 (March 1 – August 31, 2020)

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	1,351,776	1,500,524	204,016	480,765	206,655	111,581	215,608
(2) Intersegment revenue or transfers	127,388	9,334	500	293	23,833	36,752	88,462
Total	1,479,164	1,509,858	204,516	481,058	230,489	148,334	304,070
Segment income (loss)	(35,489)	29,198	2,901	25,554	8,701	12,931	(14,749)

	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	4,287,847	3,935	4,291,782	(21,250)	4,270,532
(2) Intersegment revenue or transfers	1,496	288,062	23,721	311,783	(311,783)	-
Total	218,417	4,575,909	27,656	4,603,566	(333,033)	4,270,532
Segment income (loss)	2,153	31,201	1,137	32,338	1,564	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 1,564 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 1,377 million yen in intersegment transaction eliminations.
4. Segment income adjustments are based on operating profit reported in the quarterly Consolidated Statement of Income for the corresponding period.

II. Six Months ended August 31, 2021 (March 1 – August 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	1,473,570	1,372,652	195,526	510,383	214,732	138,454	250,027
(2) Intersegment revenue or transfers	59,357	9,447	573	409	24,781	40,277	95,944
Total	1,532,928	1,382,099	196,099	510,792	239,514	178,731	345,972
Segment income (loss)	(16,267)	14,128	1,221	22,195	35,098	19,773	(1,358)

	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	206,000	4,361,348	4,645	4,365,994	(21,074)	4,344,919
(2) Intersegment revenue or transfers	1,798	232,589	22,712	255,302	(255,302)	-
Total	207,798	4,593,938	27,358	4,621,296	(276,377)	4,344,919
Segment income (loss)	2,737	77,530	1,962	79,492	(1,726)	77,765

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

2. Main components of the minus 21,074 million yen in adjustments for revenue attributable to customers are as follows:
 - (a) minus 44,710 million yen in adjustments to transactions reported in the reportable segment information, and
 - (b) 23,569 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.
3. Main components of the minus 1,726 million yen in adjustments for segment income (loss) are as follows:
 - (a) minus 722 million yen in loss of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
 - (b) 1,839 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 2,867 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 six months ended August 31, 2020 was prepared based on the current segmentation.

(Material Subsequent Events)

1. Issuance and early redemption of the Company's hybrid bonds (bonds with a subordination provision)

The Company issued unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option.

The details are outlined below.

Aeon Co., Ltd.		
(1)	Name of bonds	Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 8
(2)	Total amount of bonds	40,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	From September 10, 2021 through September 9, 2031: 1.185% per annum From September 10, 2031: 1-year Japanese government bond yield plus 2.150%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 9, 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 September 8, 2051. Note however that the Company may, at its discretion, make an early redemption of the hybrid bonds on any interest payment date on or after September 9, 2031.
(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 redemption of bonds and repayment of short-term loans payable.

Aeon Co., Ltd.		
(1)	Name of bonds	Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 9
(2)	Total amount of bonds	30,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	From September 10, 2021 through September 9, 2036: 1.734% per annum From September 10, 2036: 1-year Japanese government bond yield plus 2.500%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 9, 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 September 8, 2056. Note however that the Company may, at its discretion, make an early redemption of the hybrid bonds on any interest payment date on or after September 9, 2036.
(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 redemption of bonds and repayment of short-term loans payable.

Meanwhile, the Company made an early redemption of unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option utilizing the funds raised from the above corporate bonds.

The details are outlined below.

Aeon Co., Ltd.		
(1)	Name of bonds	Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 3
(2)	Total amount of bonds	24,800 million yen

(3)	Date of issuance	September 21, 2016
(4)	Maturity date	September 21, 2046
(5)	Date of early redemption	September 21, 2021
(6)	Total amount of early redemption	24,800 million yen
(7)	Amount of early redemption	100 yen per face value of 100 yen

(1)	Name of bonds	Aeon Co., Ltd. Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 4
(2)	Total amount of bonds	21,700 million yen
(3)	Date of issuance	September 21, 2016
(4)	Maturity date	September 21, 2046
(5)	Date of early redemption	September 21, 2021
(6)	Total amount of early redemption	21,700 million yen
(7)	Amount of early redemption	100 yen per face value of 100 yen

2. Conclusion of basic agreement concerning management integration

On September 1, 2021, Fuji Co., Ltd. (hereinafter, “Fuji”), an equity method affiliate of Aeon, Maxvalu Nishinohon Co., Ltd. (hereinafter, “Maxvalu Nishinohon”), a consolidated subsidiary of Aeon, and Aeon concluded a basic agreement regarding the management integration of Fuji and Maxvalu Nishinohon, with the merged company becoming a consolidated subsidiary of Aeon (hereinafter, the “Basic Agreement”). This Basic Agreement is not legally binding with regard to the management integration, and going forward, Aeon, Fuji and Maxvalu Nishinohon plan to conclude a separate, formal, legally-binding agreement following further discussions as well as subsequent resolutions by the companies’ board of directors along with other necessary procedures.

(1) Purpose of concluding the Basic Agreement

Following the capital and business alliance agreement announced in October 2018, Fuji, Maxvalu Nishinohon, and Aeon have each been working to realize their corporate philosophies and enhance corporate value with the aim of becoming the “leading business alliance in the Chugoku and Shikoku regions” and have been continually sharing information as well as sharing with one another their respective understanding and perception of issues and challenges. During this time, the three companies determined that further deepening the relationship between the companies would be necessary in order to respond to changes in the regional environment and increasingly intense competition, to continually help enrich customers’ lives, and to work more quickly on helping to resolve challenges with respect to industry, society, culture, and employment in the Chugoku and Shikoku regions. Based on this determination, the three companies agreed to conclude the Basic Agreement.

(2) Details of the Basic Agreement

1. Fuji and Maxvalu Nishinohon will merge by March 2024, and establish a new integrated company. The specific details of the merger will be disclosed once they are determined based on future discussions.

2. Before establishing the new integrated company discussed in 1., a company spin-off with Fuji as the spin-off company will be executed with an effective date of March 1, 2022. With this company spin-off, all businesses, excluding the functions necessary in order to convert Fuji into a holding company, will be transferred to the new company, and Fuji will become a joint holding company.

3. Fuji, after becoming a joint holding company through the company spin-off discussed in 2., will conduct a share exchange with Maxvalu Nishinohon, and become a holding company with the new spun off company (the Fuji operating company) and Maxvalu Nishinohon as its subsidiaries.

4. In conjunction with the transition to a holding company structure discussed in 3., Fuji will maintain its listing on the First Section of the Tokyo Stock Exchange as a joint holding company, and maintain its independence as a listed company that contributes to local communities in Chugoku and Shikoku. In addition, Fuji will maintain a fair and highly-transparent governance structure, and continue to promote the creation of a flexible and highly-innovative corporate culture. Maxvalu Nishinohon will be delisted.

5. Accompanying the transition to a holding company structure discussed in 3., Fuji will, as a joint holding company, become a consolidated subsidiary of Aeon.

6. Ahead of the establishment of the new company in March 2024, the three companies will swiftly create an integration preparation committee, and Fuji and Maxvalu Nishinohon will actively exchange human resources to deepen their understanding of one another's corporate culture and systems, and advance initiatives aimed at creating synergies to enhance profitability and reduce costs.

7. Going forward, Fuji and Maxvalu Nishinohon will faithfully discuss the share exchange ratio and other specific terms of the transition to a holding company structure based on the outcomes of mutual due diligence and corporate valuations. The detailed terms of the share exchange will be determined before the conclusion of the share exchange agreement, and will be disclosed once they are determined.

(3) Overview of Fuji (as of February 28, 2021)

Name	Fuji Co., Ltd.
Business description	Chain store business (retail sales of groceries, apparel, daily general merchandise, etc.)
Capital stock	19,407 million yen
Total assets (consolidated basis)	181,067 million yen
Operating revenue (consolidated basis)	315,383 million yen

(4) Schedule for the business integration

Fuji and Maxvalu Nishinohon, Board of Directors' resolutions	September 1, 2021
Conclusion of basic agreement	September 1, 2021
Fuji and Maxvalu Nishinohon, record date for Extraordinary General Meeting of Shareholders (scheduled)	late November 2021
Conclusion of company split and share exchange agreement (scheduled)	early December 2021
Fuji and Maxvalu Nishinohon, Extraordinary General Meeting of Shareholders (scheduled)	late January 2022
Holding company system commencement (scheduled)	March 1, 2022
Establishment of new company through merger of the Fuji joint holding company, the Fuji operating company, and Maxvalu Nishinohon (scheduled)	March 1, 2024