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Financial Results for the Fiscal Year ended February 28, 2022

April 8, 2022

Company name	**Aeon Co., Ltd.**
Listings	Tokyo Stock Exchange (Prime Market)
Security code	8267
URL	https://www.aeon.info/en/
Representative	Akio Yoshida, President
Contact	Hiroaki Egawa, Executive Officer, Finance and Business Management
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Scheduled dates:

Ordinary general meeting of shareholders	May 25, 2022
Commencement of dividend payments	May 2, 2022
Submission of statutory financial report	May 26, 2022

Supplementary materials to the financial results	Available
Fiscal year-end earnings results briefing	Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Fiscal Year ended February 28, 2022
(March 1, 2021 to February 28, 2022)

(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	%
Year ended February 28, 2022	8,715,957	1.3	174,312	15.8	167,068	20.4	6,504	-
Year ended February 28, 2021	8,603,910	(0.0)	150,586	(30.1)	138,801	(32.6)	(71,024)	-

Note: Comprehensive income: Year ended February 28, 2022: 92,570 million yen (-%)
Year ended February 28, 2021: -32,311 million yen (-%)

	Earnings per share	Earnings per share – fully diluted	Return on equity	Ordinary profit to total assets
	yen	yen	%	%
Year ended February 28, 2022	7.69	7.65	0.7	1.4
Year ended February 28, 2021	(84.06)	-	(7.0)	1.2

Reference: Equity in gains (losses) of equity-method affiliates:
Year ended February 28, 2022: 4,355 million yen
Year ended February 28, 2021: 3,977 million yen

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
February 28, 2022	11,633,083	1,812,423	8.2	1,130.76
[excl. Financial Services]	[5,726,743]	[1,414,885]	[14.9]	-
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: February 28, 2022: 957,431 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.

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended February 28, 2022	204,452	(343,854)	(2,207)	1,090,923
Year ended February 28, 2021	396,461	(341,814)	24,290	1,217,054

2. Dividends

Record date or period	Dividend per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended Feb. 28, 2021	-	18.00	-	18.00	36.00	30,601	-	3.0
Year ended Feb. 28, 2022	-	18.00	-	18.00	36.00	30,602	468.1	3.2
Year ending Feb. 28, 2023 (forecast)	-	18.00	-	18.00	36.00		101.6 to 121.9	

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2023
(March 1, 2022 to February 28, 2023)

(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
Six months ending Aug. 31, 2022	-	-	-	-	-	-	-	-	-
Full year	9,000,000	-	210,000 to 220,000	20.5 to 26.2	200,000 to 210,000	19.7 to 25.7	25,000 to 30,000	284.3 to 361.2	29.53 to 35.43

Notes: 1. As Aeon will apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the fiscal year ending February 28, 2023, the accounting standard, etc. have been applied to the figures in the abovementioned consolidated forecasts. For reference, without the application of the said standards, etc., the forecast for operating revenue would be 9,200,000 million yen (year-on-year change would be 5.6%).
2. 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) 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

(3) Number of shares issued (common stock)
1) Number of shares issued at end of period (treasury stock included):
February 28, 2022: 871,924,572 shares
February 28, 2021: 871,924,572 shares
2) Number of shares held in treasury at end of period:
February 28, 2022: 25,207,930 shares
February 28, 2021: 26,370,771 shares
3) Average number of shares outstanding during the period:
Year ended February 28, 2022: 846,082,188 shares
Year ended February 28, 2021: 844,964,447 shares
* For the number of shares serving as basis for calculation of earnings per share (consolidated), see "Per-Share Information" on page 35.

For Reference

1. Non-consolidated Financial Results for the Fiscal Year ended February 28, 2022
(March 1, 2021 to February 28, 2022)

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

	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended February 28, 2022	51,906	2.4	31,367	(5.2)	17,024	53.4	23,384	229.3
Year ended February 28, 2021	50,707	(14.4)	33,079	(17.3)	11,096	(50.1)	7,101	(74.6)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Year ended February 28, 2022	27.64	27.63
Year ended February 28, 2021	8.40	8.40

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
February 28, 2022	1,575,684	653,377	41.4	771.22
February 28, 2021	1,516,381	669,333	44.1	791.06

Reference: Total equity: February 28, 2022: 653,068 million yen February 28, 2021: 668,951 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

***Audit Status**
This report is not subject to audit by certified public accountant and 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) Outlook for the Fiscal Year ending February 28, 2023” on page 14.

Accompanying Materials

Contents

1. Review of Operating Results and Financial Statements
(1) Analysis of Operating Results

1) Summary of Operating Results
For the fiscal year ended February 28, 2022 (March 1, 2021 – February 28, 2022), Aeon Co., Ltd. (hereinafter "Aeon") posted increased revenue and profit compared to the previous fiscal year, with record-high consolidated operating revenue of 8,715,957 million yen (up 1.3% year on year). Operating profit was 174,312 million yen (up 15.8%), ordinary profit was 167,068 million yen (up 20.4%), and profit attributable to owners of parent was 6,504 million yen (a profit increase of 77,529 million yen), marking a significant improvement in profit and a return to profitability.

By business segment, the Shopping Center Development Business and Services and Specialty Store Business (which had to temporarily suspend business at many locations in the previous fiscal year in Japan and overseas in conjunction with the first wave of infections from the COVID-19 pandemic), and the Health and Wellness Business (which increased the number of drugstores able to process prescriptions and proactively opened new stores), each posted increased revenue and profit. Both the Supermarket Business and the Discount Store Business captured ongoing heightened levels of dine-in demand and saw an increase in both revenue and profit compared to the fiscal year ended February 2020, prior to the COVID-19 pandemic. The Financial Services Business posted an increase in profit due to enhanced convenience and improved productivity resulting from efforts to make screening more precise, bolster credit collection, and pursue further digitalization, while the GMS (General Merchandising Store) Business saw an improvement in profitability due to a number of initiatives, including responding to the ongoing heightened levels of dine-in demand, expanding and enhancing the online supermarket business, and improving the gross profit margin by utilizing AI tools and reducing inventories.

Profit attributable to owners of parent improved significantly due to the increase in profit at the ordinary profit stage as well as a decline in impairment losses, and a decline in losses resulting from measures implemented in response to the COVID-19 pandemic.

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 in response to the new era, create "AEON Living Zones", and further accelerate the shift to Asian markets), and is accelerating environmental initiatives, an area which is rapidly growing in importance. In addition to reforming existing business models and establishing new growth models, 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.

- In September, amid continued price increases on many daily necessities and added strain on household budgets, in order to support customers' lifestyles Aeon declared that it would not raise the prices of Topvalu food products (excluding fresh foods, rice, ready-to-eat foods, alcohol, gift products, special event products, and certain other products with altered specifications). In December Aeon added Topvalu everyday goods to the scope of this price freeze, bringing the total number of products covered by the freeze to approximately 5,000 items. This price freeze declaration was based on Aeon's social mission to provide the products and services that customers need at reasonable prices and to contribute to the enrichment of customers' lifestyles by reducing logistics expenses and enhancing efforts to provide better value as a "purchasing agent" for customers, a longstanding Aeon tradition. From the time of the price freeze declaration until the end of the fiscal year, sales of major Topvalu products such as canola oil and mayonnaise increased more than 40% compared to the year-earlier period. Amid the growing strain on household budgets caused by further price hikes on daily necessities, in March 2022 Aeon announced that it would extend the price freeze until the end of June. This will be achieved through corporate efforts including expanding sales volumes and using an original approach to logistics streamlining.

- In September, in order to establish a more customer-friendly and convenient Aeon points system and to establish a common Group-wide digital platform, Aeon converted all Tokimeki Points earned through payments made with Aeon Card credit cards from September 11, 2021 onward into WAON Points. With this change in the point system, Aeon's points were unified as WAON Points. Customers now earn WAON Points when using their Aeon Card, and points earned can be used for shopping in one point increments. This makes it easier for customers to earn points, and makes Aeon's point system easier to understand and more convenient than ever before. Also in September, the Group launched services through a comprehensive Aeon app called "iAEON", which will be 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 can earn, use, and exchange WAON Points and check their points balances, make payments using mobile WAON and the QR code/barcode-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 2019, Aeon concluded an exclusive partnership agreement with Ocado Solutions, a subsidiary of Ocado Group plc, an online supermarket company in the U.K. Through this subsidiary, Aeon is in the process of constructing, in Chiba City, the first customer fulfillment center in Japan to employ cutting-edge AI and robotics, and plans to start a next-generation online supermarket business based on this center in 2023. In December, Aeon announced that it would develop an additional customer fulfillment center connected to a store that Aeon Mall Co., Ltd. is planning to open at a commercial complex in Hachioji City, Tokyo.

- In September, Fuji Co., Ltd. (hereinafter, "Fuji"), Maxvalu Nishinihon Co., Ltd. (hereinafter "Maxvalu Nishinihon") and Aeon, concluded a basic agreement on a merger of Fuji and Maxvalu Nishinihon in March 2024, with the objective of evolving the new company into one that is capable of playing a part in regional co-creation. In March 2022, ahead of the merger, Fuji became the joint holding company and implemented a management integration whereby Maxvalu Nishinihon, and Fuji Retailing Co., Ltd. (which inherited the business divisions of Fuji), came under the joint holding company's umbrella, while the joint holding company became a consolidated subsidiary of Aeon. The Group will work as one to further enhance its dominance in the Chugoku and Shikoku area, respond to the changes in the regional environment and the intensification of competition, as well as accelerate efforts to help enrich the lives of customers and provide solutions to societal issues in local communities. The new company will establish a fair and highly-transparent governance system and foster a flexible and innovative corporate culture, as well as aim to reduce costs and create new business models by optimizing product offerings and logistics and processing centers along with utilizing digital technologies.

- In October, Aeon announced that it would acquire Can Do Co., Ltd.'s common shares in a tender offer bid in line with the Financial Instruments and Exchange Act, with the aim of turning Can Do Co., Ltd. (hereinafter "Can Do") into a consolidated subsidiary. Can Do became a consolidated subsidiary of Aeon on January 5, 2022. Can Do stores provide daily necessities and the company has received strong support from customers based on its low prices, high quality, and strong product design capabilities. A variety of initiatives are possible for Aeon's existing businesses, including offering Can Do's merchandise, and store openings in a variety of formats, from small to large stores. When considering the further evolution of business formats for physical stores, the 100-yen shop format is highly compatible and suitable for integration with existing formats, and Aeon expects to be able to create synergies and achieve considerable business expansion and competitive differentiation through adding Can Do sections to stores. Going forward, the two companies will share business and management know-how to achieve efficient business operations and bolster business models.

2) Business Segment Information

Results by segment are as follows.

In the first quarter and third quarter of the fiscal year, Aeon revised the business segments presented as reportable segments. Comparisons and analysis for the fiscal year under review are based on the revised segments.

GMS Business

The GMS Business posted an operating loss of 2,321 million yen (an improvement of 8,794 million yen year on year) on operating revenue of 3,300,450 million yen (down 1.8% year on year) during the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") worked to boost sales of Topvalu products, for which a price freeze was implemented in response to increasingly cautious customer spending amid the growing strain on household finances due to the spate of price increases on daily necessities. Aeon Retail also strengthened its initiatives to capture the ongoing heightened levels of dine-in demand.

Aeon Retail positioned the fiscal year under review as the last fiscal year of its revival period, and both advanced structural reforms and worked to build a foundation for growth. In terms of structural reforms, Aeon Retail worked to improve the precision of their control of the merchandising cycle, and were able to significantly improve same-store inventory volume and turnover at the end of the fiscal year compared to the end of the previous fiscal year. In the delicatessen category, Aeon Retail deployed 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 also revised the product lineup, and these efforts helped to significantly reduce loss on price reductions in the delicatessen category from the previous fiscal year, and this contributed to the improvement in the gross profit margin in the food category. Also, the company expanded the roll-out of self-scan and self-checkout systems, resulting in improvements in both convenience and labor-hour productivity, while the company also worked to improve the efficiency of backroom operations through a switch to robotic process automation.

In terms of building a foundation for growth, Aeon Retail expanded brands such as Sporsium, Esseme, and SELF+SERVICE in high-growth-potential fields in apparel, including sports, casual, and ethical, while in the food category the company worked to differentiate its delicatessen products, and expand the sales floor areas focused on frozen foods, which have a high growth rate. In the non-food category, the company significantly bolstered its lineup of bedding, dining, and furniture items in response to demand for comfortable indoor living. In the online supermarket business, in addition to strengthening the lineup of fresh foods and delicatessen items, Aeon Retail made efforts to increase the level of convenience, including expanding morning deliveries and increasing the number of delivery timeslots, as well as beginning to accept advance delivery orders, which allows customers to schedule deliveries up to 10 days in advance. These efforts resulted in online supermarket sales growing approximately 20% year on year.

Aeon Kyushu Co., Ltd. (hereinafter, “Aeon Kyushu”) advanced the initiatives of strengthening the food category, specialization in the non-food category, and promoting digital transformation, each of which are outlined in the company’s medium-term management plan. With respect to strengthening the food category, as a fine food campaign with a focus on local ingredients, Aeon Kyushu began selling ready-to-eat food items made using ingredients from each prefecture that are the pride of those areas, and otherwise worked with producers to support local production for local consumption, and same-store sales in the food category increased 0.8% compared with the previous year. In terms of promoting digital transformation, Aeon Kyushu revamped its online store “Aeon Kyushu Online,” optimizing the site for smartphone users. In addition, in response to the increasing demand for enjoying delicious food products from various regions at home, Aeon Kyushu expanded a service in which produce from various regions of Kyushu is delivered to customers throughout Japan. As a result, sales on the site expanded significantly, increasing by 42.2% versus the previous fiscal year. Additionally, the total cumulative number of downloads of the Aeon Kyushu app exceeded 780,000 downloads as of the end of February 2022. Going forward, efforts will be made to link this app with “iAEON” and make it more user-friendly and convenient.

Supermarket Business / Discount Store Business

The Supermarket Business posted operating profit of 30,539 million yen (down 26.7% year on year) on operating revenue of 2,520,678 million yen (down 1.1% year on year). The Discount Store Business posted operating profit of 2,759 million yen (down 38.6% year on year) on operating revenue of 388,111 million yen (down 2.3% year on year).

During the fiscal year under review, United Super Markets Holdings Group (hereinafter “U.S.M. Holdings”) worked on cost reforms, format reforms, and workstyle reforms, centered on digitalization reforms outlined in its medium-term management plan, and made progress on initiatives to respond to changes in consumer needs, which have rapidly diversified due to the COVID-19 pandemic. In terms of digitalization initiatives, U.S.M. Holdings added features such as online delivery (home delivery of food, online shopping) to Scan & Go Ignica, the smartphone payment service developed by the company, and focused on making it a multi-channel service through an app that facilitates shopping experiences in a variety of settings. The number of stores using Scan & Go Ignica increased to more than 500 stores during the fiscal year under review. In addition to making the service available at stores of Maruetsu, Inc., Kasumi Co., Ltd., and Maxvalu Kanto Co., Ltd., which are under the company’s umbrella, the company also began rolling out the service for companies that are not in the company’s group. In terms of product initiatives, with the goal of building its own supply chain that is not impacted by climate change or natural disasters, through a partnership with PLANTX Corp., which possesses expertise related to plant factories, the company built a production-retail model that spans the entire process from cultivating vegetables through to sales, and launched sales at certain stores.

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) undertook initiatives in response to increasingly cautious spending among consumers resulting from a firmly-rooted desire among people to economize as well as repeated product price hikes. Such initiatives included offering a larger lineup of small-volume single-serve/single-use products, distributing discount coupons via Maxvalu Tokai’s app, and strengthening the offering of Topvalu products for which a price freeze was declared. Maxvalu Tokai also worked on activities rooted in local communities, including expanding the range of local products that are cherished by local residents, continuing to develop products that use ingredients from the local area, as well as developing healthy ready-to-eat foods and boxed meals in collaboration with local governments and students. Additionally, Maxvalu Tokai introduced cashless self-checkout registers at 70 stores, including at refurbished and new stores, thereby improving operational efficiency at stores. Also, in order to respond to the diversification in purchasing activity due to the COVID-19 pandemic, Maxvalu Tokai opened three online supermarket centers during the fiscal year under review (bringing the total number of online supermarket centers to 23). Moreover, the company made progress on preparing to launch an unmanned store called Max Mart and a mobile sales truck business in order to develop new sales methods and expand sales channels. Max Mart has been operating since March 2022 in office buildings of companies in Shizuoka Prefecture, while the mobile sales truck business started operating from April 2022 in Tenryu Ward, Hamamatsu City, Shizuoka Prefecture, and the company will aim to further expand the rollout of these businesses going forward.

My Basket Co., Ltd., which operates small food supermarkets primarily in Tokyo and Kanagawa Prefectures, opened a new store in Ota Ward, Tokyo, in January 2022, thereby establishing a network of 1,000 stores. Since its founding in 2005, the company’s mission has been to provide quality foods at low prices every day to people living in urban areas. Based on this mission, and in order to realize the concept of “nearby, inexpensive, clean, and friendly,” the company has streamlined logistics, refined store operations, and continually offered the products and services that customers are looking for at affordable prices. Now, after approximately 16 years, the company has reached the significant milestone of opening its 1,000th store.

To further establish and grow the discount store business, Aeon is reorganizing 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 creating a new growth strategy. In June, Aeon Big Co., Ltd. merged with Maxvalu Nagano Co., Ltd., thereby further reorganizing and strengthening the discount store business.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 41,909 million yen (up 0.9% year on year) on operating revenue of 1,031,020 million yen (up 7.8%) during the fiscal year.

At Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, in the fiscal year under review, sales of prescription drugs increased significantly by 14.4% year on year due to the continued increase in the number of prescriptions handled as a result of the increase in the number of stores dispensing prescription drugs (1,844 stores as of February 28, 2022). Sales of goods (cosmetics, houseware, food products, medicines, hygiene products, baby goods, health products, and other categories) also increased year on year as a result of the growth strategies including new store openings as well as adding local drugstore companies to the Group. As initiatives to improve productivity, Welcia Holdings optimized expenses, centered on personnel expenses, through efforts including increasing the operating efficiency of stores by promoting measures including thorough management to optimize store labor-hours and automating ordering, as well as by optimizing the assignment of pharmacists. In terms of reorganization within the company group, 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. Welcia Aeon Town Makuharinishi (Chiba Prefecture), which opened in October, introduced the latest types of devices and equipment to enhance operational efficiency and to provide more convenience to patients. Such efforts included deploying a prescription dispensing robot in line with the concept of offering new types of customer experiences, as well as introducing lockers for people to use to pick up their prescriptions. Additionally, as a part of its growth strategy, Welcia Holdings made Pupule Himawari (which operates 132 stores mostly in Hiroshima Prefecture) a subsidiary, effective December 1, 2021. Also, during the fiscal year under review, Welcia Group opened 144 new stores, and as of February 28, 2022, the number of group stores was 2,468.

Financial Services Business

The Financial Services Business posted operating profit of 61,791 million yen (up 44.9% year on year) on operating revenue of 472,549 million yen (down 3.1%) for the fiscal year.

Both in Japan and overseas, Aeon Financial Service Co., Ltd. promoted investments targeting medium- to long-term growth, including investments to enhance online services, create new businesses, build "AEON Living Zones" leveraging the common Group-wide points system, and launch QR code-based payments and the life insurance business in Japan. The company also continued its efforts from the previous fiscal year to make screening more precise, strengthen the collection framework, and curb selling, general and administrative expenses through digitalization.

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 balance of residential mortgages compared to the start of the fiscal year 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 active cardholders in Japan reached the 30 million mark (30,090,000; an increase of 640,000 compared to the start of the fiscal year), as a result of the implementation of online-only new card sign-up and usage campaigns, as well as strengthening the promotion of increased convenience due to the change in the point system. In September, the Group introduced the QR code-based payment function "AEON Pay" to "iAEON," while in October the Group launched an Apple Pay service for the "WAON" e-money system as the Group further promoted the shift to cashless payments. Regarding credit card shopping, transaction volume in the full fiscal year exceeded the level prior to the COVID-19 pandemic, and set a new record for a full fiscal year. This was due to the gradual recovery in usage in business formats impacted by COVID-19, as well as the implementation of largescale sales promotion measures with the Group, such as Aeon Pay usage promotion campaigns and a bonus point campaign held in conjunction with the Black Friday sales event.

In November, Aeon Allianz Life Insurance Co., Ltd. responded to customer needs relating to pre-symptomatic disease, disease prevention, and health promotion, by launching sales of "Genki Passport," a whole-life medical insurance product. At the same time, the company launched the "Wellness Palette" app. With this app, users can engage in health-promoting activities that can be exchanged for health-related products and coupons from the Aeon Group. This is part of the Group's cross-selling efforts to leverage the strengths of Aeon Group's sales channels, products, and data to provide new value to customers.

In Thailand, card shopping transaction volume recovered, increasing 1.5% year on year in the fiscal year under review. This was due to the implementation of sales promotions with partners including e-commerce sites and food delivery providers. Also, personal loan transaction volume increased significantly by 10.1% year on year due to measures including raising credit limits for blue-chip cardholders with comparatively high income levels and solid repayment track records, and using a new scheme to offer loans to people who it was previously difficult to lend to using the conventional screening method.

In Malaysia, the company bolstered its non-face-to-face services, including switching to online screening for installment sales as well as online loan screening applications. The company also promoted online use of credit cards. For motorbike loans, transaction volume of installment sales in the Malay region increased year on year due to the implementation of initiatives such as tie-up campaigns with manufacturers along with sales promotions for large motorbikes accompanying the increase in travel-related demand following the relaxation of restrictions on activities. Also, doubtful account-related costs declined as the company continued to boost the quality of its operating receivables, thanks to efforts including increasing the precision of screening standards, consolidating the collection framework, and enhancing the efficiency of delinquent receivables collection through outsourcing.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 38,870 million yen (up 8.8% year on year) on operating revenue of 366,743 million yen (up 12.1%) for the fiscal year.

Aeon Mall Co., Ltd., (hereinafter “Aeon Mall”) is aiming to establish its position as a cornerstone of the local infrastructure in local communities by continuing to provide solutions to issues facing local communities and wider society. It will do this by achieving profit growth in overseas businesses and accelerating new mall openings, maximizing the attractiveness of brick-and-mortar malls through the creation of customer experiences, building next-generation malls and pursuing the urban shopping center business, advancing digital transformation, and promoting medium-term strategies and accelerating reforms based on ESG perspectives.

In Japan, Aeon Mall opened four new malls and both expanded and refurbished one mall during the fiscal year under review. In June, the existing Aeon Mall Kawaguchi (Saitama Prefecture) reopened after being reconstructed. The mall has been recreated as a state-of-the-art mall that combines both real-world and digital elements to meet the needs of the new normal social environment. In addition to featuring one of the largest gourmet zones in the area, the mall has also introduced a mobile ordering service and food delivery service available via the Aeon Mall app. At Aeon Mall Nagoya Noritake Garden (Aichi Prefecture), which opened in October, as customer demand for open and comfortable outdoor zones increases, all sections of the food area from the first to the third floors have a view of greenery in the mall environs, and outdoor and terrace seating is also provided, thus creating restful spaces where customers can enjoy the natural environment and the changing seasons. Also, along with a large health clinic equipped with the latest medical equipment, stores with various functions were brought together under the theme of health to create a health and wellness zone. With this, Aeon Mall is proposing healthy living habits to customers, as well as office workers working nearby, thereby motivating them to visit the mall.

In Aeon Mall’s China business, amid ongoing restrictions on overseas travel and the rise in demand within China, Aeon Mall developed specialty stores and facilities in response to customers’ rapidly changing lifestyles. With these efforts, in the fiscal year under review, specialty store sales at existing malls increased 32.0% year on year (sales for 21 malls), and increased 5.3% compared to the fiscal year ended February 2020 (sales for 19 malls). With regard to new mall openings, in May Aeon Mall opened AEON Mall Guangzhou Xintang (Guangdong Province), bringing the total number of malls at the end of February 2022 to 22. As a result of these efforts, Aeon Mall’s China business achieved an increase in both sales and profit compared to the year-earlier period as well as compared to the fiscal year ended February 2020, which was not impacted by the COVID-19 pandemic.

In the ASEAN business, business was impacted by the COVID-19 pandemic in each country where Aeon Mall operates, but the total number of malls increased to 11 as of the end of February 2022. In Vietnam, the most important country for new mall openings for the ASEAN business, Aeon Mall strengthened partnerships with regional governments as part of Aeon Mall's efforts to secure sites for new malls going forward. Through the end of November, Aeon Mall had concluded comprehensive memorandums of understanding concerning investment and business promotion related to shopping mall development with four provinces in the country. As part of a future growth strategy to run parallel to the mall business strategy, the company is developing Cambodia's first multifunctional logistics center business, which will serve as a platform for overseas logistics. AEON MALL (Cambodia) Logi Plus Co., Ltd. was newly established to develop this business.

In November, Aeon Mall issued its first sustainability-linked bonds (20 billion yen) aimed at helping to solve societal issues and promoting eco-friendly activities. As a sustainability finance initiative targeting the decarbonization of society, the terms and conditions of the bonds will change depending on whether or not pre-determined sustainability targets are achieved. Going forward, Aeon Mall will further enhance its ESG-related initiatives aimed at achieving these targets.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating loss of 2,730 million yen (an improvement of 14,949 million yen year on year) on operating revenue of 703,447 million yen (up 9.6% year on year) for the fiscal year.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") advanced initiatives in accordance with the three basic policies included in the medium-term management plan, which are customer-oriented management, promotion of digital transformation, and group management, while implementing measures to combat the spread of COVID-19, as a facilities management company that ensures the safety and reliability of facilities. With respect to customer-oriented management, the company assigned account managers to be responsible for overall business with each customer, thereby strengthening account-based sales. In addition to raising the level of customer satisfaction by having account managers provide close attention to customers, the company worked to gain a deeper understanding of customers and to accurately and quickly grasp the issues each customer is facing as well as the developments in the industry. In terms of promotion of digital transformation, while responding to the shortage of workers, Aeon Delight rolled out its new "area management" facility management model in order to efficiently provide services utilizing their expertise in facility management. Through labor-saving measures in facilities management operations utilizing remote support and various systems and sensors, the company made progress on the transition from the conventional system under which staff work at and manage an individual facility to a system under which staff to efficiently manage multiple facilities in a certain area by making rounds of that area. In terms of the company's group management, 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.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") promoted its four main measures of developing and expanding play areas; portfolio management-based management; full digitalization; and personnel, organizational, and culture reforms supporting growth. In the domestic business, in the prize category the company undertook focused efforts to sell prizes including Aeon Fantasy's original prizes and limited edition items based on collaboration with food manufacturers, and also implemented sales promotion campaigns, including Twitter campaigns, to better attract customers. In the medal category, the company made efforts to secure sales, including holding the "medal 10,000 yen, 10,000 tickets" event for the first time in a year. Molly Fantasy Musashimurayama Store (Tokyo), which was completely renovated in December, was positioned as a model store for the revitalization of existing stores going forward. As a part of this, a number of new initiatives were incorporated in order to set this store apart from its competitors. These efforts included tripling the area of the children's play area and introducing large digital signage that is 20 meters wide. In the online crane-type machine game business, in addition to strong sales from "Molly Online," in November the company newly released "Molly Online Scratch" and sales from this game were strong. In Aeon Fantasy's China business, the company proactively secured temporary use zones in shopping centers, including in vacant spaces, with the aim of earning new revenue increases. In addition, with the goal of increasing both the number of customers and revenue, the company proactively held parades in shopping centers and held fee-based events utilizing center courts, and also worked to strengthen the edutainment function of the member's app to attract new members.

International Business

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

The International Business posted operating profit of 5,592 million yen (down 7.8% year on year) on operating revenue of 412,232 million yen (down 0.5% year on year) for the year.

At Aeon Co. (M) Bhd. (hereinafter "Aeon Malaysia"), resurgences of COVID-19 had an impact on operations, including closures of apparel as well as household and recreational product sales floors for 119 days in conjunction with stringent restrictions put in place by the government of Malaysia. Amid this situation, Aeon Malaysia bolstered its response 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. Also, as a part of bolstering online business, in August the company launched an online supermarket utilizing BOXED's e-commerce platform, which offers functional screen design and personalized functions, along with other features.

Aeon Vietnam Co., Ltd. (hereinafter "Aeon Vietnam") was impacted by lockdowns over a period of several months, and even after the easing of infection prevention measures in October consumer sentiment failed to rebound, resulting in impacts on sales, particularly sales of apparel, household, and recreational products. Meanwhile, for food, the company worked on mobile sales as well as order sales and other measures for customers unable to visit stores amid the COVID-19 pandemic. In November, the company reopened their first Aeon Vietnam store following a refurbishment, while the company opened two supermarkets in November and three supermarkets in January in order to accelerate the expansion of the Supermarket business, which is positioned as the second pillar of the company after the GMS business.

In China, with increases in COVID-19 infections, the government strengthened its activity restrictions in order to contain outbreaks. In conjunction with this, there were impacts from temporary store closures in the Guangdong and South China areas, as well as impacts from the contraction in eating-in demand accompanying the easing of restrictions on bars and restaurants in Hong Kong. Meanwhile, at Aeon (Hubei) Co., Ltd., which operates in Wuhan, the location of the first outbreak of COVID-19, sales in the fiscal year under review recovered to approximately 20% above the level of the previous year. In the online supermarket business in China, sales in the fourth quarter grew roughly 70% year on year due to sales promotions focused on categories for which online sales demand is high, as well as efforts to bolster a service in which items purchased online are delivered within one hour of the order being received. With this, online supermarket sales increased to approximately 12% of total food sales in China.

3) Implementation of Corporate Governance During the Period

Aeon is reforming its corporate governance on an ongoing basis as a way to support the foundation upon which to continually increase corporate value. In 2003, Aeon transitioned to a "company with committees" structure (currently the "company with a nomination committee and other committees" structure), which segregates the management oversight functions of the Board of Directors and business execution functions. A majority of Aeon's directors are outside directors, and the Nomination Committee, Compensation Committee, and Audit Committee are each chaired by outside directors, thereby further enhancing management transparency and fairness. In 2016, Aeon established the Basic Policy on Corporate Governance, which stipulates the Group's basic stances on corporate management and corporate governance, and this Basic Policy on Corporate Governance constitutes a set of guidelines for corporate activities.

With the aim of achieving sustainable growth and increasing corporate value, the Board of Directors holds vigorous discussions based on a long-term perspective. In fiscal 2021, the Board of Directors repeatedly held discussions, centered on the status of progress on various measures such as the five reforms set forth in the medium-term management spanning until fiscal 2025 as well as management issues. Furthermore, as a complement to the Board of Directors, the board held meetings to ask outside directors their opinions on business projects and deals that could significantly impact the Group, and otherwise shared information and held discussions in a timely manner. In addition, debates were held among independent outside directors themselves, and there were frank exchanges of opinions concerning Group governance and increasing the effectiveness of the Board of Directors. Individual meetings were also held between the independent outside directors and the three directors with the aim of enhancing the corporate value of the overall Group. These meetings saw lively discussions about medium- to long-term issues and measures to address these issues took place based on the rich experience, wide-ranging insight, and expertise that the independent outside directors possess. Aeon will continue to strive to further strengthen corporate governance going forward.

Status of Implementation of the Board of Directors and Each Committee

(* Denotes outside director)

	Meetings Held	Members	Main Functions
Board of Directors	7	Chairperson: Motoya Okada Akio Yoshida, Akinori Yamashita, *Takashi Tsukamoto, *Kotaro Ohno, *Peter Child, *Carrie Yu	- Oversee the work performance of the directors and executive officers. - Make decisions on matters stipulated under Article 416 of the Companies Act as well as matters that cannot be entrusted to the executive officers.
Audit Committee	9	Chairperson: *Kotaro Ohno *Takashi Tsukamoto, *Carrie Yu	- Audit the work performance of the directors and executive officers. - Decide the content of proposals to nominate, dismiss, or forgo the reappointment of the accounting auditor, which are submitted to the General Meeting of Shareholders.
Nomination Committee	3	Chairperson: *Kotaro Ohno *Peter Child, Motoya Okada	- Decide the content of proposals for the nomination or dismissal of directors, which are submitted to the General Meeting of Shareholders.
Compensation Committee	3	Chairperson: *Takashi Tsukamoto *Peter Child, Motoya Okada	- Decide individual compensation, etc. received by directors and executive officers.

4) Fulfillment of Corporate Social Responsibility During the Fiscal Year

In order to fulfill its social responsibility as a corporate citizen and continuously increase its corporate value, Aeon promotes sustainable management that balances the realization of a sustainable society and the Group's growth. Based on the Aeon Sustainability Principle, Aeon is advancing a variety of initiatives centered on the three themes of the environment, health and people, and communities, and also positioned sustainability as a central issue for business in the new medium-term management plan, and as a core part of the growth strategy. Also, the Aeon 1% Club Foundation works to nurture the next generation and promote friendship and goodwill programs with other countries, while the Aeon Environmental Foundation engages in tree-planting activities and supports environmental conservation activities. All of the above initiatives are part of Aeon's wide-ranging environmental and social contribution activities.

Aeon Sustainability Principle
Aeon aims to realize a sustainable society and ensure Group growth based on our basic principle of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." In conducting activities, we will think globally and advance activities locally from both environmental and social viewpoints in actively pursuing sustainability with many different stakeholders.

Toward Realization of a Sustainable Society

・ Decarbonization of society

Based on its belief that reducing energy use in business activities contributes to the mitigation of global warming, since 2008 Aeon has established detailed numerical targets, and is working to reduce CO_2 emissions. Under the Aeon Decarbonization Vision established in 2018, Aeon aims to reduce the net amount of CO_2 emitted by stores to zero, with focus on the three perspectives of "stores", "products and logistics", and "working together with customers". In order to achieve this target ahead of schedule, Aeon has established a new target of switching to renewable energy for 50% of the electricity used by stores in Japan by fiscal 2030. Aeon also aims to switch to 100% renewable energy at all Aeon Malls in Japan by 2025.

・ Reducing the use of disposable plastics

Based on the Aeon Plastic Usage Policy, Aeon is aiming to facilitate new lifestyles that are carbon-free and in people are careful to recycle resources. Aeon is working on the sustainable use of plastics based on the three main pillars of reducing the use of disposable plastics, switching from fossil fuel-derived plastics to eco-friendly materials, and building a store-based resource-recycling model.

As a new initiative, since May 2021, Aeon stores in the Kanto region have been participating in Loop, a product provision system that allows containers of daily consumables and food to be used repeatedly, instead of being thrown away as before. These products are on sale at a total of 58 stores (as of February 28, 2022).

Also, from March 2022, Aeon began selling four Topvalu Green Eye Organic-brand tea beverage products in PET plastic bottles made entirely from recycled plastic from used PET bottles collected at Aeon stores.

・ Support related to COVID-19

a. Supporting children who will be tomorrow's leaders

To support the livelihoods of children and households raising children who have been forced to bear a particularly heavy burden due to the COVID-19 pandemic, in December 2020 Aeon launched the AEON Children's Cafeteria Support Group. As a part of this project, in the summer and winter of fiscal 2021, Aeon raised funds by holding a nationwide Children's Cafeteria support fundraiser at all Aeon Group stores and business sites nationwide, and donated a total of approximately 64.44 million yen to the National Children's Cafeteria Support Center Musubie, a non-profit organization.

Through these activities, including educational activities utilizing space in stores, Aeon will continue working to build local communities in which people support one another and are connected by the bonds of mutual assistance.

b. Support for healthcare workers
From April 29 through June 30, based on the desire to support healthcare workers battling the COVID-19 pandemic, the Group held out a COVID-19 healthcare workers support fundraiser at stores and business sites in regions where states of emergency had been declared and where priority measures to prevent the spread of the virus were being implemented. The Group donated a total of approximately 75.05 million yen (the total of approximately 37.52 million yen donated by customers and a matching contribution of the same amount through the AEON 1% Club Foundation) to 22 prefectural governments and six municipal governments. The entire Group will continue to work as one on measures to prevent the spread of infection to help bring the COVID-19 pandemic to an end as soon as possible and restore peace of mind to local community members.

(2) Analysis of Financial Condition
Consolidated Assets, Liabilities, Net Assets, and Cash Flows (millions of yen)

	Fiscal year to end-February,			
	2022	2021	2020	2019
Total assets	11,633,083	11,481,268	11,062,685	10,045,380
Interest-bearing debt	3,290,957	3,145,713	3,006,690	2,552,589
Breakdown:				
Interest-bearing debt of financial subsidiaries	1,087,852	1,043,469	1,064,956	905,802
Interest-bearing debt excluding that of financial subsidiaries	2,203,105	2,102,243	1,941,734	1,646,787
Net assets	1,812,423	1,755,776	1,849,278	1,875,364
Cash and cash equivalents, end of period	1,090,923	1,217,054	1,141,171	814,479
Cash flows from operating activities	204,452	396,461	624,660	469,874
Cash flows from investing activities	(343,854)	(341,814)	(341,492)	(662,416)
Cash flows from financing activities	(2,207)	24,290	51,164	143,792

Consolidated Assets, Liabilities, and Net Assets
Consolidated assets as of February 28, 2022 were 11,633,083 million yen, an increase of 151,815 million yen, or 1.3%, from the end of the previous fiscal year (February 28, 2021). The increase is mainly attributable to increases of 52,369 million yen in notes and accounts receivable-trade, 12,241 million yen in inventories, 13,289 million yen in operating loans receivable, 89,132 million yen in loans and bills discounted for banking business, 67,972 million yen in property, plant and equipment, and 12,708 million yen in software, despite a 115,300 million yen decline in cash and deposits, among other factors.

Consolidated liabilities as of February 28, 2022 were 9,820,660 million yen, an increase of 95,168 million yen, or 1.0%, from February 28, 2021. The increase is mainly attributable to increases of 163,356 million yen in deposits for banking business and 13,363 million yen in short-term loans payable, which offset a decline of 96,892 million yen in notes and accounts payable-trade, among other factors.

Consolidated net assets as of February 28, 2022 were 1,812,423 million yen, an increase of 56,646 million yen, or 3.2%, from February 28, 2021.

Consolidated Cash Flows
Cash and cash equivalents
The balance of cash and cash equivalents as of February 28, 2022 was 1,090,923 million yen, a decrease of 126,131 million yen, or 10.4%, from February 28, 2021.

Cash flows from operating activities
Net cash provided by operating activities was 204,452 million yen, a decrease in cash provided of 192,008 million yen, or 48.4% year on year. The decrease in cash provided is mainly attributable to the decline in cash provided due to the 119,960 million yen decrease in notes and accounts payable -trade and a 96,639 million yen decline in other assets/liabilities, which offset the increase in cash provided due to a 179,238 million yen decline in loans and bills discounted for banking business.

Cash flows from investing activities
Net cash used in investing activities was 343,854 million yen, an increase in net cash used of 2,039 million yen, or 0.6%, mainly reflecting a 64,180 million yen decline in the acquisition of securities for banking business, which was offset by a 51,266 million yen increase in purchase of non-current assets and a 40,439 million yen decline in proceeds from sales and redemption of securities in banking business.

Cash flows from financing activities
Net cash used in financing activities was 2,207 million yen, a decrease in cash provided of 26,498 million yen year on year. The decrease in cash provided is mainly due to a decrease of 48,951 million yen in proceeds from long-term loans payable and a 34,784 million yen increase in repayments of corporate bonds, which offset an increase in cash provided due to a 29,749 million yen increase in short-term bank loans and commercial papers.

(3) Outlook for the Fiscal Year Ending February 28, 2023

Consolidated Operating Results Forecast (millions of yen)

	Fiscal year ending February 28, 2023	Fiscal year ended February 28, 2022 (actual results)
Operating revenue	9,000,000	8,715,957
Operating profit	210,000 – 220,000	174,312
Ordinary profit	200,000 – 210,000	167,068
Profit attributable to owners of parent	25,000 – 30,000	6,504

(Note) Aeon will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the fiscal year ending February 28, 2023. As a result, operating revenue in the above consolidated operating results forecast is the amount after applying this accounting standard. Had this accounting standard not been applied, the forecast operating revenue would have been 9,200,000 million yen.

For operating results in the fiscal year ending February 28, 2023, Aeon will work to improve profitability by soundly executing the five growth strategies set forth in the Aeon Group Medium-term Management Plan (FY2021 – FY2025) (accelerate and evolve the shift to digital, create unique value with a supply chain-focused outlook, evolve health and wellness in response to the new era, create “AEON Living Zones”, and further accelerate the shift to Asian markets), and is aiming for record-high operating revenue and a recovery in operating profit back to the level of the fiscal year ended February 29, 2020, prior to the COVID-19 pandemic. Aeon is setting forecast ranges for operating profit and lower profit lines, taking into consideration the rapidly increasing uncertainty in the environment, including the unstable international situation and the associated issues with the supply of resources and raw materials, along with cost increases.

Please refer to Aeon’s website for an overview of Aeon’s Medium-term Management Plan: https://www.aeon.info/en/ir/policy/strategy/ (Medium-term Management Plan, sustainable management initiatives).

(4) Dividend Policy and Dividends for the Fiscal Year ended February 28, 2022 and the Fiscal Year ending February 28, 2023

1) Basic Medium- to Long-Term Policy
Aeon considers maintaining an optimal balance between providing shareholder returns and improving corporate value through medium- to long-term growth a key management priority, and will continue to set a dividend policy that takes consolidated operating results into consideration.

(Dividends)
Aeon has set a target of a consolidated dividend payout ratio of 30% while maintaining its annual dividend payment at or above the prior-year level and will strive for further earnings growth and shareholder returns.

(Primary uses of internal reserves)
Aeon will utilize internal reserves as funds for growth investments essential for future business development and meet shareholder expectations through corporate value enhancement achieved from medium- to long-term growth.

2) Dividends for the Fiscal Year Ended February 28, 2022 and Starting Date for Dividend Payments
By resolution of the Board of Directors at a meeting held on April 8, 2022, the year-end dividend payment from retained earnings for the fiscal year ended February 28, 2022 will be 18 yen per share. The total annual dividend for the fiscal year will therefore be 36 yen per share, including the interim payment of 18 yen per share. The starting date for dividend payments (effective date) is Monday, May 2, 2022.

3) Dividend Forecast for the Fiscal Year Ending February 28, 2023
In accordance with the basic policy outlined above, Aeon plans to pay an ordinary dividend for the fiscal year ending February 28, 2023 of 36 yen per share, consisting of an interim payment of 18 yen per share and a year-end payment of 18 yen per share.

2. Management Strategies and Policies

(1) Basic Policy on Management

Aeon's unchanging fundamental management principles are the pursuit of peace, respect for humanity, and contributions to local communities—with the customer's point of view as the core. On the basis of this philosophy, and from the viewpoint "everything we do, we do for our customers," Aeon closely watches market and customer changes and is pursuing corporate value enhancement with the aim of being a corporate group that contributes to sustainable growth and local communities from a long-term perspective.

Aeon has instituted the Aeon Code of Conduct, a set of behavior guidelines and standards for decision-making for all Group employees to follow in their daily work activities, and Aeon is instilling this code throughout the Group. On the basis of this code, Aeon will strive to achieve long-term prosperity and growth by building excellent relationships with its customers, shareholders, business partners, local communities, and employees, while continuing to offer products and services that satisfy customers.

(2) Medium-term Management Strategy

Aeon Group's Sustainable Growth

In addition to the major changes brought about by the COVID-19 pandemic, Aeon's business environment is expected to be impacted by even more rapid, far-reaching, and wide-ranging changes ahead. Because of this rapidly changing environment, Aeon believes that it should aim to be a corporate group that is itself constantly changing. Viewing these changes in the environment that are unprecedented in scale as an opportunity for dramatic growth, in April 2021, Aeon instituted the FY2021-FY2025 Medium-term Management Plan (hereinafter, the "new medium-term management plan"). This new medium-term management plan sets forth Aeon's vision for 2030, and aims for Aeon to realize circular and sustainable management that leads to the enrichment of local community life in Japan, China, and the ASEAN countries where the Group operates. In addition to further advancing the “shift to regional markets,” “shift to digital markets,” “shift to Asian markets,” and the “shift in investments” that support these shifts, which the Aeon Group has been working on up until this point, the Aeon Group will aim to build a business foundation that enables sustainable growth by working on “Five Reforms” (accelerate and evolve the shift to digital, create unique value with a supply chain-focused outlook, evolve health and wellness in response to the new era, create “AEON Living Zones”, and further accelerate the shift to Asian markets) as strategies shared across the entire Group, as well as accelerate environmental initiatives which are rapidly increasing in importance. By doing so, Aeon will significantly reform the Group’s business structure and transform itself into a highly-profitable corporate group.

Promotion of Diversity
Aeon views promoting diversity as one of its management strategies, and aims to be an organization that fully utilizes the abilities of diverse human resources, and continually innovates. Aeon has held firm as an organization in which diversity and psychological safety are valued, and has enhanced its efforts to bolster among management staff the kind of awareness that is demanded these days with training such as compliance training for executive officers in Group companies both in Japan and overseas through to online training for employees in managerial positions. With the amendment of the Child Care and Family Care Leave Act, Aeon moved to incorporate male childcare leave promotion efforts into its online “Support for Balancing Work and Childcare” training sessions. These sessions were attended not only by female employees but also male employees currently caring for children, as well as their supervisors, and human resources staff. The sessions helped raise awareness about relevant issues by introducing positive examples from Group companies. In addition, as initiatives targeting young female employees who are future candidates for managerial positions, the Group has added a new training program based on a multifaceted view of life planning and has established opportunities for employees in Group companies to interact more with one another. These are specific examples of how the Group is striving to create an environment in which women can play active roles.

Health Management Initiatives
Aeon works to improve the health of its employees and their family members based on the belief that the promotion of employee health is the cornerstone of corporate activity, and that healthy employees are better able to provide services that contribute to the health and happiness of local customers. In fiscal 2021, the entire Group worked on efforts to help employees quit smoking, and made progress on prohibiting smoking during working hours and smoking at business sites. Also, in order to promote the habit of exercising among employees with the aim of preventing the onset of lifestyle-related diseases, Aeon lent wearable devices to employees and held walking rallies based on data from those devices, and proactively held COVID-19 vaccination events at workplaces. In recognition of these initiatives, in continuation from the previous fiscal year Aeon was recognized as a 2022 Certified Health & Productivity Management Outstanding Organization (White 500). Additionally, 26 Group companies including Aeon were selected as 2022 Certified Health & Productivity Management Outstanding Organizations.

3. Basic Policy Regarding Selection of Accounting Standards
The Aeon Group uses Japanese accounting standards for its financial reporting.

Regarding the adoption of International Financial Reporting Standards (IFRS), Aeon will take appropriate measures in consideration of various developments in and outside Japan.

4. Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheet

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	1,287,564	1,172,263
Call loans	30,841	8,864
Notes and accounts receivable - trade	1,602,703	1,655,072
Securities	620,096	612,647
Inventories	542,894	555,136
Operating loan	415,531	428,821
Loans and bills discounted for banking business	2,317,689	2,406,821
Other	453,335	473,815
Allowance for doubtful accounts	(134,409)	(127,776)
Current assets	7,136,247	7,185,666
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,508,861	1,539,047
Tools, furniture and fixtures, net	207,096	207,982
Land	945,371	984,155
Leased assets, net	96,979	93,317
Construction in progress	46,307	51,392
Other, net	258,299	254,993
Property, plant and equipment	3,062,916	3,130,888
Intangible assets		
Goodwill	121,659	130,152
Software	122,593	135,301
Leased assets	26,345	26,162
Other	34,163	34,798
Intangible assets	304,762	326,415
Investments and other assets		
Investment securities	269,706	261,543
Net defined benefit asset	18,087	21,638
Deferred tax assets	147,034	156,417
Guarantee deposits	409,843	405,053
Deposits for stores in progress	1,049	1,730
Other	139,672	150,878
Allowance for doubtful accounts	(8,051)	(7,148)
Investments and other assets	977,341	990,112
Non-current assets	4,345,020	4,447,417
Assets	11,481,268	11,633,083

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,072,409	975,517
Deposits for banking business	4,010,090	4,173,446
Short-term loans payable	360,481	373,844
Current portion of long-term loans payable	281,435	311,061
Current portion of bonds	68,882	149,700
Commercial papers	91,269	144,828
Lease obligations	56,238	64,241
Income taxes payable	53,954	40,027
Provision for bonuses	35,055	36,454
Provision for loss on store closing	10,143	4,912
Provision for point card certificates	25,143	12,002
Notes payable - facilities	44,116	43,872
Other	769,250	718,057
Current liabilities	6,878,471	7,047,966
Non-current liabilities		
Bonds payable	907,156	915,033
Long-term loans payable	1,043,122	1,002,337
Lease obligations	316,705	310,145
Deferred tax liabilities	40,137	34,320
Provision for directors' retirement benefits	449	354
Provision for loss on store closing	2,622	2,921
Provision for contingent loss	58	57
Provision for loss on interest repayment	5,706	6,476
Provision for loss on future collection of gift certificates	5,738	6,014
Net defined benefit liability	21,852	20,537
Asset retirement obligations	104,029	109,354
Long-term guarantee deposited	254,763	258,151
Reserve for insurance policy liabilities	86,639	64,367
Other	58,036	42,620
Non-current liabilities	2,847,019	2,772,693
Liabilities	9,725,491	9,820,660

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	300,964	296,285
Retained earnings	439,600	415,503
Treasury shares	(36,601)	(34,030)
Shareholders' equity	923,971	897,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,813	47,335
Deferred gains or losses on hedges	(3,122)	(1,187)
Foreign currency translation adjustment	(8,752)	17,512
Remeasurements of defined benefit plans	(4,589)	(3,995)
Total accumulated other comprehensive income	46,349	59,665
Subscription rights to shares	1,550	1,290
Non-controlling interests	783,904	853,701
Net assets	1,755,776	1,812,423
Liabilities and net assets	11,481,268	11,633,083

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

Consolidated Statement of Income

(Millions of yen)

	Year ended February 28, 2021	Year ended February 28, 2022
	Amount	Amount
Operating revenue		
Net sales	7,576,142	7,657,351
Operating revenue from financial services business	438,870	421,803
Other operating revenue	588,897	636,801
Operating revenue	8,603,910	8,715,957
Operating costs		
Cost of sales	5,505,835	5,538,956
Operating cost from financial services business	86,056	62,738
Operating cost	5,591,891	5,601,694
Gross profit	2,070,306	2,118,395
Operating gross profit	3,012,018	3,114,262
Selling, general and administrative expenses		
Advertising expense	170,572	185,983
Provision of allowance for doubtful accounts	70,084	48,440
Employees' salaries and bonuses	1,020,926	1,038,155
Provision for bonuses	35,055	36,454
Legal and employee benefits expenses	177,609	182,005
Utilities expenses	131,323	139,172
Depreciation	272,218	285,708
Repair and maintenance	156,811	171,556
Rents	384,603	398,783
Amortization of goodwill	14,051	13,843
Other	428,173	439,846
Selling, general and administrative expenses	2,861,432	2,939,949
Operating profit	150,586	174,312
Non-operating income		
Interest income	3,579	3,662
Dividend income	2,254	2,701
Share of profit of entities accounted for using equity method	3,977	4,355
Income from unredeemed gift vouchers	4,279	4,090
Penalty income from leaving tenants	3,719	2,812
Reversal of allowance for doubtful accounts	467	485
Other	12,210	20,168
Non-operating income	30,487	38,276
Non-operating expenses		
Interest expenses	32,302	34,584
Other	9,968	10,936
Non-operating expenses	42,271	45,520
Ordinary profit	138,801	167,068
Extraordinary income		
Gain on sales of non-current assets	7,311	2,027
Gain on revision of retirement benefit plan	7,853	239
Insurance income	683	2,732
Subsidy income	6,530	9,759
Other	4,857	3,425
Extraordinary income	27,236	18,184
Extraordinary losses		

Loss on sales of non-current assets	397	153
Impairment loss	57,821	44,347
Provision for loss on store closing	5,172	1,949
Loss on retirement of non-current assets	3,236	2,439
Infectious disease related cost	33,964	6,536
Other	12,226	7,003
Extraordinary losses	112,819	62,429
Profit before income taxes	53,219	122,823
Income taxes		
Current	82,144	71,015
Deferred	8,847	(6,175)
Income taxes	90,992	64,840
Profit (loss)	(37,772)	57,982
Profit attributable to non-controlling interests	33,252	51,477
Profit (loss) attributable to owners of parent	(71,024)	6,504

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended February 28, 2021	Year ended February 28, 2022
	Amount	Amount
Profit (loss)	(37,772)	57,982
Other comprehensive income		
Valuation difference on available-for-sale securities	7,797	(18,302)
Deferred gains or losses on hedges	1,706	4,548
Foreign currency translation adjustment	(10,876)	47,658
Remeasurements of defined benefit plans, net of tax	6,558	857
Share of other comprehensive income of entities accounted for using equity method	276	(173)
Other comprehensive income	5,461	34,588
Comprehensive income	(32,311)	92,570
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(63,368)	19,819
Comprehensive income attributable to non-controlling interests	31,056	72,750

(3) Consolidated Statement of Changes in Equity

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	220,007	307,089	541,180	(42,455)	1,025,822
Changes of items during period					
Dividends of surplus			(30,555)		(30,555)
Profit (loss) attributable to owners of parent			(71,024)		(71,024)
Purchase of treasury shares				(140)	(140)
Disposal of treasury shares		2,107		5,995	8,102
Change in ownership interest of parent due to transactions with non-controlling interests		(8,231)			(8,231)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(6,124)	(101,580)	5,854	(101,850)
Balance at end of period	220,007	300,964	439,600	(36,601)	923,971

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	55,054	(4,149)	(2,064)	(10,147)	38,693	1,706	783,056	1,849,278
Changes of items during period								
Dividends of surplus								(30,555)
Profit (loss) attributable to owners of parent								(71,024)
Purchase of treasury shares								(140)
Disposal of treasury shares								8,102
Change in ownership interest of parent due to transactions with non-controlling interests								(8,231)
Net changes of items other than shareholders' equity	7,758	1,027	(6,687)	5,557	7,656	(155)	847	8,348
Total changes of items during period	7,758	1,027	(6,687)	5,557	7,656	(155)	847	(93,501)
Balance at end of period	62,813	(3,122)	(8,752)	(4,589)	46,349	1,550	783,904	1,755,776

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	220,007	300,964	439,600	(36,601)	923,971
Changes of items during period					
Dividends of surplus			(30,601)		(30,601)
Profit (loss) attributable to owners of parent			6,504		6,504
Purchase of treasury shares				(31)	(31)
Disposal of treasury shares		9		2,602	2,612
Change in ownership interest of parent due to transactions with non-controlling interests		(4,688)			(4,688)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(4,678)	(24,096)	2,570	(26,204)
Balance at end of period	220,007	296,285	415,503	(34,030)	897,766

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	62,813	(3,122)	(8,752)	(4,589)	46,349	1,550	783,904	1,755,776
Changes of items during period								
Dividends of surplus								(30,601)
Profit (loss) attributable to owners of parent								6,504
Purchase of treasury shares								(31)
Disposal of treasury shares								2,612
Change in ownership interest of parent due to transactions with non-controlling interests								(4,688)
Net changes of items other than shareholders' equity	(15,478)	1,934	26,265	594	13,315	(260)	69,797	82,851
Total changes of items during period	(15,478)	1,934	26,265	594	13,315	(260)	69,797	56,646
Balance at end of period	47,335	(1,187)	17,512	(3,995)	59,665	1,290	853,701	1,812,423

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended February 28, 2021	Year ended February 28, 2022
	Amount	Amount
Cash flows from operating activities		
Profit before income taxes	53,219	122,823
Depreciation	296,600	307,182
Amortization of goodwill	14,051	13,843
Increase (decrease) in allowance for doubtful accounts	18,807	(9,442)
Increase (decrease) in provision for loss on interest repayment	741	769
Increase (decrease) in provision for bonuses	3,985	1,084
Increase (decrease) in net defined benefit liability	(5,592)	(749)
Decrease (increase) in net defined benefit asset	(2,084)	(4,425)
Interest and dividend income	(5,834)	(6,364)
Interest expenses	32,302	34,584
Foreign exchange losses (gains)	(4,775)	1,457
Share of (profit) loss of entities accounted for using equity method	(3,977)	(4,355)
Gain on sales of non-current assets	(7,311)	(2,027)
Loss on sales and retirement of non-current assets	5,125	3,892
Impairment loss	57,821	44,347
Loss (gain) on sales of short-term and long-term investment securities	2	470
Decrease (increase) in notes and accounts receivable - trade	20,291	(39,601)
Decrease (increase) in inventories	33,923	6,285
Decrease (increase) in operating loans receivable	20,625	(5,883)
Decrease (increase) in cash loans and bills discounted for banking business	(268,371)	(89,132)
Increase (decrease) in notes and accounts payable - trade	2,075	(117,884)
Increase (decrease) in deposits for banking business	225,770	163,356
Increase/decrease in other assets/liabilities	26,232	(70,407)
Other, net	(7,202)	(34,456)
Subtotal	506,428	315,367
Interest and dividend income received	8,195	8,937
Interest expenses paid	(34,589)	(34,446)
Income taxes paid	(83,573)	(85,406)
Net cash provided by (used in) operating activities	396,461	204,452

	Year ended February 28, 2021	Year ended February 28, 2022
	(Millions of yen)	
	Amount	Amount
Cash flows from investing activities		
Purchase of securities	(31,960)	(12,177)
Proceeds from sales and redemption of securities	75,909	35,469
Acquisition of securities for banking business	(577,521)	(513,340)
Proceeds from sales and redemption of securities in banking business	487,478	509,665
Purchase of non-current assets	(301,255)	(352,521)
Proceeds from sales of non-current assets	34,870	10,050
Purchase of investment securities	(28,148)	(3,479)
Proceeds from sales of investment securities	1,669	1,770
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,475)	(29,494)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	10,266	-
Payments for guarantee deposits	(17,052)	(17,135)
Proceeds from collection of guarantee deposits	19,765	28,888
Proceeds from guarantee deposits received	16,112	22,029
Repayments of guarantee deposits received	(22,769)	(19,264)
Other, net	(6,705)	(4,313)
Net cash provided by (used in) investing activities	(341,814)	(343,854)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	32,533	62,282
Proceeds from long-term loans payable	294,788	245,836
Repayments of long-term loans payable	(310,227)	(289,033)
Proceeds from issuance of bonds	196,779	196,967
Redemption of bonds	(77,019)	(111,804)
Purchase of treasury shares	(140)	(31)
Proceeds from share issuance to non-controlling shareholders	1,538	2,625
Repayments to non-controlling shareholders	(5,290)	(267)
Repayments of lease obligations	(54,380)	(63,150)
Cash dividends paid	(30,555)	(30,601)
Dividends paid to non-controlling interests	(20,649)	(21,438)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	46
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(10,957)	(756)
Other, net	7,871	7,117
Net cash provided by (used in) financing activities	24,290	(2,207)
Effect of exchange rate change on cash and cash equivalents	(3,095)	15,477
Net increase (decrease) in cash and cash equivalents	75,842	(126,131)
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	1,217,054	1,090,923

(5) Notes on the Consolidated Financial Statements

Notes and other supplementary information for the consolidated balance sheet, the consolidated statement of income and consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows are omitted from this report.

(Notes on the Going-concern Assumption)

Not applicable

(Changes in Presentation)

(Consolidated Statement of Income and related statements)

From the fiscal year ended February 28, 2022, “insurance income”, which was included in “other” under “extraordinary income” in the fiscal year ended February 28, 2021, has been separately presented under “extraordinary income” as the amount is now material. Consolidated financial statements for the fiscal year ended February 28, 2021, have been reclassified to reflect the change in presentation.

As a result, 5,541 million yen included in “other” under “extraordinary income” in the Consolidated Statement of Income for the fiscal year ended February 28, 2021, has been reclassified as “insurance income” of 683 million yen and “other” of 4,857 million yen.

(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 ESOP Trust has adopted the gross accounting method, and the Company’s stock held by the ESOP Trust was included in treasury shares under net assets. At the end of the fiscal year ended February 28, 2022, the book value of treasury shares and long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method were 7,655 million yen (3,313,300 shares) and 8,450 million yen, respectively.

(Segment and Other Information)

[Segment Information]

1. Overview of Reportable Segments

Aeon has adopted the "nomination committee and other committees system" as its governance model. Under the system, operational supervision and operational execution functions are explicitly divided and allocated to individual directors and executive officers. The system enables swift management decision-making by delegating significant authority to executive officers to enable them to achieve medium- and long-term targets.

Aeon's reportable segments are components of its operations about which segment-specific financial statements are available. These segments are subject to periodic examinations to enable Aeon's management to decide how to allocate resources and assess performance.

Led by Aeon Co., Ltd, a pure holding company, the Group companies conduct various business operations centering on retail store operations, including financial services operations, shopping center development operations, and services and specialty store operations.

The main operations in each reportable segment and other businesses are thus as follows.

The GMS Business includes general merchandise stores (GMS), specialty stores that sell packaged lunches and ready-to-eat meals.

The Supermarket Business includes supermarkets, convenience stores and small-scale supermarkets.

The Discount Store Business includes discount stores.

The Health & Wellness Business includes drugstores, pharmacies and other related businesses.

The Financial Services Business includes credit card, fee-based services, banking, and insurance businesses.

The Shopping Center Development Business includes development and leasing of shopping centers and malls.

The Services and Specialty Store Business includes facilities management services, amusement services, food services, specialty stores that sell family casual apparel and footwear, flat-rate discount store business, and other related businesses.

International Business includes retail stores in the ASEAN region and China.

Other Businesses include mobile marketing business, digital and other related businesses.

2. Changes in Reportable Segments

In line with organizational changes implemented at the beginning of the first quarter of the fiscal year ended 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. In addition, in line with organizational changes implemented at the beginning of the third quarter of the fiscal year ended February 28, 2022, some of the subsidiaries that were included in "Supermarket" business have been reclassified to "GMS" business. For reference, segment information for the fiscal year ended February 28, 2021, was prepared based on the current segmentation.

3. Operating revenue, income/loss, assets, liabilities and other items by reportable segment

<u>Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)</u>

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health & Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	3,184,604	2,533,777	396,292	955,893	438,870	250,532	465,477
(2) Intersegment revenue or transfers	175,813	14,102	1,025	703	48,702	76,484	176,153
Total	3,360,417	2,547,879	397,318	956,596	487,572	327,017	641,631
Segment income (loss)	(11,115)	41,651	4,495	41,532	42,648	35,738	(17,679)
Segment assets	1,444,240	1,075,362	67,607	476,186	6,159,161	1,616,667	385,953
Segment interest-bearing debt	316,492	208,277	15,689	53,372	1,043,920	831,045	105,273
Other items:							
Depreciation	52,096	47,702	3,090	15,367	38,509	76,436	19,890
Share of profit (loss) of entities accounted for using equity method	16	1,982	-	668	2,199	-	(952)
Impairment loss	24,239	14,791	770	3,822	144	7,336	4,892
Investment in entities accounted for using equity method	1,872	33,548	-	5,141	36,504	-	606
Increase in property, plant and equipment and intangible assets	63,975	58,205	2,710	26,398	39,488	109,382	20,034

	Reportable segment		Other	Total	Adjustments *1, 2	Reported in the consolidated financial statements*3
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	410,902	8,636,350	7,784	8,644,135	(40,225)	8,603,910
(2) Intersegment revenue or transfers	3,511	496,497	47,249	543,746	(543,746)	-
Total	414,413	9,132,848	55,033	9,187,881	(583,971)	8,603,910
Segment income (loss)	6,068	143,340	2,350	145,690	4,895	150,586
Segment assets	408,612	11,633,791	65,500	11,699,292	(218,023)	11,481,268
Segment interest-bearing debt	208,576	2,782,648	21,823	2,804,472	341,241	3,145,713
Other items:						
Depreciation	31,226	284,320	8,478	292,798	3,801	296,600
Share of profit (loss) of entities accounted for using equity method	(1)	3,914	-	3,914	62	3,977
Impairment loss	1,021	57,018	777	57,795	26	57,821
Investment in entities accounted for using equity method	0	77,673	-	77,673	5,387	83,061
Increase in property, plant and equipment and intangible assets	17,043	337,239	12,454	349,693	6,496	356,190

Notes: 1. Main components of the minus 40,225 million yen in adjustments for operating revenue attributable to customers are as follows:

(a) minus 79,921 million yen in adjustments to service transactions reported in the reportable segment information, and

(b) 39,588 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.

2. Main components of the 4,895 million yen in adjustments for segment income are as follows:

(a) 3,555 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,

(b) 2,956 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 1,666 million yen in intersegment transaction eliminations

3. Segment income adjustments are based on operating profit reported in the Consolidated Statement of Income for the corresponding period.

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount store	Health & Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	3,190,532	2,506,217	387,039	1,030,230	421,803	285,884	519,843
(2) Intersegment revenue or transfers	109,918	14,461	1,071	789	50,745	80,859	183,603
Total	3,300,450	2,520,678	388,111	1,031,020	472,549	366,743	703,447
Segment income (loss)	(2,321)	30,539	2,759	41,909	61,791	38,870	(2,730)
Segment assets	1,411,959	1,022,797	64,138	501,442	6,316,042	1,676,112	417,181
Segment interest-bearing debt	359,524	220,948	11,522	68,549	1,088,255	879,790	117,343
Other items:							
Depreciation	50,811	47,554	3,143	17,207	39,669	83,726	20,604
Share of profit (loss) of entities accounted for using equity method	87	1,327	-	674	2,273	-	(336)
Impairment loss	16,830	12,710	757	4,969	202	3,810	2,943
Investment in entities accounted for using equity method	1,939	32,849	-	5,744	38,117	-	171
Increase in property, plant and equipment and intangible assets	57,425	63,618	5,335	32,517	36,557	117,433	22,023

	Reportable segment		Other	Total	Adjustments *1, 2	Reported in the consolidated financial statements*3
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	408,815	8,750,367	7,995	8,758,362	(42,405)	8,715,957
(2) Intersegment revenue or transfers	3,416	444,865	45,303	490,168	(490,168)	-
Total	412,232	9,195,233	53,298	9,248,531	(532,574)	8,715,957
Segment income (loss)	5,592	176,410	(521)	175,889	(1,576)	174,312
Segment assets	426,984	11,836,659	86,093	11,922,753	(289,669)	11,633,083
Segment interest-bearing debt	213,163	2,959,098	21,530	2,980,629	310,328	3,290,957
Other items:						
Depreciation	32,213	294,931	8,265	303,197	3,985	307,182
Share of profit (loss) of entities accounted for using equity method	0	4,026	-	4,026	328	4,355
Impairment loss	2,122	44,347	-	44,347	-	44,347
Investment in entities accounted for using equity method	0	78,822	-	78,822	5,717	84,539
Increase in property, plant and equipment and intangible assets	14,095	349,007	7,787	356,795	3,316	360,111

Notes: 1. Main components of the minus 42,405 million yen in adjustments for operating revenue attributable to customers are as follows:

(a) minus 88,781 million yen in adjustments to service transactions reported in the reportable segment information, and
(b) 46,276 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.

2. Main components of the minus 1,576 million yen in adjustments for segment income are as follows:
(a) 255 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
(b) 1,220 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 3,100 million yen in intersegment transaction eliminations

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

[Related Information]

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

1. Information by merchandise and service

The information is omitted here because the same information is presented in the "Segment Information" above.

2. Information by geographic area

(1) Operating revenue

(Millions of yen)

Japan	ASEAN	China	Other	Total
7,896,403	347,498	261,698	98,309	8,603,910

Note: Operating revenues are based on the location of customers and classified into countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	ASEAN	China	Other	Total
2,478,862	342,067	229,476	12,510	3,062,916

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the operating revenue on the Consolidated Statement of Income.

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

1. Information by merchandise and service

The information is omitted here because the same information is presented in the "Segment Information" above.

2. Information by geographic area

(1) Operating revenue

(Millions of yen)

Japan	ASEAN	China	Other	Total
7,991,366	344,722	275,618	104,250	8,715,957

Note: Operating revenues are based on the location of customers and classified into countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	ASEAN	China	Other	Total
2,509,161	370,680	238,428	12,618	3,130,888

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the operating revenue on the Consolidated Statement of Income.

[Impairment loss on non-current assets by reportable segment]

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

The information is omitted here because the same information is presented in the "Segment Information" above.

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

The information is omitted here because the same information is presented in the "Segment Information" above.

[Amortization for and unamortized balance of goodwill by reportable segment]

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Discount store	Health & Wellness	Financial Services	Shopping Center Development
Amortization for the fiscal year ended Feb. 28, 2021	2,247	2,300	-	4,397	1,647	2,572
Balance at Feb. 28, 2021	11,588	24,331	-	51,020	14,039	15,367

	Reportable segment			Other	Adjustments	Total
	Services and Specialty Store	International	Total			
Amortization for the fiscal year ended Feb. 28, 2021	776	97	14,039	-	11	14,051
Balance at Feb. 28, 2021	5,313	-	121,659	-	-	121,659

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Discount store	Health & Wellness	Financial Services	Shopping Center Development
Amortization for the fiscal year ended Feb. 28, 2022	2,227	2,286	-	4,433	1,671	2,371
Balance at Feb. 28, 2022	9,229	22,123	-	54,539	12,403	12,995

	Reportable segment			Other	Adjustments	Total
	Services and Specialty Store	International	Total			
Amortization for the fiscal year ended Feb. 28, 2022	853	-	13,843	-	-	13,843
Balance at Feb. 28, 2022	18,860	-	130,152	-	-	130,152

[Gain on negative goodwill by reportable segment]

Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)

Not applicable

Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)

Not applicable

(Per Share Information)

	Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)	Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)
Net assets per share (yen)	1,147.56	1,130.76
Earnings (loss) per share (yen)	(84.06)	7.69
Earnings per share - fully diluted (yen)	-	7.65

(Note) Even though the Company has dilutive shares, earnings per share - fully diluted for the fiscal year ended February 28, 2021, is not indicated because a net loss per share was recorded for the period.

(Note) Data for calculation

1. Net assets per share

	February 28, 2021	February 28, 2022
Total net assets on the consolidated balance sheets (millions of yen)	1,755,776	1,812,423
Net assets attributable to common shares (millions of yen)	970,321	957,431
Main component of difference: Non-controlling interests (millions of yen)	783,904	853,701
Number of common shares issued (thousands of shares)	871,924	871,924
Number of common shares in treasury (thousands of shares)	26,370	25,207
Number of common shares used for calculation of net assets per share (thousands of shares)	845,553	846,716

2. Earnings per share and earnings per share - fully diluted

	Year ended February 28, 2021 (March 1, 2020 – February 28, 2021)	Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)
Profit (loss) attributable to owners of parent (millions of yen)	(71,024)	6,504
Amount not attributable to common shareholders (millions of yen)	-	-
Profit (loss) attributable to common shares of parent (millions of yen)	(71,024)	6,504
Average number of common shares outstanding (thousands of shares)	844,964	846,082
Main components of adjustment for profit attributable to owners of parent used to calculate earnings per share - fully diluted (millions of yen) Changes in equity interest resulting from issuance of subscription rights to shares by consolidated subsidiaries	-	(33)
Adjustment for profit attributable to owners of parent (millions of yen)	-	(33)
Increase in the number of common shares used to calculate earnings per share - fully diluted (thousands of shares)	-	215
Residual securities not included in the calculation for earnings per share - fully diluted because they have no dilutive effect	-	-

Note: The average number of common shares outstanding for the fiscal year ended February 28, 2022 does not include the Company's common shares held by the ESOP Trust (the number of shares that trust held as of February 28, 2021 was 4,388 thousand shares; as of February 28, 2022, 3,313 thousand shares). The average number of common shares held by the trust was 4,983 thousand shares for the fiscal year ended February 28, 2021, and 3,897 thousand shares for the fiscal year ended February 28, 2022.

(Material Subsequent Events)

1. Changes in scope of consolidation due to share exchange (Fuji Co., Ltd.)
Fuji Co., Ltd. (hereinafter, "Fuji"), an equity-method affiliate of Aeon, and Maxvalu Nishinihon Co., Ltd. (hereinafter, "Maxvalu Nishinihon"), a consolidated subsidiary of Aeon, carried out a share exchange on March 1, 2022, with Fuji as the wholly-owning parent company and Maxvalu Nishinihon as the wholly-owned subsidiary, and Fuji became a consolidated subsidiary of Aeon. Details of the share exchange are provided below.

Fuji conducted a spin-off on the same date, with Fuji as the spin-off company and Fuji Retailing Co., Ltd. (hereinafter, "Fuji Retailing"), a wholly-owned subsidiary of Fuji, as the successor company, and transferred all businesses to Fuji Retailing excluding the functions necessary for converting Fuji into a holding company, and Fuji has thereby become a joint holding company with Fuji Retailing and Maxvalu Nishinihon as its wholly-owned subsidiaries.

(1) Purpose of the management integration
Following the capital and business alliance agreement announced in October 2018, Fuji, Maxvalu Nishinihon, and Aeon had been working to realize the visions of each company and enhance corporate value, as well as engage in information sharing and communication about the issues that each needs to work on, with the aim of becoming the "No. 1 business alliance in the Chugoku and Shikoku area". During this time, the three companies judged that it was necessary to further deepen their relationships and decided go ahead with management integration in order to respond to the changes in the regional environment and the intensification of competition, as well as to continue helping to enrich the lives of customers and to speed up the provision of solutions to issues in areas such as industry, society, culture, and employment in the Chugoku and Shikoku regions. Based on this decision, the three companies agreed to conclude on September 1, 2021, a basic agreement that stipulates that the management of Fuji and Maxvalu Nishinihon be integrated and that they become a consolidated subsidiary of Aeon.

After conclusion of the basic agreement, an integration preparatory committee was set up for the establishment in March 2024 of a new integrated company created through the merger of Fuji and Maxvalu Nishinihon. The committee has been discussing and examining the basic philosophy, vision, organizational structure, etc. of a joint holding company for Fuji and Maxvalu Nishinihon, ahead of its establishment as a subsidiary of the Company. In order to smoothly execute the management integration and work toward maximizing corporate value, deliberations on the integration method and discussions about the concrete impacts of the integration were conducted, and a management integration agreement, share exchange agreement, and absorption-type company split agreement were concluded on December 6, 2021. On March 1, 2022, the date on which each of these agreements came into force, Fuji became a consolidated subsidiary of Aeon.

Through the management integration, Fuji and Maxvalu Nishinihon will further strengthen their dominant positions in the Chugoku and Shikoku regions and western Hyogo Prefecture, respond to changes in the regional environment and increasingly intense competition, continue helping to enrich lives of customers, and speed up the provision of solutions to issues in areas such as industry, society, culture, and employment in the Chugoku and Shikoku regions. In addition, Fuji and Maxvalu Nishinihon will continue to tackle various reforms to maximize corporate value, ensure that employees are able to have a sense of mission and pride in their work, and to develop into a corporate group that is the Chugoku and Shikoku regions' No. 1 super-regional retailer, and the business alliance that contributes the most to the region.

(2) Name and business description of acquired company, date of business combination, legal form of business combination, name of company after business combination, ratio of voting rights acquired and main grounds for determining acquiring company
(a) Name and business description of acquired company
Name: Fuji Co., Ltd.
Business description: Chain store business (retail sales of groceries, apparel, daily general merchandise, etc.)
(b) Date of business combination
March 1, 2022
(c) Legal form of business combination

A share exchange with Fuji as the wholly-owning parent company and Maxvalu Nishinihon as the wholly-owned subsidiary

(d) Name of the acquired company after business combination

Name to remain unchanged.

(e) Ratio of voting rights acquired

Ratio of voting rights owned immediately before the acquisition: 15.07%

Ratio of voting rights additionally acquired on the date of business combination:

36.49% (Of which, indirect holdings: 0.80%)

Ratio of voting rights after the acquisition: 51.56% (Of which, indirect holdings: 0.80%)

(f) Main grounds for determining acquiring company

After the share exchange, Aeon owns the majority of the voting rights in Fuji, and Fuji becomes a consolidated subsidiary of Aeon. Therefore, Maxvalu Nishinihon, which was already a consolidated subsidiary of Aeon before the share exchange, is the acquiring company, and Fuji is the acquired company.

(3) Acquisition cost of acquired company and breakdown of consideration by type

These are yet to be determined.

(4) Nature and amount of major acquisition expenses

These are yet to be determined.

(5) Share exchange ratio by type of shares, calculation method, and number of shares delivered

(a) Share exchange ratio by type of shares

	Fuji (Wholly owning parent company in share exchange)	Maxvalu Nishinihon (Wholly owned subsidiary in share exchange)
Allotment ratio for share exchange	1	1

(b) Calculation method for share exchange ratio

To ensure fairness in calculating the share exchange ratio used in the share exchange, Fuji and Maxvalu Nishinihon selected Nomura Securities and Daiwa Securities, respectively, as third-party calculation agents and requested them to calculate the share exchange ratio used in the share exchange.

Fuji and Maxvalu Nishinihon had a series of careful negotiations and discussions based on the calculation results provided by the third-party calculation agents and the advice of legal advisors as well as the results of due diligence conducted by each company on the other party, and taking into consideration overall factors such as the financial situation and future outlook of each company. As a result of these negotiations and discussions, both companies finally reached a decision that the above share exchange ratio is appropriate, and that the share exchange will contribute to shareholder interests of both companies, and therefore concluded the share exchange agreement.

(c) Number of shares delivered

48,533,756 shares

(6) Difference between the acquisition cost of acquired company and the total acquisition cost of each transaction

These are yet to be determined.

(7) Amount, cause, amortization method, and amortization period of goodwill

The share exchange falls under “reverse acquisition” in the “Accounting Standard for Business Combinations”. Goodwill or negative goodwill is expected to arise as a result of applying the purchase method, but the amount, etc. are yet to be determined.

(8) Amounts of assets and liabilities accepted on the date of the business combination and breakdown of major items

These are yet to be determined.

2. Decision to acquire companies through purchase of shares by a consolidated subsidiary (Kokumin Co., Ltd. and French Co., Ltd.)

The Board of Directors of Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”), a consolidated subsidiary of Aeon, resolved on January 18, 2022, to acquire the shares of Kokumin Co., Ltd. (hereinafter “Kokumin”) and French Co., Ltd. (hereinafter “French”) to form capital and business alliances with each company (turning each into a wholly-owned subsidiary), and basic agreements on the acquisitions were concluded on the same day. The number of shares transferred and acquisition prices were finalized on March 30, 2022. An overview is provided below.

(1) Purpose of the capital and business alliances

Aeon’s consolidated subsidiary Welcia Holdings and its consolidated subsidiaries (hereinafter “Welcia Group”) are aiming, in line with their group philosophy: “To promote higher quality of life and healthy lifestyles for our customers”, to become a “lifestyle platform” and a group of “specialized general stores” that proposes high-value-added health-related products and services. Welcia Group is working to develop its business models focused on counselling, beauty advice, late-night operations, nursing care, and drugstores able to process prescriptions. The group is building a network of stores from the Chugoku and Shikoku regions to the Tohoku region, with particular focus on the Kanto region. The aim is to create stores that support the health, beauty, and well-being of local customers, by providing counseling and attentive customer service drawing on the expertise of employees including pharmacists, registered sales representatives, beauty advisors, nutritionists, and prescription clerks, and by offering product lineups that are aligned with local needs and enhanced services that ensure higher levels of customer convenience.

Meanwhile Kokumin and French are working to realize their vision of closely supporting the healthy lifestyles of customers as specialists in the field in line with their corporate philosophy of working to meet the beauty and health needs of the public. Kokumin and French have established a network of stores in prime locations in large commercial facilities and airports, inside and near railway stations, and in downtown and residential areas of major cities in Hokkaido, Kanto, Kansai, Kyushu, and elsewhere. Kokumin and French’s prescription businesses also have networks of stores in a diverse range of locations with focus on areas in front of university hospitals and large general hospitals, as well as in “clinic malls”, railway terminals, etc.

Welcia Group is working to enhance its urban stores and expand its network nationwide. Through the sharing of the management resources of all parties involved including knowhow and personnel, Welcia Group believes they will be able to further expand their business and strengthen their corporate structure.

(2) Outline of acquired companies, date of business combination, legal form of business combination, names of the acquired companies after business combination, ratio of voting rights acquired, financing method, and main grounds for determining acquiring company

(a) Outline of acquired companies

Name	Kokumin Co., Ltd.
Business description	Management of pharmacies and drugstores
Capital	91 million yen

Name	French Co., Ltd.
Business description	Management of pharmacies
Capital	18 million yen

(b) Date of business combination

June 1, 2022 (scheduled)

(c) Legal form of business combination

Acquisition of shares with cash as consideration

(d) Names of the acquired companies after business combination

Names to remain unchanged.

(e) Ratio of voting rights to be acquired

Kokumin: 93.86% (after the acquisition of the shares in French, this will be 100.00%)

French: 100.00%

(f) Financing method

Financing through borrowings (scheduled).

(g) Main grounds for determining acquiring company

Welcia Holdings Co., Ltd. acquired the shares of the two companies with cash as consideration.

(3) Acquisition cost of acquired companies and breakdown of consideration by type

(a) Kokumin

Consideration	Cash	20,398 million yen
Acquisition cost		20,398 million yen

(b) French

Consideration	Cash	1,333 million yen
Acquisition cost		1,333 million yen

(4) Nature and amount of major acquisition expenses

These are yet to be determined.

(5) Amount, cause, amortization method, and amortization period of goodwill

These are yet to be determined.

(6) Amounts of assets and liabilities accepted on the date of the business combination and breakdown of major items

These are yet to be determined.

3. Transfer of a consolidated subsidiary through a share transfer (Ministop Korea Co., Ltd.)

On January 21, 2022, Ministop Co., Ltd. (hereinafter “Ministop”), a consolidated subsidiary of Aeon, concluded an agreement with Lotte Corporation to transfer 100% of the shares of Ministop Korea Co., Ltd. (hereinafter “Ministop Korea”) to Lotte Corporation (Ministop held 100% of the outstanding shares of Ministop Korea). The share transfer took place on March 29, 2022. As a result of the share transfer, Ministop Korea was excluded from the scope of consolidation of Aeon. An overview is provided below.

(1) Overview of share transfer

(a) Name of the other party in the share transfer

Lotte Corporation

(b) Purpose of the share transfer

After entering the South Korean market in 1990, Ministop developed its convenience store business in the country through subsidiary Ministop Korea. Following comprehensive consideration of the outlook for Ministop Korea, it was determined that, from the perspective of operational optimization and the concentration and streamlining of management resources, the best option would be to transfer Ministop Korea to a third party able to support its sustained growth. Of the share transferee candidates, it was with Lotte Corporation that Ministop reached an agreement on transfer conditions, etc. and the decision was therefore made to transfer 100% of the shares of Ministop Korea to Lotte Corporation.

(c) Finalized date of share transfer

March 29, 2022

(d) Number of shares to be transferred, transfer price, and status of shares owned before and after transfer

Number of shares owned before transfer	5,080,000 (ownership ratio: 100%)
Number of shares to be transferred	5,080,000 (ownership ratio: 100%)
Transfer price	320,988 million won (KRW) (approx. 31,071 million yen)
Number of shares owned after transfer	0 (ownership ratio: 0%)

* Converted at 1 won (KRW) = 0.0968 yen

(2) Outline of Ministop Korea

(a) Description of business

Convenience store business in South Korea

(b) Business scale

Amount of assets and liabilities (as of February 28, 2022)

Total assets	32,142 million yen
Liabilities	25,119 million yen
Net assets	7,023 million yen

* Converted at the exchange rate as of the end of February 2022

Profit and loss (March 1, 2021 through February 28, 2022)

Gross operating revenue	103,670 million yen
Operating profit	(1,136) million yen
Ordinary profit	(1,031) million yen
Profit	(1,169) million yen

* Converted at the exchange rate as of the end of February 2022

(3) Impact on consolidated business results

Following the share transfer, Ministop Korea will be excluded from the scope of consolidation of Aeon from the beginning of the fiscal year ending February 28, 2023. Aeon plans to record gain on sales of shares of subsidiaries and associates as extraordinary income in the fiscal year ending February 28, 2023, but this has not been finalized at this point due to variable factors such as commissions associated with the sale.