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Financial Results for the Six Months ended August 31, 2022

October 5, 2022

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Scheduled dates:

Submission of statutory quarterly financial report October 14, 2022
Commencement of dividend payments October 28, 2022
Supplementary materials to the quarterly results Available
Quarterly earnings results briefing Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Six Months ended August 31, 2022 (March 1, 2022 to August 31, 2022)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 31, 2022	4,487,184	3.3	95,877	23.3	95,321	22.3	18,038	293.1
Six months ended August 31, 2021	4,344,919	1.7	77,765	129.4	77,931	178.6	4,588	-

Note: Comprehensive income: Six months ended August 31, 2022: 123,794 million yen (96.8%)
Six months ended August 31, 2021: 62,898 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six months ended August 31, 2022	21.25	21.23
Six months ended August 31, 2021	5.43	5.40

Note: The Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. The figures for the Six months ended August 31, 2022, are those after the application of the said accounting standard.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2022	12,311,861	1,984,222	8.2	1,179.63
[excl. Financial Services]	[6,154,966]	[1,558,635]	[14.5]	-
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]	-

- Reference: 1. Total equity: August 31, 2022: 1,007,726 million yen February 28, 2022: 957,431 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.

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from March 1, 2022. The figures for August 31, 2022, are those after the application of the said accounting standard.

2. Dividends

Record date or period	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
Year ended February 28, 2022	yen -	yen 18.00	yen -	yen 18.00	yen 36.00
Year ending February 28, 2023	-	18.00			
Year ending February 28, 2023 (forecast)			-	18.00	36.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 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
Full year	9,000,000	-	210,000	20.5	200,000	19.7	25,000	284.3	29.53
			to 220,000	to 26.2	to 210,000	to 25.7	to 30,000	to 361.2	to 35.43

Notes: 1. No changes were made to the latest release of earnings forecasts.

2. As Aeon has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), the figures in the abovementioned consolidated forecasts are those after the application of the said accounting standard. For reference, without the application of the said standards, the forecast for operating revenue would be 9,200,000 million yen (year-on-year change would be 5.6%).

*Notes

- (1) Changes affecting the consolidation status of significant subsidiaries during the period: None
- (2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:
- 1) Changes in accordance with amendments to accounting standards: Yes
 - 2) Changes other than the above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)
- 1) Number of shares issued at end of period (treasury stock included):

August 31, 2022:	871,924,572 shares
February 28, 2022:	871,924,572 shares
 - 2) Number of shares held in treasury at end of period:

August 31, 2022:	17,650,911 shares
February 28, 2022:	25,207,930 shares

3) Average number of shares outstanding during the period:

Six Months ended August 31, 2022: 848,774,395 shares

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

The Company's stock held by the Employee Stock Ownership Plan Trust (August 31, 2022: 2,691,900 shares, February 28, 2022: 3,313,300 shares) is included in the number of shares held in treasury.

***Quarterly review status**

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

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

(Note on the forward-looking statements)

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

For the forecasts herein, please refer to "(3) Consolidated Earnings Forecast" on page 12.

Accompanying Materials

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

Summary of Operating Results

For the first six months of the fiscal year ending February 28, 2023 (March 1, 2022 - August 31, 2022), Aeon Co., Ltd. (hereinafter “Aeon”) posted consolidated operating revenue of 4,487,184 million yen (up 3.3% year on year), which exceeded the amount in the same period of the previous fiscal year and marked a new record high. Consolidated operating profit was 95,877 million yen (up 18,111 million yen), ordinary profit was 95,321 million yen (up 17,389 million yen), both of which were new record highs. Profit attributable to owners of parent was 18,038 million yen (up 13,449 million yen), which exceeded the previous year and represented a significant increase.

During the first six months of the fiscal year, the external environment was more challenging than initially anticipated. Despite the trend towards the normalization of social activities as the impacts of the COVID-19 pandemic settled down, from July onward there was a rapid spread of infections at a scale not previously seen due to new variants of the virus, as well as concerns about a cooling of consumption due to the rise in energy prices as well as general inflation, along with other factors. Amid this environment, higher profits were posted in the Health & Wellness Business (which is seeing an increase in the number of stores dispensing prescription drugs as well as proactively opening new stores and promoting M&A), the Shopping Center Development Business (which enhanced its ability to attract customers by renovating stores and opening new stores), the Services and Specialty Store Business, and the International Business (which bolstered events to draw in customers and other initiatives based on the fact that people had more opportunities to go out as a result of the relaxation of regulations in different countries). The General Merchandise Store (GMS) Business worked even more stringently on earnings structural reforms amid the aforementioned external environment, and achieved a significant improvement in profitability compared to the year-earlier period. The Supermarket Business and the Discount Store Business both worked to enhance productivity by revitalizing stores and through the digital shift, thereby limiting the impacts of reactionary decline in special demand for eating at home during the pandemic. The Financial Services Business posted a recovery in earnings back to near the level prior to the pandemic due to factors including the growth in card transaction volume in Japan and overseas as well as the promotion of digitalization overseas.

1) Common Group Strategy

As raw materials and crude oil prices soared globally, leading to continued price increases on many daily necessities and resulting in added strain on household budgets, in order to continue to provide even higher-quality, affordably-priced products that match customers’ lifestyles, from September 2021 until the end of June 2022 Aeon froze 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) and everyday goods, for a total of approximately 5,000 products. In July, due to the soaring prices of raw materials and energy, along with the dramatic depreciation of the yen, Aeon was forced to revise prices for certain products while limiting the magnitude of price increases to the smallest extent possible. However, Aeon will continue to make efforts to maintain prices through corporate efforts based on the philosophy of placing top priority on protecting customers’ lifestyles. Also, based on the effort to keep prices unchanged, sales in the food main category increased approximately 30% as customers showed strong support for Aeon, leading to an increase in customers who made the decision to try Topvalu products for the first time. Amid this, Aeon is working to develop new categories that it had not handled before, as well as develop products with concepts that other companies do not have. Topvalu premium beer, which was launched in March, was well received by customers for being a high-quality beer at an affordable price, with sales topping seven million cans in the five months following its launch. By using hops that are 100% grown in Europe, this beer has uncompromised quality, a rich aroma, and a pleasant aftertaste, and by utilizing its own supply chain

Aeon has been able to rationally reduce costs and offer this beer at a price that it has been unable to offer premium beers at in the past.

In 2019, as a part of the digital shift, Aeon concluded an exclusive partnership agreement in Japan with Ocado Solutions, a subsidiary of Ocado Group plc, an online supermarket company in the U.K. Through subsidiary Aeon Next Co., Ltd. (hereinafter “Aeon Next”), Aeon is in the process of constructing in Chiba City a customer fulfillment center, a cutting-edge large automated warehouse employing the latest AI and robots, and plans to launch an online supermarket based at this customer fulfillment center in 2023. Aeon Mall Co., Ltd. is planning to open a second customer fulfillment center (following the one in Chiba City) in 2026, which will be attached to a commercial complex in Hachioji City, Tokyo scheduled to open in 2025. Also, in March 2022, Aeon Next concluded an agreement whereby SBS Holdings, Inc. (hereinafter “SBS Group”) will invest in Aeon Next’s subsidiary that will handle logistics for the online supermarket. Going forward, Aeon Next will receive the extensive expertise in last-mile logistics operations that the SBS Group possesses to establish the most supported online supermarket in Japan, and will work to maximize customer satisfaction over the last mile.

In April, Aeon’s WAON e-money service (“WAON”) which began being issued in 2007, marked its 15th anniversary. Since it began being issued, customers have enjoyed WAON’s quick payments, its convenience in not having to use small change, and the benefits provided by earning WAON points. The cumulative total number of WAON cards issued has now exceeded 90 million and annual spending via the service now exceeds 2 trillion yen, with WAON cards now able to be used at more than 940,000 partnering stores across Japan. Since being initially issued, the “regional WAON” card, which helps to revitalize regional economies, has donated a portion of proceeds to local municipalities and other organizations, and a total of 2,324.83 million yen has been donated (as of April 2022). In addition, since September 2020 Aeon has been participating in Japan’s Ministry of Internal Affairs and Communications “My Number Point” program as a payment services provider. In June 2022, Aeon began accepting applications via WAON for the newly launched initiatives to have people register their My Number Card as their health insurance card as well as register their bank account with their My Number Card to receive public financial benefits, which are part of the second round of initiatives in the “My Number Point” program. Furthermore, in July, Aeon issued a collaboration card between WAON, which is celebrating its 15th anniversary, and “Pretty Guardian Sailor Moon” which is celebrating its 30th anniversary, via Apple Pay’s WAON on a limited time basis. Going forward, Aeon will aim for WAON to be a safe and convenient type of e-money that is convenient for customers and allows them to enjoy bargain shopping, as well as strive to expand the service to connect customers, regions, and partnering companies.

In July, at eight of the Company’s Aeon and Aeon Style stores as well as online supermarkets in Kyoto Prefecture, the Company began introducing “Loop,” the first circular packaging platform in western Japan for 19 products (from 10 manufacturers). Loop is a circular shopping platform in which daily goods and foods are sold in reusable containers, and where consumers then return the used container, upon which it is cleaned, refilled, and then sold again. Since being launched at 19 stores in Tokyo, Chiba, and Kanagawa in May 2021, the number of stores in the Kanto region using Loop has increased, and with the addition of eight stores in Kyoto Prefecture, the number of stores using Loop has increased to 66 stores. Over the years, Aeon has worked on a variety of eco-friendly measures in Kyoto Prefecture. In 2007, the Jusco Higashiyama-Nijo Store (Sakyo-ku, Kyoto City) became the first chain store to stop providing free plastic shopping bags on a test basis, while in 2011 Aeon concluded a regional revitalization comprehensive partnership agreement with Kyoto Prefecture, and the two sides have been working on various eco-friendly initiatives over the ensuing years. With this latest initiative, Kyoto Prefecture and the Japanese unit of U.S.-based TerraCycle, which developed Loop, concluded an agreement regarding a partnership to achieve a zero-emissions society, which led to the agreement on and the adoption of Loop in Kyoto Prefecture. Aiming to expand Loop to 100 stores before the end of

the fiscal year ending February 2023, going forward Aeon will work with manufacturers, municipalities and other stakeholders to promote this initiative, and to contribute to the realization of a circular society.

In July, the Aeon 1% Club Foundation presented 55,057,855 yen to the Japan Committee for UNICEF. This amount is the total of the 19,784,040 yen donated by Aeon customers through the “Aeon UNICEF Safe Water Campaign”, the matching amount of 19,784,040 yen provided by the Aeon 1% Club Foundation, and a 15,489,775 yen donation generated by sales of Topvalu Natural Mineral Water (500ml) at Aeon Group stores. This donation will be used for the supply of safe water and the installation of water supply facilities in Cambodia and Myanmar. The Aeon 1% Club Foundation has been conducting this campaign since 2010 in order to support the children who are unable to attend school as their time is consumed by fetching water from far distances. The campaign has provided more than 600,000 people with access to safe water up until now.

In August, Aeon Environmental Foundation held the 10th Asian Students Environment Platform (ASEP) online. This forum is held based on an agreement between the AEON Environmental Foundation and the United Nations Environment Programme (UNEP) Secretariat of the Convention on Biological Diversity. Since its inception, a total of 679 university students from 10 countries have participated in the forum, and this year marked the 10th time the forum was held. This forum provides an opportunity for undergraduate and graduate students in Asian countries to discuss environmental issues while learning about the differences in each country’s natural environment, history, culture, and values, with the aim of developing individuals capable of flourishing on the global stage in the environmental field. This year, a total of 91 students from nine universities of nine countries participated in the forum, where they listened to lectures on the theme of “SATOYAMA, Our Future COMMONS,” as well as took part in discussions in smaller groups comprising students of different nationalities.

2) Results by Business Segment

Results by segment are as follows.

From the first three months of the fiscal year, Aeon revised the business segments presented as reportable segments. Comparisons and analysis for the period under review are based on the revised segments.

GMS Business

The GMS Business posted an operating loss of 3,754 million yen (an improvement of 12,300 million yen year on year) on operating revenue of 1,598,850 million yen (down 2.0% year on year) for the first six months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter “Aeon Retail”) promoted sales and product strategies to maximize gross profit, and the entire Group has been working as one with a focus on increasing gross profit margin. During the six months ended August 31, 2022, in continuation from the three months ended May 31, 2022, Aeon Retail combined business strategies targeting a recovery in sales and the number of store visitors with e-commerce and other digital initiatives in order to maximize the effect. In clothing, in addition to making further progress on reductions in the cost-of-sales ratio and the improvement in the stock turnover rate resulting from inventory reductions made during the COVID-19 pandemic, sales were strong for the already implemented casualwear shop Esseme and the senior casual clothing brand Kirabi, as well as for travel-related goods. In food, Aeon Retail made significant revisions to the product mix in growth categories such as delicatessen and frozen foods as well as expanded sales floors, and also worked to expand sales of Topvalu products for which price freezes were implemented under increasingly cautious customer spending. In the health and beauty care category, same-store sales increased 2.6% year on year, driven by pharmaceutical dispensing, which worked to sell medical-use antigen test kits, pet care products, for which the lineup of high-value-added products was strengthened, and beauty care products, which performed well due to increased opportunities to go out. In the digital business, Aeon Retail revised the upper limit on orders received and expanded working space in order to capture the demand for online supermarket purchasing, which rapidly increased due to people refraining from going out in July

and August when COVID-19 cases increased. This resulted in online supermarket sales in the six months ended August 31, 2022, increasing to approximately 1.6 times the pre-COVID level posted in the first six months of the fiscal year ended February 2020. In addition, in August the Aeon Style Online e-commerce site held the “Aeon Style Online BUZZTTO SALE,” its large quarterly sale. The sale featured a variety of products such as game consoles and other products for families to enjoy during the Bon holiday period, and as a result of efforts to bolster online commercials and in-store notifications, orders received during the sales period were up roughly 400% in comparison to the same period of the previous fiscal year, resulting in strong sales.

Additionally, in response to the increase in the cost of electricity, Aeon Retail thoroughly reviewed its energy-saving measures, reducing electricity consumption in the six months ended August 31, 2022, by 3.5% compared to the year-earlier period. Aeon Retail also took drastic measures to reduce selling, general and administrative expenses other than utility expenses by also working to improve labor-hour efficiency with workstyle reforms utilizing AI and RPA, including by introducing Regi Go and semi-self-checkout registers, as well as by reviewing external costs such as for rental appliances.

As a result of these efforts, Aeon Retail’s operating profit in the six months ended August 31, 2022, improved by 14,268 million yen compared to the same period of the previous fiscal year.

Aeon Hokkaido Corporation (hereinafter “Aeon Hokkaido”) developed approximately 420 original products utilizing the Aeon Ishikari Processing Center which came online in September 2021, and improved the product lineup at stores by expanding the supply of pre-packaged items, which led to a strong 6.0% year-on-year increase in same store net sales in the delicatessen category during the six months ended August 31, 2022. In addition, Aeon Hokkaido posted strong sales of items such as children’s clothing, women’s clothing, travel goods, and cosmetics-related products that quickly responded to the recovery in demand related to people going out and social event-related demand, as well as increased demand for ethical and healthy products. In the internet sales business, net sales increased 12.4% year on year in the six months ended August 31, 2022, due to the increase in the number of orders the online supermarket is able to receive following the opening of new operation bases, as well as a shortening of delivery times. Furthermore, Aeon Hokkaido introduced self-checkout registers in order to reduce the congestion at checkout registers and lessen the burden on customers. Specifically, Aeon Hokkaido installed new or additional self-checkout registers at 17 stores during the six months ended August 31, 2022, bringing the cumulative total of stores with self-checkout registers installed to 100 stores.

Aeon Kyushu Co., Ltd. (hereinafter, “Aeon Kyushu”) advanced the initiatives of strengthening the food category, specialization in the non-food category, promoting digital transformation, and contributing to the environment and local communities, each of which are outlined in the company’s medium-term management plan. With respect to strengthening the food category, in addition to “this week’s recommended items,” “1,000 real price items,” and “50th anniversary monthly recommended prices,” and bolstering the development of Topvalu products to support customers’ daily lives through prices, Aeon Kyushu worked with Kyushu producers and suppliers to promote local production for local consumption, and during the six months ended August 31, 2022, same-store sales in the food section increased 1.1% compared with the same period of the previous year. In terms of promoting digital transformation, Aeon Kyushu expanded its online stores in all seven prefectures in Kyushu in terms of the number of stores with online stores, the number of pickup sites, the number of delivery time windows offered, and the area in which same-day delivery is offered, as it worked to enhance the level of service. Along with this, Aeon Kyushu worked to expand contactless pickup services, including with drive-thru pickup and locker pickup. Moreover, on September 1, 2022, Aeon Kyushu and Welcia Holdings Co., Ltd. established a joint venture, Aeon Welcia Kyushu Co., Ltd., with the aim of sharing the expertise of both companies in supermarket and drugstore management and developing and operating a new business format.

Supermarket Business / Discount Store Business

The Supermarket Business posted operating profit of 8,544 million yen (down 5,632 million yen year on year) on operating revenue of 1,309,193 million yen (up 2.9% year on year). The Discount Store Business

posted operating profit of 880 million yen (down 341 million yen year on year) on operating revenue of 191,388 million yen (down 2.4% year on year).

United Super Markets Holdings Group (hereinafter “U.S.M. Holdings”) worked on revitalizing stores and increasing convenience for customers, as well as increased productivity by increasing the deployment of full self-checkout registers and expanding the introduction of Scan&Go Ignica, thereby increasing the efficiency of personnel costs and revising sales promotions including promotional flyers. Maruetsu, Inc., a subsidiary of the company, revitalized existing stores through measures including expanding the sales areas for fresh foods and frozen foods as well as reorganizing the product lineup. In terms of digital reforms, U.S.M. Holdings increased the number of stores with online delivery to 36 total stores, grew the number of stores with full self-checkout registers to a total of 192 stores, and started a service at 56 stores that uses Uber Eats to offer home delivery of store items. Kasumi Co., Ltd. carried out major renovations of existing stores and opened a flagship store in the western part of Ibaraki Prefecture, as well as newly opened three stores in the Sotobo area of Chiba Prefecture, in a bid to enhance its dominance in both areas. Furthermore, Kasumi Co., Ltd. launched local fulfillment stores, which will manage store inventories in the area as a single virtual store, at 13 stores in the Tsukuba City area of Ibaraki Prefecture in order to expand the range of products that can be selected online as well as the delivery areas. Maxvalu Kanto Co., Ltd. (hereinafter “Maxvalu Kanto”) carried out major revitalizations of two stores and opened Maxvalu Express Makuhari Store, the first express format shopping experience-type supermarket, as it introduced new products and services.

Fuji Co., Ltd. (hereinafter, “Fuji”) faced new challenges, including quickly responding to new demand, the easing of eat-at-home and stay-at-home demand, as well as cost increases due to rising prices of raw materials and higher utility costs. Fuji continually focused on responding to the latest needs from the viewpoint of customers, and worked to reduce both product losses and costs, among other efforts. Fuji Retailing Co., Ltd. (hereinafter “Fuji Retailing”) carried out a variety of projects to commemorate the 55th anniversary of Fuji’s founding, including activities closely attached to local lifestyles and activities to contribute to an improvement in both customer and employee satisfaction levels. In terms of food products, Fuji Retailing continued to address low prices, while also responding to new demand, such as by enhancing product lineups for prepared foods and partially prepared foods, anticipating a rise in awareness about conserving electricity and reducing cooking time in households. Furthermore, Fuji Retailing focused on sales of products including outing goods, high-end foods, and souvenirs in order to respond to demand for going out and outings, as well as more demand for travel and demand related to people visiting their hometowns during the holidays. In August, Fuji Retailing newly launched a mobile supermarket service at two stores, and increased the number of bases to a total of 34 stores. With these efforts, during the six months ended August 31, 2022, net sales of foods increased 2.6% year on year, while net sales in the mobile supermarket business increased significantly by 37.6% year on year. Also, subsidiary Maxvalu Nishinohon Co., Ltd. revised its supply chain, centered on being closely attached to regions and bolstering fresh foods, and worked to develop stores where customers can enjoy shopping with a sense of safety and peace of mind. In terms of products, in addition to extremely strong sales of local and fresh products, Maxvalu Nishinohon worked on developing its own original products, such as seasonal bento lunchboxes made with local fresh ingredients. There was some impact on sales of fresh ingredients, such as seafoods and meats, due to the settling down of eat-at-home demand as people increasingly ate out and engaged in more leisure activities, but the company worked to promote its price appeal, develop uniformly-priced items, increase the quantity of items prepared from late afternoon onward, and enhance the lineup of freshly-made items.

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) carried out renovations to revitalize 12 stores during the six months ended August 31, 2022, in order to raise the competitiveness of existing stores, and worked to make stores more appealing by bolstering delicatessen offerings and frozen foods, as well as by enhancing product lineups in accordance with customers’ needs. In addition, Maxvalu Tokai newly installed cashless self-checkout registers at 65 stores, and worked to ensure the appropriate allocation of manpower by reducing cash register-related tasks, in addition to working to enhance cash register checkout convenience. This included the introduction of “MaxGo,” a system that allows customers to

scan their own products and smoothly pay at checkout registers, at the Hamamatsu Wada Store (Higashi-ku, Hamamatsu City) in June. In terms of products, Maxvalu Tokai worked with local governments and students in each area to develop products that take balanced meals into consideration, and restarted activities at the “Chanto Gohan STUDIO Chikusa Wakamiya-ōdori Store (Chikusa-ku, Nagoya City)”, as it made efforts to disseminate information about food and health. As additional measures to expand new sales channels, Maxvalu Tokai increased the number of stores in Nagoya City that provide food delivery services via Uber Eats, as well as newly launched mobile sales supermarkets in the mountainous region within Shizuoka Prefecture.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 23,576 million yen (up 1,380 million yen year on year) on operating revenue of 565,427 million yen (up 10.7%).

At Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, the number of customers visiting stores increased during the six months ended August 31, 2022, compared to the year-earlier period, due to free PCR testing and other tests as well as the free distribution of medical testing kits at stores with dispensing pharmacies. As a result, during the seventh wave of COVID-19 infections there was both an increase in customers visiting stores and an increase in sales of related products, such as cold medicines and fever reducers in the pharmaceutical products category. In the prescription drugs category, despite the revisions to dispensing fees and NHI drug prices, the number of prescriptions increased due to the increase in the number of stores dispensing prescription drugs (1,948 stores as of August 31, 2022) as well as the fact that there was no major impact from people refraining from visiting doctors despite being in the middle of the COVID-19 pandemic. With respect to SG&A expenses, despite the increase in utilities costs due to the increase in the price of electricity, Welcia Holdings made efforts to reduce expenses, centered on personnel expenses, through continuous efforts aimed at optimizing store-labor hours and increasing the operating efficiency of stores including through automated ordering and other initiatives. Moreover, in June, the efficiency of the business was enhanced by absorbing subsidiary Kanamitsu Yakuin Co., Ltd. through a merger with subsidiary Welcia Yakkyoku Co., Ltd. as the surviving company. Also in June, Welcia Holdings made Kokumin Co., Ltd., which is based in Osaka Prefecture and operates stores in Hokkaido, Kanto, Kansai, and Kyushu (162 stores), as well as French Co., Ltd. (3 stores), subsidiaries through the acquisition of shares. Through the aforementioned initiatives, the Welcia Group has a total of 2,702 stores as of August 31, 2022.

Financial Services Business

The Financial Services Business posted an operating profit of 33,029 million yen (down 2,069 million yen year on year) on operating revenue of 224,381 million yen (down 6.3%) for the first six months of the fiscal year.

Both in Japan and overseas, Aeon Financial Service Co., Ltd. (hereinafter, “AFS”) promoted investments targeting medium- to long-term growth and upgrades to its base, including enhancing convenience utilizing the common Group-wide points system, enhancing mobile services, and creating new businesses, as well as worked to advance digital financial inclusion.

Regarding the Aeon Card, the number of active cardholders in Japan was 30,320,000 cardholders (an increase of 230,000 compared to the start of the fiscal year), as a result of the implementation of a new member sign-up campaign both online and in stores, as well as the continued strengthening of the promotion of the Aeon Card based on increased convenience due to factors including changes to the point system. Also, to encourage the use of “iAEON” as well as the QR code-based payment function “AEON Pay,” in addition to expanding the number of Aeon Group stores where the service can be used, the scope of participating external stores such as leisure facility complexes, eating and drinking establishments, and large home appliance and electronics stores was also expanded, leading to improved customer convenience. With regard to credit card shopping, card shopping transaction volume was strong, based on the gradual recovery in usage for gasoline, ETC, and other automobile- and public transportation-related use, as well as usage in eating and drinking establishments and travel agencies, due to the implementation

of large-scale sales promotion measures with the Group, such as a bonus point campaign, as well as a campaign with external partnering stores to promote usage in conjunction with the recovery in the flow of people.

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 an online application, 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 addressing customers’ consulting needs at branches and continuing to promote exclusive Aeon Group shopping benefits for borrowers.

In Hong Kong, renewed efforts are being made to target young adults and address customers’ diverse payment needs. These efforts have included issuing the “AEON CARD WAKUWAKU” which employs a cashback scheme, proactively acquiring cardholders, as well as enabling the linkage of the smartphone payment system “WeChatPay” with Aeon Card.

In Thailand, credit card shopping transaction volume increased 52.4% year on year, due to the implementation of sales promotions with partnering major e-commerce sites and food delivery providers, in addition to carrying out a sales promotion with Thai Airways International and other entities in conjunction with the recovery in travel demand. In addition, in June the company began online insurance sales, enabling customers to use a mobile app to select insurance and complete the enrollment process by making a payment using their Aeon Card. Furthermore, the company advanced its mobile-centered digitalization efforts, including completely ending the issuance of plastic cards to loan customers and shifting to virtual cards on the mobile app.

In Malaysia, the credit card shopping transaction volume increased by a significant 31.3% year on year due to initiatives including the implementation of a joint sales promotion campaign with Aeon Co. (M) Bhd. and the execution of a card usage campaign targeting growth in online payment transaction volume. For motorbike loans, transaction volume of installment sales in the Malay region increased 76.8% year on year based on the resolution of the motorbike supply shortage as well as the strong performance of both new model launch campaigns with manufacturers and incentive campaigns with key participating retailers.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 23,023 million yen (up 3,250 million yen year on year) on operating revenue of 216,362 million yen (up 21.1% year on year).

Aeon Mall Co., Ltd., (hereinafter “Aeon Mall”) is working to maximize the appeal of brick-and-mortar stores through the creation of CX (customer experience) and is endeavoring to enhance the ability of malls to draw in customers. Aeon Mall Kitaoji (Kita-ku, Kyoto City), which was opened following renovations in June 2022, revamped its South Terrace, including adding new terrace seats and replacing the trees and plants, as well as introducing background sounds such as birds chirping and murmuring creeks, thereby creating a peaceful outside space for relaxation for people of all ages to enjoy. In addition, the name of the food court on the first floor was changed to “Kitaoji Dining,” and it was given a chic and laid-back urban design, thus becoming a space where customers can relax and enjoy meals. Aeon Mall also partnered with a business development project in the XR (cross reality) domain, and launched a joint proof-of-concept test to create a new customer experience utilizing the AR (augmented reality) cloud function in the AEON MALL app. As a first step, Aeon Mall held an event in August at THE OUTLETS KITAKYUSHU in which works of art by young local artists and children’s coloring pictures were displayed in an AR space. Through this event, Aeon Mall verified how to create content experiences that enrich real life-experiences using AR technology, and how to measure the effectiveness of such experiences. Through these kinds of initiatives, specialty store sales at existing malls (85 malls) in Japan grew significantly by 11.5% year on year in the six months ended August 31, 2022, and were 13.2% less than in the same period of the fiscal year ended February 2020 (83 malls).

In Vietnam, the government shifted to a policy of living with COVID and prioritizing economic growth, and the company’s malls resumed operations across all business types. As a result, specialty store

sales at existing malls (6 malls) during the six months ended August 31, 2022, increased by a significant 56.8% versus the same period of the previous year. Also, positioning Vietnam as the company's most important area for new mall openings, Aeon Mall is pursuing area-dominant mall openings in the south of the country, centered on Ho Chi Minh City, and in the north of the country, centered on Hanoi. In June, the company signed a comprehensive memorandum of understanding to implement the investment decision for shopping mall development with Da Nang City, located in central Vietnam. As the largest city in central Vietnam, Da Nang City is one of the strategic economic hubs, and is an area where, in addition to the tourism industry and the real estate industry, significant economic development can be expected in the coming years. Going forward, by further developing the Vietnam business, the company plans to contribute to realizing policies, attracting Japanese companies, and achieving urban development in regional areas in Vietnam, which is experiencing continued economic growth.

In China, COVID-19 infections spread rapidly beginning in April, leading to temporary closures of some malls. From June onward, although consumption trends showed signs of recovery in certain areas, amid continued stringent activity management by the government authorities, consumers continued the trend of refraining from going out. As a result, specialty store sales at existing malls for in the six months ended August 31, 2022, were 19.5% lower compared with the year-earlier period (21 malls). Going forward, the company will open new stores in high-growth inland areas as well as renovate existing malls and implement localization programs, along with promoting other initiatives that address customers' rapidly changing lifestyles.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating profit of 5,936 million yen (an improvement of 7,450 million yen year on year) on operating revenue of 377,169 million yen (up 9.0% year on year).

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") worked on building a data coordination platform in order to propose optimal solutions to all customers. As part of this, in the six months ended August 31, 2022, in addition to coordination between systems and updating information such as information on requests from customers and various equipment information, Aeon Delight actively utilized the information that was analyzed and processed to improve the efficiency of sales activities and enhance the quality of operations. Also, in order to build a sustainable business model to respond to the worsening labor shortage, the company utilizes technologies such as IoT and has developed "area management" that efficiently manages multiple facilities on an area basis. During the six months ended August 31, 2022, along with the establishment of the nationwide area management system, Aeon Delight made progress on equipment investments including installing cameras and sensors in order to automate inspection work. As a result, as of the end of August 2022, labor-saving or the launch of unmanned operations had been achieved at 70 facilities nationwide (248 facilities in total), freeing up 26 staffers (141 staffers in total) from full-time facility management work. Furthermore, these staffers were reassigned to work in different areas, such as at newly contracted properties, the sales division, or the construction division, in order to allow them to use their expertise cultivated through on-site management operations to capture and grow new earnings opportunities.

In the domestic business, Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") was impacted by some stores operating under shortened hours from the second half of July onward when there was a significant increase in the number of COVID-19 infections, but there was a gradual recovery trend from the second half of August. In the prize category, due to strong sales of movie-related products and the company's own exclusive prizes, same-store sales increased 16.4% year on year in the six months ended August 31, 2022, and were a driver of overall net sales. In the capsule toy category, in the six months ended August 2022, the company newly opened 30 TOYS SPOT PALO stores, which are capsule toy specialty stores which the company is accelerating the opening of as a strategic measure. This brings the total number of TOYS SPOT PALO stores to 111 stores, and net sales in this category in the six months ended August 31, 2022, continued to grow significantly by 70.3% year on year (increased 441.3% compared to the same period of the fiscal year ended February 2020). In digitalization, the number of "Molly Friends DX"

members, the company's member system that it is strengthening as a full digitalization initiative, reached 560,000 members. In Aeon Fantasy's China business, the government's demands for stores to close were gradually eased, resulting in a reopening of stores, and during the six-month period approximately 90% of stores resumed operations. In the company's ASEAN business, the trend from the three months ended May 2022 continued, and operating profit in the six months ended August 31, 2022, marked a new record high.

Can Do Co., Ltd. (hereinafter "Can Do") became a subsidiary of Aeon on January 5, 2022. In order to maximize synergies with the Aeon Group through collaboration, Can Do set out to expand sales channels, differentiate its products and brands, and enhance corporate value, and the company bolstered its initiatives to enhance customer satisfaction. In terms of expanding sales channels, Can Do accelerated the opening of new stores, centered on directly-managed stores and consignment-managed stores. As a result, the number of stores increased by 53 stores during the six months ended August 31, 2022, to 1,233 stores. In terms of differentiating its products and services, the company developed products for new lifestyle formats, eco-friendly products, and different price range products, as well as worked on initiatives to optimize product lineups and inventory volumes at individual stores utilizing POS data, along with promoting marketing and information dissemination utilizing SNS and other tools. In terms of enhancing corporate value, the company is currently advancing the opening of stores in Aeon Group, product tie-ups and the introduction of WAON, in sequence, and will promote measures to reduce store opening costs and equipment management costs through joint purchasing of appliances and equipment with the Aeon Group.

Cox Co., Ltd. (hereinafter "Cox") worked to bring about a recovery in earnings by focusing on the priority strategies of improvement in gross profit by strengthening the brand power and merchandising reform, increasing e-commerce sales by improving e-commerce operations and bolstering the D-to-C business, and bringing about a recovery in store sales through reforms to sales methods and sales floors. In the six months ended August 31, 2022, Cox worked on renewing the ikka brand and opened nine stores as lifestyle shops following renovations. The company expanded the scope of products that ikka handles by newly introducing home goods, such as cushions and fragrances, centered on green items (houseplants), that ikka had not handled in the past. Also, during periods of peak sales of products at regular prices, the Company placed information in magazines via tie-ups with famous entertainers in order to enhance visibility, while during discount sales periods the company maintained well-stocked sales floors by offering full ranges of sizes and colors for those products seeing real demand. These efforts were successful, leading to a significant 33.5% year-on-year increase in same-store net sales during the six months ended August 31, 2022. In terms of products, the company revised its discount strategies during sales periods as well as its schedule for introducing items, and these efforts led to a 1.7% improvement in the gross profit margin, while the balance of product inventory as of August 31, 2022, declined by 289 million yen. Selling, general and administrative expenses declined by 11.4% versus the year-earlier period due to continued efforts to reduce fixed costs, such as personnel costs and equipment expenses.

International Business

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

The International Business posted operating profit of 7,336 million yen (up 4,598 million yen year on year) on operating revenue of 245,439 million yen (up 18.1% year on year).

Aeon Co. (M) Bhd. (hereinafter "Aeon Malaysia") held various events at malls following the increase in opportunities for outings due to the significant easing of restrictions, leading to a recovery trend in tenant sales, while sales recovered steadily in the GMS Business as well, centered on clothing as well as household and recreational products. Furthermore, in the online supermarket launched in August 2021 as a part of bolstering the online business utilizing BOXED's e-commerce platform, which offers functional screen design and personalized functions, along with other features, the cumulative number of people registered reached the 124,000 mark at the end of June, and net sales increased significantly by 34.0%

year on year in the six-month period. As a result of these efforts, the company posted an increase in both sales and profit.

At Aeon Vietnam Co., Ltd. (hereinafter “Aeon Vietnam”), net sales increased significantly by 30.2% during the six-month period compared to the year-earlier period, as the impact of the COVID-19 pandemic contracted, leading to an increase in opportunities for outings. The company also saw a large increase in sales and profits as a result of its proactive promotion of DX in order to raise operational efficiency, among other initiatives. In terms of new stores, the company opened six supermarkets in the Hanoi area 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, there was an impact from the temporary closures of stores and shortening of store operating hours accompanying the government’s ratcheting up of activity restrictions to try to contain COVID following the increase in COVID-19 infections, but with the lifting of activity restrictions in June, demand is in the process of recovering compared to the three months ended March 2022. At Aeon Stores (Hong Kong) Co., Ltd., starting with the opening in March of an Aeon Style store inside a large shopping mall which is not a part of the Aeon Group, the company opened the first flagship 300 Yen shop “Threeply” in Hong Kong for Daiso, which the company is a sales distributor for. Due to the successful efforts to offer products and develop the business to match the local lifestyle, the company’s net sales in the six months ended June 30, 2022, increased by 4.6% compared to the year-earlier period.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of August 31, 2022, were 12,311,861 million yen, an increase of 678,777 million yen, or 5.8%, from the end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to increases of 55,773 million yen in cash and deposits, 190,192 million yen in notes and accounts receivable-trade, 52,567 million yen in securities, 54,515 million yen in operating loan, 43,876 million yen in loans and bills discounted for banking business, 192,424 million yen in property, plant and equipment, and 36,896 million yen in intangible assets.

Consolidated liabilities as of August 31, 2022, were 10,327,639 million yen, an increase of 506,978 million yen, or 5.2%, from February 28, 2022. The increase is mainly attributable to increases of 98,415 million yen in notes and accounts payable-trade, 154,208 million yen in deposits for banking business, 157,414 million yen in short-term loans payable, and 127,482 million yen in long-term loans payable (including the current portion of long-term loans payable) and other factors.

Consolidated net assets as of August 31, 2022, were 1,984,222 million yen, an increase of 171,798 million yen, or 9.5%, from February 28, 2022.

The balance of cash and cash equivalents at August 31, 2022, was 1,130,047 million yen, an increase of 62,622 million yen from February 28, 2022.

Net cash provided by operating activities in the six months ended August 31, 2022, was 233,920 million yen, mainly reflecting increases of 252,238 million yen in profit before income taxes, excluding depreciation and amortization and other non-cash expenses and 154,208 million yen in deposits for banking business, which offset increases of 144,174 million yen in notes and accounts receivable – trade and 43,876 million yen in cash loans and bills discounted for banking business.

Net cash used in investing activities was 253,751 million yen, mainly reflecting 443,001 million yen in acquisition of securities for banking business and 161,445 million yen in purchase of non-current assets, which offset 351,524 million yen in proceeds from sales and redemption of securities in banking business.

Net cash provided by financing activities was 26,679 million yen, mainly reflecting 176,127 million yen in proceeds from long-term loans payable and 79,557 million yen in proceeds from issuance of bonds, which offset 146,311 million yen in repayments of long-term loans payable and 90,800 million yen in redemption of bonds.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the year ending February 28, 2023, is unchanged from the forecast announced April 8, 2022.

*Since Aeon Co., Ltd. is a pure holding company, non-consolidated forecasts are not disclosed.

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

	As of February 28, 2022 Amount	As of August 31, 2022 Amount
Assets		
Current assets		
Cash and deposits	1,172,263	1,228,037
Call loans	8,864	8,547
Notes and accounts receivable - trade	1,655,072	1,845,265
Securities	612,647	665,214
Inventories	555,136	577,456
Operating loan	428,821	483,337
Loans and bills discounted for banking business	2,406,821	2,450,697
Other	473,815	498,815
Allowance for doubtful accounts	(127,776)	(129,985)
Current assets	<u>7,185,666</u>	<u>7,627,386</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,539,047	1,626,468
Tools, furniture and fixtures, net	207,982	218,187
Land	984,155	1,029,700
Construction in progress	51,392	88,766
Other, net	348,310	360,189
Property, plant and equipment	<u>3,130,888</u>	<u>3,323,313</u>
Intangible assets		
Goodwill	130,152	153,528
Software	135,301	145,771
Other	60,961	64,012
Intangible assets	<u>326,415</u>	<u>363,312</u>
Investments and other assets		
Investment securities	261,543	244,820
Net defined benefit asset	21,638	23,963
Deferred tax assets	156,417	151,004
Guarantee deposits	405,053	420,315
Other	152,608	164,996
Allowance for doubtful accounts	(7,148)	(7,250)
Investments and other assets	<u>990,112</u>	<u>997,849</u>
Non-current assets	<u>4,447,417</u>	<u>4,684,474</u>
Assets	<u>11,633,083</u>	<u>12,311,861</u>

	As of February 28, 2022 Amount	(Millions of yen) As of August 31, 2022 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	975,517	1,073,932
Deposits for banking business	4,173,446	4,327,655
Short-term loans payable	373,844	531,259
Current portion of long-term loans payable	311,061	335,113
Current portion of bonds	149,700	166,330
Commercial papers	144,828	54,000
Income taxes payable	40,027	38,580
Provision for bonuses	36,454	33,098
Provision for loss on store closing	4,912	3,117
Provision for point card certificates	12,002	7,162
Other provision	1,098	682
Notes payable - facilities	43,872	62,939
Other	781,199	818,394
Current liabilities	<u>7,047,966</u>	<u>7,452,264</u>
Non-current liabilities		
Bonds payable	915,033	892,361
Long-term loans payable	1,002,337	1,105,768
Deferred tax liabilities	34,320	36,510
Provision for loss on store closing	2,921	5,263
Provision for loss on interest repayment	6,476	5,328
Other provision	6,426	873
Net defined benefit liability	20,537	22,484
Asset retirement obligations	109,354	116,356
Long-term guarantee deposited	258,151	268,784
Reserve for insurance policy liabilities	64,367	59,319
Other	352,766	362,324
Non-current liabilities	<u>2,772,693</u>	<u>2,875,374</u>
Liabilities	<u>9,820,660</u>	<u>10,327,639</u>

	As of February 28, 2022 Amount	(Millions of yen) As of August 31, 2022 Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	296,285	296,123
Retained earnings	415,503	423,843
Treasury shares	(34,030)	(24,232)
Shareholders' equity	897,766	915,742
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,335	32,739
Deferred gains or losses on hedges	(1,187)	810
Foreign currency translation adjustment	17,512	62,823
Remeasurements of defined benefit plans	(3,995)	(4,389)
Total accumulated other comprehensive income	59,665	91,984
Subscription rights to shares	1,290	1,266
Non-controlling interests	853,701	975,229
Net assets	1,812,423	1,984,222
Liabilities and net assets	11,633,083	12,311,861

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

	(Millions of yen)	
	Six months ended August 31, 2021	Six months ended August 31, 2022
	Amount	Amount
Operating revenue		
Net sales	3,814,703	3,920,850
Operating revenue from financial services business	214,732	198,495
Other operating revenue	315,483	367,838
Operating revenue	4,344,919	4,487,184
Operating costs		
Cost of sales	2,770,018	2,824,056
Operating cost from financial services business	35,702	26,470
Operating cost	2,805,721	2,850,527
Gross profit	1,044,684	1,096,793
Operating gross profit	1,539,198	1,636,656
Selling, general and administrative expenses	1,461,432	1,540,779
Operating profit	77,765	95,877
Non-operating income		
Interest income	1,619	2,046
Dividend income	1,399	1,820
Share of profit of entities accounted for using equity method	2,069	3,054
Other	16,910	14,061
Non-operating income	21,999	20,983
Non-operating expenses		
Interest expenses	17,248	17,713
Other	4,585	3,826
Non-operating expenses	21,833	21,539
Ordinary profit	77,931	95,321
Extraordinary income		
Gain on sales of non-current assets	277	2,456
Gain on sales of shares of subsidiaries and associates	0	23,617
Gain on step acquisition	-	3,290
Insurance income	1,672	2,698
Subsidy income	3,353	1,346
Other	1,229	544
Extraordinary income	6,533	33,952
Extraordinary losses		
Impairment loss	2,997	5,715
Loss on retirement of non-current assets	1,203	1,475
Disaster-related loss	1,637	3,536
Infectious disease related cost	4,233	2,534
Other	3,573	9,380
Extraordinary losses	13,645	22,642
Profit before income taxes	70,819	106,631
Income taxes		
Current	34,311	38,749
Deferred	2,615	10,088
Income taxes	36,926	48,838
Profit	33,893	57,793
Profit attributable to non-controlling interests	29,304	39,754
Profit attributable to owners of parent	4,588	18,038

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended August 31, 2021	Six months ended August 31, 2022
	Amount	Amount
Profit	33,893	57,793
Other comprehensive income		
· Valuation difference on available-for-sale securities	6,745	(23,060)
· Deferred gains or losses on hedges	36	4,039
· Foreign currency translation adjustment	21,636	85,812
· Remeasurements of defined benefit plans, net of tax	637	(627)
· Share of other comprehensive income of entities accounted for using equity method	(50)	(163)
Other comprehensive income	29,005	66,000
Comprehensive income	62,898	123,794
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	21,563	50,357
Comprehensive income attributable to non- controlling interests	41,334	73,436

(3) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended August 31, 2021	Six months ended August 31, 2022
	Amount	
Cash flows from operating activities		
Profit before income taxes	70,819	106,631
Depreciation	153,019	159,670
Amortization of goodwill	6,752	7,920
Increase (decrease) in allowance for doubtful accounts	(10,810)	(5,078)
Increase (decrease) in provision for loss on interest repayment	(1,845)	(1,612)
Increase (decrease) in provision for bonuses	(3,851)	(5,145)
Increase (decrease) in net defined benefit liability	(308)	689
Decrease (Increase) in net defined benefit asset	(2,470)	(3,283)
Interest and dividend income	(3,019)	(3,867)
Interest expenses	17,248	17,713
Share of (profit) loss of entities accounted for using equity method	(2,069)	(3,054)
Impairment loss	2,997	5,715
Loss (gain) on sale of shares of subsidiaries and associates	-	(23,617)
Loss (gain) on step acquisitions	-	(3,290)
Decrease (increase) in notes and accounts receivable – trade	(66,080)	(144,174)
Decrease (increase) in inventories	17,396	(3,257)
Decrease (increase) in operating loans receivable	4,623	(19,211)
Decrease (increase) in cash loans and bills discounted for banking business	(44,765)	(43,876)
Increase (decrease) in notes and accounts payable - trade	(95,823)	70,387
Increase (decrease) in deposits for banking business	81,541	154,208
Increase/decrease in other assets/liabilities	(74,890)	(8,432)
Other, net	(15,230)	33,797
Subtotal	33,233	288,833
Interest and dividend income received	4,452	4,924
Interest expenses paid	(17,255)	(17,883)
Income taxes paid	(52,008)	(41,953)
Net cash provided by (used in) operating activities	(31,578)	233,920

	(Millions of yen)	
	Six months ended August 31, 2021	Six months ended August 31, 2022
	Amount	Amount
Cash flows from investing activities		
Purchase of securities	(5,803)	(8,252)
Proceeds from sales and redemption of securities	22,074	20,816
Acquisition of securities for banking business	(260,209)	(443,001)
Proceeds from sales and redemption of securities in banking business	267,098	351,524
Purchase of non-current assets	(181,599)	(161,445)
Proceeds from sales of non-current assets	1,580	11,859
Purchase of investment securities	(1,123)	(1,707)
Proceeds from sales of investment securities	1,081	276
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(11,543)
Payments for guarantee deposits	(9,798)	(6,958)
Proceeds from collection of guarantee deposits	14,646	7,375
Proceeds from guarantee deposits received	13,121	11,542
Repayments of guarantee deposits received	(10,548)	(11,368)
Other, net	(9,784)	(12,868)
Net cash used in investing activities	(159,266)	(253,751)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	89,618	60,437
Proceeds from long-term loans payable	102,190	176,127
Repayments of long-term loans payable	(130,909)	(146,311)
Proceeds from issuance of bonds	61,000	79,557
Redemption of bonds	(37,568)	(90,800)
Proceeds from share issuance to non-controlling shareholders	1,674	3,847
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(21)	(934)
Repayments of lease obligations	(30,620)	(31,715)
Cash dividends paid	(15,300)	(15,302)
Dividends paid to non-controlling interests	(11,675)	(13,440)
Other, net	6,101	5,212
Net cash provided by financing activities	34,488	26,679
Effect of exchange rate change on cash and cash equivalents	6,726	20,253
Net increase (decrease) in cash and cash equivalents	(149,629)	27,102
Cash and cash equivalents, beginning of period	1,217,054	1,090,923
Increase in cash and cash equivalents resulting from merger	-	12,022
Cash and cash equivalents, end of period	1,067,425	1,130,047

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of this fiscal year. Consequently, revenue is recognized when control of promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

1. Revenue recognition for agent transactions

The Company previously recognized revenue from agent transactions, such as in cases where the consignment purchase of goods is recorded when the goods are sold, at the gross amount of consideration received from the customer. However, as a result of determining its role (as principal or agent) in providing goods or services to customers, the Company has changed its accounting method to recognize revenue on a net basis by subtracting payments to suppliers from the gross amount. Such revenues are recorded in other operating revenue.

2. Revenue recognition for point system

Under the point system offered by some of the Company's consolidated subsidiaries, to prepare for expenses incurred from the use of points granted, either of two types of accounting treatment was previously adopted, depending on the specifics of the system, where the provision for point card certificates is recorded as selling, general and administrative expenses in the amount expected to be used in the future; or the outstanding balance of the points is recorded as deposits received in other under current liabilities while selling, general and administrative expenses is recorded in the amount of such points granted. However, when such points provide customers with important rights, the Company now applies a new method in which it identifies points granted as a performance obligation, allocates the transaction price based on the stand-alone sales price of the points calculated in consideration of expected future expiration, etc. and defers the recognition of revenue.

The application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the first quarter of this fiscal year have been reflected in retained earnings at the beginning of the first quarter, and the new accounting policy has thereby been applied to the said beginning balance.

As a result, for the six months ended August 31, 2022, net sales decreased 111,660 million yen, other operating revenue increased 25,274 million yen, operating revenue decreased 86,386 million yen, cost of sales decreased 63,937 million yen, operating profit increased 795 million yen, and ordinary profit and profit before income taxes increased 95 million yen each. The beginning balance of retained earnings for this fiscal year increased 5,602 million yen. In addition, from the first quarter of this fiscal year, part of "Provision for point card certificates," which was presented under "Current liabilities" in the consolidated balance sheet for the previous fiscal year has been changed to be included in "Other" under "Current liabilities" as contract liabilities.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the previous fiscal year's financial statements have not been reclassified to conform to the new presentation. Furthermore, in accordance with the transitional

treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the six months ended August 31, 2021 is not presented.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has opted to prospectively apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. Note that the impact of this change on the quarterly consolidated financial statements is immaterial.

(Additional Information)

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

The Company has introduced the Employee Stock Ownership Plan Trust ("ESOP Trust") incentive scheme that provides the Company's work force with ownership interest in the Company with the aim of further enhancing corporate value over the mid to long term.

The Company's stock held by the ESOP Trust was included in treasury shares under net assets with a book value of 6,219 million yen for 2,691,900 shares as of August 31, 2022. The book value of long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method was 7,150 million yen.

(Segment Information)

I. Six months ended August 31, 2021 (March 1 – August 31, 2021)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	1,576,568	1,265,129	195,526	510,383	214,732	138,454	250,058
(2) Intersegment revenue or transfers	55,320	7,223	573	409	24,781	40,277	95,947
Total	1,631,889	1,272,352	196,099	510,792	239,514	178,731	346,005
Segment income (loss)	(16,055)	14,176	1,221	22,195	35,098	19,773	(1,513)

	Reportable segment		Other*1	Total	Adjustments*2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	206,000	4,356,854	4,615	4,361,469	(16,549)	4,344,919
(2) Intersegment revenue or transfers	1,798	226,331	22,711	249,042	(249,042)	-
Total	207,798	4,583,185	27,326	4,610,511	(265,592)	4,344,919
Segment income (loss)	2,737	77,635	2,132	79,768	(2,002)	77,765

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

2. Main components of the minus 16,549 million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 44,710 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 28,094 million yen in "operating revenues from equity-method affiliates" of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the minus 2,002 million yen in adjustments for segment income (loss) are as follows:

- (a) minus 722 million yen in loss of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
- (b) 1,618 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and
- (c) minus 2,923 million yen in intersegment transaction eliminations.

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

II. Six Months ended August 31, 2022 (March 1 – August 31, 2022)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	1,549,417	1,301,939	191,022	565,060	198,495	174,941	282,305
(2) Intersegment revenue or transfers	49,432	7,253	365	367	25,885	41,420	94,864
Total	1,598,850	1,309,193	191,388	565,427	224,381	216,362	377,169
Segment income (loss)	(3,754)	8,544	880	23,576	33,029	23,023	5,936

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	243,233	4,506,416	3,032	4,509,448	(22,264)	4,487,184
(2) Intersegment revenue or transfers	2,206	221,796	21,966	243,763	(243,763)	-
Total	245,439	4,728,213	24,999	4,753,212	(266,027)	4,487,184
Segment income (loss)	7,336	98,572	(904)	97,668	(1,790)	95,877

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

2. Main components of the minus 22,264million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 50,078 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 27,731 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the minus 1,790 million yen in adjustments for segment income (loss) are as follows:

- (a) 1,333 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
- (b) minus 2,173 million yen in loss of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and
- (c) minus 967 million yen in intersegment transaction eliminations.

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

2. Change of reportable segment

In line with organizational changes, from the first quarter of the fiscal year ending February 28, 2023, the Company has reclassified some of the subsidiaries included in the Other Business segment to include them in the Services and Specialty Store Business segment; and has also reclassified some subsidiaries in the GMS Business to Group companies engaged in Aeon

Group merchandise supply, etc. and include their revenues in adjustments. For reference, segment information for the six months ended August 31, 2021, was prepared based on the current segmentation.

As stated in “Changes in Accounting Policy,” the Company has applied the Accounting Standard for Revenue Recognition effective from the beginning of the first quarter of this fiscal year and changed accounting treatments for revenue recognition. Consequently, methods for calculating operating revenue and income (loss) for business segments have also been changed.

Due to the application of the Accounting Standard, etc., compared with what they would have been under the previous accounting method, for the six months ended August 31, 2022, operating revenue decreased 52,524 million yen and segment loss decreased 876 million yen in the GMS Business; operating revenue decreased 11,375 million yen and segment income increased 10 million yen in the Supermarket Business; operating revenue decreased 1,479 million yen in the Discount Store Business; operating revenue decreased 11,218 million yen and segment income increased 4 million yen in the Health and Wellness Business; operating revenue decreased 17,330 million yen and segment income increased 55 million yen in the Financial Services Business; operating revenue increased 29,700 million yen and segment income increased 181 million yen in the Shopping Center Development Business; operating revenue decreased 20,234 million yen and segment income decreased 35 million yen in the Services and Specialty Store Business; operating revenue decreased 499 million yen and segment loss increased 297 million yen in Other Business.

(Material Subsequent Events)

Not applicable