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Financial Results for the Fiscal Year ended February 28, 2023

April 12, 2023

Company name	**AEON CO., LTD.**
Listings	Tokyo Stock Exchange (Prime Market)
Security code	8267
URL	https://www.aeon.info/en/
Representative	Akio Yoshida, President
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Scheduled dates:

Ordinary general meeting of shareholders	May 26, 2023
Commencement of dividend payments	May 2, 2023
Submission of statutory financial report	May 29, 2023
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, 2023 (March 1, 2022 to February 28, 2023)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended February 28, 2023	9,116,823	4.6	209,783	20.3	203,665	21.9	21,381	228.7
Year ended February 28, 2022	8,715,957	1.3	174,312	15.8	167,068	20.4	6,504	-

Note: Comprehensive income: Year ended February 28, 2023: 126,494 million yen (36.6%)
Year ended February 28, 2022: 92,570 million yen (-%)

	Earnings per share	Earnings per share – fully diluted	Return on equity	Ordinary profit to total assets
	yen	yen	%	%
Year ended February 28, 2023	25.11	25.07	2.2	1.7
Year ended February 28, 2022	7.69	7.65	0.7	1.4

Reference: Equity in gains (losses) of equity-method affiliates:
Year ended February 28, 2023: 5,836 million yen
Year ended February 28, 2022: 4,355 million yen

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 fiscal year ended February 28, 2023, 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
February 28, 2023	12,341,523	1,970,232	8.0	1,161.12
[excl. Financial Services]	[6,078,158]	[1,544,604]	[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: February 28, 2023: 992,576 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 the 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 February 28, 2023, are those after the application of the said accounting standard.

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
Year ended February 28, 2023	433,710	(335,123)	1,853	1,214,462
Year ended February 28, 2022	204,452	(343,854)	(2,207)	1,090,923

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, 2022	-	18.00	-	18.00	36.00	30,602	468.1	3.2
Year ended Feb. 28, 2023	-	18.00	-	18.00	36.00	30,853	143.4	3.1
Year ending Feb. 29, 2024 (forecast)	-	18.00	-	18.00	36.00		123.1	

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2024
(March 1, 2023 to February 29, 2024)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending Aug. 31, 2023	-	-	-	-	-	-	-	-	-
Full year	9,400,000	3.1	220,000	4.9	210,000	3.1	25,000	16.9	29.25

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

***Notes**

(1) Changes affecting the consolidation status of significant subsidiaries during the period: None

(2) 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

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (treasury stock included):
February 28, 2023: 871,924,572 shares
February 28, 2022: 871,924,572 shares

2) Number of shares held in treasury at the end of the period:
February 28, 2023: 17,080,259 shares
February 28, 2022: 25,207,930 shares

3) Average number of shares outstanding during the period:
Year ended February 28, 2023: 851,630,958 shares
Year ended February 28, 2022: 846,082,188 shares

* For the number of shares serving as basis for the calculation of earnings per share (consolidated), see "Per-Share Information" on page 37.

For Reference

1. Non-consolidated Financial Results for the Fiscal Year ended February 28, 2023
(March 1, 2022 to February 28, 2023)

(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, 2023	55,433	6.8	36,001	14.8	13,733	(19.3)	17,739	(24.1)
Year ended February 28, 2022	51,906	2.4	31,367	(5.2)	17,024	53.4	23,384	229.3

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Year ended February 28, 2023	20.83	20.82
Year ended February 28, 2022	27.64	27.63

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
February 28, 2023	1,554,205	650,452	41.8	760.47
February 28, 2022	1,575,684	653,377	41.4	771.22

Reference: Total equity: February 28, 2023: 650,142 million yen February 28, 2022: 653,068 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 29, 2024" 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, 2023 (March 1, 2022 – February 28, 2023), AEON CO., LTD. (hereinafter "AEON") posted increased revenue and profit compared to the previous fiscal year, with record-high consolidated operating revenue of 9,116,823 million yen (up 4.6% year-on-year). Operating profit was 209,783 million yen (up 20.3% year-on-year), ordinary profit was 203,665 million yen (up 21.9% year-on-year), and profit attributable to owners of the parent increased significantly to 21,381 million yen (up 228.7% year-on-year).

By business segment, the Shopping Center Development Business, Services and Specialty Store Business, and International Business which all had to temporarily suspend business at many locations in the two previous fiscal years in Japan and overseas in response to the COVID-19 pandemic, and the Health and Wellness Business which pursued M&A and increased the number of stores dispensing prescription drugs, each posted increased revenue and profit. The GMS (General Merchandising Store) Business returned to the black with a significant profitability improvement due to a number of initiatives, including expanding and enhancing the online supermarket business and the private brand TOPVALU, and improving the gross profit margin by utilizing AI tools and reducing inventories. The Supermarket Business posted increased revenue following the conversion of Fuji Co., Ltd. and its consolidated subsidiaries into consolidated subsidiaries of AEON. The Discount Store Business posted increased profit as a result of the management integrations implemented in the previous fiscal year. Meanwhile, the Financial Services Business posted decreased revenue and profit due to slowed receivable balance growth and rising interest rates.

Profit attributable to owners of the parent increased significantly due to the increase in profit lines up to the ordinary profit, as well as the gain on sales of shares of subsidiaries and affiliates and non-current assets.

Common Group Strategy

- Continued price increases on many daily necessities are resulting in added strain on household budgets. Placing top priority on corporate efforts to protect customers' lifestyles, AEON is working to develop unique value propositions through its private brand, TOPVALU. Although AEON has raised prices for some products from July 2022, it has maintained unchanged the prices of the majority of the approximately 5,000 TOPVALU brand food and daily consumable items covered by the price freeze declared in September 2021. This has led to the acquisition of new customers and increased repeat purchases. To respond comprehensively to customers' diverse needs, AEON also worked on repositioning TOPVALU as a "new value-creation brand", Gurinai as an "organic and natural ingredient-focused brand", and BESTPRICE as a "satisfying quality brand" aimed at providing the best prices in each region. Group companies in each region are also taking the lead in proactive efforts to develop local private brands by developing "local production for local consumption" products to help revitalize regional communities and economies.

- Changes in consumer behavior due to the pandemic have led to an expansion of e-commerce to include fresh produce and delicatessen product categories. AEON has always been devoted to the values of safety and peace of mind, and these values are the driving force behind the growth of the online supermarket business based on the delivery of products from existing stores. AEON is also preparing for the mid-2023 launch of the online market "Green Beans", which will operate from a customer fulfillment center in Chiba City, Chiba Prefecture, based on an exclusive domestic-market partnership agreement between AEON and the U.K.'s Ocado Solutions. Customers will be able to designate delivery times within one-hour windows between 7am and 11pm, select from around 50,000 items including high-quality fresh produce, and place the kind of large orders that customer fulfillment centers make possible. The service will meet the needs of customers living in the heart of Tokyo, distant from the brick-and-mortar stores operated by AEON's GMS Business and Supermarket Business. AEON Mall Co., Ltd. is scheduled to launch operations at a second customer fulfillment center in 2026 in Hachioji City, Tokyo Metropolitan area. The center will be attached to a commercial complex scheduled to open in 2025.

- AEON is also pursuing a further "digital shift" at GMS Business and Supermarket Business brick-and-mortar stores to make shopping more convenient for customers. Conventional staffed cash registers are being replaced with self-scan and self-checkout systems such as "Regi Go" and "Scan & Go Ignica". The AI pricing system "AI Kakaku" is being used to reduce disposal-related food loss by suggesting appropriate pricing. The "AI Work" system is being used to automatically draft work schedules/rosters. Such streamlining efforts have not only increased customer convenience, but have also enhanced customer service by increasing the time store staff can devote to serving customers. In September 2021, AEON launched the "iAEON" app, and in October 2022 launched the QR code-based AEON Pay system. Through these, sales data and AEON Card usage history information is gathered and visualized using the Group's shared database. This facilitates individualized marketing tailored to each customer's needs. To expand usage of AEON Pay among young urban consumers (a demographic with relatively little contact with the Group thus far), AEON is working to increase the number of non-AEON-Group stores where the system can be utilized.

- The Health & Wellness Business is achieving growth driven by population aging and growing consumer health consciousness. The segment's core company Welcia Holdings Co., Ltd. (hereinafter "Welcia") is introducing AEON's WAON Points (which can be converted into WAON e-money) at Welcia Group stores, in order to enhance customer convenience. In September 2022, Welcia and AEON Kyushu Co., Ltd. (hereinafter "AEON Kyushu") established AEON Welcia Kyushu Co., Ltd. to draw on group synergies and strengthen the segment's value to communities in the Kyushu region. By mutually sharing AEON Kyushu's expertise in supermarket management including fresh foods and ready-to-eat items and Welcia's expertise in drugstore management including dispensing pharmacies, the companies are making rapid progress with the development and operation of the new business format of "food and drugs" by progressively merging the business of each company. The first store, Welcia Plus Onojo-Wakakusa (Onojo City, Fukuoka Prefecture), opened on April 6, 2023.

- AEON has positioned Vietnam as its key market in the ASEAN region, as it is currently enjoying a demographic dividend and has a population with a high propensity to consume. AEON is pursuing strategic dominance in Vietnam through multi-format store openings, including online stores. In Cambodia, where market share is also steadily growing, a pre-opening event was held for AEON Mall Mean Chey in December 2022, ahead of the official opening on April 7, 2023. It will be AEON's third mall in Cambodia and is designed to appeal to a broad age range as an "edutainment" mall. The aim is to support the lifestyles of local residents through further localization and create an "AEON Living Zone". Group-wide efforts are also being made to address the societal issue of financial inclusion for low- and middle-income demographics in the ASEAN region. Such efforts have included obtaining one of Malaysia's first digital banking licenses in April 2022, and obtaining a license to provide small-scale loans in Thailand under the nano-financing scheme introduced by the Thai government in May 2022.

- Based on AEON's basic principle of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core", AEON and the AEON 1% Club Foundation have been providing humanitarian assistance worldwide. This includes launching the "AEON Fundraising to Rescue Children in Ukraine", donation of emergency relief funds for those affected by the earthquake in southeastern Turkey, and the AEON UNICEF Safe Water Campaign. Domestically, AEON and the AEON 1% Club Foundation have donated to the AEON Shuri Castle Restoration Support Project in order to continuously support the restoration of cultural assets to be passed down to the next generation. They also support the AEON Heartful Volunteer program, and are working to conclude further agreements on disaster response (with Regional Development Bureaus of the Ministry of Land, Infrastructure, Transport and Tourism) to ensure that AEON stores can fulfill their responsibilities as components of lifeline infrastructure.

- Based on the AEON Sustainability Principle (revised September 2018), AEON is contributing to societal sustainability through its business activities. In fiscal 2022, AEON's efforts such as reducing emissions, mitigating climate change risks, and helping to build low-carbon economies, were recognized by the non-profit organization CDP (Carbon Disclosure Project), which conducts global environmental surveys and operates a global disclosure system, and AEON was included on the CDP's "Climate Change A List", the highest rating, for the fourth consecutive year. AEON is stepping up a range of environmental efforts, including employing advanced AI-based energy-saving technologies to achieve zero net emissions of CO_2 and other greenhouse gases from Group stores by 2040. AEON is also working on emissions management and reduction at the product manufacturing stage, establishing emissions reduction plans for the entire supply chain including TOPVALU product manufacturing contractors, and is pursuing greater inter-company coordination to promote further decarbonization.

2) Results by Business Segment

Results by segment are as follows.

AEON revised the business segments presented as reportable segments from fiscal 2022. Comparisons and analysis for fiscal 2022 are based on the revised segments. For consolidated subsidiaries, year-on-year comparisons are calculated based on comparison with figures prior to the application of the new revenue recognition accounting standards.

GMS Business

The GMS Business posted an operating profit of 14,097 million yen (an increase of 16,130 million yen year-on-year) on operating revenue of 3,269,042 million yen (down 0.7% year-on-year).

AEON Retail Co., Ltd. (hereinafter "AEON Retail") is accelerating its revenue structure reforms to establish a management base able to withstand a wide range of cost increases while pursuing gross profit maximization, shopping center revenue improvement, and expansion of online sales. AEON Retail has been working to maximize gross profit by expanding sales floor space for growth categories and expanding and enhancing product lineups. The company has enhanced its casual apparel lineup and strengthened offerings in anticipation of a recovery in travel-related demand, while the stock turnover rate has improved due to inventory control. They have also revised food product weightings in growth categories such as delicatessen and frozen food, and have expanded the sales floor space for these. In addition, they successfully grew TOPVALU sales amid a succession of national brand price hikes.

In the health and beauty care category, the bolstering of pharmaceutical dispensing and the recovery of selectively distributed cosmetics drove sales, leading to a 4.0% year-on-year increase in same-store sales. To improve shopping center revenue by recovering from the decreased customer traffic levels due to the pandemic, they focused on measures to attract customers throughout the shopping center, the reduction of shopping floor vacancy rates, and increasing temporary utilization of space by tenants, resulting in improved tenant rent revenue. To boost online sales, the company expanded online supermarket services, increased the number of in-store pick-up locations, and expanded and enhanced product offerings by drawing on GMS Business strengths. They also pursued the expansion of the AEON Style Online service and strengthening of the advertising revenue business. Their work on revenue structure reforms combining productivity improvement with reduction of store and headquarters expenses led to stable profitability amid an adverse environment of soaring product costs, energy costs, and personnel expenses.

AEON Hokkaido Corporation (hereinafter "AEON Hokkaido") posted a 12.0% year-on-year increase in sales of TOPVALU products for fiscal 2022. TOPVALU food and daily necessities prices were kept unchanged, while new specialty food products, including a series of TOPVALU-brand ready-made dishes supervised by first-class chefs, were added to the TOPVALU lineup. With respect to increasing the added value of products and stores, which was outlined in the medium-term management plan, three new stores were opened and large-scale refurbishments were carried out at eight existing stores. AEON Hokkaido developed approximately 800 original product items, including value-added products like croquettes and soup made of seasonal ingredients from Hokkaido such as pumpkin and corn. In apparel and home furnishing products, an original apparel product with exceptional thermal insulation called "Perfect Hoodie + Eco" was well-received and helped meet growing demand relating to outings and special events. In the online sales business, online supermarket net sales increased 20.6% year-on-year following the opening of two additional delivery bases. AEON e-shop net sales also increased 25.5% year-on-year due to strong performance from gift products. Furthermore, in order to reduce congestion at checkout registers and otherwise increase the level of convenience for customers, as well as reduce personnel expenses, AEON Hokkaido installed new or additional self-checkout registers at 27 stores during fiscal 2022, bringing the cumulative total number of stores with self-checkout registers installed to 107 stores. In addition, as a result of completing the transfer of functions from the earlier AEON Shopping app to the iAEON app, the number of app users increased by approximately 400% year-on-year.

AEON Kyushu Co., Ltd. (hereinafter, “AEON Kyushu”) advanced the initiatives of strengthening the food category, specializing 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, as it celebrated its 50th anniversary. In the food category, AEON Kyushu made efforts to keep prices unchanged, and enjoyed strong sales due to efforts including expanding the lineup of ready-to-eat meals and frozen foods in response to the need for simple, individual-sized offerings. In the non-food category, the company implemented some new initiatives such as in September when the company introduced its own miscellaneous goods store “Smilefull days”, and in November when it rolled out “GREEN PICNIC”, a new business format developed based on the vision of “Creating healthy bodies and minds with the power of plants”. In terms of promoting DX, due to efforts to increase the level of convenience, including newly launching same-day delivery at four online supermarkets and expanding the number of stores that offer lockers for people to pick up products they purchased, usage numbers increased 5.1% year-on-year in fiscal 2022. The e-commerce website “AEON Kyushu Online” focused on uncovering local products, expanding the lineup of fresh foods, and initiatives involving external e-commerce sites, and net sales grew 25.8% year-on-year in fiscal 2022. The total number of downloads of the AEON Kyushu official app exceeded 950,000 downloads, a year-on-year increase of approximately 170,000.

Supermarket Business/Discount Store Business

The Supermarket Business posted operating profit of 22,844 million yen (down 25.2%, or 7,695 million yen year-on-year) on operating revenue of 2,642,119 million yen (up 4.8% year-on-year). The Discount Store Business posted operating profit of 3,682 million yen (up 33.5%, or 923 million yen year-on-year) on operating revenue of 383,490 million yen (down 1.2% year-on-year).

United Super Markets Holdings Inc. (hereinafter “U.S.M. Holdings”) worked on revitalizing stores and increasing convenience for customers, as well as increasing the deployment of full self-checkout registers and expanding the introduction of “Scan & Go Ignica”. In order to deliver new value to customers and business partners, U.S.M. Holdings launched “AKIBA Runway”, an open innovation platform for cooperation and co-creation with startups and other companies that possess proprietary technologies, and concluded an exclusive distribution agreement with Beyond Meat, Inc., the U.S. company that produces “Beyond Beef” plant-derived meat substitutes. Also, the full-fledged operation of a plant factory that has achieved fully-indoor plant cultivation was started, as the company worked to build a new, consistent business model spanning from production to sales.

Maruetsu, Inc., a consolidated subsidiary of the company, refurbished 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 initiatives, U.S.M. Holdings introduced “Maruetsu Prime”, a membership program based on the Scan & Go Ignica app; increased the number of stores with online delivery to 37 total stores, and the number of stores with self-checkout registers to 205 stores; and has also started a service at 65 stores that use Uber Eats to provide home delivery of store items. Kasumi Co., Ltd. (hereinafter “Kasumi”) bolstered its sales promotions through bundle sales, holding “senior days” and “child-rearing support days” and expanding their “MiiL Kasumi” private brand offerings. “Well-being Weekend” events were also held at BLANDE locations (a new type of supermarket) to raise awareness among customers about newly developed products that use Beyond Beef as an ingredient. Maxvalu Kanto Co., Ltd. carried out major refurbishments of two stores and opened its first shopping experience-type supermarket (Maxvalu Express Makuhari, Chiba Prefecture), where customers can enjoy spending time doing things other than shopping. The company also launched “Order & Eat” through its own delivery service, thereby further enhancing the level of convenience for customers.

Fuji Co., Ltd. (hereinafter “Fuji”) outlined its management vision as “Realizing overwhelming security and excitement for both customers and employees”, and continually focused on responding to the latest needs from the viewpoint of customers, and worked to reduce both waste loss and costs, among other efforts. Fuji Retailing Co., Ltd. (hereinafter, “Fuji Retailing”), a consolidated subsidiary of Fuji, carried out a variety of projects to commemorate the 55th anniversary of Fuji’s founding, and advanced its plan of opening stores with Ehime Prefecture and Hiroshima Prefecture as the priority areas. In terms of food products, Fuji Retailing responded to changing needs amid rising energy prices by enhancing product lineups of prepared foods and partially-prepared foods, and also responded to recovering demand for outings, travel, and hometown visits as COVID-19 restrictions were lifted.

The mobile supermarket, which is working to further expand its business, is now providing service from a total of 41 bases, with 73 vehicles providing service on 219 routes. With these efforts, during fiscal 2022, net sales of foods increased 3.3% year-on-year, while net sales in the mobile supermarket business increased significantly by 34.4% year-on-year. Maxvalu Nishinihon Co., Ltd. (hereinafter "Maxvalu Nishinihon") also revised its supply chain, with a focus on being community-based and bolstering fresh foods, in addition to opening new stores and revitalizing existing stores centered on the western part of Hyogo Prefecture, Okayama City, Hiroshima City, Yamaguchi Prefecture, Kagawa Prefecture, and the San'in area. Also, Maxvalu Nishinihon worked on initiatives aimed at solidifying non-store businesses, including the mobile supermarket business that has 37 dedicated vehicles based out of 22 stores in nine prefectures, as well as the e-commerce business. In terms of products, Maxvalu Nishinihon focused on rolling out large-volume bulk sales of local and seasonal products, "Buyer Three Stars" products carefully selected and recommended by buyers, and original products made using local fresh ingredients. Maxvalu Nishinihon also made progress on reducing store operating costs, including lightening store workloads by increasing supply from the Okayama Processing Center which started operation in September.

Maxvalu Tokai Co., Ltd. (hereinafter "Maxvalu Tokai") worked to embody its brand message of "Making dreams a reality and bringing people together through delicious foods", and newly opened five stores and revitalized 16 stores during fiscal 2022. In terms of products, Maxvalu Tokai expanded its lineup of "Jimono" products, local products that are cherished by local residents, as a way to support producers, and stepped up its rollout of TOPVALU products. It also worked with local governments and students in various areas to develop products that take balanced meals into consideration, thereby endeavoring to suggest healthy dietary habits through coordination with local communities. In addition, the company worked to bolster its lineup of delicatessen offerings packaged in small sizes and therefore suitable for finishing eating in one sitting or completely using in one use, and also worked to expand its frozen foods sections. Moreover, Maxvalu Tokai is working to further enhance productivity by introducing cashless self-checkout registers at a total of 151 stores, by working to ensure the appropriate allocation of manpower by reducing cash register-related tasks, and by utilizing four automated serving robots for prepared foods at the Nagaizumi Center (Sunto District, Shizuoka Prefecture) and thereby halving the number of workers required for each food preparation line. In terms of creating new customer contact points, the company expanded the number of online supermarket bases to 26, established the Maxvalu Tokai Yahoo Store, made progress with digitalization including introducing the use of the iAEON app in October, and continuously worked to provide purchasing opportunities by expanding the mobile supermarket's sales channels, with six mobile supermarket vehicles now in operation.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 44,828 million yen (up 7.0%, or 2,919 million yen year-on-year) on operating revenue of 1,149,689 million yen (up 11.5% year-on-year).

At Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries, in fiscal 2022, demand fluctuated for masks, antigen test kits, and free PCR testing, as COVID-19 case numbers rose and fell, while cosmetics demand and demand from visitors to Japan showed signs of recovery. In the product sales category, sales of general cold remedies, etc. to people recovering from COVID-19 at home increased. In the prescription drugs category, despite the impact of drug price revisions, the number of prescriptions increased due to the increase in the number of stores dispensing prescription drugs (2,024 stores as of February 28, 2023), as well as the fact that there was no major impact from people refraining from visiting doctors despite being in the middle of COVID-19 pandemic. With respect to selling, general and administrative expenses, despite the significant increase in utility costs due to soaring fuel prices, Welcia Holdings worked on cost optimization with a focus on personnel expenses through store labor-hour management and increasing the operating efficiency of stores through introducing automated ordering. In June, Welcia Holdings converted Kokumin Co., Ltd. (162 stores) and French Co., Ltd. (3 stores) into subsidiaries through the acquisition of shares, and in December, also converted Fuku Yakuhin K.K. (25 stores) into a subsidiary through share acquisition. Through the aforementioned initiatives, the Welcia Group has a total of 2,763 stores as of February 28, 2023.

Financial Services Business

The Financial Services Business posted an operating profit of 60,313 million yen (down 2.4%, or 1,478 million yen year-on-year) on operating revenue of 456,875 million yen (down 3.3% year-on-year).

Both in Japan and overseas, AEON Financial Service Co., Ltd. promoted investments targeting medium- to long-term growth and upgrades to its base, including enhancing convenience by utilizing the common Group-wide points system, bolstering mobile services, and creating new businesses, as well working to advance digital financial inclusion.

Regarding the AEON Card, the card design was refreshed in November, and the number of active cardholders in Japan was 30,820,000 cardholders (an increase of 730,000 compared to the start of fiscal 2022), 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. Also, the QR code-based payment function AEON Pay was added to the AEON Card official app AEON Wallet, and the scope of participating external stores such as leisure facility complexes, eating and drinking establishments, large home appliance and electronics stores, and hotels was expanded, leading to improved customer convenience. With regard to credit card shopping, card shopping transaction volume was strong, based on the 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, 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") continued to focus on addressing customers' consulting needs at branches, drawing on the advantage of having customers visit while shopping at AEON stores, while also promoting online applications and consultations. AEON Bank also continued to promote housing loans by revising and expanding AEON Select Club customer benefits and eligibility from March 2023 (AEON Select Club customers are eligible for 5% discounts on purchases at AEON Group stores 365 days a year).

In Hong Kong, proactive measures to acquire cardholders were advanced, including issuing the "AEON CARD WAKUWAKU" which employs a cashback scheme newly targeting young adults, and implementing a sales promotion that offers a bonus return rate for use in Japan in conjunction with the recovery in demand for travel to Japan.

In Thailand, credit card shopping transaction volume grew due to a campaign marking the 30th anniversary of AEON Thana Sinsap (Thailand) PCL, a sales promotion with Thai Airways International in response to recovering tourism demand, and the implementation of sales promotions with partnering major e-commerce sites and food delivery providers. Also, progress was made in digitalization with a mobile focus, which included 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, and ending the issuance of plastic cards to loan customers and shifting to virtual cards on the mobile app.

In Malaysia, credit shopping transaction volume grew due to efforts to bolster joint sales promotion measures with Aeon Co. (M) Bhd. (hereinafter "AEON Malaysia") such as restarting customer appreciation days, and a card usage campaign targeting growth in online payment transaction volume. In installment sales applications, efforts were made to reform work processes through digitalization, including introducing instant provisional credit and enhanced convenience with the update of AEON Wallet.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 45,242 million yen (up 16.4%, or 6,372 million yen year-on-year) on operating revenue of 443,482 million yen (up 20.9% 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. During fiscal 2022, AEON Mall opened two new malls. The company opened THE OUTLETS KITAKYUSHU (Kitakyushu City, Fukuoka Prefecture) in April, opened AEON Mall Toki (Toki City, Gifu Prefecture) in October, and 12 existing malls were renovated. Initiatives aimed at addressing societal issues together with local residents and customers were implemented at these new malls among other initiatives, and efforts were made to draw in customers as increasing numbers of people went out. Through such initiatives, specialty store sales at existing malls (85 malls) in Japan grew by 10.0% year-on-year in fiscal 2022, and were 9.2% less than in fiscal 2019 (83 malls) prior to the COVID-19 pandemic.

In Vietnam, AEON Mall's top-priority overseas market for store openings, the company signed new comprehensive memoranda of understanding to implement investment decisions for shopping mall development with Ho Chi Minh City's Hóc Môn District and the Dong Nai Province neighboring Ho Chi Minh City in April and May 2022, respectively, and signed a similar memorandum of understanding in June with Da Nang City, located in central Vietnam. In May, the company decided to open its first AEON Mall, AEON Mall Huế, in central Vietnam in Huế City, and construction work got underway in February 2023 targeting an opening in the second half of 2024. In Cambodia, the company has opened its third mall, AEON Mall Mean Chey, with the aim of strengthening its dominance in the Phnom Penh area, and is also deploying a merchandising strategy that draws on the local characteristics of its mall locations. In Indonesia, construction began on a fifth store, which is scheduled to open in fiscal 2024 as a core facility in Delta Mas City, which is aiming to become a leading “smart city” in Asia.

In China, AEON Mall was significantly impacted by the Zero COVID policy and an explosive COVID-19 outbreak following a relaxation of this policy. Despite this, the company pursued initiatives to respond to rapidly changing customer lifestyles including refurbishing existing malls and implementing localization projects, with the aim of making progress in both tangible and intangible areas. The company has commenced construction in Hubei, Zhejiang, and Hunan provinces targeting new mall openings from fiscal 2023 onward.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating profit of 10,270 million yen (an increase of 13,321 million yen year-on-year) on operating revenue of 765,620 million yen (up 8.8% year-on-year).

AEON Delight Co., Ltd. (hereinafter “AEON Delight”) posted year-on-year increases in net sales in all seven businesses during fiscal 2022, due to factors including an expansion of market share among customers and an increase in newly contracted properties. This was despite environmental changes causing suspensions and postponements of customers’ capital expenditure, and delays in materials and equipment procurement. Operating profit was flat year-on-year, due to the decline in profit in businesses, including the cleaning services business (resulting from a decline in demand for alcohol-disinfecting cleaning) and the materials-related business (in which there was an increase in purchasing costs), as well as upfront investments to bolster digital transformation and overseas business. As rising energy costs become a challenge for customers, AEON Delight contributed to energy savings at facilities through the use of LED lighting, the updating of air conditioning equipment, and sales of CFC-free cases, as well as the introduction of tools to visualize power usage at 171 facilities. Also, to respond to the increasingly severe labor shortage, AEON Delight is utilizing IoT and other technologies to develop and roll out “area management” that efficiently manages multiple facilities, and has made investments in equipment in order to automate inspection work, along with consolidating some operations at customer support centers. As a result, as of February 28, 2023, labor-savings or the launch of unmanned operations had been achieved at 95 facilities nationwide (273 facilities in total), allowing staffers to be reassigned to work in different areas, such as at newly contracted properties, the sales division, or the construction division, in order to grow new revenue-earning opportunities.

AEON Fantasy Co., Ltd. (hereinafter “AEON Fantasy”) reached a total of 1,000 stores in eight countries around the world on October 1. As of February 28, 2023, the total was 1,044 stores, with 609 in Japan and 435 overseas. In the domestic business, the capsule toys division and prizes division accelerated openings of their strategic small-scale stores Toys Spot Palo (capsule toy division) and Prize Spot Palo (prizes division), and both divisions achieved solid sales throughout fiscal 2022. The capsule toy division’s sales have been particularly strong, increasing by roughly 500% from fiscal 2018, before the division began opening specialty stores. In the China business, all stores had reopened by December. In the ASEAN business, net sales and operating profit reached record highs as pandemic restrictions began to be lifted from March and markets began to recover.

Can Do Co., Ltd. (hereinafter “Can Do”) set out to expand sales channels, differentiate its products and brands, and enhance corporate value in order to maximize synergies with the AEON Group through collaboration, and also bolster 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 65, totaling 1,245 as of February 28, 2023. In terms of differentiating its products and brand, the company developed products for new lifestyle formats, and eco-friendly products, and expanded its different price range products, as well as promoted marketing and information dissemination utilizing social media and other tools to expand the scope of business. While making improvements to the lifestyle-proposition shop format of the store it opened in AEON Mall Fukuoka in November, Can Do will roll out the format to new and existing stores to achieve an increase in the number of customers and spending per customer. 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 and AEON Pay 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 margin through strengthening brand power and merchandising reforms, increasing e-commerce sales by improving e-commerce operations and bolstering the D-to-C (Direct to Consumer) business, and bringing about a recovery in store sales through reforms to sales methods and sales floors. In fiscal 2022, Cox placed information in magazines via tie-up features in order to enhance visibility and expand sales during periods of peak sales of products at regular prices in March and April, and October and November. By promoting the brand revamp of the family-oriented fashion and lifestyle select shop "ikka THE BEAUTIFUL LIFE GREEN STORE", same-store net sales increased 22.4% year-on-year. During discount sales periods, the company continually restricted sales at reduced prices and revised the schedule for introducing products, and while doing that, the company also re-evaluated products carried over to the next fiscal year. As a result, the gross profit margin reached 57.8% (up 0.4 percentage points year-on-year), and the balance of product inventory at the end of fiscal 2022 was reduced by 454 million yen from the end of fiscal 2021.

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 12,859 million yen (up 129.9%, or 7,266 million yen year-on-year) on operating revenue of 497,428 million yen (up 20.7% year-on-year).

AEON Malaysia posted increased revenue and profits. With the opening of the border with Singapore in April, cross-border movement of people increased and opportunities for outings increased further. In light of this, various events were held at malls on an ongoing basis, thus sustaining the recovery trend in tenant sales, while sales recovered steadily in the GMS Business as well for all product lines, especially in apparel and household and recreational products. Meanwhile, an online supermarket was launched in August 2021 as a part of bolstering the online business. The online supermarket utilizes an e-commerce platform with an advanced automated logistics system and a high-level capability of proposing products to customers based on algorithms utilizing AI. The product lineup was revamped, and delivery efficiency was improved in response to changes in customer purchasing trends as COVID-19 situation fluctuated. As a result, the cumulative number of people registered in the online supermarket reached 158,000 at the end of December.

At AEON Vietnam Co., Ltd. (hereinafter "AEON Vietnam") as well, opportunities for outings increased, and sales grew significantly in the Tenant Business, GMS Business, and Supermarket Business, ahead of the Tet (Lunar New Year) period. Profits also increased significantly as a result of AEON Vietnam's promotion of DX in order to raise operational efficiency and reduce expenses. The company opened its 14th AEON Maxvalu store in December, and is aiming to open its 100th AEON Maxvalu store in 2025, focusing on opening stores in residential areas.

In China, although the "Dynamic Zero-COVID Policy" was abandoned in December, the situation remained difficult as stringent restrictions on activities were kept in place nationwide right up until its lifting. The company bolstered e-commerce, focusing on the two platforms of the AEON app and JD Daojia, and the online supermarket's food sales ratio rose 3.7 percentage points year-on-year to 13.8%, which was higher than in Japan. Focus was placed on the local development of apparel and household and recreational products that would appeal to local customers. With the lifting of COVID-19-related restrictions the development period for new products, including food products, was shortened. At AEON Stores (Hong Kong) Co., Ltd., in March the company opened an AEON Style store inside a large shopping mall which is not a part of the AEON Group, and in June the company opened the first flagship 300 Yen shop "Threeppy" in Hong Kong for Daiso, which the company is a sales distributor for.

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 for the Company, the Board of Directors holds vigorous discussions based on a long-term perspective. In fiscal 2022, as a complement to Board of Directors meetings, policy deliberation meetings were held by independent outside directors based on information provided in advance by the secretariat of the Board of Directors. These meetings involved repeated discussions centered on management issues and the status of progress with implementation of the medium-term management plan covering the period through fiscal 2025. Members of the Board are also provided with advance briefings on those agenda items that require in-depth discussion in order to facilitate efficient Board meetings focused on discussion among members who are sufficiently informed.

In addition, debates were held among independent outside directors themselves, and the independent outside directors then provided, to executive officers at Board meetings, opinions and proposals contributing to the Group's governance approach and to increasing the effectiveness of the Board of Directors. AEON ensures that substantive discussion aimed at corporate value enhancement for the entire group is conducted, not only at Board of Directors meetings, and that supervisory functions that promote the sustainable growth of the Company are functioning effectively. AEON will continue to strive to further strengthen corporate governance going forward.

Status of Implementation of the Board of Directors Meetings and Each Committee

(* Denotes outside director)

	Meetings Held	Members	Main Functions
Board of Directors	7	Chairperson: Motoya Okada Akio Yoshida, Yuki Habu, *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	6	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 has also positioned sustainability as a central issue for business in its 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 fiscal 2025.

・ Reducing the use of disposable plastics

Based on the AEON Plastic Usage Policy, AEON is aiming to facilitate a new lifestyle that is carbon-free and recycles 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.

In fiscal 2022, AEON switched from providing customers with plastic cutlery to cutlery made from wood and paper materials. This reduced plastic usage by approximately 470 tons.

Since May 2021, AEON has 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. The total number of participating stores has increased to 100 nationwide (as of February 28, 2023).

Furthermore, from March 2022, AEON began selling four TOPVALU Gurinai Organic-brand tea beverage products in PET plastic bottles made entirely from recycled plastic from used PET bottles collected at AEON stores with the cooperation of customers. Further similar products are scheduled to be released.

・ Nurturing and supporting children who will be tomorrow’s leaders

a. AEON Children’s Cafeteria Support Group

Ensuring children’s food security is a major and constant issue, particularly for child-rearing households facing economic difficulties. In response to this, in December 2020 AEON launched the AEON Children’s Cafeteria Support Group and commenced support activities. As part of these activities, in December 2022, AEON held its fifth donation drive, raising approximately 42 million yen to donate to the NPO, National Children’s Cafeteria Support Center “Musubie”. The NPO is putting the donated money toward funding the operation of Children’s Cafeterias and food deliveries to households. AEON will also continue to help build local communities in which people support one another and are connected by the bonds of mutual assistance. Related activities include coordinating with companies, schools, local governments, and organizations that provide aid to local children, and providing spaces at our store locations to give customers opportunities to get directly involved in Children’s Cafeteria support activities

b. AEON CHEERS CLUB

The AEON 1% Club operates 395 experiential learning clubs, called “AEON CHEERS CLUB”, primarily for elementary and junior high school students, at AEON stores throughout Japan. The clubs are designed to nurture children’s thinking skills and foster in them an interest in areas like nature and the environment. In fiscal 2022, 22 Welcia drugstores collaborated to launch AEON CHEERS CLUB Welcia Tsukuba, the first AEON CHEERS CLUB to be hosted at a drugstore. AEON will continue to create a wide range of opportunities for children to learn about the environment and society while having fun.

(2) Analysis of Financial Condition

Consolidated Assets, Liabilities, Net Assets, and Cash Flows (millions of yen)

	Fiscal year to end-February,			
	2023	2022	2021	2020
Total assets	12,341,523	11,633,083	11,481,268	11,062,685
Interest-bearing debt Breakdown:	3,483,126	3,290,957	3,145,713	3,006,690
Interest-bearing debt of financial subsidiaries	1,210,924	1,087,852	1,043,469	1,064,956
Interest-bearing debt excluding that of financial subsidiaries	2,272,202	2,203,105	2,102,243	1,941,734
Net assets	1,970,232	1,812,423	1,755,776	1,849,278
Cash and cash equivalents, end of period	1,214,462	1,090,923	1,217,054	1,141,171
Cash flows from operating activities	433,710	204,452	396,461	624,660
Cash flows from investing activities	(335,123)	(343,854)	(341,814)	(341,492)
Cash flows from financing activities	1,853	(2,207)	24,290	51,164

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of February 28, 2023 were 12,341,523 million yen, an increase of 708,439 million yen, or 6.1%, from the end of the previous fiscal year (February 28, 2022). The increase is mainly attributable to increases of 137,461 million yen in cash and deposits, 222,689 million yen in notes and accounts receivable-trade, 41,571 million yen in inventories, 73,916 million yen in operating loans receivable, 55,505 million yen in loans and bills discounted for banking business, and 170,555 million yen in property, plant and equipment, which offset a 104,423 million yen decline in securities, among other factors.

Consolidated liabilities as of February 28, 2023, were 10,371,290 million yen, an increase of 550,630 million yen, or 5.6%, from February 28, 2022. The increase is mainly attributable to increases of 64,430 million yen in notes and accounts payable-trade, 218,758 million yen in deposits for banking business, 80,059 million yen in short-term loans payable, and 190,804 million yen in long-term loans payable (including the current portion of long-term loans payable), which offset a decline of 69,828 million yen in commercial papers, among other factors.

Consolidated net assets as of February 28, 2023 were 1,970,232 million yen, an increase of 157,809 million yen, or 8.7%, from February 28, 2022.

Consolidated Cash Flows

Cash and cash equivalents

The balance of cash and cash equivalents as of February 28, 2023 was 1,214,462 million yen, an increase of 123,538 million yen, or 11.3%, from February 28, 2022.

Cash flows from operating activities

Net cash provided by operating activities was 433,710 million yen, an increase in cash provided of 229,257 million yen, or 112.1% year-on-year. The increase in cash provided is mainly attributable to a 157,585 million yen increase in notes and accounts payable-trade, and an 89,670 million yen increase in other assets/liabilities, which offset a decrease in cash provided due to a 143,919 million yen increase in notes and accounts receivable-trade.

Cash flows from investing activities

Net cash used in investing activities was 335,123 million yen, a decrease in net cash used of 8,730 million yen, or 2.5% year-on-year. This decrease in cash used mainly reflects a 128,983 million yen increase in proceeds from sales and redemption of securities in banking business, which was offset by a 99,171 million yen increase in the acquisition of securities in banking business, and an 18,326 million yen increase in the purchase of non-current assets.

Cash flows from financing activities

Net cash provided by financing activities was 1,853 million yen, an increase in cash provided of 4,060 million yen year-on-year. The increase in cash provided is mainly due to an increase of 209,043 million yen in proceeds from long-term loans payable, which offset a decrease in cash provided due to an increase of 65,645 million yen in repayments of long-term loans payable, and a decrease of 58,014 million yen in short-term bank loans and commercial papers.

(3) Outlook for the Fiscal Year Ending February 29, 2024

Consolidated Operating Results Forecast (Millions of yen)

	Fiscal year ending February 29, 2024	Fiscal year ended February 28, 2023 (actual results)
Operating revenue	9,400,000	9,116,823
Operating profit	220,000	209,783
Ordinary profit	210,000	203,665
Profit attributable to owners of the parent	25,000	21,381

For operating results in the fiscal year ending February 29, 2024, 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 the "AEON Living Zone", and further accelerate the shift to Asian markets), and is aiming to achieve record-high operating revenue and operating profit equaling or exceeding the results for the fiscal year ended February 29, 2020, prior to the COVID-19 pandemic. Although forecasts by segment will not be disclosed, AEON is targeting profit growth in all segments.

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, 2023, and the Fiscal Year ending February 29, 2024

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, 2023 and Starting Date for Dividend Payments
By resolution of the Board of Directors at a meeting held on April 12, 2023, the year-end dividend payment from retained earnings for the fiscal year ended February 28, 2023 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 Tuesday, May 2, 2023.

3) Dividend Forecast for the Fiscal Year Ending February 29, 2024
In accordance with the basic policy outlined above, AEON plans to pay an ordinary dividend for the fiscal year ending February 29, 2024 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 recently formulated the "AEON Group Future Vision", which will serve as a long-term guide for the Group. AEON's goal is to work with customers and stakeholders to help create brighter future lifestyles for everybody. By taking the lead in innovation and co-creation, AEON aims to become a group that enriches both individuals and society, and achieves sustained growth. Refer to the webpage below for details on AEON's vision statement: "Create a future lifestyle that leads to a smile for each and every person".

https://www.aeon.info/en/company/code_of_conduct/ (AEON Group Future Vision)

(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 its Medium-term Management Plan (FY2021-FY2025). The 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 accelerating 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 the "AEON Living Zone", 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 and inclusion as one of its management strategies, and aims to be an organization that fully utilizes the abilities of diverse human resources, and continually innovates. In fiscal 2022, AEON enhanced its efforts to bolster among management staff the kind of awareness demanded of them, and hold firm as an organization in which diversity and psychological safety are valued, through training for executive managers and other management-level staff at Group companies. AEON moved to incorporate male childcare leave promotion efforts into its "Support for Balancing Work and Childcare" training sessions in order to foster a culture of embracing and drawing on differences. Trainings about active workplace participation by employees with disabilities are also held each month to deepen understanding about a wide range of disabilities and points to consider relating to the recruitment and employment of such employees. AEON is pursuing initiatives to create new value, including sharing between Group companies best practices relating to promoting more active workplace participation by women, people with disabilities, and sexual minorities, and ways to increase generational diversity within the workforce.

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 2022, AEON set promoting mental and physical health, creating safe, secure, and dynamic workplaces, and promoting health Group-wide, as three major themes for its health management initiatives. This included introducing a ban on smoking during working hours and at business sites at 115 Group companies in Japan. Efforts were also made to enhance mental health education, promote more appropriate working hours, and increase the percentage of employees who receive follow-up medical examinations after the discovery of abnormalities during regular health checks. Such efforts have been recognized, with the Company and 49 other Group companies being selected as “2023 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, 2022	As of February 28, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	1,172,263	1,309,725
Call loans	8,864	10,373
Notes and accounts receivable - trade	1,655,072	1,877,761
Securities	612,647	508,223
Inventories	555,136	596,708
Operating loan	428,821	502,737
Loans and bills discounted for banking business	2,406,821	2,462,327
Other	473,815	543,011
Allowance for doubtful accounts	(127,776)	(129,109)
Current assets	7,185,666	7,681,759
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,539,047	1,630,449
Tools, furniture and fixtures, net	207,982	212,266
Land	984,155	1,043,143
Leased assets, net	93,317	99,930
Construction in progress	51,392	78,909
Other, net	254,993	236,746
Property, plant and equipment	3,130,888	3,301,444
Intangible assets		
Goodwill	130,152	145,160
Software	135,301	148,348
Leased assets	26,162	26,248
Other	34,798	36,269
Intangible assets	326,415	356,026
Investments and other assets		
Investment securities	261,543	263,947
Net defined benefit asset	21,638	25,729
Deferred tax assets	156,417	145,431
Guarantee deposits	405,053	412,691
Deposits for stores in progress	1,730	1,720
Other	150,878	159,597
Allowance for doubtful accounts	(7,148)	(6,825)
Investments and other assets	990,112	1,002,292
Non-current assets	4,447,417	4,659,764
Assets	11,633,083	12,341,523

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	975,517	1,039,947
Deposits for banking business	4,173,446	4,392,204
Short-term loans payable	373,844	453,904
Current portion of long-term loans payable	311,061	346,338
Current portion of bonds	149,700	167,920
Commercial papers	144,828	75,000
Lease obligations	64,241	67,311
Income taxes payable	40,027	48,344
Contract liabilities	–	243,376
Provision for bonuses	36,454	38,260
Provision for loss on store closing	4,912	2,706
Provision for point card certificates	12,002	6,529
Notes payable - facilities	43,872	57,453
Other	718,057	538,579
Current liabilities	7,047,966	7,477,878
Non-current liabilities		
Bonds payable	915,033	905,541
Long-term loans payable	1,002,337	1,157,865
Lease obligations	310,145	291,267
Deferred tax liabilities	34,320	31,669
Provision for directors' retirement benefits	354	350
Provision for loss on store closing	2,921	6,228
Provision for contingent loss	57	48
Provision for loss on interest repayment	6,476	5,180
Provision for loss on future collection of gift certificates	6,014	–
Net defined benefit liability	20,537	18,653
Asset retirement obligations	109,354	116,891
Long-term guarantee deposited	258,151	264,994
Reserve for insurance policy liabilities	64,367	54,338
Other	42,620	40,382
Non-current liabilities	2,772,693	2,893,412
Liabilities	9,820,660	10,371,290

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	296,285	299,667
Retained earnings	415,503	411,758
Treasury shares	(34,030)	(22,936)
Shareholders' equity	897,766	908,498
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,335	41,711
Deferred gains or losses on hedges	(1,187)	257
Foreign currency translation adjustment	17,512	45,825
Remeasurements of defined benefit plans	(3,995)	(3,716)
Total accumulated other comprehensive income	59,665	84,077
Subscription rights to shares	1,290	1,173
Non-controlling interests	853,701	976,482
Net assets	1,812,423	1,970,232
Liabilities and net assets	11,633,083	12,341,523

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

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Operating revenue		
Net sales	7,657,351	7,961,711
Operating revenue from financial services business	421,803	403,040
Other operating revenue	636,801	752,071
Operating revenue	8,715,957	9,116,823
Operating costs		
Cost of sales	5,538,956	5,725,286
Operating cost from financial services business	62,738	53,608
Operating cost	5,601,694	5,778,894
Gross profit	2,118,395	2,236,425
Operating gross profit	3,114,262	3,337,929
Selling, general and administrative expenses		
Advertising expense	185,983	115,700
Provision of allowance for doubtful accounts	48,440	59,782
Employees' salaries and bonuses	1,038,155	1,087,456
Provision for bonuses	36,454	38,260
Legal and employee benefits expenses	182,005	190,838
Utilities expenses	139,172	235,949
Depreciation	285,708	300,122
Repair and maintenance	171,556	188,305
Rents	398,783	425,879
Amortization of goodwill	13,843	16,188
Other	439,846	469,661
Selling, general and administrative expenses	2,939,949	3,128,145
Operating profit	174,312	209,783
Non-operating income		
Interest income	3,662	4,728
Dividend income	2,701	3,666
Share of profit of entities accounted for using equity method	4,355	5,836
Income from unredeemed gift vouchers	4,090	-
Penalty income from leaving tenants	2,812	2,713
Reversal of allowance for doubtful accounts	485	563
Other	20,168	18,609
Non-operating income	38,276	36,117
Non-operating expenses		
Interest expenses	34,584	35,750
Other	10,936	6,484
Non-operating expenses	45,520	42,235
Ordinary profit	167,068	203,665
Extraordinary income		
Gain on sales of non-current assets	2,027	11,375
Gain on sales of shares of subsidiaries and associates	-	24,068
Insurance income	2,732	5,849
Gain on step acquisition	-	3,290
Subsidy income	9,759	1,620
Other	3,664	1,844
Extraordinary income	18,184	48,048
Extraordinary losses		

Impairment loss	44,347	51,269
Provision for loss on store closing	1,949	5,929
Loss on retirement of non-current assets	2,439	4,229
Disaster-related loss	1,975	7,563
Infectious disease related cost	6,536	4,370
Other	5,181	10,003
Extraordinary losses	62,429	83,365
Profit before income taxes	122,823	168,347
Income taxes		
Current	71,015	78,996
Deferred	(6,175)	4,980
Income taxes	64,840	83,976
Profit	57,982	84,371
Profit attributable to non-controlling interests	51,477	62,989
Profit attributable to owners of parent	6,504	21,381

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Profit	57,982	84,371
Other comprehensive income		
Valuation difference on available-for-sale securities	(18,302)	(17,497)
Deferred gains or losses on hedges	4,548	3,362
Foreign currency translation adjustment	47,658	55,727
Remeasurements of defined benefit plans, net of tax	857	620
Share of other comprehensive income of entities accounted for using equity method	(173)	(89)
Other comprehensive income	34,588	42,123
Comprehensive income	92,570	126,494
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	19,819	45,794
Comprehensive income attributable to non-controlling interests	72,750	80,700

(3) Consolidated Statement of Changes in Equity

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 the beginning of the period	220,007	300,964	439,600	(36,601)	923,971
Changes of items during the period					
Dividends of surplus			(30,601)		(30,601)
Profit attributable to owners of the parent			6,504		6,504
Purchase of treasury shares				(31)	(31)
Disposal of treasury shares		9		2,602	2,612
Change in the ownership interest of the 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 the period	-	(4,678)	(24,096)	2,570	(26,204)
Balance at the end of the 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 the beginning of the period	62,813	(3,122)	(8,752)	(4,589)	46,349	1,550	783,904	1,755,776
Changes of items during the period								
Dividends of surplus								(30,601)
Profit attributable to owners of the parent								6,504
Purchase of treasury shares								(31)
Disposal of treasury shares								2,612
Change in the ownership interest of the 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 the period	(15,478)	1,934	26,265	594	13,315	(260)	69,797	56,646
Balance at the end of the period	47,335	(1,187)	17,512	(3,995)	59,665	1,290	853,701	1,812,423

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at the beginning of the period	220,007	296,285	415,503	(34,030)	897,766
Cumulative effects of changes in accounting policies			5,602		5,602
Restated balance	220,007	296,285	421,106	(34,030)	903,369
Changes of items during the period					
Dividends of surplus			(30,728)		(30,728)
Profit attributable to owners of the parent			21,381		21,381
Purchase of treasury shares				(17)	(17)
Disposal of treasury shares		(8,294)		11,112	2,817
Change in the ownership interest of parent due to transactions with non-controlling interests		11,676			11,676
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	3,382	(9,347)	11,094	5,129
Balance at the end of the period	220,007	299,667	411,758	(22,936)	908,498

	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 the beginning of the period	47,335	(1,187)	17,512	(3,995)	59,665	1,290	853,701	1,812,423
Cumulative effects of changes in accounting policies					-			5,602
Restated balance	47,335	(1,187)	17,512	(3,995)	59,665	1,290	853,701	1,818,025
Changes of items during the period								
Dividends of surplus								(30,728)
Profit (loss) attributable to owners of the parent								21,381
Purchase of treasury shares								(17)
Disposal of treasury shares								2,817
Change in the ownership interest of parent due to transactions with non-controlling interests								11,676
Net changes of items other than shareholders' equity	(5,623)	1,445	28,312	278	24,412	(116)	122,781	147,077
Total changes of items during the period	(5,623)	1,445	28,312	278	24,412	(116)	122,781	152,206
Balance at the end of the period	41,711	257	45,825	(3,716)	84,077	1,173	976,482	1,970,232

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Cash flows from operating activities		
Profit before income taxes	122,823	168,347
Depreciation	307,182	321,084
Amortization of goodwill	13,843	16,188
Increase (decrease) in allowance for doubtful accounts	(9,442)	(5,974)
Increase (decrease) in provision for loss on interest repayment	769	(1,760)
Increase (decrease) in provision for bonuses	1,084	871
Increase (decrease) in net defined benefit liability	(749)	1
Decrease (increase) in net defined benefit asset	(4,425)	(6,621)
Interest and dividend income	(6,364)	(8,394)
Interest expenses	34,584	35,750
Foreign exchange losses (gains)	1,457	4,393
Share of (profit) loss of entities accounted for using equity method	(4,355)	(5,836)
Gain on sales of non-current assets	(2,027)	(11,375)
Loss on sales and retirement of non-current assets	3,892	4,255
Impairment loss	44,347	51,269
Loss (gain) on sales of short-term and long-term investment securities	470	(413)
Loss (gain) on sale of shares of subsidiaries and associates	-	(24,068)
Loss (gain) on step acquisitions	-	(3,290)
Decrease (increase) in notes and accounts receivable - trade	(39,601)	(183,521)
Decrease (increase) in inventories	6,285	(24,236)
Decrease (increase) in operating loans receivable	(5,883)	(35,505)
Decrease (increase) in cash loans and bills discounted for banking business	(89,132)	(55,505)
Increase (decrease) in notes and accounts payable - trade	(117,884)	39,701
Increase (decrease) in deposits for banking business	163,356	218,758
Increase/decrease in other assets/liabilities	(70,407)	19,262
Other, net	(34,456)	18,915
Subtotal	315,367	532,297
Interest and dividend income received	8,937	10,776
Interest expenses paid	(34,446)	(35,382)
Income taxes paid	(85,406)	(73,982)
Net cash provided by (used in) operating activities	204,452	433,710

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Cash flows from investing activities		
Purchase of securities	(12,177)	(22,215)
Proceeds from sales and redemption of securities	35,469	41,203
Acquisition of securities for banking business	(513,340)	(612,512)
Proceeds from sales and redemption of securities in banking business	509,665	638,649
Purchase of non-current assets	(352,521)	(370,848)
Proceeds from sales of non-current assets	10,050	28,864
Purchase of investment securities	(3,479)	(6,761)
Proceeds from sales of investment securities	1,770	5,974
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(29,494)	(11,966)
Payments for guarantee deposits	(17,135)	(12,730)
Proceeds from collection of guarantee deposits	28,888	19,253
Proceeds from guarantee deposits received	22,029	22,295
Repayments of guarantee deposits received	(19,264)	(22,774)
Other, net	(4,313)	(31,556)
Net cash provided by (used in) investing activities	(343,854)	(335,123)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	62,282	4,267
Proceeds from long-term loans payable	245,836	454,880
Repayments of long-term loans payable	(289,033)	(354,678)
Proceeds from issuance of bonds	196,967	149,159
Redemption of bonds	(111,804)	(146,040)
Purchase of treasury shares	(31)	(17)
Proceeds from share issuance to non-controlling shareholders	2,625	6,101
Repayments to non-controlling shareholders	(267)	(3,380)
Repayments of lease obligations	(63,150)	(67,211)
Cash dividends paid	(30,601)	(30,728)
Dividends paid to non-controlling interests	(21,438)	(24,276)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	46	12,119
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(756)	(1,397)
Other, net	7,117	3,056
Net cash provided by (used in) financing activities	(2,207)	1,853
Effect of exchange rate change on cash and cash equivalents	15,477	11,077
Net increase (decrease) in cash and cash equivalents	(126,131)	111,516
Cash and cash equivalents, beginning of the period	1,217,054	1,090,923
Increase in cash and cash equivalents resulting from share exchange	-	12,022
Cash and cash equivalents, end of the period	1,090,923	1,214,462

(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 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 fiscal year ended February 28, 2023. 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 fiscal year ended February 28, 2023, have been reflected in retained earnings at the beginning of the fiscal year ended February 28, 2023, and the new accounting policy has thereby been applied to the said beginning balance.

As a result, for the fiscal year ended February 28, 2023, net sales decreased 233,706 million yen, other operating revenue increased 55,388 million yen, operating revenue decreased 178,318 million yen, cost of sales decreased 129,097 million yen, operating profit increased 820 million yen, and ordinary profit and profit before income taxes decreased 1,706 million yen each. The beginning balance of retained earnings for the fiscal year ended February 28, 2023 increased 5,602 million yen. In addition, from the fiscal year ended February 28, 2023, part of "Provision for point card certificates", which was presented under "Current liabilities", part of "Advances received" and "Deposits received", which were included in "Other" under "Current liabilities", and "Provision for loss on future collection of gift certificates", which was presented under "Non-current liabilities" in the consolidated balance sheet as of the end of the previous fiscal year, have been changed to be presented as "Contract liabilities" under "Current 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.

(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 fiscal year ended February 28, 2023. 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 consolidated financial statements is immaterial.

(Changes in Presentation)

(Consolidated Statement of Income and Related Statements)

From the fiscal year ended February 28, 2023, "Disaster-related loss", which was included in "Other" under "Extraordinary losses" in the fiscal year ended February 28, 2022, has been separately presented under "Extraordinary losses" as the amount is now material. Also, "Loss on sales of non-current assets", which was separately presented under "Extraordinary losses" has been included in "Other" under "Extraordinary losses". Consolidated financial statements for the fiscal year ended February 28, 2022, have been reclassified to reflect the change in presentation.

As a result, 153 million yen of "Loss on sales of non-current assets" and 7,003 million yen of "Other" under "Extraordinary losses" in the Consolidated Statement of Income for the fiscal year ended February 28, 2022, have been reclassified as "Disaster-related loss" of 1,975 million yen and "Other" of 5,181 million yen under "Extraordinary losses."

(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 workforce with an 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, 2023, 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 4,936 million yen (2,136,600 shares) and 5,850 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), and 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 the 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, from the fiscal year ended 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 fiscal year ended February 28, 2022, 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 fiscal year ended February 28, 2023, 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 fiscal year ended February 28, 2023, operating revenue decreased 110,466 million yen and segment income increased 2,346 million yen in the GMS Business; operating revenue decreased 24,481 million yen and segment income increased 10 million yen in the Supermarket Business; operating revenue decreased 2,488 million yen in the Discount Store Business; operating revenue decreased 22,456 million yen in the Health and Wellness Business; operating revenue decreased 36,058 million yen and segment income increased 180 million yen in the Financial Services Business; operating revenue increased 63,063 million yen in the Shopping Center Development Business; operating revenue decreased 41,034 million yen and segment income decreased 42 million yen in the Services and Specialty Store Business;

operating revenue decreased 1,921 million yen and segment loss increased 1,674 million yen in Other Business.

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

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

(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	3,181,505	2,506,217	387,039	1,030,230	421,803	285,884	519,918
(2) Intersegment revenue or transfers	111,235	14,461	1,071	789	50,745	80,859	183,609
Total	3,292,740	2,520,678	388,111	1,031,020	472,549	366,743	703,527
Segment income (loss)	(2,033)	30,539	2,759	41,909	61,791	38,870	(3,051)
Segment assets	1,411,317	1,022,797	64,138	501,442	6,316,042	1,676,112	417,486
Segment interest-bearing debt	356,062	220,948	11,522	68,549	1,088,255	879,790	117,876
Other items:							
Depreciation	50,760	47,554	3,143	17,207	39,669	83,726	20,657
Share of profit (loss) of entities accounted for using the equity method	87	1,327	-	674	2,273	-	(336)
Impairment loss	16,820	12,710	757	4,969	202	3,810	2,943
Investment in entities accounted for using the equity method	1,939	32,849	-	5,744	38,117	-	171
Increase in property, plant and equipment, and intangible assets	57,422	63,618	5,335	32,517	36,557	117,433	22,093

	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	8,741,415	7,920	8,749,336	(33,379)	8,715,957
(2) Intersegment revenue or transfers	3,416	446,188	45,299	491,487	(491,487)	-
Total	412,232	9,187,604	53,220	9,240,824	(524,867)	8,715,957
Segment income (loss)	5,592	176,376	(178)	176,198	(1,885)	174,312
Segment assets	426,984	11,836,322	85,799	11,922,121	(289,037)	11,633,083
Segment interest-bearing debt	213,163	2,956,169	20,997	2,977,166	313,790	3,290,957
Other items:						
Depreciation	32,213	294,932	8,213	303,145	4,036	307,182
Share of profit (loss) of entities accounted for using the equity method	0	4,026	-	4,026	328	4,355
Impairment loss	2,122	44,337	-	44,337	10	44,347
Investment in entities accounted for using the equity method	0	78,822	-	78,822	5,717	84,539
Increase in property, plant and equipment, and intangible assets	14,095	349,073	7,718	356,792	3,319	360,111

Notes: 1. Main components of the minus 33,379 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) 55,303 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 1,885 million yen in adjustments for segment loss 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) 921 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 3,109 million yen in intersegment transaction eliminations.

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

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(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	3,169,185	2,627,577	382,646	1,148,940	403,040	360,441	574,387
(2) Intersegment revenue or transfers	99,856	14,542	844	749	53,835	83,040	191,232
Total	3,269,042	2,642,119	383,490	1,149,689	456,875	443,482	765,620
Segment income (loss)	14,097	22,844	3,682	44,828	60,313	45,242	10,270
Segment assets	1,439,375	1,140,007	63,919	573,484	6,701,073	1,775,210	423,420
Segment interest-bearing debt	328,892	246,041	11,199	92,399	1,211,408	916,419	119,492
Other items:							
Depreciation	49,032	47,785	3,394	20,095	40,007	86,900	21,107
Share of profit (loss) of entities accounted for using the equity method	174	2,122	-	681	2,345	-	96
Impairment loss	16,605	14,349	541	6,123	777	7,773	3,622
Investment in entities accounted for using the equity method	1,974	24,392	-	6,372	39,928	-	359
Increase in property, plant and equipment, and intangible assets	72,451	69,651	5,287	37,563	40,444	119,176	18,596

	Reportable segment		Other	Total	Adjustments *1, 2	Reported in the consolidated financial statements*3
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	493,378	9,159,599	4,833	9,164,432	(47,608)	9,116,823
(2) Intersegment revenue or transfers	4,049	448,150	44,264	492,415	(492,415)	-
Total	497,428	9,607,749	49,097	9,656,847	(540,023)	9,116,823
Segment income (loss)	12,859	214,138	(5,422)	208,715	1,067	209,783
Segment assets	441,728	12,558,220	110,652	12,668,872	(327,349)	12,341,523
Segment interest-bearing debt	206,830	3,132,682	10,388	3,143,071	340,055	3,483,126
Other items:						
Depreciation	39,794	308,117	8,394	316,511	4,572	321,084
Share of profit (loss) of entities accounted for using the equity method	1	5,421	-	5,421	414	5,836
Impairment loss	1,295	51,088	111	51,199	70	51,269
Investment in entities accounted for using the equity method	0	73,027	-	73,027	6,116	79,143
Increase in property, plant and equipment, and intangible assets	15,251	378,423	23,533	401,956	8,388	410,345

Notes: 1. Main components of the minus 47,608 million yen in adjustments for operating revenue attributable to customers are as follows:

(a) minus 106,893 million yen in adjustments to service transactions reported in the reportable segment information, and
(b) 59,112 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 1,067 million yen in adjustments for segment income are as follows:
(a) 2,422 million yen in income of the pure holding company (AEON CO., LTD.) not attributable to any of the business segments,
(b) 719 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 2,106 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, 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.

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

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
8,349,832	447,092	318,769	1,129	9,116,823

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
2,655,437	417,622	226,455	1,928	3,301,444

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

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

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

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, 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

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Discount store	Health & Wellness	Financial Services	Shopping Center Development
Amortization for the fiscal year ended Feb. 28, 2023	2,227	2,935	-	5,868	1,528	2,371
Balance at Feb. 28, 2023	6,974	32,813	-	65,715	10,897	10,624

	Reportable segment			Other	Adjustments	Total
	Services and Specialty Store	International	Total			
Amortization for the fiscal year ended Feb. 28, 2023	1,258	-	16,188	-	-	16,188
Balance at Feb. 28, 2023	18,135	-	145,160	-	-	145,160

[Gain on negative goodwill by reportable segment]

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

Not applicable

Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)

Not applicable

(Per Share Information)

	Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)	Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)
Net assets per share (yen)	1,130.76	1,161.12
Earnings (loss) per share (yen)	7.69	25.11
Earnings per share - fully diluted (yen)	7.65	25.7

(Note) Data for calculation 1.

1. Net assets per share

	February 28, 2022	February 28, 2023
Total net assets on the consolidated balance sheets (millions of yen)	1,812,423	1,970,232
Net assets attributable to common shares (millions of yen)	957,431	992,576
Main component of difference: Non-controlling interests (millions of yen)	853,701	976,482
Number of common shares issued (thousands of shares)	871,924	871,924
Number of common shares in treasury (thousands of shares)	25,207	17,080
Number of common shares used for calculation of net assets per share (thousands of shares)	846,716	854,844

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

	Year ended February 28, 2022 (March 1, 2021 – February 28, 2022)	Year ended February 28, 2023 (March 1, 2022 – February 28, 2023)
Profit attributable to owners of the parent (millions of yen)	6,504	21,381
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to common shares of parent (millions of yen)	6,504	21,381
Average number of common shares outstanding (thousands of shares)	846,082	851,630
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)	(25)
Adjustment for profit attributable to owners of the parent (millions of yen)	(33)	(25)
Increase in the number of common shares used to calculate earnings per share - fully diluted (thousands of shares)	215	165
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, 2023 does not include the Company’s common shares held by the ESOP Trust (the number of shares that the trust held as of February 28, 2022 was 3,313 thousand shares; as of February 28, 2023, 2,136 thousand shares). The average number of common shares held by the trust was 3,897 thousand shares for the fiscal year ended February 28, 2022, and 2,739 thousand shares for the fiscal year ended February 28, 2023.

(Material Subsequent Events)

Not applicable