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Financial Results for the Three Months ended May 31, 2023

July 12, 2023

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Scheduled dates:

Submission of statutory quarterly financial report July 14, 2023
Commencement of dividend payments -
Supplementary materials to the quarterly results Available
Quarterly earnings results briefing Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Three Months ended May 31, 2023 (March 1, 2023 to May 31, 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	%
Three months ended May 31, 2023	2,324,798	5.5	51,469	17.2	48,121	8.4	17,728	-8.5
Three months ended May 31, 2022	2,203,227	2.3	43,897	12.0	44,396	10.0	19,372	287.3

Note: Comprehensive income: Three months ended May 31, 2023: 51,877 million yen (-18.7%)
Three months ended May 31, 2022: 63,785 million yen (28.8%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2023	20.74	20.72
Three months ended May 31, 2022	22.88	22.86

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
May 31, 2023 [excl. Financial Services]	12,566,511 [6,219,483]	1,986,727 [1,549,958]	8.0 [14.3]	1,174.11 -
February 28, 2023 [excl. Financial Services]	12,341,523 [6,078,040]	1,970,232 [1,544,061]	8.0 [14.5]	1,161.12 -

Reference: 1. Total equity: May 31, 2023: 1,003,986 million yen February 28, 2023: 992,576 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: In line with organizational changes, from the first quarter of the fiscal year ending February 29, 2024, the Company has reclassified some of the subsidiaries included in the Financial Services segment to include them in the Other Business segment. Financial position other than the Financial Services segment was reported based on the current segmentation.

2. Dividends

Record date or period	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
Year ended February 28, 2023	yen -	yen 18.00	yen -	yen 18.00	yen 36.00
Year ending February 29, 2024	-				
Year ending February 29, 2024 (forecast)		18.00	-	18.00	36.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 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
Full year	9,400,000	3.1	220,000	4.9	210,000	3.1	25,000	16.9	29.25

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

*Notes

- (1) Changes affecting the consolidation status of significant subsidiaries during the period: None
- (2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:
 - 1) Changes in accordance with amendments to accounting standards: Yes
 - 2) Changes other than the above 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (treasury stock included):
 - May 31, 2023: 871,924,572 shares
 - February 28, 2023: 871,924,572 shares
 - 2) Number of shares held in treasury at the end of the period:
 - May 31, 2023: 16,821,520 shares
 - February 28, 2023: 17,080,259 shares
 - 3) Average number of shares outstanding during the period:
 - Three months ended May 31, 2023: 854,949,758 shares
 - Three months ended May 31, 2022: 846,835,314 shares

The Company's stock held by the Employee Stock Ownership Plan Trust (May 31, 2023: 1,876,700 shares, February 28, 2023: 2,136,600 shares) is included in the number of shares held in treasury.

*Quarterly review status

This report is exempt from the quarterly review by certified public accountants or audit firms.

***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 assumptions and forecasts herein, please refer to “(3) Consolidated Earnings Forecast” on page 9.

Accompanying Materials

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1. Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

1) Summary of Operating Results

For the first three months of the fiscal year ending February 29, 2024 (March 1, 2023 - May 31, 2023), AEON CO., LTD. (hereinafter “AEON”) posted consolidated operating revenue of 2,324,798 million yen (up 5.5%), operating profit of 51,469 million yen (up 7,572 million yen), ordinary profit of 48,121 million yen (up 3,724 million yen), which marked record highs in the same period of the previous fiscal year. Profit attributable to owners of the parent was 17,728 million yen (down 1,643 million yen).

In the first three months of the fiscal year under review, COVID-19 was reclassified as a Category V infectious disease and socioeconomic activity has begun to recover. At the same time, uncertainty continues as consumers become more defensive of their lifestyles due to the global surge in raw material prices and the sharp depreciation of the yen. Under these circumstances, all reportable segments recorded an increase in net sales. Operating profit increased in the GMS (General Merchandising Store) Business, the Supermarket Business, and the Discount Store Business, which expanded sales of private brands and improved productivity through the use of digital technology and reduced power consumption. Operating profit also increased in the Shopping Center Development Business, the Services and Specialty Store Business, and the International Business, which recovered customer traffic compared with the COVID-19 pandemic period. On the other hand, profit declined in the Financial Services Business, where a provision of allowance for doubtful accounts and sales marketing and promotion expenses increased in line with the balance of operating receivables, and in the Health and Wellness Business, where utility expenses increased significantly.

Common Group Strategy

- AEON has been soundly executing the five reforms 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).
- In the GMS Business and the Supermarket Business, AEON worked to introduce self-scanning and self-checkout systems. As a result, AEON enhanced customer convenience through shorter wait times at the cash register and through better productivity as a result of improved operational efficiency in stores. AI-driven efficiency systems, such as “AI Kakaku,” which suggests appropriate discount prices to reduce disposal-related food loss, “AI Order,” which predicts demand and optimizes product orders, and “AI Work,” which automatically drafts work schedules/rosters, have advanced, resulting in improvements in gross profit margin and productivity. In addition, AEON Financial Service Co., Ltd.’s overseas subsidiaries and affiliates have aggressively introduced “AI credit scoring” and “AI collection scoring.” Even in markets where a certain number of customers have no external credit information, they respond to customers’ financial needs through refining screening with “AI scoring.” At the same time, they aim to improve the efficiency of credit screening and collection operations. On the online front, online supermarket sales, which ship products from stores, have increased. In addition, AEON has started the online market “Green Beans,” which ships from a customer fulfillment center. Customers will be able to designate delivery times within one-hour windows between 7 a.m. and 11 p.m., 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 with a strong need to shorten shopping time and limited opportunities to visit stores, such as working parents and families with small children. 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.

- The private brand will soon mark 50 years since its launch. During that time, the position has changed from offering quality equivalent to a national brand at a low price to a source of differentiation and competitive advantage that embodies the corporate philosophy. Amid increases in household expenses due to price hikes of daily necessities, AEON has gained customer support for its efforts to develop and propose unique value at TOPVALU as a “New Value-creation brand,” BESTPRICE as a “price fighter brand,” and Gurinai as an “Organic & Natural brand,” which is celebrating its 30th anniversary. In addition to “local production for local consumption” products, AEON takes the lead in proactive efforts to develop local private brands to help revitalize regional communities and economies. For the current fiscal year, AEON aims to achieve sales of 1.5 trillion yen for private brands as a whole, including 1 trillion yen for the three TOPVALU brands. Furthermore, by 2025, all TOPVALU products will be replaced with environmentally friendly 3R products developed to meet one or more of the following three criteria: Reduce, Reuse, and Recycle. By choosing TOPVALU for their daily shopping, customers are able to naturally participate in the 3R activities, thus leading to consumption activities that consider solutions to social issues.
- The “AEON Living Zone” concept, which AEON champions, will make the following possible: customers and AEON will be constantly connected through the use of digital technology represented by the e-money “WAON,” the total app “iAEON,” and the cashless payment “AEON Pay”; customers then have a place to improve their community, along with products and services rooted in local characteristics. As a result, the goal is to provide convenient and rich experiences for customers both in stores and online. In April 2023, AEON, Inageya Co., Ltd., and United Super Markets Holdings Inc. reached a basic agreement on a management integration to strengthen the value of group presence in the region through group synergies. AEON aims to strengthen its store network and realize economies of scale in the Tokyo Metropolitan Area, where further competition is expected to intensify, and store expansion is limited. The introduction of the “WAON POINT” service, where points can be converted into WAON, has been completed at group stores of the Health & Wellness Business company WELCIA HOLDINGS CO., LTD., which is growing in response to increasing consumer health consciousness and population aging. AEON will work to improve customer satisfaction by combining sales data and purchase history information within and outside the Group and using it for individualized marketing that visualizes needs.
- 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 February 2023, construction began on AEON Mall Hue, the seventh store in the country, targeting opening in the second half of 2024. In Cambodia, where market share is steadily growing, AEON held the grand opening of AEON Mall Mean Chey on April 7 as an “edutainment” mall offering entertainment and education to a broad age range. The aim is to support the lifestyles of local residents through further localization and create an AEON Living Zone.
- In response to the Turkey-Syria earthquake, AEON and AEON 1% Club Foundation donated relief funds and supplies to the Embassy of the Republic of Turkey in Japan and the Japan Committee for UNICEF. 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. In addition, since 1991, AEON has been carrying out a “Bring Your Own Shopping Bag Campaign,” and in fiscal 2022, the cumulative number of plastic shopping bags declined by customers reached approximately 3.3 billion, equivalent to a reduction of about 102,500 tons of carbon dioxide emissions. The proceeds of about 46.09 million yen

from selling plastic bags to customers in need are donated to local governments and organizations around the country to be used for various environmental conservation activities in the local community.

2) Business Segment Information

Results by segment are as follows.

GMS Business

The GMS Business posted operating profit of 1,063 million yen (increase of 955 million yen year on year) on operating revenue of 821,665 million yen (up 4.1% year on year) for the first three months of the fiscal 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. To increase gross profit, AEON Retail worked to boost sales floor space for growth categories and expand and enhance product lineups. By product category, in Apparel, AEON Retail is improving the product turnover rate with tight inventory controls based on an individualized assessment of sales timing and prices, while capturing demand associated with tourism during Golden Week (holidays starting at the end of April and continuing to early May) and the resumption of school events. At large stores, in addition to improving sales floors, AEON Retail is introducing and promoting new models that include work styles, such as shifting to customer service by improving productivity. It has also revised food product weightings in growth categories such as delicatessen and frozen food, and has expanded the sales floor space for these. The sales strategy in response to Golden Week was also successful, so sales increased. In the Health and Beauty Care category, same-store sales increased 5.1% year-on-year, and gross profit margin improved as pharmaceuticals and cosmetics led sales due to a recovery in demand from visitors to Japan and demasking. To improve shopping center revenue, AEON Retail focused on measures to attract customers, reduce shopping floor vacancy rates, and increase temporary utilization of space by tenants to recover the customer traffic that declined due to the pandemic, 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 strove to expand the AEON Style Online service and strengthen the advertising revenue business. AEON Retail promotes its revenue structure reforms by combining productivity improvement using digital technology with reduction of store and headquarters expenses in response to strategic increases in personnel costs and soaring commodity and energy prices.

AEON Hokkaido Corporation carried out large-scale refurbishments of three GMS stores and two supermarket stores and there was a new store opening of urban model stores in small trade areas as part of its efforts to increase the added value of products and stores, reform its revenue structure, and collaborate with local communities. In merchandise, the company developed and renewed approximately 220 original products that are unique to the company, and net sales of TOPVALU increased 16.1% year-on-year. In Apparel and Home Furnishing products, net sales of carry-on cases and cosmetics increased as a result of establishing sales floors catering to people’s growing desire to go out. In addition, sales of healthcare products such as protein and foods with function claims remained strong due to the increasing health consciousness. In particular, net sales of sleep-improving foods grew significantly by 55.4% year-on-year. In terms of digital usage, net sales of the online supermarket continued to grow by 6.0% year-on-year. In addition, total working hours decreased 1.4% year-on-year as a result of operational efficiencies achieved by introducing electronic shelf labels in five stores and self-checkout registers in a total of 116 stores. In addition, as a result of the aggressive replacement of high-efficiency air conditioning and lighting equipment, electricity consumption decreased 6.7% year-on-year, leading to improved profitability.

In May, AEON KYUSHU CO., LTD. established “More for our precious Kyushu ” as a purpose and published it on its website, together with the six material issues identified. The company 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. In the first three months of the fiscal year under review, non-consolidated financial results reached all-time highs in terms of operating revenue and all profit types. Starting in the current fiscal year, AEON Welcia Kyushu Co., Ltd., a consolidated subsidiary of the company, will accelerate the opening of Welcia Plus, a combination store of a drug store with dispensing facilities and a supermarket with a full range of fresh foods, boxed lunches, and ready-to-eat meals. In addition to ongoing efforts to promote local production for local consumption and local production for regional consumption, AEON's Mobile Sales program, which was launched with the aim of creating a more convenient lifestyle in the community, is working with AEON Online Supermarket to meet the needs of large-sized products and bulk purchases that cannot be carried in mobile sales vehicles.

Supermarket Business / Discount Store Business

The Supermarket Business posted operating profit of 6,279 million yen (increase of 2,950 million yen year on year) on operating revenue of 664,913 million yen (up 3.3% year on year), and the Discount Store Business posted operating profit of 1,680 million yen (increase of 1,592 million yen) on operating revenue of 99,615 million yen (up 4.4% year on year) for the first three months of the fiscal year.

United Supermarket Holdings, Inc. has formulated a three-year medium-term business plan that focuses on increasing store revenues through merchandise and store transformation, increasing non-store revenues through Online Merges with Offline (OMO), and expanding the business domain by leveraging its intellectual property holdings. Through unique initiatives such as the "AKIBA Runway," an open innovation platform, and the "SEED Consortium," which promotes sustainable vegetable manufacturing and retailing in urban factories, the company aims to realize "Beyond Supermarket" (a business structure beyond supermarkets). To improve customer convenience, The Maruetsu, Inc. and KASUMI CO., LTD. (hereinafter "KASUMI"), consolidated subsidiaries of the company, have started an immediate delivery service that delivers merchandise within one hour after the order is placed within the delivery area. Also at Maxvalu Kanto Co., Ltd., the company reviews its product lineups of online delivery and expands service capabilities. Furthermore, KASUMI's unmanned stores, "office smart shop," which use the Scan&Go ignica smartphone payment app, have expanded to 100 locations.

Fuji Co., Ltd. (hereinafter "Fuji") outlines its management vision as "Realizing overwhelming security and excitement for both customers and employees," and continually focuses on responding to the latest needs from the viewpoint of customers, and aims to maximize profits at each stage by reducing both waste loss and costs. Fuji Retailing Co., Ltd. (hereinafter, "Fuji Retailing"), a consolidated subsidiary of Fuji, is moving forward with plans to open new stores in Ehime and Hiroshima prefectures as focus areas. Fuji Retailing is also working to refurbish its sales floors by resuming events canceled during the COVID-19 pandemic, mainly at large stores. In the food business, Fuji offered price-appealing products to address customers' mindset of protecting their life and high-value-added products that evolved from Fuji's 55th-anniversary products in the previous fiscal year. Apparel and housing-related products captured demand for travel and outings in preparation for the post-COVID world. As a result, sales remained strong. The mobile supermarket, which is working to further expand its business, is now providing service from a total of 43 bases, with 76 vehicles operating on 228 routes. Maxvalu Nishinohon Co., Ltd. (hereinafter "Maxvalu Nishinohon") 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 Nishinohon worked on initiatives aimed at solidifying non-store businesses, including the mobile supermarket business that has 35 dedicated vehicles based out of 25 stores in nine prefectures, as well as the e-commerce business. In terms of products, Maxvalu Nishinohon 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. The Hyogo Process Center started operating in March to improve store productivity.

Maxvalu Tokai Co., Ltd. (hereinafter “Maxvalu Tokai”) works to develop stores and provide products and services rooted in local communities to embody its brand message of “Making dreams a reality and bringing people together through delicious foods.” 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. It also worked to develop products that take balanced meals into consideration, thereby endeavoring to suggest healthy dietary habits. In response to the growing desire of customers seeking to economize, the company worked to strengthen the product lineup of small-sized products suitable for single-use applications, in addition to sales promotions on special promotion days and increasing TOPVALU sales. In addition, the introduction of cashless self-checkout registers was completed at a total of 176 stores, and efforts were made to improve convenience in checkout and reduce cashier-related operations. As part of its efforts to create customer contact points, the company expanded the number of locations for its product delivery service using Uber Eats to a total of 36. It also opened an unmanned MaxMart store for the first time in the Nagoya area.

Health and Wellness Business

The Health and Wellness Business posted operating profit of 7,160 million yen (decrease of 318 million yen year on year) on operating revenue of 299,640 million yen (up 11.4% year on year) for the first three months of the fiscal year.

At WELCIA HOLDINGS CO., LTD. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries, in the first three months of the fiscal year under review, demand for masks and antigen test kits, and free PCR testing declined along with the drop in infection. However, there are also signs of a recovery in demand for cosmetics, reflecting increased opportunities to go out, and in demand from visitors to Japan, reflecting the relaxation of behavioral restrictions in various countries. In the product sales category, same-store sales remained steady on the back of increased demand for out-of-home use. In the prescription drugs section, the number of prescriptions increased due to a higher number of stores dispensing prescription drugs (2,044 stores as of May 31, 2023). In addition, in March 2023, the WAON POINT service began to be introduced to stores nationwide to strengthen customer attraction measures. 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 through initiatives to reduce energy consumption in stores and the improved efficiency of store operations by promoting automated ordering.

Financial Services Business

The Financial Services Business posted operating profit of 9,473 million yen (decrease of 6,038 million yen year on year) on operating revenue of 115,890 million yen (up 7.2% year on year) for the first three months of the fiscal year.

Both in Japan and overseas, AEON Financial Service Co., Ltd. promotes 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, while working to advance digital financial inclusion.

In Japan, for housing loans, the company continues to focus on addressing customers’ consulting needs at branches, drawing on the advantage of having customers visit while shopping at AEON stores. At the same time, the company also promotes online applications and consultations. In addition to developing services to meet the needs of customers in areas such as asset-building and management, inheritance, and health promotion, the company is increasing the number of participating stores for AEON Pay, a code payment service available at iAEON and other locations, to enhance customer convenience. As a result, the number of deposit accounts at AEON BANK, LTD. came to 8.4 million (an increase of 110,000 from the beginning of the fiscal year), the number of domestic active cardholders was 31.07 million (up 240,000 from the beginning of the fiscal year), and credit card shopping transaction volume amounted to 1,757,292 million yen (up 9.2% year-on-year). These figures remained steady.

Overseas, the recovery in consumer activity has led to a significant increase in transaction volume for credit card shopping and consumer installment credit. In Greater China, targeting younger customers, the company aggressively acquired credit cardholders with “AEON CARD WAKUWAKU,” which employs a cash-back scheme for use in Japan and online shopping. At the same time, the company worked to link AEON cards to “WeChat Pay,” a smart phone payment system, to enhance convenience. In the Mekong area, the company will utilize its digital platform to provide small-lot loans to customer segments that have traditionally had difficulty with credit screening. In the Malay area, the company’s motorcycle loans have a share of approximately 30% of new motorcycle sales registrations in Malaysia. Implementing collaboration over sales promotions with manufacturers and partially revising screening criteria led to a significant increase in consumer installment credit transaction volume.

Shopping Center Development Business

The Shopping Center Development Business posted operating profit of 14,014 million (increase of 915 million yen year on year) on operating revenue of 116,858 million yen (up 8.6% year on year) for the first three months of the fiscal year.

AEON Mall Co., Ltd. aims to be a company that creates, expands, and deepens “connections” and co-creates activities that lead to a sustainable regional future, based on the 2030 vision “AEON Mall is a Regional Co-Founder” that was newly formulated in May. In Japan, as customers had more opportunities to go out and consumption trends were rapidly recovering, the company conducted more than 1,000 events at AEON Malls nationwide to attract more family customers. As a result, sales of specialty stores in existing malls (91 malls) during the first three months of the fiscal year under review increased 8.0% year-on-year. Of the four facilities planned to open in fiscal 2023, AEON MALL Toyokawa (Aichi Prefecture) and THE OUTLETS SHONAN HIRATSUKA (Kanagawa Prefecture) opened in April. Overseas, both ASEAN and China have seen a significant easing of behavior restrictions associated with COVID-19, and consumption trends are on a track to recovery. Capturing purchasing demand related to the Lunar New Year in various regions, all the operating revenue in each region during the first three months of the fiscal year under review posted double-digit growth. Purchasing trends in ASEAN tend to be influenced by the flow of people between cities and provinces, as well as among neighboring countries. However, in Vietnam, its most important store opening area, the company will promote an area dominance strategy even in the surrounding cities in the central area, in addition to the southern area centered on Ho Chi Minh and the northern area centered on Hanoi. In China, it has positioned the inland provinces of Hubei and Hunan, which have high growth potential, as the key areas for opening new stores, and are accelerating the opening of new stores with the aim of achieving a 50-mall overseas structure by the end of fiscal 2025.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating profit of 5,581 million yen (increase of 2,683 million yen year on year) on operating revenue of 200,384 million yen (up 7.5% year on year) for the first three months of the fiscal year.

During the first three months of the fiscal year under review, AEON DELIGHT CO., LTD. recorded an increase in net sales in all seven businesses. Both net sales and operating profit were higher than those in the same period of the previous year. The company increased its share among customers by expanding its services through strengthening account sales and by accepting contracts for properties at other locations for the same customer. In addition, the company began offering services at a wide variety of new facilities by continuing its customer-oriented proposal activities that draw on its accumulated experience and know-how, including energy conservation and epidemic prevention measures. At the same time, to build a sustainable business model, the company promoted the following: the development of “area management,” a new facility management model that efficiently manages multiple facilities; and DX, including the automation of routine operations using digital devices.

AEON Fantasy Co., Ltd. (hereinafter “AEON Fantasy”) had 1,091 stores as of May 31, 2023, consisting of 656 in Japan and 435 overseas. In the domestic business, new machine investment was made for the

first time in three years in the medal division, which had been slow to recover from COVID-19's impact, resulting in a 23.5% year-on-year increase in same-store sales in this section for the first three months of the fiscal year under review. In addition, the capsule toy division and prizes division, which continue to aggressively open their strategic small-scale stores Toys Spot Palo (capsule toy division) and Prize Spot Palo (prizes division), also maintained strong performance. Overseas, the China business recovered to up 76.8% year-on-year in same-store sales for the first three months of the fiscal year under review, following the resumption of operations at all stores in December. In the ASEAN business, competition to open new stores has begun to intensify. Against this backdrop, net sales increased 34.6% year-on-year for the first three months of the fiscal year under review. This was due to the company's efforts to differentiate itself through "high quality of store interiors and playground equipment" as well as "customer service capabilities of staff who play together with children from their perspective."

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. As a result, the number of stores increased 12, totaling 1,257 as of May 31, 2023. In terms of differentiating its products and brand, in pursuit of products popular with customers, CAN DO built merchandising (MD) for 100-yen products that fit into the defensive spending patterns and other-price products that provide added value, and CAN DO is developing environmentally friendly products. In terms of enhancing corporate value, CAN DO promoted the "creation of connections in the AEON Living Zone" by introducing WAON and controlled store opening and facility management costs by jointly purchasing fixtures and equipment with the AEON Group. CAN DO is also improving profitability through IT and digitalization.

COX CO., LTD. (hereinafter "COX") focuses 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 Direct to Consumer (D-to-C) business, and bringing about a recovery in store sales through reforms to sales methods and sales floors. In the first three months of the fiscal year under review, COX placed information in magazines via tie-up features every month. 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 5.6% year-on-year. In e-commerce, in addition to striving to transfer store members to COX's site, COX is working to increase sales by opening five brands (ikka, LBC, VENCE, notch, and NO NEED) on other companies' e-commerce sites.

International Business

(AEON's consolidated financial statements for the International Business reflect results mainly for January through March)

The International Business posted operating profit of 3,227 million yen (increase of 361 million yen year on year) on operating revenue of 132,269 million yen (up 8.9% year on year) for the first three months of the fiscal year.

AEON CO. (M) BHD. celebrated the Lunar New Year, the first since the relaxation of behavioral restrictions related to COVID-19. The company captured demand from people returning home and traveling to each destination, resulting in a significant increase in the number of customers attracted by each shopping mall as well as retail sales. Demand for festivities and preparations for school vacations and new school terms led to higher revenue and profit. In e-commerce, the company constantly improved product lineups in response to customers' changing purchasing trends in line with behavioral regulation conditions. As a result of improving the delivery rate within the designated time, net sales of the online supermarket "myAEON2go" increased by approximately 30% year-on-year.

AEON Vietnam Co., Ltd. also celebrated Tet (the Vietnamese new year) for the first time since the relaxation of behavioral restrictions related to COVID-19, and its malls and stores in various regions were very successful. As for merchandise, sales grew by more than double digits year-on-year after strengthening the development of TOPVALU and HOME COORDY, a private brand for Home Furnishing products. In addition, the development of unique products in Apparel contributed to the

increase in net sales. Operating profit declined due to the upfront investment in new initiatives. However, gross profit margin improved, particularly due to the impact of Apparel, and selling, general and administrative expenses that were also restrained.

In China, a total of 2.1 billion people, up more than four times year-on-year, traveled during the Lunar New Year season without behavioral restrictions first time in three years. As a result, sales of Lunar New Year-related products performed well. Net sales increased significantly, especially in Hubei, an area of population inflow. In e-commerce, the overall market temporarily shrank due to the recovery of the flow of people to brick-and-mortar stores and the decline in demand for bulk purchases under COVID-19-related regulations. In this environment, the company is strengthening its own AEON app and aiming to maintain net sales at the same level as the previous fiscal year in the fiscal year under review.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of May 31, 2023 were 12,566,511 million yen, an increase of 224,987 million yen, or 1.8%, from the end of the previous fiscal year (February 28, 2023). The increase is mainly attributable to increases of 118,028 million yen in notes and accounts receivable-trade, 82,327 million yen in loans and bills discounted for banking business, 38,623 million yen in operating loan, and other factors.

Consolidated liabilities as of May 31, 2023 were 10,579,783 million yen, an increase of 208,493 million yen, or 2.0%, from February 28, 2023. The increase is mainly attributable to increases of 53,025 million yen in notes and accounts payable - trade, 46,022 million yen in long-term loans payable (including the current portion of long-term loans payable), 39,517 million yen in commercial papers, and other factors.

Consolidated net assets as of May 31, 2023 were 1,986,727 million yen, an increase of 16,494 million yen, or 0.8%, from February 28, 2023.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the year ending February 29, 2024 is unchanged from the forecast announced on April 12, 2023.

*Since AEON CO., LTD. is a pure holding company, non-consolidated forecasts are not disclosed.

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

	As of February 28, 2023 Amount	(Millions of yen) As of May 31, 2023 Amount
Assets		
Current assets		
Cash and deposits	1,309,725	1,232,653
Call loans	10,373	14,629
Notes and accounts receivable - trade	1,877,761	1,995,790
Securities	508,223	486,083
Inventories	596,708	621,806
Operating loan	502,737	541,361
Loans and bills discounted for banking business	2,462,327	2,544,654
Other	543,011	526,576
Allowance for doubtful accounts	(129,109)	(132,838)
Current assets	7,681,759	7,830,717
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,630,449	1,645,915
Tools, furniture and fixtures, net	212,266	219,698
Land	1,043,143	1,056,113
Construction in progress	78,909	66,642
Other, net	336,676	358,089
Property, plant and equipment	3,301,444	3,346,459
Intangible assets		
Goodwill	145,160	141,386
Software	148,348	152,383
Other	62,518	62,592
Intangible assets	356,026	356,362
Investments and other assets		
Investment securities	263,947	273,909
Net defined benefit asset	25,729	26,752
Deferred tax assets	145,431	152,528
Guarantee deposits	412,691	409,299
Other	161,318	177,197
Allowance for doubtful accounts	(6,825)	(6,716)
Investments and other assets	1,002,292	1,032,971
Non-current assets	4,659,764	4,735,793
Assets	12,341,523	12,566,511

	As of February 28, 2023	(Millions of yen) As of May 31, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,039,947	1,092,973
Deposits for banking business	4,392,204	4,422,291
Short-term loans payable	453,904	467,187
Current portion of long-term loans payable	346,338	301,608
Current portion of bonds	167,920	187,995
Commercial papers	75,000	114,517
Income taxes payable	48,344	26,296
Provision for bonuses	38,260	52,819
Provision for loss on store closing	2,706	1,962
Provision for point card certificates	6,529	6,773
Other provision	1,253	414
Notes payable - facilities	57,453	54,903
Other	848,014	893,127
Current liabilities	<u>7,477,878</u>	<u>7,622,870</u>
Non-current liabilities		
Bonds payable	905,541	865,168
Long-term loans payable	1,157,865	1,248,618
Deferred tax liabilities	31,669	32,385
Provision for loss on store closing	6,228	6,515
Provision for loss on interest repayment	5,180	4,336
Other provision	399	362
Net defined benefit liability	18,653	17,285
Asset retirement obligations	116,891	116,182
Long-term guarantee deposited	264,994	266,462
Reserve for insurance policy liabilities	54,338	52,915
Other	331,649	346,678
Non-current liabilities	<u>2,893,412</u>	<u>2,956,913</u>
Liabilities	<u>10,371,290</u>	<u>10,579,783</u>

	As of February 28, 2023 Amount	(Millions of yen) As of May 31, 2023 Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	299,667	296,944
Retained earnings	411,758	414,060
Treasury shares	(22,936)	(22,339)
Shareholders' equity	908,498	908,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	41,711	45,850
Deferred gains or losses on hedges	257	273
Foreign currency translation adjustment	45,825	52,698
Remeasurements of defined benefit plans	(3,716)	(3,510)
Total accumulated other comprehensive income	84,077	95,312
Subscription rights to shares	1,173	1,203
Non-controlling interests	976,482	981,537
Net assets	1,970,232	1,986,727
Liabilities and net assets	12,341,523	12,566,511

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

Consolidated Statement of Income

	(Millions of yen)	
	Three Months ended May 31, 2022	Three Months ended May 31, 2023
	Amount	Amount
Operating revenue		
Net sales	1,925,295	2,026,232
Operating revenue from financial services business	95,391	101,447
Other operating revenue	182,540	197,117
Operating revenue	<u>2,203,227</u>	<u>2,324,798</u>
Operating costs		
Cost of sales	1,392,581	1,457,057
Operating cost from financial services business	12,977	13,499
Operating cost	<u>1,405,558</u>	<u>1,470,557</u>
Gross profit	<u>532,713</u>	<u>569,175</u>
Operating gross profit	<u>797,669</u>	<u>854,240</u>
Selling, general and administrative expenses	<u>753,771</u>	<u>802,771</u>
Operating profit	<u>43,897</u>	<u>51,469</u>
Non-operating income		
Interest income	1,048	1,341
Dividend income	403	279
Share of profit of entities accounted for using equity method	1,538	1,037
Other	8,405	6,124
Non-operating income	<u>11,395</u>	<u>8,783</u>
Non-operating expenses		
Interest expenses	8,905	9,383
Other	1,991	2,749
Non-operating expenses	<u>10,896</u>	<u>12,132</u>
Ordinary profit	<u>44,396</u>	<u>48,121</u>
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	23,617	-
Gain on step acquisition	3,290	-
Reversal of loss on store closing	2	121
Other	1,408	442
Extraordinary income	<u>28,317</u>	<u>564</u>
Extraordinary losses		
Impairment loss	275	1,051
Loss on retirement of non-current assets	452	732
Provision for loss on store closing	344	888
Other	2,809	780
Extraordinary losses	<u>3,881</u>	<u>3,453</u>
Profit before income taxes	<u>68,832</u>	<u>45,231</u>
Income taxes		
Income taxes-current	23,386	20,720
Income tax adjustments	2,725	(6,663)
Income taxes	<u>26,112</u>	<u>14,057</u>
Profit	<u>42,720</u>	<u>31,174</u>
Profit attributable to non-controlling interests	<u>23,348</u>	<u>13,446</u>
Profit attributable to owners of the parent	<u>19,372</u>	<u>17,728</u>

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three Months ended May 31, 2022	Three Months ended May 31, 2023
	Amount	Amount
Profit	42,720	31,174
Other comprehensive income		
· Valuation difference on available-for-sale securities	(20,449)	6,923
Deferred gains or losses on hedges	3,666	(33)
· Foreign currency translation adjustment	38,690	13,425
Remeasurements of defined benefit plans, net of tax	(594)	305
Share of other comprehensive income of entities accounted for using equity method	(249)	82
Other comprehensive income	21,065	20,703
Comprehensive income	63,785	51,877
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	23,351	28,963
Comprehensive income attributable to non- controlling interests	40,433	22,914

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable

(Changes in Accounting Policy)

(Application of Accounting Standard for Fair Value Measurement)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter "the Guidance") has been applied from the beginning of the first quarter of this fiscal year. The Company has decided to apply the Guidance in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance in the future. Note that this change gives no impact on the quarterly consolidated financial statements.

(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 Company's stock held by the ESOP Trust was included in treasury shares under net assets with a book value of 4,336 million yen for 1,876,700 shares as of May 31, 2023. The book value of long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method was 5,200 million yen.

(Segment Information)

I. Three Months ended May 31, 2022 (March 1 – May 31, 2022)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	765,203	639,931	95,255	268,852	95,391	87,099	140,127
(2) Intersegment revenue or transfers	23,819	3,514	193	189	12,749	20,501	46,312
Total	789,022	643,445	95,448	269,041	108,141	107,600	186,440
Segment income (loss)	107	3,328	87	7,479	15,511	13,099	2,898

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	120,593	2,212,453	653	2,213,106	(9,879)	2,203,227
(2) Intersegment revenue or transfers	884	108,165	11,134	119,299	(119,299)	-
Total	121,478	2,320,618	11,787	2,332,405	(129,178)	2,203,227
Segment income (loss)	2,865	45,377	(1,265)	44,112	(215)	43,897

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

2. Main components of the minus 9,879 million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 24,211 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 14,305 million yen in "operating revenues from equity-method affiliates" of Group companies attributable to AEON Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the minus 215 million yen in adjustments for segment income (loss) are as follows:

- (a) 955 million yen in the income of the pure holding company (AEON CO., LTD.) not attributable to any of the business segments,
- (b) minus 838 million yen in loss of Group companies attributable to AEON Group merchandise supply that does not fall into any of the business segments, and
- (c) minus 357 million yen in intersegment transaction eliminations.

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

II. Three Months ended May 31, 2023 (March 1 – May 31, 2023)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment						
	GMS	Supermarket	Discount Store	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:							
(1) Revenue attributable to customers	796,872	661,469	99,310	299,454	101,447	95,801	150,243
(2) Intersegment revenue or transfers	24,792	3,444	304	186	14,442	21,057	50,140
Total	821,665	664,913	99,615	299,640	115,890	116,858	200,384
Segment income (loss)	1,063	6,279	1,680	7,160	9,473	14,014	5,581

	Reportable segment		Other*1	Total	Adjustments *2,3	Reported in the quarterly consolidated statement of income*4
	International	Total				
Operating revenue:						
(1) Revenue attributable to customers	131,218	2,335,819	1,497	2,337,317	(12,518)	2,324,798
(2) Intersegment revenue or transfers	1,051	115,420	11,725	127,145	(127,145)	-
Total	132,269	2,451,239	13,223	2,464,462	(139,664)	2,324,798
Segment income (loss)	3,227	48,480	(2,008)	46,471	4,998	51,469

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

2. Main components of the minus 12,518 million yen in adjustments for revenue attributable to customers are as follows:

- (a) minus 27,523 million yen in adjustments to transactions reported in the reportable segment information, and
- (b) 14,902 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to AEON Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of 4,998 million yen in adjustments for segment income (loss) are as follows:

- (a) 1,178 million yen in the income of the pure holding company (AEON CO., LTD.) not attributable to any of the business segments,
- (b) 3,627 million yen in the income of Group companies attributable to AEON Group merchandise supply that does not fall into any of the business segments, and
- (c) minus 186 million yen in intersegment transaction eliminations.

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

2. Change of reportable segment

In line with organizational changes, from the first quarter of the fiscal year ending February 29, 2024, the Company has reclassified some of the subsidiaries included in the Financial Services segment to include them in the Other Business segment. For reference, segment information for the three months ended May 31, 2022, was prepared based on the current segmentation.