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Financial Results for the Six Months ended August 31, 2019

October 9, 2019

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Listings The First Section of Tokyo Stock Exchange
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Scheduled dates:

Submission of statutory quarterly financial report	October 15, 2019
Commencement of dividend payments	October 25, 2019
Supplementary materials to the quarterly results	Available
Quarterly earnings results briefing	Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million)

1. Consolidated Financial Results for the Six Months ended August 31, 2019 (March 1, 2019 to August 31, 2019)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months ended August 31, 2019	4,290,215	0.6	86,326	(3.9)	79,767	(12.2)	3,791	(64.1)
[Excluding effects of improper accounting treatment etc. at subsidiary]	[4,304,828	0.9]	[100,871	12.3]	[94,316	3.8]	[11,712	10.9]
Six Months ended August 31, 2018	4,266,401	2.3	89,854	5.7	90,898	6.2	10,560	150.3

Note: Comprehensive income: Six Months ended August 31, 2019: 16,249 million yen (-3.0%)
Six Months ended August 31, 2018: 16,756 million yen (-61.0%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Six Months ended August 31, 2019	4.50	4.23
[Excluding effects of improper accounting treatment etc. at subsidiary]	[13.91]	[13.63]
Six Months ended August 31, 2018	12.57	12.30

Note: The figures in square brackets show consolidated operating results that exclude the financial effect of adjustments recorded as a lump sum in the three months ended May 31, 2019, to correct the improper accounting treatment and erroneous revisions of consolidated subsidiary Kajitaku Co., Ltd. in past fiscal years.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
August 31, 2019	10,900,943	1,834,115	9.7	1,258.40
February 28, 2019	10,045,380	1,875,364	10.9	1,299.32

Reference: Total equity: August 31, 2019: 1,059,227 million yen February 28, 2019: 1,093,635 million yen
Total equity = Shareholders' equity plus total accumulated other comprehensive income.

Note: The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending February 29, 2020. This accounting standard has been retroactively applied to the figures for the previous fiscal year.

2. Dividends

Record date or period	Dividend per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	yen	yen	yen	yen	yen
Year ended February 28, 2019	-	17.00	-	17.00	34.00
Year ending February 29, 2020	-	18.00			
Year ending February 29, 2020 (forecast)			-	18.00	36.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 29, 2020 (March 1, 2019 to February 29, 2020)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,600,000	1.0	230,000	8.4	220,000	2.3	25,000	5.8	29.70

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

***Notes**

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

(2) Use of accounting methods specific to 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

Note: For details, see "(4) Notes on the Consolidated Financial Statements (Changes in Accounting Policy)" in section "2. Consolidated Financial Statements and Main Notes" on page 16.

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (treasury shares included):
August 31, 2019: 871,924,572 shares
February 28, 2019: 871,924,572 shares
2) Number of shares held in treasury at end of period:

August 31, 2019: 30,200,080 shares
February 28, 2019: 30,227,327 shares

3) Average number of shares outstanding during the period:
Six Months ended August 31, 2019: 841,712,765 shares
Six Months ended August 31, 2018: 840,159,887 shares

***Quarterly review status**

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

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

(Note on the forward-looking statements)

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

For the forecasts herein, please refer to "(3) Consolidated Earnings Forecast" on page 8 in section "1. Review of Operating Results and Financial Statements" in the Accompanying Materials.

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 six months of the fiscal year ending February 29, 2020 (March 1, 2019 - August 31, 2019), Aeon Co., Ltd. (hereinafter "Aeon") posted consolidated operating revenue of 4,290,215 million yen (up 0.6%), setting a new second-quarter record for a ninth consecutive year. Consolidated operating profit was 86,326 million yen (down 3.9%), ordinary profit was 79,767 million yen (down 12.2%), and profit attributable to owners of parent was 3,791 million yen (down 64.1%). The principal reason for the profit decline is that in the first quarter (March 1 to May 31, 2019) Aeon recognized as a lump-sum loss the adjustment due to improper accounting treatment and erroneous revisions from past fiscal years discovered at Kajitaku Co., Ltd., a subsidiary of Aeon Delight Co., Ltd., which is a consolidated subsidiary of Aeon. Excluding the financial effect of this matter, six-month consolidated operating revenue was 4,304,828 million yen (up 0.9%), operating profit was 100,871 million yen (up 12.3%), and ordinary profit was 94,316 million yen (up 3.8%), all record highs. Second-quarter (June 1 to August 31, 2019) consolidated operating revenue, operating profit, and ordinary profit reached record highs as well.

A breakdown of six-month consolidated operating profit by segment shows that while the GMS (General Merchandise Store) Business and Supermarket Business were affected by cooling of consumer sentiment and unfavorable weather, such as record low temperatures in July, profit increased in the Health and Wellness Business, Financial Services Business, and Shopping Center Development Business, as well as in the International Business, which continues to show recovery.

After excluding the financial effect of the abovementioned accounting treatment issue, profit increased in the Services and Specialty Store Business as well. Details on the accounting treatment issue at Kajitaku Co, Ltd. have been posted on the Aeon Delight website (https://www.aeondelight.co.jp/english/ir/).

Common Group Strategy:

- To accelerate implementation of the Aeon Group Medium-term Management Plan, announced in December 2017, in March 2019 Aeon newly assigned three Executive Vice President and Representative Executive Officers Responsible for Business Operations under the direction of the Group CEO. Through transfer of authority, Aeon will proceed with the shift to regional markets, shift to Asian markets, and shift to digital markets set forth as the direction for transformation of the Group in the Medium-term Management Plan as well as an investment shift to support these initiatives.

- In October 2018, Aeon entered into basic agreements concerning mergers of supermarket operations in six regions of Japan. In accordance with these agreements, in March 2019, Maxvalu Nishinihon Co., Ltd. made Marunaka Co., Ltd., and Sanyo Marunaka Co., Ltd. subsidiaries, marking the start of a new integrated management structure in the Chugoku and Shikoku regions. In the Tokai and Chubu regions, Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. merged in September. Aeon Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. entered into a merger agreement for Hokkaido in April and decided to merge in March 2020. Group companies in the Tohoku, Kinki, and Kyushu regions are also proceeding with preparations for integrated management pursuant to basic agreements. The integrated companies to be created in each region will aim to become the companies contributing the most to their local communities, while responding to the diversification of food preferences, such as preferences for low-priced food, healthy food, and local food, increasing demand for time-saving foods and ingredients, intensification of competition in increasingly borderless food markets, and changes in the labor environment.

- In April, Aeon established Aeon Digital Management Center ("DMC"), a new company in China. Aeon opened its first store in Hong Kong in 1985 and now has eight businesses

operating some 470 stores in China and the Hong Kong SAR. By establishing DMC, Aeon will accelerate a digital shift closely tied to store operation. DMC will adopt AI and other technologies to provide a new customer experience unique to Aeon by developing a new business model involving the fusion of brick-and-mortar stores and online stores accessed by smartphone apps and will also undertake productivity improvement in back-office operations and nurture IT personnel knowledgeable about the retail business.

- In response to customers' desire to contribute to environmental protection through shopping, in June Aeon announced the launch of 24 Topvalu environment-friendly products at approximately 510 Aeon, Aeon Style, and other Aeon Group stores nationwide. Responding to an increase in momentum to re-examine how we use plastic in society, Aeon is sequentially rolling out tote bags and shopping bags made using recycled materials and simple eating utensils and other products made using bamboo pulp and FSC-certified wooden materials. Aeon will continue to expand the offering of environment-friendly products in the Topvalu line.

- In July, Aeon entered into a partnership agreement on disaster response with the Cabinet Office. Conclusion of this agreement has made it possible to utilize space at Aeon store parking lots and other facilities as forward bases for electrical equipment restoration teams. We also entered into agreements on mutual assistance in the event of a disaster with Hokuriku Electric Power Company in May, Tokyo Electric Power Company Holdings Inc. in June, and Shikoku Electric Power Company, Inc. in August. Under these agreements, when a major disaster occurs, Aeon will provide the power companies with relief supplies and space to set up recovery bases, and the power companies will supply electricity to temporary evacuation sites Aeon will prepare on store premises at the request of municipalities. Through these initiatives, Aeon will promptly and efficiently engage in assistance activities when a major disaster occurs and fulfill its social responsibility as a lifeline that supports the lives of customers in the communities we serve.

- In August, Aeon Co., Ltd. and Welcia Holdings Co., Ltd. established ÆON Révecosme Co.,Ltd. as a joint venture to exclusively distribute Yves Rocher, the French botanical beauty care brand. Founded in France in 1959 and operating more than 6,700 stores in some 90 countries, Yves Rocher offers affordably priced, high-quality cosmetics made using naturally derived raw materials that are suitable for everyday use. The joint venture aims to utilize Aeon's store network to sell Yves Rocher products at some 2,000 stores nationwide by fiscal 2025, starting with introduction at some 100 Welcia stores, Aeon general merchandise stores, and other stores in the greater Tokyo area beginning in November.

2) Business Segment Information

Results by business segment are as follows. From the first quarter of the fiscal year under review, Aeon has revised the business segments presented as reportable segments. Comparisons and analysis for the first half are based on the revised segments.

GMS Business

The GMS Business posted an operating loss of 7,534 million yen (a profit decrease of 1,674 million yen year on year) on operating revenue of 1,530,431 million yen (down 0.3% year on year) for the first six months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") opened 8 new stores during the first half. Reflecting feedback from local customers, Aeon Style Makuhari Bay Park (Chiba Prefecture), which opened in April, has a fine selection of restaurants and cafes where people can take their time and relax. Caférrant, a specialty shop that sells coffee beans and imported foods, operates Aeon's first cafe serving coffee authentically brewed using carefully selected beans roasted at the shop. Aeon Namie (Fukushima Prefecture), which opened in July, offers a selection of food

products necessary in daily life, daily necessities, and medicine to help people return to their pre-earthquake way of life in their hometown. To offer an extensive product lineup even though the store is small, Aeon Namie uses in-store tablets to provide a service for customers to take delivery at customer-designated locations of bedding, storage items, baby goods, and other products not stocked at the store. To meet the diversifying needs of local customers, Aeon Retail refurbished 22 existing stores. In response to an increase in demand from international visitors, Aeon Style Narita (Chiba Prefecture), which was renewed and reopened in July, installed additional equipment for processing duty-free sales to enable speedy procedures at a duty-free counter that provides customer support in five foreign languages, including Chinese, and strengthened its lineup of cosmetics, medicines, snacks, and other items popular among customers from overseas.

Consolidated same-store sales at Aeon Retail declined 0.3% year on year in the first half. Although July same-store sales declined 6.0% year on year due to record low temperatures and other unfavorable weather, sales grew by 3.4% year on year in August, with the company boosting sales capabilities to capture demand during extreme summer heat and demand ahead of a consumption tax increase.

With the objective of increasing earnings through refurbishment of a store located in an outlying area, Aeon Hokkaido Corporation implemented large-scale refurbishments at Aeon Yunokawa (Hakodate City), which was transferred from The Daiei, Inc. in 2015, for the first time since the store opened. Successful development of directly operated specialty liquor and flower sales areas and a food zone that offers locally procured products led to year-on-year sales growth of 25.0% after refurbishment. Also, thanks to enhancement of the selection of health and wellness products in response to growing health consciousness, sales of women's athleisure (athletic/leisure) wear, men's sports inner garments, organically grown fruits and vegetables, bed mattresses, and brand-name cosmetics were strong, with sales of these product lines growing 1.8% year on year.

Following the renewal and reopening of Aeon Mall Fukuoka Ito (Fukuoka Prefecture) in March, Aeon Kyushu Co., Ltd. renewed and reopened Aeon Shoppers Fukuoka (Fukuoka Prefecture) in April as an existing store refurbishment initiative. The store features a food section with an enhanced lineup of products for health-conscious people, such as organic, low-salt, and reduced-calorie products, a beauty and pharmacy section with an expanded selection of health- and beauty-related products, and a new clothing sales area that focuses on comfortable daily casual clothing and innerwear for adults. Since reopening, both stores have drawn customers of a wide range of generations and enjoyed strong sales. Sales of school bags, for which the company expanded the scale of an early-order event, and of home appliances and home renovation-related products grew substantially year on year.

Supermarket Business

The Supermarket Business posted operating revenue of 1,605,155 million yen (down 1.5% year on year) and operating profit of 2,815 million yen (down 74.7%).

Maxvalu Hokkaido Co., Ltd. (hereinafter "Maxvalu Hokkaido") opened one new store and completed major refurbishment of four stores in the first half. Following rebuilding of premises transferred from The Daiei, Inc. in 2015, Maxvalu Fukabori (Hakodate City) was reborn as a store adapted to a small service area that offers an expanded selection of local specialty products, products for people seeking convenience and simplicity, and health-conscious products. At The Big Express Moere (Sapporo City), Maxvalu Hokkaido sought to create a model for small discount stores by changing to a sales floor layout that makes it easy for customers to navigate the store in a single direction from entrance to cash register. As an initiative to increase product appeal, the company began delivering popular flat-price freshly baked bread to stores that do not have on-site baking facilities, and sales at stores offering the bread were strong. Same-store sales increased by 1.4% and overall sales increased by 2.3% year on year thanks to these initiatives, and revenue and profit increased as a result.

With purchase prices and various other costs rising against a backdrop of soaring distribution and labor costs, United Super Markets Holdings Inc. and its consolidated subsidiaries proceeded with expansion of joint procurement of products and materials and worked to control costs. They also continued with ICT department system cost and maintenance cost reduction initiatives and

proceeded with cashless payment-related system changes and development of a smartphone payment system. In cost structure reforms, they controlled labor costs through office work labor-saving measures and reduced the cost of introducing kitchen equipment and store facilities through joint negotiation. Maruetsu, Inc. completed introduction of electronic shelf labels at all Maruetsu Petit stores and proceeded with introduction of store fixtures that facilitate labor-saving. Kasumi Co., Ltd. strengthened its framework for implementing store-level measures to develop product offerings and services adapted to local communities.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 16,959 million yen (up 24.5% year on year) on operating revenue of 434,741 million yen (up 10.1%) for the first six months of the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries actively implemented the Welcia Model—built on the four pillars of drugstore and pharmacy, late-night operations, counseling, and nursing—through refurbishment of existing stores and other measures. Same-store sales were strong, supported by growth in prescription drug sales due to expansion of the number of stores offering prescription drugs (1,350 stores as of August 31). In response to increased awareness of maintaining health for the purpose of extension of healthy life expectancy and heightened interest in initiatives to address social and environmental issues, Welcia Holdings engaged in product development with health as the key development theme, activities aimed at reducing the use of plastic shopping bags, and initiatives to create worker-friendly workplace environments.

In addition, in March, Welcia Holdings implemented a reorganization of consolidated subsidiaries to solidify its business foundation in urban areas, with Welcia Yakkyoku Co., Ltd. becoming the surviving company and IPPONDO Co., Ltd. the dissolved company in an absorption-type merger.

In June, Welcia Holdings acquired shares in Kanamitsu Yakuhin Co., Ltd. (31 stores), which operates stores mainly in Okayama Prefecture, making it a subsidiary. The company increased the number of group stores to 1,976 as of August 31, 2019 through this acquisition and the opening of 70 new group stores, mainly in the high-priority Tohoku and Kinki regions.

Financial Services Business

The Financial Services Business earned operating profit of 34,207 million yen (up 7.1% year on year) on operating revenue of 239,397 million yen (up 13.0%) for the first six months.

In its domestic business operations, Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") introduced in May a service in Aeon Wallet, the official Aeon Card smartphone app, for completing a credit screening in as little as five minutes after customers apply for Aeon Cards anywhere, such as at stores or at home, and instantly issuing credit cards for immediate use. Furthermore, in July it began soliciting sign-ups for the second Disney design Aeon Card featuring popular Disney characters (a Toy Story design) and worked to acquire new cardholders, mainly young people. Ahead of the consumption tax increase in October, with a view to a medium- and long-term increase in transaction volume, it promoted use of Aeon Cards and worked to expand the customer base by conducting a campaign offering up to 20% cash back and a campaign for earning ten times the usual number of Aeon Group TOKIMEKI points. As a result of these initiatives, the number of active cardholders in Japan reached 28.57 million (an increase of 0.51 million year on year), and credit card shopping transaction volume reached 2,836.8 billion yen (up 8.8%).

In its international operations, Aeon Financial Service steadily increased the number of card holders and transaction volume in Thailand through credit cardholder solicitation activities at kiosk-type branches and a new type of mobile booth, which can be opened and operated at low cost, and by offering a limited selection of functions and services for which customer demand is high, in addition to instant issuance of credit cards. Furthermore, it undertook further expansion of the used car auto loan business by offering loans in outlying regions as well as in Bangkok, and

transaction volume steadily grew. In Malaysia, measures to acquire high-value customers, such as auto loans to meet demand for purchasing Japanese automobiles among medium-income and high-income persons and loans for mid-size and large motorcycles, led to further accumulation of high-quality receivables and expansion of the company's business. Improvement in labor-hour productivity progressed, with renewal and partial automation of the screening system resulting in shortening of screening times. The number of active cardholders in international operations reached 15.27 million (an increase of 1.87 million year on year).

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 30,239 million yen (up 18.9% year on year) on operating revenue of 184,625 million yen (up 3.6%) for the first six months of the fiscal year.

Amid a rapidly progressing shakeout of commercial facilities, in its domestic business Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") is enhancing its competitive advantage in the shopping mall market in Japan by increasing the number of area No. 1 malls, or malls that enjoy the most customer support in their respective service areas. During the first half, it completed floor expansion of 3 existing shopping centers and refurbished 9 shopping centers in Japan. After carrying out in April floor expansion and renovation of a total of 122 shops, accounting for some 70% of all tenants, at Aeon Mall Higashiura (Aichi Prefecture), in July the company newly introduced in an existing building a food sales zone consisting of 12 new shops and a lifestyle zone created by combining a book store and cafe. In April, Aeon Mall carried out phase-one renewal at Aeon Mall Narita (Chiba Prefecture), renovating 88 shops, or some 50% of the mall's tenants. In phase-two renewal in July, the company merged a first-floor food sales zone with an Aeon Style food zone and expanded and enhanced services for international visitors, who are expected to increase in number, through measures such as provision of digital information in Japanese, English, Chinese, Korean, Thai, and Vietnamese, and introduction of a pocket change conversion service for converting foreign currency left over from overseas travel into e-money or gift codes.

Aeon Mall's overseas operations achieved growth in revenue and profit in both China and the ASEAN region. In China, accompanying progress with a market dominance store-opening strategy centered on four areas—Beijing-Tianjin-Shandong, Jiangsu-Zhejiang, Hubei, and Guangdong—Aeon Mall's brand power and customer-drawing power have increased. This has further increased branding benefits, such as the ability to attract excellent specialty stores and obtain leases with more advantageous terms and conditions. In Vietnam, in June the company reopened AEON MALL Tan Phu Celadon (Ho Chi Minh City), its first store in Vietnam, following floor expansion and renewal aimed at meeting market needs associated with rapid economic development. Total rentable area increased by 80% to 84,000 m^2, and parking capacity increased by 1,500 spaces to 2,000 spaces for cars and by 6,000 spaces to 10,000 spaces for motorbikes. In addition to introducing new specialty stores, the mall has also renewed merchandizing and zoning in existing zones and introduced specialty stores from a variety of industries—such as fashion, sports, cosmetics, pet, and entertainment shops—to enable one-stop provision of goods and services, including a new shopping experience. It also expanded the food court to 1,000 seats, opened restaurant zones on each floor, and increased the number of tenants by 80 to 200, including stores opening for the first time in Vietnam.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating profit of 2,215 million yen (down 83.9% year on year) on operating revenue of 378,906 million yen (down 4.2%) for the first six months of the fiscal year.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") aspires to be an environmental value creation company that resolves social issues and has made safety and security, labor shortages, and the environment the three pillars of its growth strategy in Asia. As a safety and security initiative, Aeon Delight proceeded with a transition to direct management of maintenance and inspection work in facilities management in order to enhance its technological capabilities as an

organization specializing in facilities management. As an initiative to address labor shortages, the company developed an integrated facilities management service that uses an open building automation system for the purpose of providing optimal solutions to issues facing individual customers, such as facilities management-related labor saving. As an environmental initiative, Aeon Delight moved ahead with development of a framework to enable power wheeling within the local community by proceeding with verification tests on renewable energy power wheeling utilizing blockchain technology, installing solar power generation system panels at Aeon Mall Urawa Misono (Saitama Prefecture), and installing terminals able to identify renewable energy at Aeon Mall Urawa Misono and at multiple Ministop stores and private homes in the Urawa Misono area.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") achieved a sharp year-on-year sales increase of 9.0% in the medals division, which has been selected for strategic reinforcement in its domestic operations. Sales from popular medal game machines were strong, mainly the Kids Medal series of original games, which the company has actively introduced, and a price structure review conducted for each store was successful. The company also implemented refurbishments and floor expansion at 24 stores during the first half, and sales after refurbishment rose 13.1% year on year. In addition, the company opened 13 TOYS SPOT PALO capsule toy specialty shops in response to an increase in demand for capsule toys among international visitors, and sales steadily increased. Through these initiatives, domestic operations achieved increases in consolidated revenue and profit to record-high levels in the first half. Although the company's China operations were affected by a reactionary drop following a discount sale held during the Lunar New Year period, Aeon Fantasy switched to redemption method machines (which enable the exchange of points for prizes in accordance with game results) at 47 stores as a new initiative, and same-store sales are showing a recovery trend. Revenue and profit increased at the company's ASEAN operations due in part to the impact of refurbishment of stores in Thailand and Vietnam.

International Business

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

The International Business posted operating profit of 4,012 million yen (up 739.4% year on year) on operating revenue of 223,164 million yen (up 1.2%).

In Malaysia, Aeon Co. (M) Bhd. opened Aeon Mall Nilai, its 34th mall, in January. It achieved sales above plan at the new mall by providing a product selection adapted to the local characteristics of an area with many ethnic Malay residents and successfully strengthening the delicatessen category. During the Chinese New Year sales season, proactive introduction of low-priced products, particularly clothing, and a successful flat-price sale held from the beginning of the year contributed to a sales increase. Also, the company began offering Ramadan-related products early, in part because the Ramadan period began some two weeks earlier than last year, and sales of traditional attire worn after the end of Ramadan were strong. As a result of these initiatives, business performance was strong, and revenue and profit increased.

Aeon Thailand Co., Ltd. opened Maxvalu Muang Thong Thani in a northern suburb of Bangkok in March. The new store offers a complete product lineup to meet demand from nearby offices, and sales were substantially above plan. The company also strengthened day of week promotions and customer appreciation day promotions as part of measures to increase sales.

In Myanmar, Aeon Orange Co., Ltd. opened Aeon Orange Thanlyin Sakura, its first hypermarket, which is located just southeast of Yangon. The new store features an expanded sales floor area about three times the size of existing stores, one of the largest appliance sales floors in the region, and an eat-in space in the delicatessen corner. Also, the company expanded and upgraded its product selection and services by means such as opening a small loans counter for persons purchasing appliances in cooperation with AEON Microfinance (Myanmar) Co., Ltd.

In China, sales were strong and profitability improved at Beijing Aeon Co., Ltd. and Qingdao Aeon Dongtai Co., Ltd., thanks in part to sales promotions timed to coincide with the peak in demand during the Lunar New Year, the time of year when sales are highest. Beginning with a

digital coupon campaign at Aeon Hubei Co., Ltd., Group companies in China proceeded with conversion to digital sales promotions involving delivery of coupons and sale information to smartphones. The coupon redemption rate exceeded 40% for some digital sales promotions, which greatly contributed to sales expansion. In addition, as part of implementation of an omni-channel strategy in China, Group companies are expanding an Internet supermarket service to provide two-hour delivery to locations within three kilometers of stores. As of June 30, 71 stores in China offered the Internet supermarket service, and sales from this service grew substantially.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Aeon has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter. This accounting standard has been retroactively applied to the figures for the previous fiscal year.

Consolidated assets as of August 31, 2019 were 10,900,943 million yen, an increase of 855,562 million yen, or 8.5%, from the end of the previous fiscal year (February 28, 2019). The increase is mainly attributable to, in current assets, increases of 262,023 million yen in cash and deposits, mainly at financial subsidiaries, 152,087 million yen in notes and accounts receivable-trade, 69,580 million yen in loans and bills discounted for banking business, and in non-current assets, an increase of 343,573 million yen in property, plant and equipment due to the impact of the opening of new shopping centers and the application of IFRS 16 at overseas subsidiaries.

Consolidated liabilities as of August 31, 2019 were 9,066,827 million yen, an increase of 896,811 million yen, or 11.0%, from February 28, 2019. The increase is mainly attributable to increases of 213,343 million yen in notes and accounts payable-trade and 177,849 million yen in deposits for banking business, partly because the last day of the second quarter was a bank holiday, as well as increases of 164,481 million yen in other current liabilities and 251,590 million yen in other non-current liabilities, due to factors including the application of IFRS 16 at overseas subsidiaries.

Consolidated net assets as of August 31, 2019 were 1,834,115 million yen, a decrease of 41,248 million yen, or 2.2%, from February 28, 2019.

The balance of cash and cash equivalents at August 31, 2019 was 1,053,658 million yen, an increase of 295,155 million yen from February 28, 2019.

Net cash provided by operating activities in the six months ended August 31, 2019 was 375,190 million yen, mainly reflecting increases of 240,895 million yen in profit before income taxes, excluding depreciation and amortization and other non-cash expenses, 215,907 million yen in payables, and 177,849 million yen in deposits for banking business, which were partially offset by increases of 170,110 million yen in notes and accounts receivable-trade and 69,693 million yen in loans in banking business.

Net cash used in investing activities was 210,438 million yen, mainly reflecting 238,082 million yen for settlement of equipment fund due to the purchase of property, plant, and equipment and 270,712 million yen in acquisition of securities for banking business, which were partially offset by 290,886 million yen in proceeds from sales and redemption of securities in banking business.

Net cash provided by financing activities was 76,608 million yen. This reflects 140,000 million yen in proceeds from issuance of bonds and a net increase of 108,267 million yen in short-term bank loans and commercial papers, which were partially offset by 111,155 million yen in repayments of long-term loans payable and 92,006 million yen in redemption of bonds and convertible bonds.

(3) Consolidated Earnings Forecast

The earnings forecast for the year ending February 29, 2020 is unchanged from the forecast announced April 10, 2019.

*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

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	852,382	1,114,405
Call loans	27,138	50,997
Notes and accounts receivable - trade	1,461,616	1,613,704
Securities	428,657	417,058
Inventories	598,420	589,223
Operating loan	393,914	425,633
Loans and bills discounted for banking business	1,965,353	2,034,933
Other	335,513	365,439
Allowance for doubtful accounts	(104,335)	(112,156)
Current assets	5,958,661	6,499,240
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,549,236	1,581,107
Tools, furniture and fixtures, net	224,925	228,757
Land	890,857	926,509
Construction in progress	51,887	51,556
Other, net	73,965	346,515
Property, plant and equipment	2,790,872	3,134,445
Intangible assets		
Goodwill	147,727	141,171
Software	88,989	95,145
Other	64,406	62,568
Intangible assets	301,123	298,884
Investments and other assets		
Investment securities	231,120	239,629
Net defined benefit asset	19,552	21,019
Deferred tax assets	155,129	163,778
Guarantee deposits	424,362	417,108
Other	175,113	136,378
Allowance for doubtful accounts	(10,554)	(9,543)
Investments and other assets	994,722	968,372
Non-current assets	4,086,718	4,401,702
Assets	10,045,380	10,900,943

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	914,150	1,127,494
Deposits for banking business	3,443,053	3,620,902
Short-term loans payable	385,634	389,368
Current portion of long-term loans payable	230,054	250,383
Current portion of bonds	96,312	64,189
Current portion of bonds with subscription rights to shares	29,946	29,945
Commercial papers	92,079	191,847
Income taxes payable	56,526	43,806
Provision for bonuses	33,078	30,058
Provision for loss on store closing	10,882	9,681
Provision for point card certificates	20,943	23,130
Other provision	1,214	622
Notes payable - facilities	68,999	60,551
Other	624,279	788,761
Current liabilities	6,007,156	6,630,743
Non-current liabilities		
Bonds payable	489,661	568,563
Long-term loans payable	1,127,742	1,065,892
Deferred tax liabilities	37,323	40,410
Provision for loss on store closing	2,958	2,796
Provision for loss on interest repayment	3,842	4,026
Other provision	6,441	7,128
Net defined benefit liability	28,311	28,819
Asset retirement obligations	94,955	97,382
Long-term guarantee deposited	265,622	263,472
Other	106,000	357,590
Non-current liabilities	2,162,859	2,436,083
Liabilities	8,170,015	9,066,827

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	302,636	299,432
Retained earnings	561,135	533,380
Treasury shares	(36,290)	(36,259)
Shareholders' equity	1,047,490	1,016,561
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,391	54,278
Deferred gains or losses on hedges	(2,542)	(4,089)
Foreign currency translation adjustment	2,155	(6,198)
Remeasurements of defined benefit plans	(859)	(1,324)
Total accumulated other comprehensive income	46,145	42,665
Subscription rights to shares	1,960	1,936
Non-controlling interests	779,768	772,951
Net assets	1,875,364	1,834,115
Liabilities and net assets	10,045,380	10,900,943

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

Consolidated Statement of Income

(Millions of yen)

	Six Months ended August 31, 2018	Six Months ended August 31, 2019
	Amount	Amount
Operating revenue		
Net sales	3,738,800	3,747,953
Operating revenue from financial services business	189,463	216,462
Other operating revenue	338,138	325,799
Operating revenue	4,266,401	4,290,215
Operating cost		
Cost of sales	2,709,620	2,715,369
Operating cost from financial services business	17,601	18,677
Operating cost	2,727,221	2,734,047
Gross profit (loss)	1,029,179	1,032,583
Operating gross profit (loss)	1,539,180	1,556,168
Selling, general and administrative expenses	1,449,325	1,469,841
Operating profit (loss)	89,854	86,326
Non-operating income		
Interest income	1,580	1,712
Dividend income	1,291	1,297
Share of profit of entities accounted for using equity method	1,327	1,144
Other	9,282	9,953
Non-operating income	13,480	14,107
Non-operating expenses		
Interest expenses	8,214	15,787
Other	4,222	4,879
Non-operating expenses	12,436	20,667
Ordinary profit (loss)	90,898	79,767
Extraordinary income		
Gain on sales of non-current assets	3,391	1,519
Gain on negative goodwill	-	1,303
Other	3,795	2,585
Extraordinary income	7,187	5,407
Extraordinary losses		
Impairment loss	6,929	8,259
Provision for loss on store closing	2,799	3,734
Loss on retirement of non-current assets	1,357	2,016
Loss on closing of stores	572	1,653
Other	4,647	3,879
Extraordinary losses	16,307	19,543
Profit before income taxes	81,778	65,631
Income taxes		
Current	40,214	43,132
Deferred	(1,642)	(4,822)
Income taxes	38,571	38,309
Profit	43,206	27,322
Profit attributable to non-controlling interests	32,646	23,530
Profit attributable to owners of parent	10,560	3,791

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six Months ended August 31, 2018	Six Months ended August 31, 2019
	Amount	Amount
Profit	43,206	27,322
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,364)	8,857
Deferred gains or losses on hedges	2,369	(3,378)
Foreign currency translation adjustment	(15,299)	(16,332)
Remeasurements of defined benefit plans, net of tax	(45)	(325)
Share of other comprehensive income of entities accounted for using equity method	(111)	107
Other comprehensive income	(26,450)	(11,072)
Comprehensive income	16,756	16,249
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(10,973)	312
Comprehensive income attributable to non-controlling interests	27,729	15,937

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months ended August 31, 2018	Six Months ended August 31, 2019
	Amount	Amount
Cash flows from operating activities		
Profit before income taxes	81,778	65,631
Depreciation	124,243	146,267
Amortization of goodwill	7,569	7,301
Gain on negative goodwill	-	(1,303)
Increase (decrease) in allowance for doubtful accounts	7,656	8,820
Increase (decrease) in provision for loss on interest repayment	(933)	183
Increase (decrease) in provision for bonuses	(1,870)	(3,270)
Increase (decrease) in net defined benefit liability	(329)	1,312
Decrease (Increase) in net defined benefit asset	(1,864)	(2,738)
Interest and dividend income	(2,871)	(3,010)
Interest expenses	8,214	15,787
Share of (profit) loss of entities accounted for using equity method	(1,327)	(1,144)
Impairment loss	6,929	8,259
Decrease (increase) in notes and accounts receivable - trade	(167,300)	(170,110)
Decrease (increase) in inventories	19,206	8,080
Decrease (increase) in operating loans receivable	(15,873)	(42,423)
Decrease (increase) in cash loans and bills discounted for banking business	(124,368)	(69,693)
Increase (decrease) in notes and accounts payable - trade	62,509	215,907
Increase (decrease) in deposits for banking business	280,215	177,849
Increase/decrease in other assets/liabilities	(6,128)	92,372
Other, net	4,312	(10,220)
Sub total	279,769	443,859
Interest and dividend income received	3,817	3,937
Interest expenses paid	(8,354)	(15,744)
Income taxes paid	(46,727)	(56,861)
Net cash provided by (used in) operating activities	228,505	375,190

(Millions of yen)

	Six Months ended August 31, 2018	Six Months ended August 31, 2019
	Amount	Amount
Cash flows from investing activities		
Purchase of securities	-	(1,410)
Proceeds from sales and redemption of securities	441	100
Acquisition of securities for banking business	(406,133)	(270,712)
Proceeds from sales and redemption of securities in banking business	254,246	290,886
Purchase of non-current assets	(247,953)	(238,082)
Proceeds from sales of non-current assets	18,061	7,798
Purchase of investment securities	(6,386)	(1,705)
Proceeds from sales of investment securities	3,114	2,037
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,061)	(2,238)
Payments for guarantee deposits	(23,220)	(10,254)
Proceeds from collection of guarantee deposits	12,925	16,789
Proceeds from guarantee deposits received	13,963	10,880
Repayments of guarantee deposits received	(11,156)	(12,754)
Other, net	(13,579)	(1,772)
Net cash provided by (used in) investing activities	(409,738)	(210,438)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(29,825)	108,267
Proceeds from long-term loans payable	139,906	85,941
Repayments of long-term loans payable	(101,713)	(111,155)
Proceeds from issuance of bonds	84,998	140,000
Redemption of bonds	(1,984)	(92,006)
Proceeds from share issuance to non-controlling shareholders	396	783
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	6,982
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(5,888)
Repayments of lease obligations	(2,615)	(33,346)
Cash dividends paid	(12,625)	(14,310)
Dividends paid to non-controlling interests	(13,112)	(12,905)
Other, net	11,260	4,245
Net cash provided by (used in) financing activities	74,684	76,608
Effect of exchange rate change on cash and cash equivalents	(4,962)	(2,182)
Net increase (decrease) in cash and cash equivalents	(111,510)	239,179
Cash and cash equivalents, beginning of period	870,013	814,479
Cash and cash equivalents, end of period	758,502	1,053,658

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)
Not applicable

(Changes in Accounting Policy)

From the beginning of the first quarter of the fiscal year ending February 29, 2020, foreign consolidated subsidiaries and some other Aeon Group companies have adopted IFRS 16 Leases. In conjunction with this, for lessee lease transactions, right-of-use (ROU) assets and lease obligations were recognized for all leases in principle, and depreciation on ROU assets and interest expenses for lease obligations have been recorded. With the adoption of IFRS 16 Leases, these companies applied transitional measures that recognize the cumulative effects of adoption of IFRS 16 as of the date of adoption, as is permitted for first-time adopters.

As a result of this change, at the beginning of the first quarter of the fiscal year ending February 29, 2020, among others ROU assets (included in "other" under property, plant and equipment) and lease obligations (included in "other" under current liabilities and non-current liabilities) increased 281,152 million yen and 288,739 million yen respectively, while retained earnings and non-controlling interests decreased 17,233 million yen, and 11,963 million yen respectively. In addition, compared with figures under the previous accounting policy, operating profit for the six months ended August 31, 2019, increased 4,673 million yen, while ordinary profit and profit before income taxes decreased 2,996 million yen.

For reference, this change has little impact on per share information for the six months ended August 31, 2019.

(Additional Information)

1. Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc."
With the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending February 29, 2020, deferred tax assets are presented under "investments and other assets," and deferred tax liabilities are presented under "non-current liabilities."

2. Improper and erroneous accounting treatment at a consolidated subsidiary (Kajitaku Co., Ltd.)
On June 27, 2019, consolidated subsidiary Aeon Delight Co., Ltd. received a report on improper accounting at its consolidated subsidiary Kajitaku Co., Ltd. ("Final Report on the Investigation on Kajitaku Co., Ltd.'s Inappropriate Accounting") from a Special Investigation Committee.

The cumulative financial effects of improper and erroneous accounting treatment conducted by Kajitaku in past fiscal years were recognized as a lump sum in the Consolidated Statement of Income for the six months ended August 31, 2019, and under "Services and Specialty Store" in "1. Operating revenue and income/loss by reportable segment" in the "Segment Information" section for the same period.

As a result, in the Consolidated Statement of Income, operating revenue decreased 14,613 million yen, operating profit decreased 14,544 million yen, ordinary profit decreased 14,549 million yen, and profit attributable to owners of parent decreased 7,920 million yen. In the Segment Information section, “Revenue attributable to customers” and “Total operating revenue” for “Services and Specialty Store” decreased 13,937 million yen, and “Segment income (loss)” for “Services and Specialty Store” decreased 14,544 million yen.

(Segment Information)

I. Six Months ended August 31, 2018 (March 1 – August 31, 2018)

Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,418,737	1,622,772	394,657	189,463	137,906	301,527
(2) Intersegment revenue or transfers	115,952	7,075	217	22,304	40,281	93,840
Total	1,534,689	1,629,848	394,875	211,767	178,187	395,368
Segment income (loss)	(5,860)	11,119	13,620	31,951	25,439	13,721

	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	219,207	4,284,272	1,316	4,285,588	(19,186)	4,266,401
(2) Intersegment revenue or transfers	1,323	280,995	24,332	305,327	(305,327)	-
Total	220,530	4,565,267	25,648	4,590,916	(324,514)	4,266,401
Segment income (loss)	478	90,470	666	91,137	(1,282)	89,854

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

2. Main components of the minus 19,186 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 38,635 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 19,372 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the minus 1,282 million yen in adjustments for segment income (loss) are as follows:
   (a) 415 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) minus 1,104 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 541 million yen in intersegment transaction eliminations.

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

II. Six Months ended August 31, 2019 (March 1 – August 31, 2019)

1. Operating revenue and income/loss by reportable segment

(Millions of yen)

	Reportable segment					
	GMS	Supermarket	Health and Wellness	Financial Services	Shopping Center Development	Services and Specialty Store
Operating revenue:						
(1) Revenue attributable to customers	1,410,200	1,599,621	434,564	216,462	143,671	287,404
(2) Intersegment revenue or transfers	120,231	5,534	176	22,934	40,954	91,502
Total	1,530,431	1,605,155	434,741	239,397	184,625	378,906
Segment income (loss)	(7,534)	2,815	16,959	34,207	30,239	2,215

	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	221,344	4,313,269	2,016	4,315,285	(25,070)	4,290,215
(2) Intersegment revenue or transfers	1,819	283,153	24,778	307,931	(307,931)	-
Total	223,164	4,596,422	26,794	4,623,217	(333,001)	4,290,215
Segment income (loss)	4,012	82,914	1,773	84,688	1,638	86,326

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

2. Main components of the minus 25,070 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 46,111 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 20,988 million yen in “operating revenues from equity-method affiliates” of Group companies attributable to Aeon Group merchandise supply that is part of head office functions and does not fall into any of the business segments.

3. Main components of the 1,638 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,294 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) 478 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 103 million yen in intersegment transaction eliminations.

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

2. Change of reportable segment

In line with organizational changes, from the first quarter of the fiscal year ending February 29, 2020, the Company has reclassified some of the functional companies included in "Adjustments" to include them in "International" business and "Other." For reference, segment information for the six months ended August 31, 2018 was prepared based on the current segmentation.

(Material Subsequent Events)

Corporate bonds issued by a consolidated subsidiary

Aeon Financial Service Co., Ltd., a consolidated subsidiary of the Company, issued unsecured bonds (with special pari passu conditions among bonds). The details are outlined below.

(1)	Name of bonds	Aeon Financial Service Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 7
(2)	Total amount of bonds	25,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.19%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 20, 2019
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of March 20, 2023.
(8)	Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
(9)	Use of proceeds	The proceeds will be used as funds for redemption of commercial papers and payment of borrowings.

(1)	Name of bonds	Aeon Financial Service Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 8
(2)	Total amount of bonds	25,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.30%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 20, 2019
(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 20, 2024.
(8)	Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
(9)	Use of proceeds	The proceeds will be used as funds for redemption of commercial papers and payment of borrowings.

(1)	Name of bonds	Aeon Financial Service Co., Ltd. Unsecured bonds (with special pari passu conditions among bonds) series 9
(2)	Total amount of bonds	20,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Coupon rate	0.38%
(5)	Issue price	100 yen per face value of 100 yen
(6)	Date of issuance	September 20, 2019

(7)	Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 18, 2026.
(8)	Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
(9)	Use of proceeds	The proceeds will be used as funds for redemption of commercial papers and payment of borrowings.