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Financial Results for the Nine Months ended November 30, 2019

January 10, 2020

Company name	**Aeon Co., Ltd.**
Listings	The First Section of Tokyo Stock Exchange
Security code	8267
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Scheduled dates:	
Submission of statutory quarterly financial report	January 14, 2020
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 Nine Months ended November 30, 2019 (March 1, 2019 to November 30, 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	%
Nine Months ended November 30, 2019	6,387,005	0.8	103,081	(5.4)	93,373	(15.3)	(6,343)	-
Nine Months ended November 30, 2018	6,339,364	2.1	109,011	6.0	110,287	4.9	630	-

Note: Comprehensive income: Nine Months ended November 30, 2019: 25,471 million yen (79.2%)
Nine Months ended November 30, 2018: 14,212 million yen (-80.0%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Nine Months ended November 30, 2019	(7.54)	-
Nine Months ended November 30, 2018	0.75	0.40

Note: Even though the Company has dilutive shares, earnings per share – fully diluted for the nine months ended November 30, 2019 is not indicated because a net loss per share was recorded for the period.

(2) Financial Position

	Total assets	Net assets	Total equity ratio	Net assets per share
	million yen	million yen	%	yen
November 30, 2019	11,062,190	1,820,553	9.4	1,241.52
February 28, 2019	10,045,380	1,875,364	10.9	1,299.32

Reference: Total equity: November 30, 2019: 1,045,046 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 "(3) Notes on the Consolidated Financial Statements (Changes in Accounting Policy)" in section "2. Consolidated Financial Statements and Main Notes" on page 15.

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (treasury shares included):
November 30, 2019: 871,924,572 shares
February 28, 2019: 871,924,572 shares

2) Number of shares held in treasury at end of period:
November 30, 2019: 30,175,482 shares
February 28, 2019: 30,227,327 shares

3) Average number of shares outstanding during the period:
Nine Months ended November 30, 2019: 841,723,953 shares
Nine Months ended November 30, 2018: 840,662,346 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 9 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 nine months of the fiscal year ending February 29, 2020 (March 1, 2019-November 30, 2019), Aeon Co., Ltd. (hereinafter "Aeon") posted consolidated operating revenue of 6,387,005 million yen (up 0.8% year on year). Consolidated operating profit was 103,081 million yen (down 5.4%), ordinary profit was 93,373 million yen (down 15.3%), and profit attributable to owners of parent was 6,343 million yen (down 6,973 million year on year).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, nine-month operating profit and profit attributable to owners of parent increased year on year, and operating revenue and operating profit reached record highs.

A breakdown of nine-month consolidated operating profit by segment shows that profit increased in the Health and Wellness Business and Shopping Center Development Business, which are profit pillars, profit increased in the International Business, which continues to show recovery following a second-quarter increase, and after excluding the financial effect of the abovementioned accounting treatment issue, profit continued to increase in the Services and Specialty Store Business as well. In addition, the GMS (General Merchandise Store) Business showed an upturn in profitability.

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/). An overview of the consolidated business results after excluding the financial effect of the accounting treatment issue has been presented as reference information in Brief Summary 3rd Quarter of Fiscal Year Ending February 29, 2020 https://www.aeon.info/en/ir/library/report/)).

Common Group Strategy:

- In accordance with basic agreements concerning mergers of supermarket operations in six regions of Japan concluded in October 2018, Aeon proceeded with management integration in each region. In March, 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. In Hokkaido, Aeon Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. concluded a merger agreement in April and decided to merge in March 2020. In December, Aeon decided to make Maxvalu Tohoku Co., Ltd. a wholly owned subsidiary in March 2020, merge it with AEON Retail Co., Ltd., Tohoku Company, and start business operations under the new company name Aeon Tohoku Co., Ltd. Group companies in the 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 that contribute 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 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 support teams. Also, Aeon has entered into agreements on mutual assistance in the event of a disaster with electric power companies in each region, making it possible for Aeon to provide the power companies with relief supplies and space to set up recovery bases when a major disaster occurs and for the power companies to supply electricity to temporary evacuation sites Aeon has prepared on store

premises at the request of local municipalities. At the time of Typhoon Faxai in September, Aeon supported recovery activities by providing parking lots at Aeon Mall Kisarazu and Aeon Mall Narita for use in setting up electric power recovery bases.

- In August, Aeon 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.

- In September, Aeon announced that it will participate in the "10x20x30" food loss and waste initiative, under which Aeon and several other of the world's largest food retailers and providers will aim to reduce food waste. Aeon will be the only Asian company to participate in the initiative. The10x20x30 initiative was proposed by the World Resources Institute (WRI), a U.S.-based think tank that engages in policy research and technology development relating to the global environment and development, with the aim of reducing food waste by half throughout the supply chain. Through participation in the initiative, Aeon, together with 21 suppliers, will contribute to achieving the target of halving food waste by utilizing the "Target-Measure-Act" approach proposed by the WRI.

- In November, Aeon entered into an exclusive partnership agreement in Japan with Ocado Solutions, a subsidiary of Ocado Group PLC, the fastest-growing online supermarket operator in the U.K. Under the agreement, Aeon will construct a highly efficient operation by establishing central Customer Fulfilment Centres in 2023 and aim to be a next-generation online supermarket capable of meeting customer needs for delivery of "anything, anytime, anywhere" through a superb app interface.

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 nine-month period are based on the revised segments.

GMS Business

The GMS Business posted an operating loss of 18,126 million yen (a profit increase of 688 million yen year on year) on operating revenue of 2,276,638 million yen (up 0.2% year on year) for the first nine months of the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") refurbished 33 existing stores and opened 9 new stores during the nine-month period to meet the diversifying needs of local customers. Aeon Yono (Saitama Prefecture), which reopened following renovations in November, opened 18 new shops, including local snack producers, and enhanced its offering of sweets by doubling the size of its Confectionery/Signature Brands corner. It also expanded its eat-in space by 62 seats and introduced a new type of eat-in Aeon delicatessen area where customers can buy and eat food at the store while relaxing together with family or friends. In addition, it has shortened checkout wait times by installing new self-service payment kiosks. Aeon Retail will proceed with a roll-out of the new payment kiosks nationwide. Aeon Style Okayama Aoe (Okayama Prefecture), which opened in July with "one-stop shop" and "speedy" as its key concepts, features a variety of specialty shops, such as Reward Kitchen, which provides carefully selected ready-to-eat items served in a face-to-face buffet style to support the daily lifestyles of busy double-income families and singles, the first iC innercasual store to open in the Chugoku-Shikoku region, and Glam

Beautique, a beauty and health specialty shop located next to Salu Station, which provides customers with easy and convenient skin and health condition checks.

Ahead of the October consumption tax hike, in September Aeon Retail increased sales of products in high demand before the tax increase, such as furniture, appliances, home renovation-related goods and services, and other high-ticket items, household consumables, and beauty care products, and same-store sales rose sharply by 11.9% year on year. Although October sales were negatively affected by the tax increase, same-store sales rose 0.9% year on year in November even though it was the month following the tax hike, thanks to the popularity of special promotions, such as limited-time offers and a half-price sale on clothing and reduced prices on winter home fashion products at the Black Friday Sale, which Aeon pioneered in Japan. As a result of these initiatives, same-store sales at Aeon Retail rose 1.6% year on year in the nine-month period, and operating profitability improved as well.

Aeon Hokkaido Corporation refurbished 30 existing stores during the nine-month period. The company made the largest refurbishment investment of the fiscal year, which included a mall-wide layout change, at Aeon Kushiro (Kushiro Town), one of the largest malls in the eastern Hokkaido region. Sales after the refurbishment increased 13.4% year on year as a result of efforts such as development of specialty sales areas including health and beauty product and flower sales areas and expansion of the offering of locally procured products. As initiatives to cope with the consumption tax hike, Aeon Hokkaido held lifestyle support events to cope with a pre-tax-increase surge in demand in September and a post-tax-increase reactionary decline in October, such as a value-for-money sale focused on seasonal products including winter clothing and household items, and a bonus point campaign. As a result, nine-month sales of all stores reached a record high of 44,296 million yen (up 1.2% year on year).

Supermarket Business

The Supermarket Business posted operating revenue of 2,403,576 million yen (down 1.1% year on year) and operating profit of 4,531 million yen (down 65.6%).

Maxvalu Hokkaido Co., Ltd. (hereinafter “Maxvalu Hokkaido”) completed major refurbishment of four stores during the nine-month period. It also opened two new stores: Maxvalu Fukabori (Hakodate City) in July, and Maxvalu Hakodate Wakamatsu (Hakodate City) located near Hakodate Station in September. It expanded its offering of the freshest locally grown products, souvenirs, instant foods, and health-oriented products and set up duty-free sales counters and installed currency exchange machines for foreign tourists. A merchandise initiative that proved popular with a large number of customers was the sale of locally grown vegetables under the slogan “vegetables picked this morning.” Also, this fiscal year the company has expanded sales promotions involving distribution of digital discount coupons implemented at Maxvalu stores to all stores and conducted digital sales promotions to replace printed flyers. As a result, third-quarter and nine-month revenue and profit both increased year on year.

Maxvalu Tokai Co., Ltd.’s (hereinafter “Maxvalu Tokai”) store coverage area expanded to seven prefectures, with a focus on Shizuoka and Aichi Prefectures, as a result of the merger with Maxvalu Chubu Co., Ltd. on September 1. In a sale held to commemorate the merger, Maxvalu Tokai focused on offering original commemorative products that it developed as a newly integrated company, as well as bonus-pack products and special-price products. It also provided product offerings that took advantage of business scale expansion from the merger and worked to bolster sales promotions in anticipation of post-tax hike changes in consumption trends. For instance, it increased the number of stores participating in promotions previously implemented by each company, such as Tuesday and Wednesday promotions (flat-price sales), and Super Max Day on the tenth of each month. As a result of these initiatives, same-store sales in Japan during the nine-month period showed strength, growing 0.9% year on year. Also, Maxvalu Tokai opened two new stores in November: Maxvalu Yokkaichi Tomari (Mie Prefecture) and Maxvalu Otsukyo (Shiga Prefecture). At Maxvalu Yokkaichi Tomari, the company has enhanced the offering of carefully selected products and the buffet-style counter and is implementing new initiatives such as setting up at the first new post-merger store a sales floor that combines the product offerings of the two merged companies. At Maxvalu Otsukyo, the company has prepared a product offering

suited to a wide range of ages, including families with small children, and aims to develop a “fun to shop” model for providing an enjoyable shopping environment through enhanced provision of information about great-tasting products to shoppers. As a result of these initiatives, the Supermarket Business achieved nine-month sales and profit increases.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 22,267 million yen (up 28.6% year on year) on operating revenue of 652,138 million yen (up 10.5%) for the first nine months of the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter “Welcia Holdings”) and its consolidated subsidiaries achieved strong same-store sales through refurbishment of existing stores, active implementation of the Welcia Model—built on the four pillars of drugstore and pharmacy, late-night operations, counseling, and nursing—and growth in prescription drug sales due to expansion of the number of stores offering prescription drugs (1,393 stores as of November 30). In response to increased awareness of maintaining health for the purpose of extension of healthy life expectancy in a hyper-aged society and heightened interest in social issues and the environment, Welcia Holdings engaged in product development with health as the key development theme and activities aimed at reducing the use of plastic shopping bags.

In addition, to solidify the business foundation in urban areas, Welcia Holdings implemented a reorganization in which consolidated subsidiary Welcia Yakkyoku Co., Ltd. absorbed IPPONDO Co., Ltd. in March and B.B.ON Co., Ltd. in September. The company increased the number of group stores to 1,998 as of November 30, 2019 through the opening of 105 new stores group-wide, mainly in the high-priority Tohoku and Kinki regions, and the addition of 31 stores of Kanamitsu Yakuhin Co., Ltd., which became a subsidiary in June.

Financial Services Business

The Financial Services Business earned operating profit of 39,663 million yen (down 16.4% year on year) on operating revenue of 352,869 million yen (up 10.1%) for the first nine months of the fiscal year.

In its domestic business operations, Aeon Financial Service Co., Ltd. (hereinafter “AFS”) began issuing in September the Maruetsu Card, an Aeon Card that is the first joint credit card for Aeon Group supermarket operator Maruetsu. AFS also implemented initiatives such as opening up sign-ups for Aeon Card (Keyakizaka 46) in November in order to expand its customer base through cardholder acquisition in the Greater Tokyo area and the acquisition of young cardholders with the aim of increasing transaction volume over the medium to long term. In addition, it sought to further increase the number of bank accounts and deposits balance by opening up sign-ups in October for Aeon Bank CASH + DEBIT Card (Disney Design), which combines a debit card, bank cash card, and WAON e-money function. Also, with regard to issuance of Aeon Card invoices, transition to Web-based statements that can be confirmed using Aeon Wallet, the official Aeon Card smartphone app, and on the Kurashi no Money Site portal website, was completed beginning with November’s monthly account debiting. This enhances convenience by enabling the timely transmission of credit card use information and coupon information to customers and enables reduction of environmental impact through CO_2 reduction.

The AFS Group, which has long supported asset formation for a more prosperous future for customers by means such as offering NISAs (Nippon Individual Savings Accounts) and installment-type NISAs, to which preferential tax treatment apply, and introducing the iDeCo long-term asset formation plan and foreign-currency deposits, and also introduced in September the asset formation and management simulation tool Port Navi at all Group bank branches. The Group has begun providing services that make possible optimal proposals aligned with customer needs, such as preparation of more than 60 types of model portfolio.

As a result, the number of active cardholders in Japan reached 28.78 million (an increase of 560,000 year on year), and credit card shopping transaction volume reached 4,332.9 billion yen (up 10.3%).

In its international operations, AFS expanded its business by providing services that meet customer needs and seeking to boost customer loyalty, mainly in Thailand and Malaysia, by stepping up issuance of credit cards and provision of loans for medium-income and high-income persons. In Thailand, it steadily increased the number of cardholders and transaction volume through issuance in September of the VISA Olympic Themed Card Issued by AEON, which has card use privileges such as sports gym use, and strove to acquire new health-conscious customer segments. Also, local subsidiary Aeon Thana Sinsap (Thailand) plc. promoted back-office labor-hour productivity by consolidating the finance and accounting departments of its subsidiaries into a shared service center. In Malaysia as well, AFS worked to improve productivity through digitization by, for example, automating the screening process as part of upgrades to its screening system. The number of active cardholders in international operations reached 16.01 million (an increase of 2.30 million year on year).

As a result of these initiatives, transaction volume grew and revenue increased as a result of new cardholder acquisition. On the other hand, profit decreased due to factors such as an increase in advertising expenses accompanying measures to promote cashless payment in the domestic business coupled with factors in the overseas business, including deterioration of the economic environment caused by the trade friction between the U.S. and China and demonstrations in Hong Kong, an increase in the provision of allowance for doubtful accounts as a result of accumulation of normal receivables in Malaysia, where IFRS 9 “Financial Instruments” was introduced, and the impact of improper accounting in past years that came to light at Aeon Credit Service (Philippines) Inc., a consolidated subsidiary in the Philippines.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 43,784 million yen (up 18.2% year on year) on operating revenue of 275,892 million yen (up 3.6%) for the first nine 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 nine-month period, it completed floor expansion of 4 existing shopping centers and refurbished 11 shopping centers in Japan. Aeon Mall Takaoka (Toyama Prefecture) was reborn as one of the largest malls in the Hokuriku region in September following floor expansion work, and renewal of some 50% of its total floor space. A collection of large fashion specialty stores and the latest experience-based amusement facilities were installed in the new wing, and a new 900-seat food court, which together with the 1,400-seat food court in the existing wing gives the mall one of the largest total food court areas in the region. Following phase-one renewal work last year, Aeon Mall Fukuoka (Fukuoka Prefecture) underwent a phase-two renewal of 100 shops in October that included introduction of lifestyle specialty shops and large fashion specialty stores. It also promoted utilization of digital technology to enhance customer convenience, such as installation of digital signage and touch-panel floor maps that display information in four languages at various locations inside the mall. Aeon Mall opened Aeon Fujiidera Shopping Center (Osaka Prefecture) as a new mall in September. The mall, which first opened in 1973 and closed for rebuilding in 2014, reopened with 65 specialty shops focused on customers’ daily needs, with an emphasis on a gourmet zone consisting of food specialty shops offering fresh meat, fish, produce, confectionery, and ready-to-eat items as well as a food court. The mall also engages in initiatives in collaboration with the local government, including the installation of a library book return box and a city government information board.

Aeon Mall’s overseas operations achieved growth in revenue and profit in both China and the ASEAN region. In China, there is an increasing number of three- to four-year-old malls where tenant contract renewals and rent revisions will be soon be carried out. Renewal of the malls will be timed to coincide with this, with the introduction of fresh new specialty store tenants, and Aeon Mall has renewed five existing malls during the nine-month period. Also, 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 shops and obtain leases with more advantageous terms and conditions. The company opened a new mall in November: Aeon Mall Qingdao Xihaian Xinqu (Qingdao City, Shandong Province) the company's second mall in Shandong Province and first in Qingdao City. The new mall has added state-of-the-art digital functions, such as introducing a facial recognition payment systems at specialty shops. 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. It substantially expanded total rentable area and increased the number of parking spaces for cars and motorbikes and introduced specialty shops from a variety of fields, such as fashion, sports, cosmetics, pet, and entertainment shops. It also expanded the food court to 1,000 seats, opened restaurant zones (food markets) 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 2,972 million yen (down 78.0% year on year) on operating revenue of 556,440 million yen (down 3.6%) for the first nine months of the fiscal year.

In pursuit of further growth, 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 is striving to provide services that contribute to strengthening of disaster prevention and disaster mitigation systems for customers, such as maintenance and inspection of disaster prevention facilities and assistance in conducting emergency drills. Immediately after Typhoon Faxai struck in September and Typhoon Hagibis in October, Aeon Delight provided assistance for the early recovery of disaster-stricken areas in cooperation with other Aeon Group companies. Also, the company's consolidated subsidiary Aeon Delight Security Co., Ltd. was commissioned to perform part of transportation security work for a total of nine of the Rugby World Cup 2019 matches held in Japan at stadiums in Oita Prefecture and Shizuoka Prefecture, providing safety and security for fans. As an initiative to address labor shortages, for the purpose of providing optimal solutions to issues such as facilities management-related labor saving, the company developed an integrated facilities management service that uses an open network system and began provision of the service at Aeon Fujiidera Shopping Center (Osaka Prefecture), which opened in September. As an environmental initiative, Aeon Delight is participating in verification tests on renewable energy power wheeling utilizing blockchain technology in cooperation with partner companies. It developed a framework to enable power wheeling within the local community by installing solar panels at Aeon Mall Urawa Misono (Saitama Prefecture) and installing terminals that identify renewable energy at Aeon Mall Urawa Misono and at multiple Ministop stores and private homes and began verification testing in October.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") achieved a substantial year-on-year increase in same-store sales of 9.5% in the medals division, which it has selected for strategic reinforcement in its domestic operations. Aeon Fantasy is working on business reinforcement of the medal division through aggressive introduction of popular medal game machines and a price structure review conducted for each store. Same-store sales in the mainstay prizes division were also strong, increasing 4.5% year on year on strong sales of movie-related merchandise. The company also implemented refurbishments and floor expansion at 32 stores during the nine-month period, and sales after refurbishment rose 12.9% year on year. Through these initiatives, domestic operations achieved increases in nine-month revenue and profit. The company's China operations switched to redemption method machines (which enable the exchange of points for prizes in accordance with game results) at 64 stores as a business reform initiative, and same-store sales are showing a recovery trend. Although nine-month profit decreased at the company's ASEAN operations, profitability improved in Thailand and Vietnam as a result of store refurbishment and the closing of unprofitable stores.

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

The International Business posted operating profit of 5,615 million yen (a profit increase of 5,812 million yen year on year) on operating revenue of 327,491 million yen (down 0.8%).

In Malaysia, during the Chinese New Year sales season, proactive introduction of low-priced clothing products and a successful flat-price sale held from the beginning of the year contributed to a sales increase. Aeon Co. (M) Bhd. brought forward the start of promotions and added Aeon Card cardholder Thank You Days as measures to counter a reactionary decline in demand in the current fiscal year following a surge during the period between repeal of Malaysia's 6% goods and services tax (GST) in June 2018 and introduction of a sales and services tax in September 2018. As a result of these initiatives and efficient management of expenses, nine-month operating profit increased.

In Vietnam, AEON MALL Tan Phu Celadon (Ho Chi Minh City), the first Aeon Mall in Vietnam, reopened in June following floor expansion and renewal. It introduced 80 new specialty shops, expanded the directly operated sales floor, substantially expanded its delicatessen corner with eat-in space, and introduced Vietnam's first Glam Beautique, a beauty and health specialty shop. Also, the second Petemo pet shop in Vietnam opened, operated by Aeon Vietnam Co., Ltd under the supervision of Aeon Pet Co., Ltd.

The first and second Aeon Malls in Cambodia, Aeon Mall Phnom Penh (Phnom Penh City) and Aeon Mall Sen Sok City (Phnom Penh City), held anniversary festivals in July and June, respectively. The malls attracted large numbers of customers and sales exceeded targets at both. Sales developed favorably even during the long Pchum Ben festival holiday period in September. As a result of these initiatives, nine-month profit from international operations in the ASEAN region increased.

In China, sales were strong at Beijing Aeon Co., Ltd. and Qingdao Aeon Dongtai Co., Ltd., thanks to sales promotions timed to coincide with the peak in demand during the Lunar New Year holiday, 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. In July, Group companies held a joint Japan fair at which they increased the number of participating Japanese manufacturers above the prior-year result and newly set up tourism and local products promotion corners for five Japanese prefectures in cooperation with the Japanese Embassy. The fair contributed to substantial sales growth. In a Back to School promotion held in August, special popular character merchandise promotions and digital stationery drove overall sales. In addition to these measures to boost sales, efficient management of expenses resulted in profitability improvement from international operations in China for the first nine months of the fiscal year.

(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 November 30, 2019 were 11,062,190 million yen, an increase of 1,016,810 million yen, or 10.1%, from the end of the previous fiscal year (February 28, 2019). The increase is mainly attributable to, in current assets, increases of 161,440 million yen in cash and deposits, mainly at financial subsidiaries, 212,573 million yen in notes and accounts receivable-trade, 199,903 million yen in loans and bills discounted for banking business, and in non-current assets, an increase of 364,098 million yen in property, plant and equipment due to factors including the impact of the opening of new shopping centers and the application of IFRS 16 at overseas subsidiaries.

Consolidated liabilities as of November 30, 2019 were 9,241,636 million yen, an increase of 1,071,620 million yen, or 13.1%, from February 28, 2019. The increase is mainly attributable to increases of 212,732 million yen in notes and accounts payable-trade and 232,789 million yen in deposits for banking business, partly because the last day of the third quarter was a bank holiday, as well as increases of 186,674 million yen in other current liabilities and 250,380 million yen in other non-current liabilities, due to factors including the application of IFRS 16 at overseas subsidiaries.

Consolidated net assets as of November 30, 2019 were 1,820,553 million yen, a decrease of 54,810 million yen, or 2.9%, from February 28, 2019.

(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 November 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	852,382	1,013,823
Call loans	27,138	50,596
Notes and accounts receivable - trade	1,461,616	1,674,190
Securities	428,657	356,323
Inventories	598,420	621,792
Operating loan	393,914	462,916
Loans and bills discounted for banking business	1,965,353	2,165,256
Other	335,513	384,059
Allowance for doubtful accounts	(104,335)	(118,281)
Current assets	5,958,661	6,610,677
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,549,236	1,593,114
Tools, furniture and fixtures, net	224,925	231,800
Land	890,857	926,325
Construction in progress	51,887	60,234
Other, net	73,965	343,496
Property, plant and equipment	2,790,872	3,154,970
Intangible assets		
Goodwill	147,727	137,356
Software	88,989	103,643
Other	64,406	62,408
Intangible assets	301,123	303,408
Investments and other assets		
Investment securities	231,120	256,344
Net defined benefit asset	19,552	21,901
Deferred tax assets	155,129	172,765
Guarantee deposits	424,362	414,088
Other	175,113	137,042
Allowance for doubtful accounts	(10,554)	(9,009)
Investments and other assets	994,722	993,133
Non-current assets	4,086,718	4,451,512
Assets	10,045,380	11,062,190

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	914,150	1,126,883
Deposits for banking business	3,443,053	3,675,842
Short-term loans payable	385,634	368,170
Current portion of long-term loans payable	230,054	283,750
Current portion of bonds	96,312	73,363
Current portion of bonds with subscription rights to shares	29,946	-
Commercial papers	92,079	216,721
Income taxes payable	56,526	25,013
Provision for bonuses	33,078	51,144
Provision for loss on store closing	10,882	7,548
Provision for point card certificates	20,943	24,070
Other provision	1,214	1,018
Notes payable - facilities	68,999	58,386
Other	624,279	810,954
Current liabilities	6,007,156	6,722,866
Non-current liabilities		
Bonds payable	489,661	644,839
Long-term loans payable	1,127,742	1,074,223
Deferred tax liabilities	37,323	44,440
Provision for loss on store closing	2,958	2,859
Provision for loss on interest repayment	3,842	3,724
Other provision	6,441	7,166
Net defined benefit liability	28,311	22,936
Asset retirement obligations	94,955	98,032
Long-term guarantee deposited	265,622	264,165
Other	106,000	356,381
Non-current liabilities	2,162,859	2,518,769
Liabilities	8,170,015	9,241,636

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	302,636	299,845
Retained earnings	561,135	507,746
Treasury shares	(36,290)	(36,232)
Shareholders' equity	1,047,490	991,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,391	63,994
Deferred gains or losses on hedges	(2,542)	(3,077)
Foreign currency translation adjustment	2,155	(5,816)
Remeasurements of defined benefit plans	(859)	(1,421)
Total accumulated other comprehensive income	46,145	53,678
Subscription rights to shares	1,960	1,881
Non-controlling interests	779,768	773,625
Net assets	1,875,364	1,820,553
Liabilities and net assets	10,045,380	11,062,190

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

Consolidated Statement of Income

(Millions of yen)

	Nine Months ended November 30, 2018	Nine Months ended November 30, 2019
	Amount	Amount
Operating revenue		
Net sales	5,551,123	5,579,294
Operating revenue from financial services business	286,142	317,687
Other operating revenue	502,099	490,024
Operating revenue	6,339,364	6,387,005
Operating cost		
Cost of sales	4,032,373	4,048,192
Operating cost from financial services business	26,136	28,359
Operating cost	4,058,510	4,076,552
Gross profit (loss)	1,518,749	1,531,101
Operating gross profit (loss)	2,280,854	2,310,453
Selling, general and administrative expenses	2,171,843	2,207,371
Operating profit (loss)	109,011	103,081
Non-operating income		
Interest income	2,403	2,587
Dividend income	1,553	1,601
Share of profit of entities accounted for using equity method	1,963	2,383
Other	14,037	13,779
Non-operating income	19,958	20,352
Non-operating expenses		
Interest expenses	12,162	23,659
Other	6,518	6,400
Non-operating expenses	18,681	30,059
Ordinary profit (loss)	110,287	93,373
Extraordinary income		
Gain on sales of non-current assets	5,710	1,787
Insurance income	5,947	1,536
Gain on negative goodwill	-	1,333
Other	976	2,887
Extraordinary income	12,633	7,545
Extraordinary losses		
Impairment loss	9,909	10,705
Provision for loss on store closing	4,738	3,450
Loss on retirement of non-current assets	2,118	3,618
Loss on closing of stores	1,055	2,241
Other	8,678	5,632
Extraordinary losses	26,500	25,648
Profit before income taxes	96,421	75,270
Income taxes		
Current	60,273	63,915
Deferred	(9,192)	(13,075)
Income taxes	51,081	50,840
Profit	45,339	24,430
Profit attributable to non-controlling interests	44,709	30,773
Profit (loss) attributable to owners of parent	630	(6,343)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine Months ended November 30, 2018	Nine Months ended November 30, 2019
	Amount	Amount
Profit	45,339	24,430
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,381)	17,478
Deferred gains or losses on hedges	1,941	(2,242)
Foreign currency translation adjustment	(12,512)	(14,093)
Remeasurements of defined benefit plans, net of tax	(90)	(387)
Share of other comprehensive income of entities accounted for using equity method	(84)	286
Other comprehensive income	(31,127)	1,041
Comprehensive income	14,212	25,471
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(26,028)	1,190
Comprehensive income attributable to non-controlling interests	40,240	24,280

(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)

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 283,008 million yen and 291,260 million yen respectively, while retained earnings and non-controlling interests decreased 17,579 million yen, and 12,359 million yen respectively. In addition, compared with figures under the previous accounting policy, operating profit for the nine months ended November 30, 2019, increased 7,590 million yen, while ordinary profit and profit before income taxes decreased 3,796 million yen.

For reference, this change has little impact on per share information for the nine months ended November 30, 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 Nine Months ended November 30, 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” each decreased 13,937 million yen, and “Segment income (loss)” for “Services and Specialty Store” decreased 14,544 million yen.

(Segment Information)

I. Nine Months ended November 30, 2018 (March 1 – November 30, 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	2,099,969	2,419,797	589,616	286,142	206,355	438,405
(2) Intersegment revenue or transfers	172,953	10,021	315	34,309	60,054	138,577
Total	2,272,923	2,429,819	589,932	320,452	266,410	576,983
Segment income (loss)	(18,815)	13,171	17,311	47,460	37,043	13,499

	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	328,209	6,368,497	1,417	6,369,914	(30,550)	6,339,364
(2) Intersegment revenue or transfers	2,020	418,254	36,394	454,649	(454,649)	-
Total	330,230	6,786,751	37,812	6,824,563	(485,199)	6,339,364
Segment income (loss)	(196)	109,473	762	110,236	(1,225)	109,011

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

2. Main components of the minus 30,550 million yen in adjustments for revenue attributable to customers are as follows:
   (a) Minus 59,444 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 28,789 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 1,225 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,409 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 1,211 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and
   (c) Minus 1,350 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. Nine Months ended November 30, 2019 (March 1 – November 30, 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	2,096,114	2,394,965	651,863	317,687	215,048	420,216
(2) Intersegment revenue or transfers	180,524	8,611	274	35,181	60,843	136,224
Total	2,276,638	2,403,576	652,138	352,869	275,892	556,440
Segment income (loss)	(18,126)	4,531	22,267	39,663	43,784	2,972

	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	324,790	6,420,685	2,256	6,422,942	(35,936)	6,387,005
(2) Intersegment revenue or transfers	2,700	424,360	37,340	461,701	(461,701)	-
Total	327,491	6,845,046	39,597	6,884,644	(497,638)	6,387,005
Segment income (loss)	5,615	100,708	2,196	102,904	176	103,081

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

2. Main components of the minus 35,936 million yen in adjustments for revenue attributable to customers are as follows:
   (a) Minus 66,673 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 30,649 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 176 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,784 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) Minus 410 million yen in income of Group companies attributable to Aeon Group merchandise supply that does not fall into any of the business segments, and
   (c) Minus 1,162 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 nine months ended November 30, 2018 was prepared based on the current segmentation.

(Material Subsequent Events)

1. Issuance by the Company of hybrid bonds (bonds with a subordination provision)
   The Company issued unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option. The details are outlined below.

(1)	Name of bonds	Aeon Co., Ltd. Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 5
(2)	Total amount of bonds	55,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Issue price	100 yen per face value of 100 yen
(5)	Coupon rate	From December 13, 2019 through December 12, 2029: 1.80% per annum From December 13, 2029: 6-Month Euro Yen LIBOR plus 2.70% per annum
(6)	Date of issuance	December 12, 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 December 10, 2049. Note however that the Company may, at its discretion, make an early redemption of the hybrid bonds on any interest payment date on or after December 12, 2029.
(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 short-term bonds.

(1)	Name of bonds	Aeon Co., Ltd. Unsecured bonds (with a subordination provision) with an interest deferrable clause and early redeemable option series 6
(2)	Total amount of bonds	25,000 million yen
(3)	Denomination per bond	100 million yen
(4)	Issue price	100 yen per face value of 100 yen
(5)	Coupon rate	From December 13, 2019 through December 12, 2034: 2.52% per annum From December 13, 2034: 6-Month Euro Yen LIBOR plus 3.30% per annum
(6)	Date of issuance	December 12, 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 December 11, 2054. Note however that the Company may, at its discretion, make an early redemption of the hybrid bonds on any interest payment date on or after December 12, 2034.
(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 short-term bonds.

2. Sale of investment securities

Following a tender offer bid by J. Front Retailing Co., Ltd. for shares of Parco. Co., Ltd., the Company signed an agreement on December 26, 2019 to sell all of the Parco Co. Ltd. shares held by the Company to J. Front Retailing Co., Ltd. If the tender offer bid is executed, a gain on sale of investment securities of approximately 9,700 million yen is expected to be recorded under extraordinary income.

Tender offer period: December 27, 2019 to February 17, 2020

Proposed tender offer price: 1,850 yen per share

Number of tendered shares: 10,133,800 shares