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Financial Results for the Three Months ended May 31, 2020

July 8, 2020

Company name **Aeon Co., Ltd.**
Listings The First Section of Tokyo Stock Exchange
Security code 8267
URL https://www.aeon.info/en/
Representative Akio Yoshida, President
Contact Kahori Miyake
Executive Officer CSR & Communication
Telephone +81 43-212-6042

Scheduled dates:
Submission of statutory quarterly financial report July 15, 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 Three Months ended May 31, 2020 (March 1, 2020 to May 31, 2020)

(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	%
Three months ended May 31, 2020	2,076,278	(1.9)	(12,552)	-	(16,072)	-	(53,973)	-
Three months ended May 31, 2019	2,116,349	0.6	27,745	(30.0)	24,240	(39.8)	(4,342)	-

Note: Comprehensive income: Three months ended May 31, 2020: -68,522 million yen (-%)
Three months ended May 31, 2019: -3,116 million yen (-%)

	Earnings per share	Earnings per share – fully diluted
	yen	yen
Three months ended May 31, 2020	(63.92)	-
Three months ended May 31, 2019	(5.16)	-

Note: 1. Even though the Company has dilutive shares, earnings per share - fully diluted for the three months ended May 31, 2020 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
May 31, 2020	11,274,442	1,755,495	8.8	1,179.71
February 29, 2020	11,062,685	1,849,278	9.6	1,264.63

Reference: Total equity: May 31, 2020: 996,323 million yen February 29, 2020: 1,064,515 million yen

Total equity = Shareholders' equity plus total accumulated other comprehensive income.

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 29, 2020	-	18.00	-	18.00	36.00
Year ending February 28, 2021	-				
Year ending February 28, 2021 (forecast)		18.00	-	18.00	36.00

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

3. Forecast of Consolidated Earnings for the Fiscal Year ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,000,000 to 8,400,000	(7.0) to (2.4)	50,000 to 100,000	(76.8) to (53.6)	TBD		TBD		TBD

Note: No changes were made to the latest release of earnings forecasts.
* For the assumptions underlying the earnings forecasts and outlook for the fiscal year ending February 28, 2021, please refer to "(3) Consolidated Earnings Forecast" on page 8 in section "1. Review of Operating Results and Financial Statements" in the Accompanying Materials.

***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: None
2) Changes other than the above 1): None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (treasury shares included):
May 31, 2020: 871,924,572 shares
February 29, 2020: 871,924,572 shares

2) Number of shares held in treasury at end of period:
May 31, 2020: 27,374,396 shares
February 29, 2020: 30,162,176 shares

3) Average number of shares outstanding during the period:
Three months ended May 31, 2020: 844,389,330 shares
Three months ended May 31, 2019: 841,706,372 shares

The Company's stock held by the Employee Stock Ownership Plan Trust (May 31, 2020: 5,282,400 shares, February 29, 2020: 5,626,400 shares) is included in the number of shares held in treasury.

***Quarterly review status**

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

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

(Note on the forward-looking statements)

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

Accompanying Materials

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1. Review of Operating Results and Financial Statements
(1) Analysis of Operating Results

1) Summary of Operating Results

For the first three months of the fiscal year ending February 28, 2021 (March 1, 2020 - May 31, 2020), Aeon Co., Ltd. (hereinafter "Aeon") posted consolidated operating revenue of 2,076,278 million yen (down 1.9%). Consolidated operating loss was 12,552 million yen (a profit decrease of 40,298 million yen compared to the first quarter of the previous fiscal year), ordinary loss was 16,072 million yen (a profit decrease of 40,313 million yen), and loss attributable to owners of parent was 53,973 million yen (a profit decrease of 49,630 million yen). States of emergency and other activity restrictions were imposed in Japan and overseas due to the worldwide spread of the novel coronavirus (COVID-19). At the request of government agencies and other concerned institutions, Aeon temporarily closed or reduced business hours at domestic and overseas malls, stores, and business offices and implemented other measures to prevent the spread of infection. This affected the operating results of the Shopping Center Development Business, Services and Specialty Store Business, and Financial Services Business. The operating results of GMS (General Merchandise Store) Business were also affected by people refraining from outings. However, the operating results bottomed out in China in February, when the outbreak was expanding, and in Japan in April, when the state of emergency was declared. Subsequently, after ensuring the safety of customers and employees, Aeon has sequentially reopened business sites and is returning to normal business hours, and the operating results of these businesses are following a recovery trend. The Supermarket Business and Health & Welfare Business, which sell food, daily necessities, and sanitary goods, continued operations throughout the crisis in order to meet increased demand from people staying at home for at-home meals and products to prevent infection, while placing the highest priority on the safety and security of customers and employees. These businesses achieved revenue and profit increases.

Aeon continues to operate as a lifeline that supports communities and desires to build a "new normal" together with community residents to overcome this social crisis. With this in mind, on June 30, Aeon instituted the AEON COVID-19 Protocol for Infectious Disease Control, which sets out standards for epidemic prevention measures, to help prevent the spread of infection. The purpose of this protocol is to contribute to the realization of a society in which epidemic prevention is a part of daily life, protect the health and lifestyles of customers and employees, and ensure a safe and secure life for people in local communities together with our customers by implementing epidemic prevention measures on an ongoing basis, not as a temporary initiative. Aeon also set up the Aeon Coronavirus Task Force in order to not only implement infection prevention measures, but also rapidly detect changes in customer trends during the COVID-19 crisis and reflect these in products and services.

Through the actions of all employees and the cooperation of customers, Aeon will continue efforts to establish a "new normal" and proceed with epidemic prevention measures and business activities in parallel.

<Aims of the protocol>

- AEON will implement infectious disease control measures by using scientifically-based advice and the latest knowledge from experts.
- AEON will implement infectious disease control measures by working together as one with all of its employees.
- AEON will stand together with customers in building an infectious disease control structure.
- AEON will implement measures to reduce points of contact with customers by utilizing digital means and will make investments, such as changing to facilities that ensure social distancing

Common Group Strategy:

- Aeon made a change in representative executive officers (change of president) and implemented organizational reforms effective March 1. Aeon has transitioned to coordinated management under a chairman whose responsibilities are to determine medium- to long-term Group strategy and build a distinctive corporate identity, and a president who promotes strategy execution. Aeon has also reformed its organizational structure to increase the speed of decision-making by reducing the number of executive officers from 14 to 9. Through these measures, Aeon aims to improve earnings power and achieve further Group growth by rapidly responding to environmental changes and further driving implementation of the regional shift, Asia shift, and digital shift.

- Amid states of emergency in which restrictions on movement and other measures have been implemented due to the worldwide spread of the novel coronavirus, Aeon general merchandise stores, supermarkets, drugstores, and other stores that sell daily necessities remained open in order to fulfill their role as a lifeline that supports communities, endeavoring to ensure a stable supply of daily necessities with due consideration to rigorous implementation of measures to prevent the spread of infection, such as employee health management, ensuring social distancing, and disinfection of facilities. Also, Aeon has set up the AEON COVID-19 Protocol for Infectious Disease Control and will contribute to the realization of peace and stability in society as the corporate group most dedicated to customer satisfaction by weathering the period of coexistence with the novel coronavirus together with our customers while maintaining a balance between epidemic prevention and business activities.

- In accordance with basic agreements concerning supermarket management integration in six regions of Japan concluded in 2018, Aeon integrated management of supermarkets in the Chugoku and Shikoku regions and the Tokai and Chubu regions in fiscal 2019. In March 2020, management integration was carried out at: Aeon Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. in Hokkaido; Maxvalu Tohoku Co., Ltd. and AEON Retail Co., Ltd. Tohoku Company in the Tohoku region; and The Daiei, Inc. and Kohyo Co., Ltd. in the Kinki region. In the Kyushu region, management of Aeon Kyushu Co., Ltd., Maxvalu Kyushu Co., Ltd., and Aeon Store Kyushu Co., Ltd. is scheduled to be integrated in September. The integrated companies in each region will aim to become the companies that contribute the most to their local communities by responding to: Diversification of food preferences, such as preferences for local food, low-priced food, and healthy food; even greater consciousness of safety and security; intensification of competition in the food market with e-commerce companies, convenience stores, and other providers; and changes in the labor environment.

- Aeon has set out a policy of reorganizing the Group business structure and is proceeding with strategic liquidation and reorganization of Group companies. In March, Aeon announced that it will terminate in October the business operated by consolidated subsidiary Claire's Nippon Co., Ltd. In April, Aeon sold its entire shareholding in Zwei Co., Ltd.

- In April, Aeon expanded implementation of the policy prohibiting free-of-charge distribution of single-use plastic bags to include drugstores, small-scale urban-type supermarkets, and other store formats with the aim of popularizing the idea of adopting a lifestyle in which the disposal of resources after a single use is avoided. In addition, at some 800 Aeon and Aeon Style general merchandise stores and other stores, free-of-charge distribution of plastic bags was discontinued at directly operated sales floors, such as apparel and household and recreational product sections, in addition to food sections, where the policy had already been implemented. Looking at initiatives to date, the Bring Your Own Shopping Bag Campaign to reduce use of single-use shopping bags was launched in 1991; a feasibility experiment to discontinue free distribution of plastic bags at general merchandise store food sections was begun in 2007; with the understanding of customers, the scope of general merchandise stores discontinuing free distribution of plastic bags at food sections was expanded to all stores

nationwide in 2013; and the policy of discontinuing free distribution was sequentially rolled out at supermarkets and other store formats in 2013. As a result of continued efforts, free distribution of plastic bags had been discontinued at more than 80% of Group stores as of April 30, 2020. Aeon will continue to work together with customers to realize a sustainable society through expansion of the offering of eco-friendly products, eco-friendly resource procurement practices, and other means.

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 fiscal year are based on the revised segments.

GMS Business

The GMS (General Merchandise Business) Business posted an operating loss of 32,968 million yen (a profit decrease of 27,533 million yen year on year) on operating revenue of 706,185 million yen (down 6.4% year on year) for the first three months of the fiscal year.

In the General Merchandise Business, amid the spread of the novel coronavirus, stores remained open while implementing measures to prevent the spread of infection in order to fulfill their role as a lifeline that supports communities as stores that sell daily necessities. Sales of seasonal apparel and household and recreational products were significantly affected by widespread downscaling of school entrance and new employee welcoming ceremonies and other social events and a mood of restraint with regard to travel, attending gatherings, and so on. On the other hand, sales of food and sanitary goods substantially exceeded prior-year levels, with sales of fresh foods, frozen foods, confectionery ingredients, and other products showing sharp growth on higher demand for products for in-home meals, and demand for masks, hand sanitizer, hand soap, and other products used to prevent infection increasing as well.

Aeon Retail Co., Ltd. (hereinafter “Aeon Retail”) refurbished 20 existing stores and opened 5 new stores during the first quarter. Aeon Style Totsuka (Kanagawa Prefecture), which opened in March, in light of the large number of double-income family households made up of busy people in their 30s and 40s in its service area, provides one-stop shopping for items for everyday use by offering an enhanced and expanded selection of ready-to-eat meals, selling medicines, and housing a prescription pharmacy and dental clinic. It is also the first Aeon store in Kanagawa Prefecture to introduce Regi Go, a service that facilitates a pleasant shopping experience with no waiting lines or waiting time by allowing customers to use dedicated loaned smartphones to scan product barcodes and pay at dedicated cash registers. Aeon Retail plans to further increase the number of stores introducing Regi Go as a means of preventing in-store congestion. Also, in response to an increase in demand from customers to avoid infection, the company is expanding the geographical coverage and number of stores offering the online supermarket drive-through pick-up service previously introduced at Aeon Style Tsu-Minami (Mie Prefecture), starting with Aeon Hanyu (Saitama Prefecture), Aeon Oyama (Tochigi Prefecture), and Aeon Atsuta (Aichi Prefecture), which all began providing the service in May.

Management integration of Aeon Hokkaido Corporation (hereinafter “Aeon Hokkaido”) and Maxvalu Hokkaido Co., Ltd. was carried out on March 1, with Aeon Hokkaido taking over operation of 84 food supermarkets, and making a fresh start under the business vision “Become a company that underpins health and wellness in Hokkaido”. During the first quarter, the company engaged in product development and other initiatives at the Food Products Development Department, which was newly established to generate synergies from the management integration, implement new store openings and store refurbishments, and promote expansion and enhancement of the private-brand food product range. Aeon Hokkaido opened three stores in the first quarter: One discount supermarket and two small-scale supermarkets. In an initiative originated by the Food Products Development Department, the company launched highly competitive original products, including Donan Red Kodawari no Shumai made with red pork from the Donan area of Hokkaido, known for the umami flavor of its fat, and Uzura Pudding, made using safe, chemical-free quail eggs from the Muroran Uzuraen quail egg farm.

Supermarket Business

The Supermarket Business posted operating income of 18,233 million yen (a profit increase of 19,986 million yen) on operating revenue of 858,679 million yen (up 8.4% year on year).

In the Supermarket Business, amid the spread of the novel coronavirus, stores fulfilled their role as lifeline infrastructure that is essential to people's lives and supports communities, by focusing on the stable supply of food and other daily necessities while striving to prevent the spread of infection. In these circumstances, revenue and profit increased substantially as a result of meeting stay-at-home demand resulting from temporary closure of schools, promotion of working from home, and requests for people to refrain from outings.

In April, the United Super Markets Holdings (hereinafter "U.S.M.H.") Group announced its second medium-term management plan, covering a three-year period beginning in fiscal 2020, with the aim of achieving profitability improvement, transformation of the existing business model, and value proposition transformation and creation, by implementing cost reform, store format reform, work-style reform, and digital reform. In a first-quarter digital reform initiative, the U.S.M.H. Group increased to 13 the number of Office Smart Shops, unattended stores operated by Kasumi Co., Ltd. that use the Scan & Go Service, a payment function of the U.S.M.H. Group's official mobile app by which customers pay for their purchases using their own smartphones. The Group also began joint procurement of some products with Welcia Holdings Co., Ltd. and is proceeding with partial integration of product supply-related operations and sharing of merchandising information.

Maxvalu Tokai Co., Ltd. (hereinafter "Maxvalu Tokai") organized its store coverage area, which has expanded to seven prefectures, into four business divisions and sought to further strengthen community-rooted management by having each division strive for store operations adapted to the characteristics of their respective regions. As part of this initiative, the company has also strengthened its online supermarket business by opening an online supermarket with Maxvalu Toyoda (Shizuoka Prefecture) as a delivery center in March and Maxvalu Hamamatsuwada (Shizuoka Prefecture) as a delivery center in April and beginning delivery to customers in the western Shizuoka area. In this way, Maxvalu Tokai's online supermarket network has been expanded to a total of 16 sites in three prefectures: 7 in Shizuoka, 6 in Aichi, and 3 in Mie.

Health and Wellness Business

The Health and Wellness Business recorded operating profit of 9,953 million yen (up 31.0% year on year) on operating revenue of 234,373 million yen (up 10.0%) for the first three months of the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries implemented the Welcia Model, built on the four pillars of drugstore and pharmacy, late-night operations, counseling, and nursing. Sales of sanitary goods and food increased due to the impact of the novel coronavirus outbreak, and prescription drug sales also increased substantially year on year due to expansion of the number of stores offering prescription drugs (1,452 stores as of May 31, 2020), despite the impact of drug price revisions.

Welcia Holdings increased the number of group stores to 2,056 as of May 31, 2020 by opening 26 stores, closing 6 stores, and adding 24 stores operated by Yodoya Drug Co., a company operating in Kochi Prefecture that became a consolidated subsidiary in March.

Financial Services Business

The Financial Services Business posted an operating loss of 666 million yen (a profit decrease of 17,189 million yen year on year) on operating revenue of 110,104 million yen (down 4.5%) for the first three months of the fiscal year.

Aeon Financial Service Co., Ltd. (hereinafter "AFS") was forced to suspend operations or reduce business hours at some branches of consolidated subsidiary Aeon Bank Ltd. due to the state of emergency declaration in Japan. The bank also implemented measures in light of the circumstances of customers whose businesses or livelihoods have been affected by the novel coronavirus outbreak, such as suspending repayment of principal on currently contracted loans. At the same time, the Bank strengthened non-contact services provided via online or via

telephone; and deposit balances, housing loan balances, and the number of bank accounts, all increased.

From the perspective of preventing the spread of infection, during the state of emergency Aeon Credit Service Co., Ltd. voluntarily refrained from providing Aeon Card application information at its in-store sales counters and focused primarily on responding to customer inquiries. While use of credit cards for travel and eating out decreased because people were refraining from outings, there was growth in card use for purchases at food supermarkets and e-commerce sites because of the increase in opportunities for people to eat at home. Although, first-quarter credit card shopping transaction volume declined 6.1% year on year, it has shown a recovery trend since May.

In AFS's international operations, a state of emergency was declared in Thailand in late March, and branch offices of the Thai subsidiary and some affiliated merchants closed until May, when various regulations were incrementally lifted, and screening and collection activities were also affected by activity restrictions. In these circumstances, the company implemented measures to enable customers to maintain their daily lives, such as lowering interest and fees for a fixed period of time and setting a moratorium period for credit card and loan payments. In Malaysia, an activity restriction order was issued in March, and all branches and all branch offices and affiliated merchants of the local subsidiary closed until the order was partially relaxed in early May. Also, in accordance with Malaysian central bank policy, the local subsidiary offered a repayment moratorium and refinancing agreements during the two-month period of April and May.

The provision of allowance for doubtful accounts in Japan and overseas increased as a result of the recording of allowance for doubtful accounts to provide for a future increase in bad debt, and this is the main factor contributing to the profit decline in the Financial Services Business.

Shopping Center Development Business

The Shopping Center Development Business earned operating profit of 2,883 million yen (down 81.6% year on year) on operating revenue of 63,370 million yen (down 31.6%) for the first three months of the fiscal year.

In its domestic business, in response to the state of emergency declared in response to the novel coronavirus outbreak, Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") temporarily closed mall specialty shops and urban-type shopping centers it operates in 7 prefectures on April 8, and temporarily closed all 165 facilities the Aeon Mall Group manages and operates nationwide beginning April 18. Subsequently, in response to the lifting of the state of emergency in stages, Aeon Mall began sequentially reopening facilities from May 13, with all facilities reopening by May 28. In reopening, the company has implemented ongoing measures to prevent the spread of infection and ensure safety and security, such as installation of AI-based temperature screening equipment at entrances, installation of acrylic panels and plastic curtains as a measure to prevent transmission via airborne droplets, and institution of entrance restriction criteria based on visitor management system data. With regard to ventilation measures in particular, the company creates better air circulation inside mall buildings by maintaining a positive air balance, which involves increasing air pressure by bringing in outside air. It has now further strengthened the indoor ventilation function by increasing the amount of outdoor air introduced in order to realize safer, more secure shopping environments.

In China, Aeon Mall temporarily closed specialty stores at three malls in Wuhan City beginning January 24 in compliance with a lockdown of Wuhan due to the novel coronavirus outbreak. Subsequently, the company at one point temporarily closed 11 of 21 malls operated in China in mid-February in connection with the spread of infection. Malls reopened in stages from February 22 into March, and specialty stores at all 21 malls reopened on April 1. Although February and March specialty store sales at 19 existing malls fell substantially below the prior-year level, since April, when all malls reopened, sales have followed a recovery trend, albeit with progress differing in different regions.

In Vietnam, January specialty store sales were strong, rising by more than 50% year on year, thanks to the impact of refurbishment and floor space expansion at AEON Tan Phu Celadon (Ho Chi Minh City), customer-drawing events during the Chinese New Year and Tet (the Vietnamese Lunar New Year), and the effect of promotional measures. The specialty stores of four malls were

temporarily closed beginning March 28 because of imposition by the Vietnamese government of social distancing measures involving a strict lockdown, but were reopened on April 24. In Vietnam, customer traffic recovered rapidly, and May specialty store sales at four existing malls returned to the prior-year level. In Indonesia, although the specialty stores at AEON MALL BSD CITY (Tangerang Regency) and AEON MALL Jakarta Garden City (Jakarta City) temporarily closed following implementation of large-scale social restrictions in the Special Capital Region of Jakarta, they reopened on June 15. In Cambodia, although entry restrictions on foreign nationals and other measures were taken by the government, malls remained open while reducing business hours.

Services and Specialty Store Business

The Services and Specialty Store Business posted an operating loss of 11,912 million yen (a profit decrease of 4,072 million yen year on year) on operating revenue of 133,289 million yen (down 27.1% year on year) for the first three months of the fiscal year.

In the Services and Specialty Store Business, amid the spread of the novel coronavirus, the first-quarter operating results were significantly affected by temporary closure of tenant commercial facilities, people staying at home, and the downscaling, postponement, and cancellation of social events and gatherings, such as school entrance and new employee welcoming ceremonies, in response to the declaration of a state of emergency and requests for people to refrain from outings.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") has been quick to respond to the COVID-19 crisis, setting up a novel coronavirus response headquarters covering Japan, China, and the ASEAN region. The company performed preventive cleaning using alcohol and other disinfectants at office buildings and the commercial facilities where it provides services and strove for early resumption of use of facilities where positive cases were confirmed by promptly and appropriately performing disinfection cleaning in accordance with public health department instructions. Aeon Delight also used various procurement routes it has developed to ensure a stable supply of plastic sheets for blocking airborne droplets, industrial-grade masks, gloves, and alcohol, and other epidemic prevention-related materials. In addition, for hospitals, which require a higher level of sanitation than other facilities, the company continued to provide its own unique "hygiene control" cleaning services incorporating an infection control program that provides visual representation tools to facilitate the monitoring of sanitary conditions.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") was greatly affected by the worldwide spread of the novel coronavirus. Revenue from the company's domestic operations decreased due to prolonged store closures, including closure of all stores, and business hour reductions. After the Japanese government lifted the state of emergency, stores were sequentially reopened from mid-May onward. Overseas operations similarly experienced a revenue decrease on temporary store closures in compliance with requests and guidance from the governments of the countries where the company operates. Whereas 193 stores in China, 91% of the total, and all 11 stores in Vietnam had reopened as of May 31, all stores in Malaysia, Thailand, the Philippines, and Indonesia remained temporarily closed. With regard to store development, Aeon Fantasy opened 5 new stores and closed 11 unprofitable stores during the first quarter.

International Business

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

The International Business posted operating profit of 1,433 million yen (down 17.6% year on year) on operating revenue of 118,962 million yen (up 1.8% year on year).

At Aeon Malaysia (Aeon Co. (M) Bhd.), January sales increased substantially year on year thanks to a successful early start during the Chinese New Year sales season. The company responded to restrictions on sales of apparel and household and recreational products in connection with the spread of the novel coronavirus, implementing new initiatives, such as a drive-through pick-up service for delivering products ordered online to customers at store parking lots, a service where personal shoppers buy products on behalf of customers, and a motorbike delivery service for seniors.

Aeon Vietnam (Aeon Vietnam Co., Ltd.), which has continuously strengthened its response to social events, promoted priority merchandise during the Tet (the Vietnamese Lunar New Year) sales season, one of the most important sales seasons of the year. During the season, sales of Lunar New Year-related products were particularly strong, mainly *ao dai* (a traditional Vietnamese garment) in the apparel category and gift items and fresh foods in the food category. Although the spread of the novel coronavirus from mid-March onward had an impact on sales of apparel and household and recreational products, bulk-buying demand for health- and infection prevention-related products was robust, and sales of food were strong, thanks to an increase in meals eaten at home because of the lockdown conditions.

In China, sales promotions timed to coincide with the peak in demand during the Chinese New Year holiday, the time of year when sales are highest, fueled strong sales, with sales during the Chinese New Year period increasing 5% year on year. After the Chinese New Year, although sales of apparel and household and recreational products declined due to the spread of the novel coronavirus, food sales grew substantially due to more opportunities for people to eat meals at home and bulk-buying of groceries. Also, online supermarket sales surged due to the impact of movement restrictions, rising more than fourfold year on year in February, when infection spread.

(2) Consolidated Financial Condition

Consolidated Assets, Liabilities, and Net Assets

Consolidated assets as of May 31, 2020 were 11,274,442 million yen, an increase of 211,756 million yen, or 1.9%, from the end of the previous fiscal year (February 29, 2020). The increase is mainly attributable to increases of 152,819 million yen in loans and bills discounted for banking business and 133,189 million yen in securities due to the effect of newly consolidated companies, which offset a decrease of 97,292 million yen in notes and accounts receivable-trade.

Consolidated liabilities as of May 31, 2020 were 9,518,947 million yen, an increase of 305,539 million yen, or 3.3%, from February 29, 2020. The increase is mainly attributable to increases of 200,860 million yen in short-term loans payable and 127,309 million yen in reserve for insurance policy liabilities due to the effect of newly consolidated companies.

Consolidated net assets as of May 31, 2020 were 1,755,495 million yen, a decrease of 93,783 million yen, or 5.1%, from February 29, 2020.

(3) Consolidated Earnings Forecast

The consolidated earnings forecast for the year ending February 28, 2021 is unchanged from the forecast announced April 10, 2020.

(Earnings forecast assumptions at the time of announcement)

Aeon expects the impact of the novel coronavirus on its businesses to continue until the end of the fiscal year ending February 28, 2021. Although infections in Japan are expected to peak during the first half of the current fiscal year, Aeon expects the impact on consumer sentiment to continue until the fiscal year-end. Aeon anticipates a generally similar timeline in the overseas areas where the Group does business as well.

On the basis of this assumption, taking into account possible extensions of the duration or geographical extent of restrictions under state of emergency declarations, Aeon has expressed its operating revenue and operating profit forecasts as ranges, instead of specific figures. Also, although regulatory authorities may announce a flexible policy on accounting standards in response to the impact of the novel coronavirus, no such decisions have yet been made, and Aeon has not yet produced ordinary profit and profit attributable to owners of the parent forecasts.

(Future outlook)

In Japan, although the state of emergency has been lifted, the possibility of a second wave is increasing given that the number of new cases is once again rising and has been reported to exceed 100 per day nationwide on consecutive days since late June. Looking at the other countries where Aeon has business operations, lockdowns have resumed in some areas of China, which was the first country to contain infection, and new cases continue to increase in some ASEAN countries. The number of cases continues to rise globally, and it is not clear whether balancing epidemic prevention and economic activity will be possible until such time as

therapeutic drugs have been developed and widely distributed. In these circumstances, on June 30 Aeon announced and instituted the AEON COVID-19 Protocol for Infectious Disease Control, which sets out standards for epidemic prevention measures. The purpose of this protocol is to contribute to the realization of a society in which epidemic prevention is a part of daily life, protect the health and lifestyles of customers and employees, and ensure a safe and secure life for people in local communities together with our customers by implementing epidemic prevention measures on an ongoing basis, not as a temporary initiative. Everyone at Aeon Group will continue working in a concerted manner to balance epidemic prevention with business activities, in accordance with the protocol. Aeon is continuously examining the future projections for infection in Japan and overseas, including the possibility of a second wave of novel coronavirus infection in Japan, and the consequent prospects for business performance. At this time, the earnings forecast announced at the beginning of the term remains unchanged.

When more rational projections become possible, Aeon will promptly announce forecasts for ordinary profit and profit attributable to owners of the parent, and any revisions to the operating revenue and operating profit forecasts.

*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 29, 2020	As of May 31, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	1,221,991	1,245,683
Call loans	53,773	45,837
Notes and accounts receivable - trade	1,626,704	1,529,412
Securities	462,062	595,252
Inventories	575,748	569,792
Operating loan	433,808	430,846
Loans and bills discounted for banking business	2,049,319	2,202,139
Other	404,271	415,005
Allowance for doubtful accounts	(114,328)	(128,551)
Current assets	6,713,352	6,905,418
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,555,080	1,533,603
Tools, furniture and fixtures, net	221,896	219,622
Land	926,900	939,257
Construction in progress	41,590	47,518
Other, net	348,853	332,711
Property, plant and equipment	3,094,320	3,072,712
Intangible assets		
Goodwill	133,989	131,517
Software	105,477	112,853
Other	62,421	61,501
Intangible assets	301,888	305,871
Investments and other assets		
Investment securities	229,916	250,570
Net defined benefit asset	11,975	13,716
Deferred tax assets	159,727	172,047
Guarantee deposits	414,576	413,877
Other	145,731	148,749
Allowance for doubtful accounts	(8,803)	(8,522)
Investments and other assets	953,124	990,439
Non-current assets	4,349,333	4,369,024
Assets	11,062,685	11,274,442

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,068,427	1,075,181
Deposits for banking business	3,784,320	3,808,180
Short-term loans payable	253,395	454,256
Current portion of long-term loans payable	303,055	281,605
Current portion of bonds	75,633	56,753
Commercial papers	168,131	202,229
Income taxes payable	55,363	29,098
Provision for bonuses	31,475	47,398
Provision for loss on store closing	8,245	7,834
Provision for point card certificates	24,319	24,250
Other provision	1,126	467
Notes payable - facilities	58,171	49,648
Other	767,556	720,668
Current liabilities	6,599,221	6,757,572
Non-current liabilities		
Bonds payable	779,513	809,603
Long-term loans payable	1,040,774	1,048,780
Deferred tax liabilities	37,444	43,982
Provision for loss on store closing	2,923	4,175
Provision for loss on interest repayment	4,965	4,173
Other provision	7,557	6,644
Net defined benefit liability	25,496	25,051
Asset retirement obligations	97,369	98,721
Long-term guarantee deposited	261,653	260,933
Reserve for insurance policy liabilities	-	127,309
Other	356,489	331,998
Non-current liabilities	2,614,186	2,761,374
Liabilities	9,213,407	9,518,947

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
	Amount	Amount
Net assets		
Shareholders' equity		
Capital stock	220,007	220,007
Capital surplus	307,089	301,449
Retained earnings	541,180	471,953
Treasury shares	(42,455)	(38,725)
Shareholders' equity	1,025,822	954,684
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,054	67,891
Deferred gains or losses on hedges	(4,149)	(4,260)
Foreign currency translation adjustment	(2,064)	(12,212)
Remeasurements of defined benefit plans	(10,147)	(9,779)
Total accumulated other comprehensive income	38,693	41,639
Subscription rights to shares	1,706	1,678
Non-controlling interests	783,056	757,492
Net assets	1,849,278	1,755,495
Liabilities and net assets	11,062,685	11,274,442

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

Consolidated Statement of Income

(Millions of yen)

	Three Months ended May 31, 2019	Three Months ended May 31, 2020
	Amount	Amount
Operating revenue		
Net sales	1,857,959	1,854,283
Operating revenue from financial services business	103,997	98,876
Other operating revenue	154,392	123,119
Operating revenue	2,116,349	2,076,278
Operating cost		
Cost of sales	1,350,799	1,369,765
Operating cost from financial services business	9,587	9,065
Operating cost	1,360,387	1,378,830
Gross profit (loss)	507,159	484,518
Operating gross profit (loss)	755,961	697,447
Selling, general and administrative expenses	728,216	710,000
Operating profit (loss)	27,745	(12,552)
Non-operating income		
Interest income	794	1,003
Dividend income	334	159
Share of profit of entities accounted for using equity method	512	896
Other	5,279	5,235
Non-operating income	6,921	7,293
Non-operating expenses		
Interest expenses	7,810	8,090
Other	2,615	2,722
Non-operating expenses	10,426	10,813
Ordinary profit (loss)	24,240	(16,072)
Extraordinary income		
Gain on sales of non-current assets	1,299	205
Gain on sales of shares of subsidiaries and associates	-	631
Gain on revision of retirement benefit plan	-	917
Other	256	606
Extraordinary income	1,556	2,360
Extraordinary losses		
Impairment loss	549	3,650
Loss on retirement of non-current assets	772	722
Provision for loss on store closing	1,071	1,735
Loss on closing of stores	1,180	204
Infectious disease related cost	-	29,893
Other	1,235	687
Extraordinary losses	4,809	36,893
Profit (loss) before income taxes	20,987	(50,604)
Income taxes		
Current	22,337	20,758
Deferred	(4,268)	(12,427)
Income taxes	18,069	8,331
Profit (loss)	2,918	(58,936)
Profit (loss) attributable to non-controlling interests	7,261	(4,963)
Profit (loss) attributable to owners of parent	(4,342)	(53,973)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three Months ended May 31, 2019	Three Months ended May 31, 2020
	Amount	Amount
Profit (loss)	2,918	(58,936)
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,567)	11,448
Deferred gains or losses on hedges	(921)	(1,061)
Foreign currency translation adjustment	911	(20,502)
Remeasurements of defined benefit plans, net of tax	(228)	487
Share of other comprehensive income of entities accounted for using equity method	771	41
Other comprehensive income	(6,035)	(9,585)
Comprehensive income	(3,116)	(68,522)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(10,775)	(51,027)
Comprehensive income attributable to non-controlling interests	7,658	(17,494)

(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

(Additional Information)
(Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts)
The Company has introduced an Employee Stock Ownership Plan Trust ("ESOP Trust") incentive scheme that provides the Company's work force with ownership interest in the Company with the aim of further enhancing corporate value over the mid to long term.

The Company's stock held by the ESOP Trust is included in treasury shares under net assets with a book value of 12,204 million yen for 5,282,400 shares as of May 31, 2020. The book value of long-term loans payable (including the current portion) recorded in accordance with the adoption of the gross accounting method was 13,000 million yen.

(Segment Information)

I. Three Months ended May 31, 2019 (March 1 – May 31, 2019)

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	696,544	789,308	212,961	103,997	72,221	137,394
(2) Intersegment revenue or transfers	57,663	2,766	90	11,304	20,381	45,400
Total	754,208	792,074	213,052	115,301	92,603	182,794
Segment income (loss)	(5,434)	(1,753)	7,598	16,522	15,637	(7,840)

	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	116,100	2,128,529	409	2,128,938	(12,589)	2,116,349
(2) Intersegment revenue or transfers	768	138,373	12,497	150,871	(150,871)	-
Total	116,868	2,266,903	12,907	2,279,810	(163,461)	2,116,349
Segment income (loss)	1,740	26,469	123	26,593	1,152	27,745

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

2. Main components of the minus 12,589 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 22,959 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 10,338 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 1,152 million yen in adjustments for segment income (loss) are as follows:
   (a) 923 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) 629 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 378 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. Three Months ended May 31, 2020 (March 1 – May 31, 2020)

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	643,871	855,124	234,263	98,876	45,927	89,712
(2) Intersegment revenue or transfers	62,314	3,554	110	11,227	17,442	43,576
Total	706,185	858,679	234,373	110,104	63,370	133,289
Segment income (loss)	(32,968)	18,233	9,953	(666)	2,883	(11,912)

	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	118,283	2,086,059	1,452	2,087,512	(11,233)	2,076,278
(2) Intersegment revenue or transfers	679	138,906	11,999	150,906	(150,906)	-
Total	118,962	2,224,965	13,452	2,238,418	(162,139)	2,076,278
Segment income (loss)	1,433	(13,044)	150	(12,894)	341	(12,552)

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

2. Main components of the minus 11,233 million yen in adjustments for revenue attributable to customers are as follows:
   (a) minus 21,362 million yen in adjustments to transactions reported in the reportable segment information, and
   (b) 10,010 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 341 million yen in adjustments for segment income (loss) are as follows:
   (a) 1,140 million yen in income of the pure holding company (Aeon Co., Ltd.) not attributable to any of the business segments,
   (b) 699 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 1,486 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 28, 2021, the Company has reclassified some of the subsidiaries included in “Health and Wellness” business to include them in “Services and Specialty Store” business; and has also reclassified some of the subsidiaries included in “International” business to include them in digital business under “Other.” For reference, segment information for the three months ended May 31, 2019 was prepared based on the current segmentation.