FY2020 2Q

Presentation Materials

October 7,2020

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Consolidated Operating Results

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First-Half Consolidated Operating Results (6 Months)

・Achieved profitability on the Operating Profit and Ordinary Profit lines.
・Operating Profit is around the upper end of the full-year forecast range.

(billion yen)

	FY 2019 1H Results	FY 2020 1H Results	YoY % /change
Operating Revenue	4,290.2	4,270.5	-0.5%
Operating Profit	86.3	33.9	-52.4
Ordinary Profit	79.7	27.9	-51.7
Profit attributable to owners of the parents	3.7	- 57.5	-61.3

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Second-Quarter Consolidated Operating Results(3 months)

・Operating Revenue turned to increase. Both Operating Profit and Ordinary Profit were in the black.
・Significantly reduced the loss.

(billion yen)

	1Q		2Q	
	Results	YoY %/change	Results	YoY %/change
Operating Revenue	2,076.2	-1.9%	2,194.2	+0.9%
Operating Profit	-12.5	-40.2	46.4	-12.1
Ordinary Profit	-16.0	-40.3	44.0	-11.4
Profit attributable to owners of the parents	-53.9	-49.6	-3.5	-11.7

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Results by Business Segments (Operating Revenue)

・Responding to demand for daily necessities such as food and hygiene products.
・Recovery trend due to business resumption and deregulation regarding COVID-19.

【Operating Revenue】

(billion yen,%)

	Operating Revenue	YoY %		
		1 H	1Q	2Q
Consolidated Total	4,270.5	-0.5	**-1.9**	**+0.9**
SM	1,712.8	+6.7	+8.4	+5.1
Health & Wellness	481.0	+11.2	+10.0	+12.4
GMS	1,479.1	-3.3	-6.4	-0.4
Shopping Center Development	1,48.3	-19.7	-31.6	-7.7
Service & Specialty Store	304.4	-20.1	-27.1	-13.7
Financial Service	230.4	-3.7	-4.5	-3.0
International	218.4	-2.1	+1.8	-6.4

Substantial increase continued

On the recovery trend

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Results by Business Segments (Operating Profit)

・6 businesses increased profits or improved trends. SM and Health & Wellness drove profits.
・2Q (3 months) result of GMS recovered about to the last year's level.

【Operating Profit】

(billion yen)

	Operating Revenue	YoY change		
		1 H	1Q	2Q
Consolidated Total	33.9	-52.4	**-40.2**	**-12.1**
SM	32.0	+29.2	+19.9	+9.2
Health & Wellness	25.5	+8.3	+2.3	+5.9
GMS	-35.4	-27.9	-27.5	-0.4
Shopping Center Development	12.9	-17.3	-12.7	-4.5
Service & Specialty Store	-14.7	-16.6	※ -4.0	-12.6
Financial Service	8.7	-25.5	-17.1	-8.3
International	2.1	-1.9	-0.3	-1.6

Substantial increase continued

Significant recovery trend

※ In service & specialty store, the impact of inappropriate accounting was collectively recorded in 1Q of the previous fiscal year (-14.5 billion yen).

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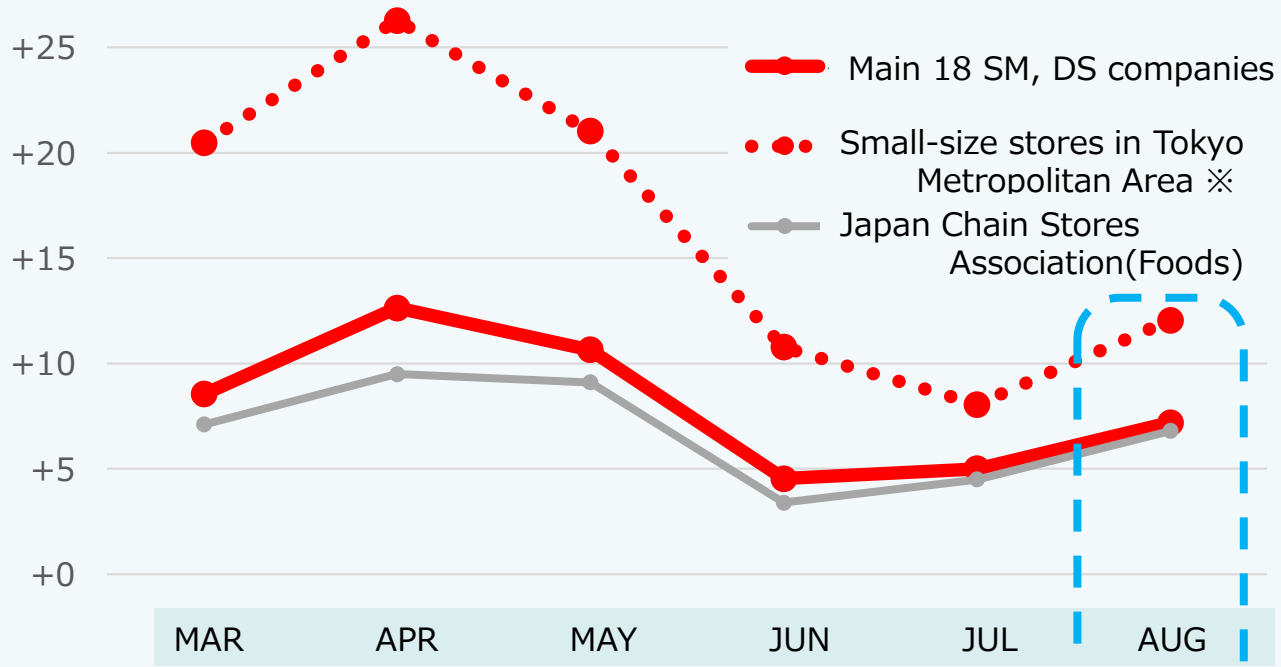
Supermarket Business

・Maintained strong sales even after the state of emergency was lifted.
・Small-size stores in the Tokyo Metropolitan Area drove sales.

Operating Profit YoY change
(billion yen)

+29.2

【Monthly change of YoY% same store sales of main SM companies】(%)



Sales of small-size stores during the Obon festival period (August 7th ～16th)

	A・Colle	Big-A	My Basket
Change of YoY% Same store sales	+23.5	+21.9	+11.5

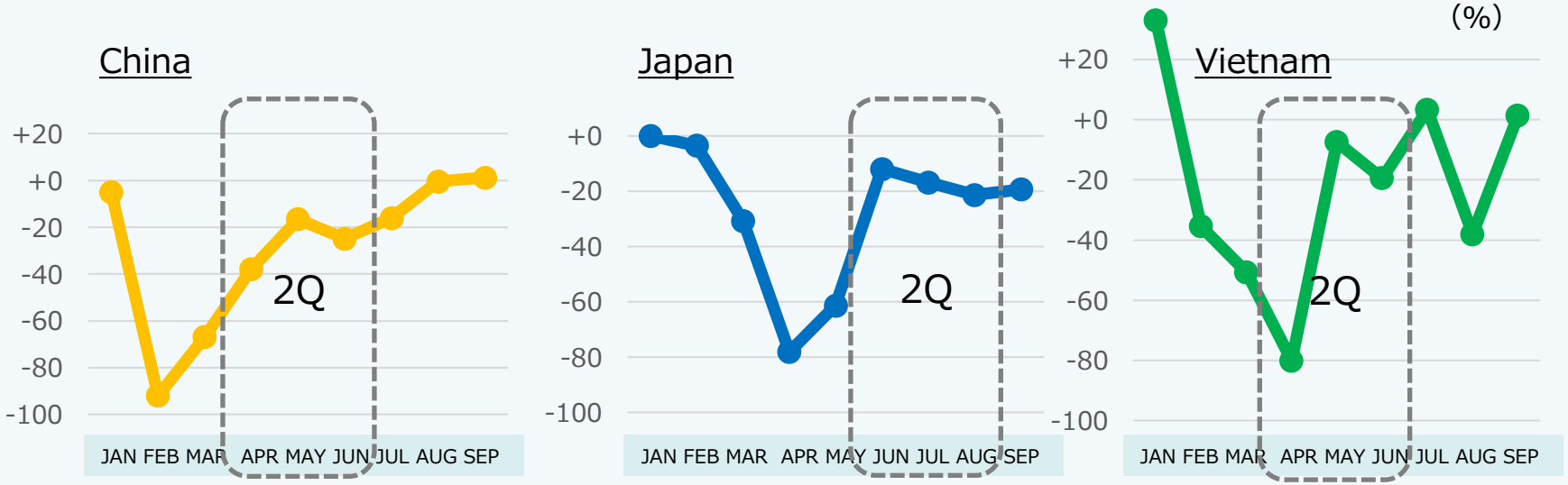
※A・Colle, Big-A, My Basket

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Shopping Center Development Business

・Recovery trend in each area.
・Supporting tenants with new initiatives by utilizing the DX.

【AEON Mall】 Monthly change of YoY% specialty stores sales in Same Malls by country



Creating new events and sales opportunities by utilizing the DX

China

Live Commerce : Online sales with live video streaming by tenant employees



Japan

Hold events allowing to participate at the same time by connecting multiple malls online



ASEAN

Support for food and beverage tenants hard hit by COVID-19



※Preliminary figures in September

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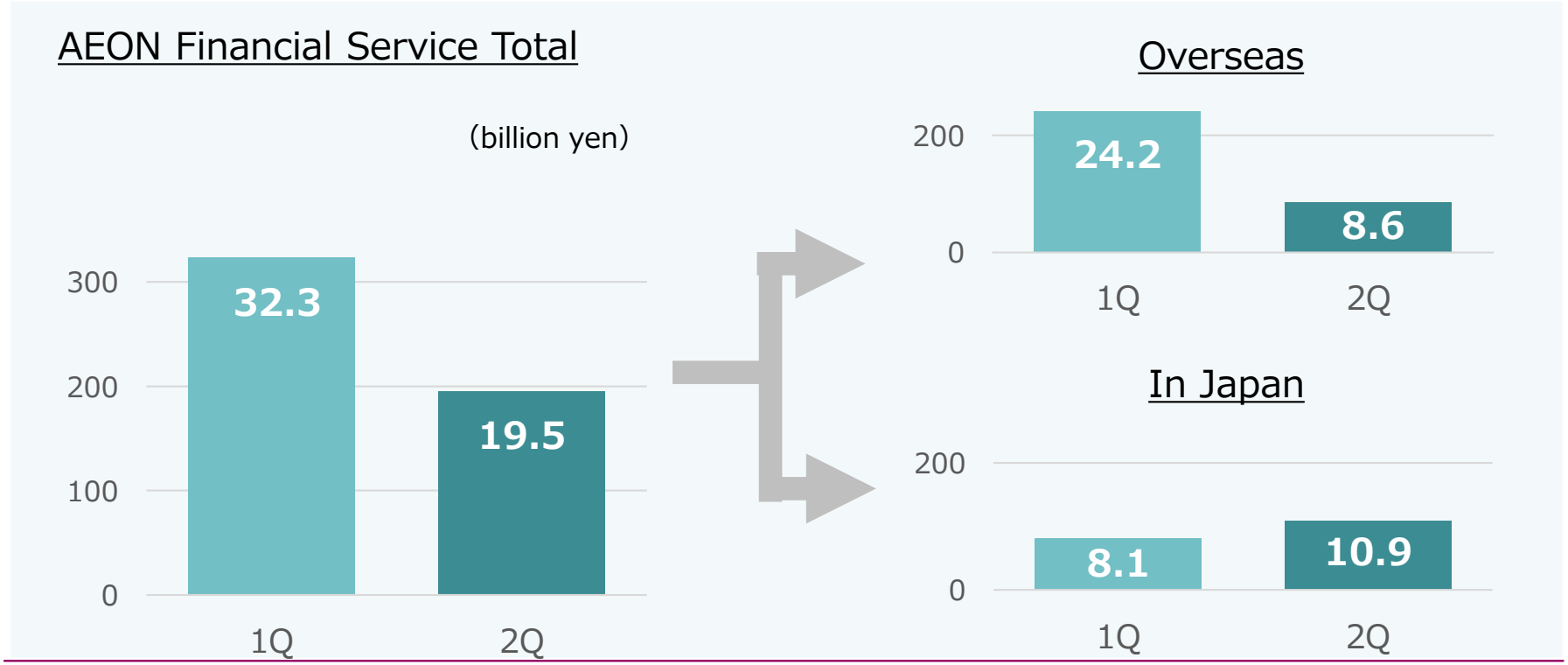
Financial Service Business

・A substantial decline in bad debt expenses compared to the 1Q. Steady progress of collecting receivables in overseas.
・In the 2Q, built up allowances for doubtful accounts for future risks in Japan.

(billion yen)

Financial Service Business	1Q		**2Q**	
	Result	YoY%・change	**Result**	**YoY%・change**
Operating Profit	-0.6	-17.1	**9.3**	**-8.3**

【Bad debt expenses by quarter】

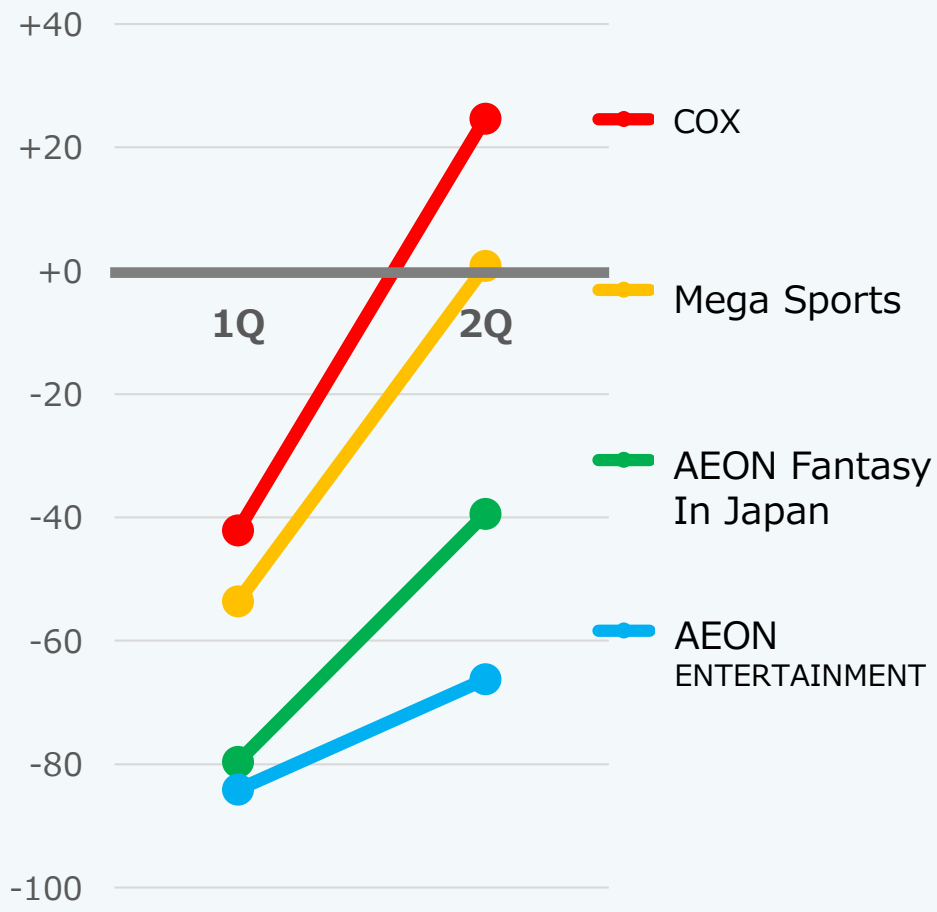


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Service & Specialty Store Business

・2Q sales of specialty stores responded to customer changes, such as strengthening mask sales, exceeded the previous year's level.
・Amusement companies were also on recovery trends.

【Change of YoY% Sales in main companies】



COX
Started to sell newly introduced masks from April and it contributed to increase sales including its e-commerce. The sales and profits turned to increase in the 2Q. Opened fashion mask specialty store "Mask.com" in September.



Mega Sports
Sales at stores with enhanced outdoor products grew significantly and the total sales turned to increase in the 2Q.

AEON Fantasy
YoY sales in August recovered to about 80% in China.

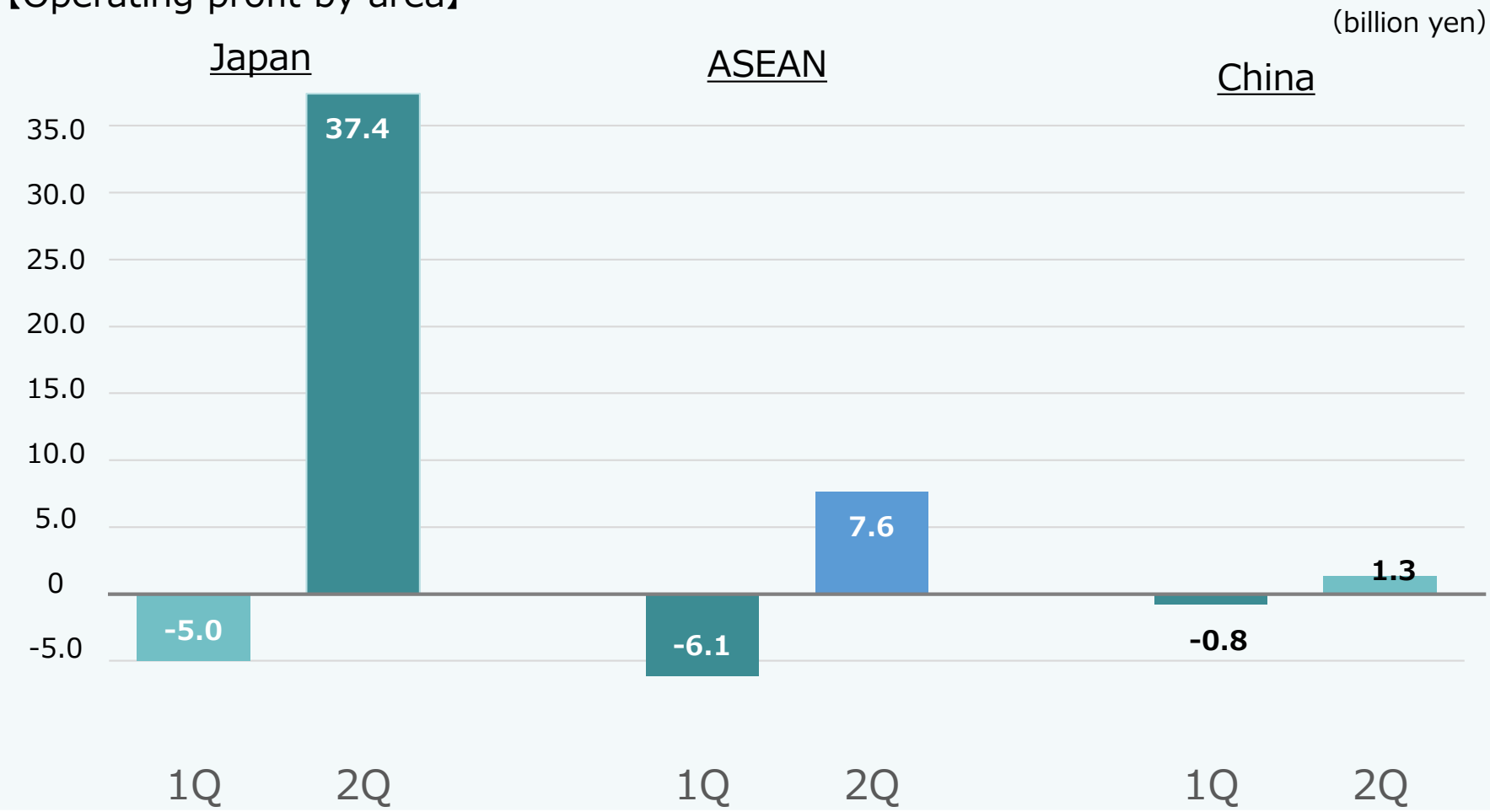
AEON ENTERTAINMENT (AEON CINEMA)
Sales in Sep. recovered to about 60% of last year level. Postponed new popular movie titles will be released sequentially in the future

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Operating Profit by Area

・In all regions operating profit was in red in 1Q, moved back into black in 2Q.
・Financial service business in ASEAN and shopping center development business in China contributed recovery of business performance.

【Operating profit by area】



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Progress with Reforms

・Continued to make steady progress with reforms at the same time responding to the COVID-19.

Strategic Liquidations and Sales of Business	・Sales of holding shares ・・・ Zwei、AEON Forest （The Body Shop） ・Termination of the business・・・Talbots Japan, Claire's Japan
New Business Development （Digital Shift）	・Launched Sports e-commerce service in June (AEON・SIGNA・Sports United) https://www.aeonsigna-sportsunited.co.jp/
Supermarket Reforms （Regional Shift）	・March : Business integration in Hokkaido, Tohoku, and Kinki regions ・September : Business Integration in Kyushu region ・March 2021 : Maxvalu Nishinihon, marunaka, SANYO MARUNAKA will merge in Chugoku-Shikoku Regions.
A New Business Model for Convenience store business	・Switching existing franchise agreements to "MINISTOP partnership agreements" for the purpose of sharing business profits with participating store owners (Sept. 2021～).

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Fiscal 2020 Forecasts

・Newly infected number of COVID-19 are recently in decreasing trend in Japan, but still in increase in overseas.
・Earnings in the first half are around the upper range of expectations, but consumer sentiment and the outlook for the economy are uncertain.

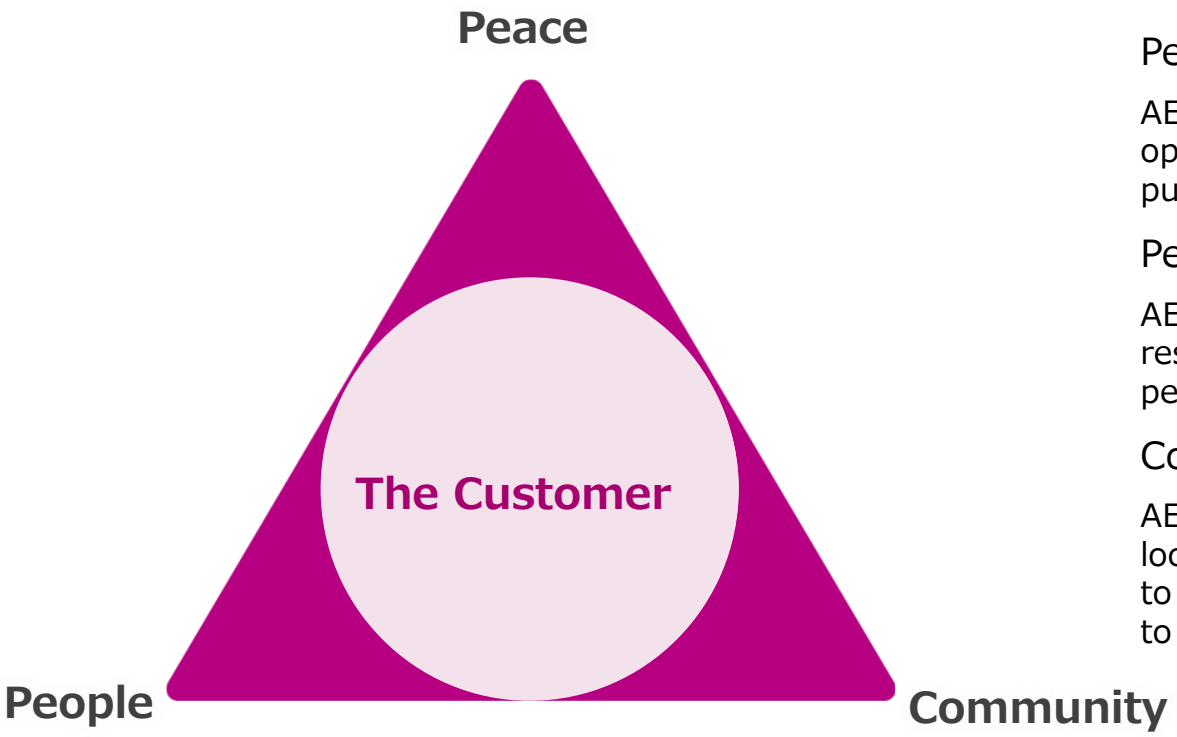
(billion yen)

	Forecast	YoY %・change
Operating Revenue	8,000.0 ~8,400.0	▲7.0% ~▲2.4%
Operating Profit	50.0 ~100.0	▲165.5 ~▲115.5

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AEON Basic Principles

Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.



Peace :

AEON is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.

People :

AEON is a corporate group that respects human dignity and values personal relationships.

Community :

AEON is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the AEON Basic Principles, AEON practices its "Customer-First" philosophy with its ever-lasting innovative spirit.

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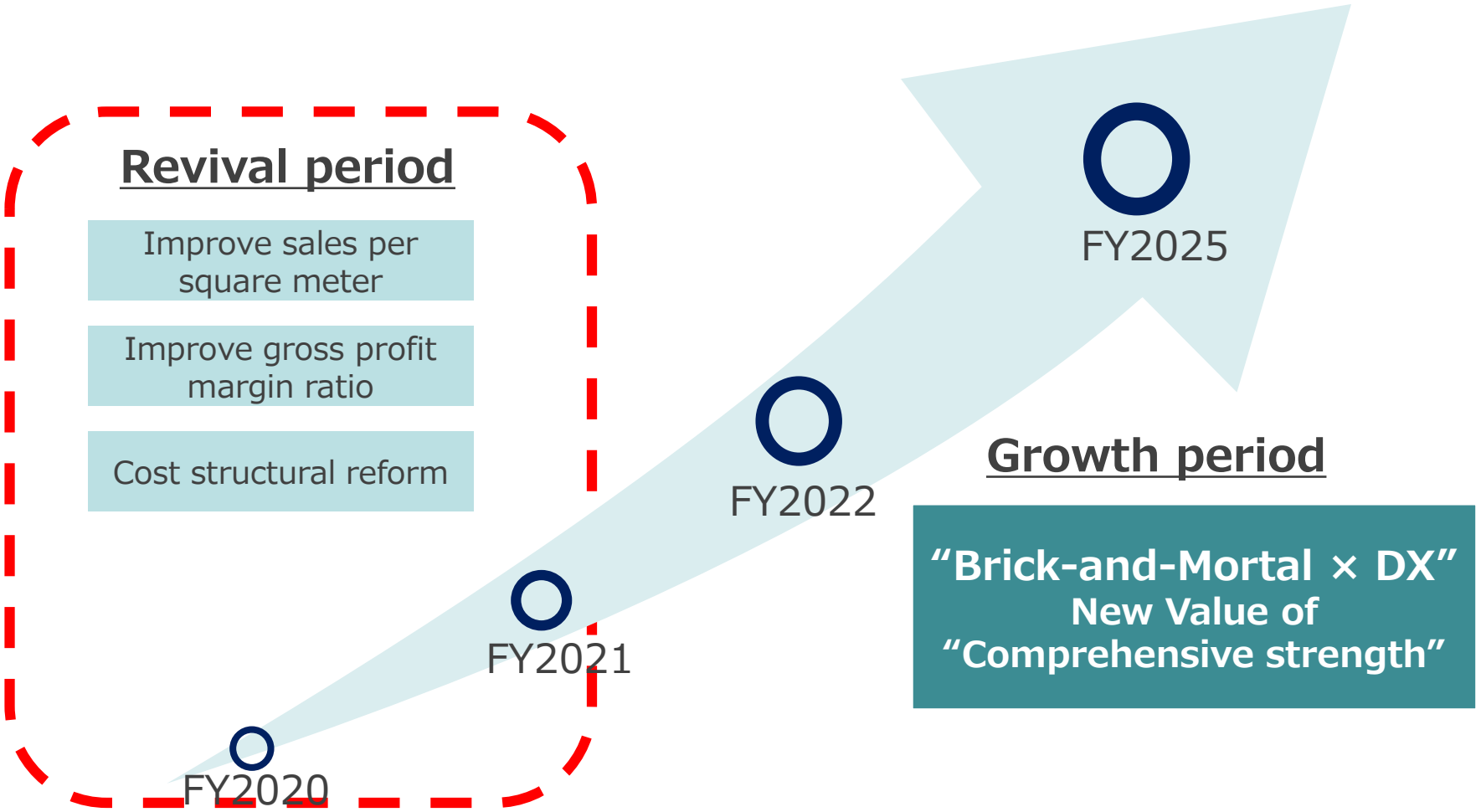
First Half Review of AEON Retail and Progress with GMS Reforms

October 7,2020

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AEON Retail's Medium-Term Initiatives

・Develop "comprehensive strength" by digital transformation.
・Solve fundamental issues of brick and mortar stores in 2020 & 2021.



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Review of Operations

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Review of Operations in the First Half of FY2020

・Sales and gross profit margin ratio improved significantly in 2Q.
・Contributed to the recovery of business performance.

(billion yen)

	1st Half	1Q	2Q
Sales YoY %	▲3.1%	▲5.6%	▲0.7%
Tenant Income YoY %	▲19.8%	▲30.1%	▲9.5%
Gross Profit Margin Ratio YoY %	▲1.2%	▲2.7%	+0.1%
YoY change of Operating Profit	▲25.4	▲22.3	▲3.1

※YoY excluding Tohoku Region results.
※Gross profit margin ratio is in managerial accounting.

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Review of Operations in the First Half of FY2020

・Implemented concrete measure in accordance with the AEON COVID-19 Protocol for Infectious Disease Control .


夢のある未来へ。
これからも、使命を果たし続けます。

このたびの新型コロナウイルスに罹患された皆さま、感染拡大により生活に影響を受けられている地域の皆さまに、心よりお見舞い申し上げます。また、医療従事者をはじめ、感染症拡大防止にご尽力されている皆さまに深く感謝申し上げます。

当社では、この非常時にイオンピープルが一丸となって取り組んだ結果、営業を継続することができました。これもひとえにご協力いただいたお客さまのおかげです。あらためて御礼申し上げます。

今後も感染症が生活に与える影響は続くと考え、人との距離の確保、従業員の健康管理など、引き続き、安心してご利用いただける店舗づくりに努めてまいります。今後は新たに、入店時の検温、レジ精算後のサッカー台の間仕切りのほか、ネットスーパーで購入した商品を車から降りることなく受け取れるドライブスルー方式の採用、レジに並ばなくても決済できる手段など、「新しい生活様式」に沿ったお買物方法の導入をすすめてまいります。

私たちは創業以来、「お客さま第一」の姿勢を貫いてきました。
これからも地域社会のライフラインとしての小売業の使命を果たすため、従業員一人ひとりの力を結集し、地域の皆さまとともに、この難局を乗り越えていきます。夢のある未来に向かって。

イオンリテール株式会社
代表取締役社長 井出武美

安全・安心にお買物いただけるよう取り組んでおります。ご協力をお願いいたします。

全従業員が毎日の体調管理と手洗い、うがいを励行しています。

AEON AEON STYLE イオンリテール株式会社

Distributed flyers to give a better understanding of our initiatives



Set up acrylic boards as a measure against infection via respiratory droplets



Placed markers on the floor to ensure that customers practice social distancing

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Adapting to the New Normal: Expansion on Online Supermarket Service

・Established the online supermarket division under the direct control of the president to accelerate growth of the business.
・Expanded the online supermarket product range with focus on fresh produce.

おうちで イオン
イオンネットスーパー



Drive-through pick-up service with dedicated lane & intercom facility



TV Commercials about Online supermarket services



Assortments of fish fresh off the fishing boats

Number of stores offering online supermarket services
185
Number of stores offering pick-up points
178
※As of October 7,2020

Online supermarket sales YoY
about **1.2 times**
With sales of fresh produce YoY
about **1.5 times**

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Adapting to the New Normal:
Expansion of Online Shopping

・Online sales of Elementary school backpacks became 174% year on year.
・Online sales of Mother's Day gifts overtook retail store sales.



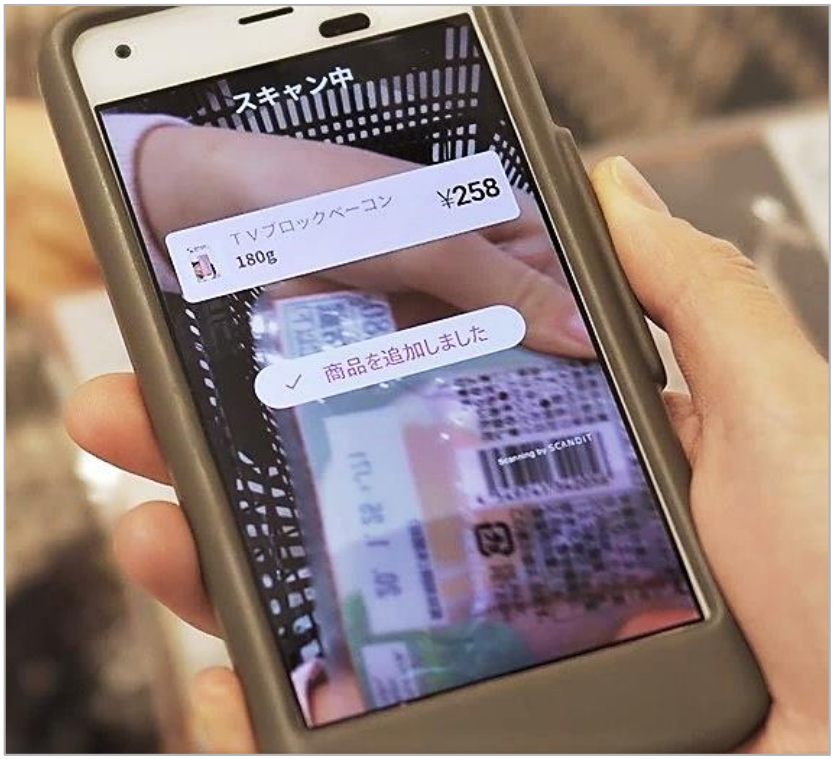
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Adapting to the New Normal: Regi Go

・Shorten waiting times and reduced close contact at checkouts .
・Reduced the number of checkout operators and improved productivity.

どこでもレジ レジゴー

Available at **14** stores
User ratio: **30%** of customers
Working Hours: **30%** reduced





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Adapting to the New Normal: Masks

・Developed a range of masks that are not only functional but fashionable.
・Quickly expanded the Mask shops at 340 stores, with a variety of items.



Mask sales in 1st Half
¥10 billion (overall)
approximately

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Adapting to the New Normal: Stay-at-Home Demand

・Introduced newly developed items that meet stay-at-home demand.
・The tall *Kotatsu* trended on Twitter.

HOME COORDY



Two-color pot



With a USB port



Tall *Kotatsu* heated table

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Adapting to the New Normal: Health & Wellness

・Introduced Sporsium, shops with sports-related items, at all stores to respond increasing sports-related demand.



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Adapting to the New Normal: Health & Wellness

・Developed and expanded sports and health related Topvalu lineup for enhancing functional performance.





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Adapting to the New Normal: Sustainability

・SELF+SERVICE : Expanding sustainable-minded items.
・YVES ROCHER : Exclusively sold at Aeon group stores in Japan.

SELF SERVICE



YVES ROCHER FRANCE



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Adapting to the New Normal: Sustainability

・Stopped providing free plastic bags from April, prior to the law revision.



Decline rate of plastic bags in August 2020

88.8%

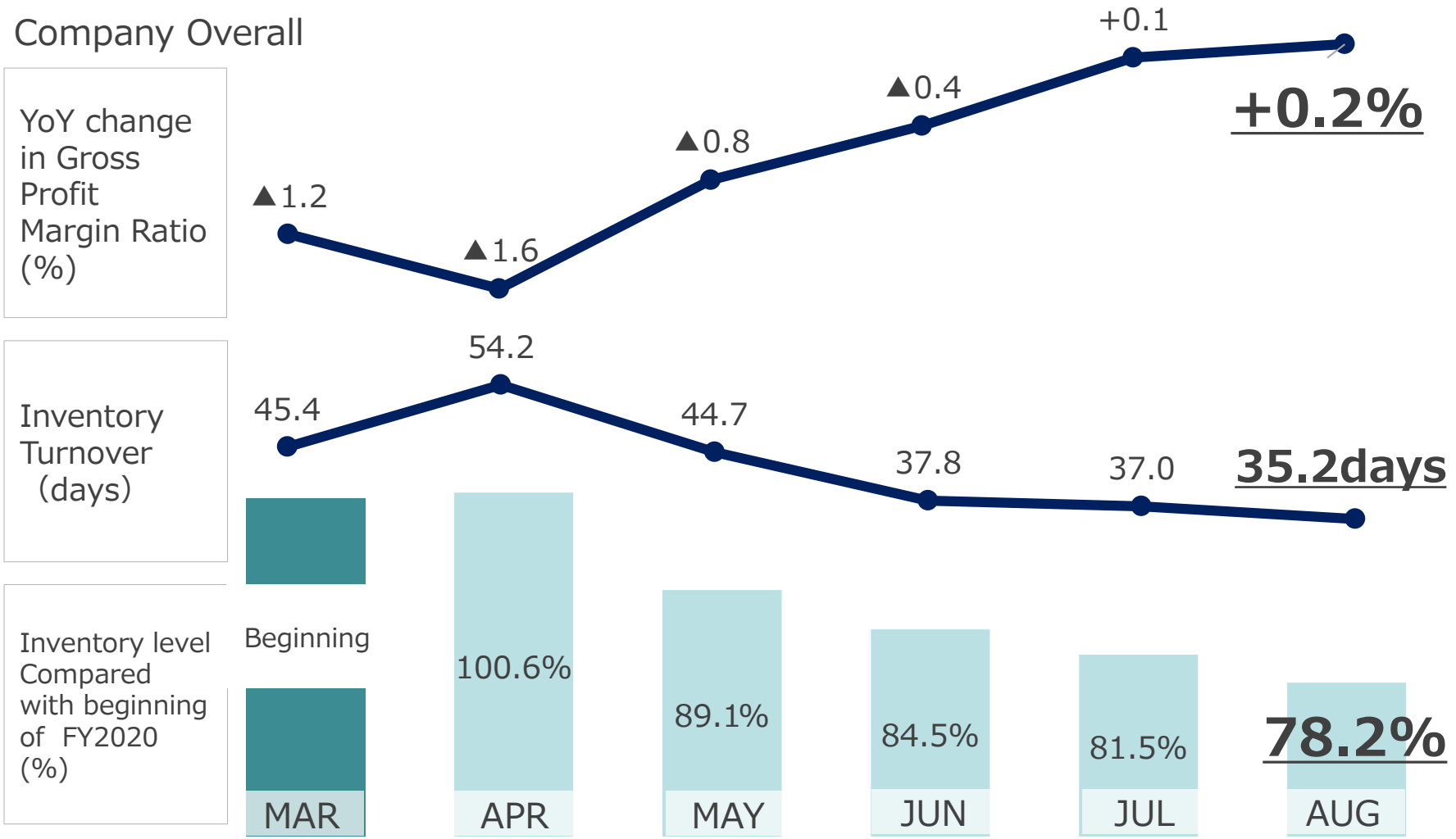
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Solving Fundamental Issues

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Solving Gross Profit Margin Ratio Issue: Inventory

・Adjusted inventories to appropriate level.



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Solving Gross Profit Margin Ratio Issue: Topvalu

・Topvalu drove sales and gross profit margin ratio improvement in food category.





Absorbed demand for eating out by offering gourmet foods





Expanding the range of easy-to-prepare, time-saving frozen meal

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Solving Cost Structure Issue

・Promoted cost reduction and strengthening on-site power.

Revised Organization Structure

・Redeployed employees from HQ to stores
・Utilized online meetings

Promoted DX

・Semi-automatic self-checkout system
・Regi Go
・Utilizing RPA and AI

Lowering operation costs

・Reduced sales promotion costs
・Standardized work tasks
・Lowered product storage costs

Costs at HQ YoY

21% reduced

Costs at stores YoY

5% reduced

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Trial of New Model to Drives Future Growth: AEON Style Ariake Garden

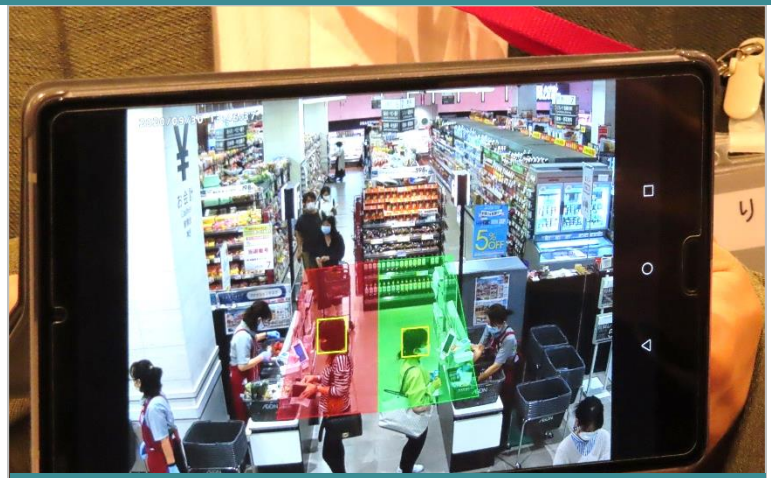




Displaying product descriptions and menu suggestions with digital signage



Using digital sales promotion based on shelf edge video displays



Monitoring the number of customers in the store using camera and AI

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Reference Materials

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The end of FY2020 1H Consolidated Balance Sheets

(billion yen)

Assets (main items only)	2020/2	2020/8	Change from '20/2
Cash & deposit	1,221.9	1,131.2	▲90.7
Notes and accounts receivable – trade (incl. installment receivables)	1,626.7	1,641.2	+14.5
Inventories	575.7	531.9	▲43.8
Operating loans, loans & bills discounted for banking business	2,483.1	2,708.5	+225.4
Property, buildings, and equipment	3,094.3	3,051.7	▲42.5
Investments and other assets	953.1	978.6	+25.4
Total assets	11,062.6	11,212.9	+150.2

Liabilities and net assets (main items only)	2020/2	2020/8	Change from '20/2
Notes and accounts payable	1,068.4	973.0	▲95.3
Interest bearing debt (excl. finance subsidiaries	1,941.7	2,070.4	+128.6
Interest bearing debt (finance subsidiaries)	1,064.9	1,094.1	+29.1
Deposits for banking business	3,784.3	3,932.5	+148.2
Total liabilities	9,213.4	9,445.7	+232.3
Shareholders' equity	1,025.8	952.5	▲73.2
Total net assets	1,849.2	1,767.1	▲82.1
Total net assets and liabilities	11,062.6	11,212.9	+150.2

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FY2020 1H Results of Daiei and ex-Daiei GMS

(billion yen)

Business Segment	Company Name	Operating Revenue		Operating Profit	
		Result	YoY	Result	YoY Change
GMS	AEON Retail store ※Former Daiei GMS in Kanto, Nagoya and Kinki region	54.8	-14.6%	-2.4	+0.3
	AEON Store Kyushu ※Former Daiei GMS in Kyushu ※Merged with AEON Kyushu in Sep 2020	23.6	-3.5%	-0.4	+0.4
SM	Daiei	157.3	+6.3%	2.5	+4.2

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Forecast of Dividend Payments

		FY2019 (Result)	FY2020
Dividend per share / year	End of second quarter	Ordinary Dividend 17 yen Commemorative Dividend 1 yen Total 18 yen	Ordinary Dividend (Result) 18 yen
	Year-end	Ordinary Dividend 17 yen Commemorative Dividend 1 yen Total 18 yen	Ordinary Dividend (Forecast) 18 yen
	Total	Ordinary Dividend 34 yen Commemorative Dividend 2 yen Total 36 yen	Ordinary Dividend (Forecast) 36 yen

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Executive Officers

Chairman and Representative Executive Officer		**Motoya Okada**
President and Representative Executive Officer		**Akio Yoshida**
Executive Vice President and Representative Executive Officer	Finance and Business Management	**Akinori Yamashita**
	Supermarket Business, Merchandising and Logistics	**Motohiro Fujita**
Executive Vice President and Executive Officer	Digital and China Business	**Yuki Habu**
Executive Officer	ASEAN Business	**Soichi Okazaki**
	Logistics	**Eiji Shibata**
	CSR & Communication	**Kahori Miyake**
	Human Resources and Administration / Administration & Risk Management	**Hiroyuki Watanabe**

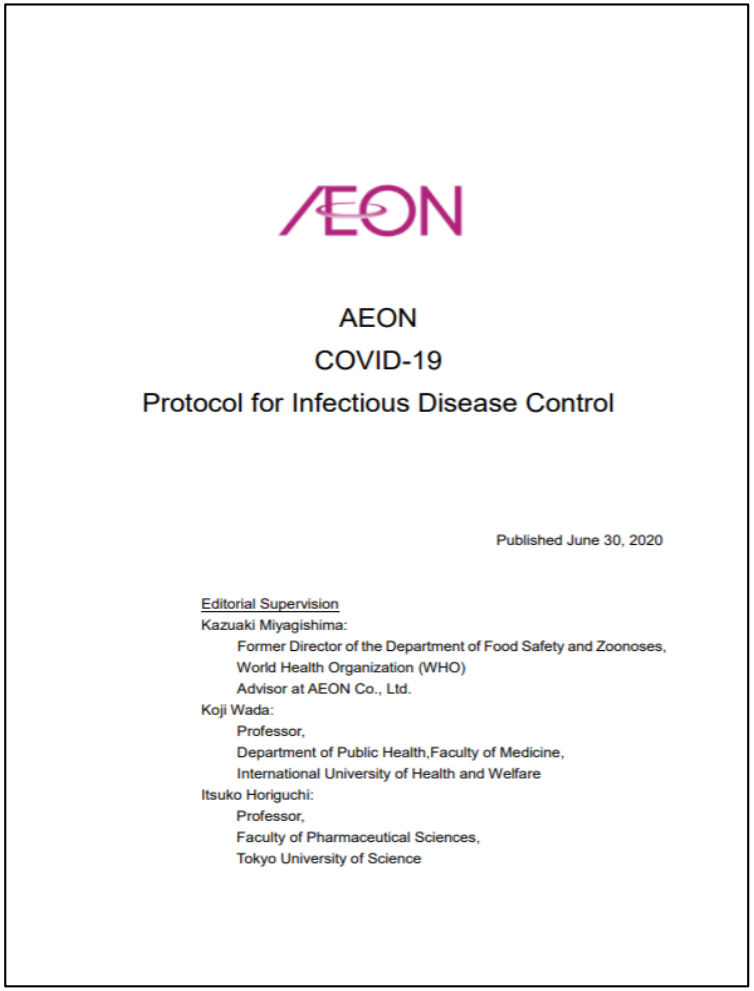
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AEON's efforts to COVID-19

Aims of the Protocol



AEON COVID-19 Protocol for Infectious Disease Control


AEON

AEON

COVID-19

Protocol for Infectious Disease Control

Published June 30, 2020

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