FY２０１９　1Q

Presentation Materials

July 5, 2019

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Consolidated Operating Results

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Consolidated Operating Results

Operating profit increased 0.2 billion yen excluding the temporary impact of improper accounting treatment at KAJITAKU CO., Ltd. and introduction of IFRS 16 at overseas subsidiaries.

(billion yen)

	FY2019 Result	YoY % /change	KAJITAKU case	IFRS 16	Excluding these impact	YoY % /change
Operating Revenue	2,116.3	+0.6%	-14.6	–	**2,130.9**	**+1.3%**
Operating Profit	27.7	-11.8	-14.5	+2.4	**39.8**	**+0.2**
Ordinary Profit	24.2	-16.0	-14.5	-1.3	**40.1**	**-0.1**
Profit attributable to owners of the parent	-4.3	-10.9	-7.9	-0.7	**4.3**	**-2.2**

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Operating Results by Segment
*excluding the impact of KAJITAKU case and IFRS 16

・GMS and SM fell short of expectations.
Health & Wellness and SC development delivered strong performances as pillars of the group's earnings. International also posted a profit increase.
・Financial services posted a profit decrease, which is attributable to sales promotion investment to promote cashless payment, and the results are in line.
・Services & specialty store maintained profit growth in 1Q as well as the preceding 4Q.

(billion yen)

	Operating Revenue	YoY %	Operating Profit	YoY change
Consolidated total	2,130.9	+1.3	39.8	+0.2
GMS	754.2	+0.4	-5.4	-0.8
SM	792.0	-0.8	-1.9	-3.9
Health & Wellness	214.2	+10.5	7.5	+1.9
Financial Services	115.3	+8.4	16.4	-0.9
Shopping Center Development	92.6	+4.5	14.7	+1.6
Services & Specialty Store	196.2	-0.4	6.8	+0.2
International	116.8	+1.6	0.2	+0.0

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Impact of improper accounting treatment at KAJITAKU

Aeon Delight, the parent of KAJITAKU, has revised its past financial results. AEON recognized the financial effect of the case as a lump sum in 1Q financial results.

【overview of the improper accounting treatment at KAJITAKU】

Business of KAJITAKU CO., Ltd.

Housekeeping support business ・・・ providing housekeeping and housecleaning services to consumers
Store support business ・・・selling photocopiers and ID photo machines and providing maintenance services to retail stores, etc. → The improper accounting treatment was discovered.

【Impact on AEON consolidated financial results※】(billion yen)

	Impact
Operating Revenue	-14.6
Operating Profit	-14.5
Ordinary Profit	-14.5
Profit attributable to owners of the parent	-7.9

Details of the improper accounting treatment at KAJITAKU

Recording of fictitious sales (4.9 billion yen)
- ・Booked as sales despite the fact that copiers sold are not installed at locations
- ・Anticipated sales were recorded as sales in line with the management accounting figures which are based on sales plans.

Unrecognized purchases (3.3 billion yen)
- ・Unrecognized purchases of ID photo machines
- ・Unrecognized purchases of used copiers at the time of trade-in

Inappropriate recording of maintenance fee revenue and compensation of minimum guaranteed sales (4.8 billion yen)
- ・Lump-sum recording of maintenance fee revenue which should be recorded over the contract period of leasing.
  →**Maintenance fee revenue will be recorded according to maintenance contract periods.**
- ・Conclusion of loss compensation contracts which KAJITAKU compensates the rental fees when the amount of the rental fees does not exceed the minimum guaranteed sales
  →**Making efforts to cancel loss compensation contracts**

※Recorded in 'other revenue' excluding the impact in expenses
※Different from the impact to Aeon Delight's financial results due to consolidation elimination

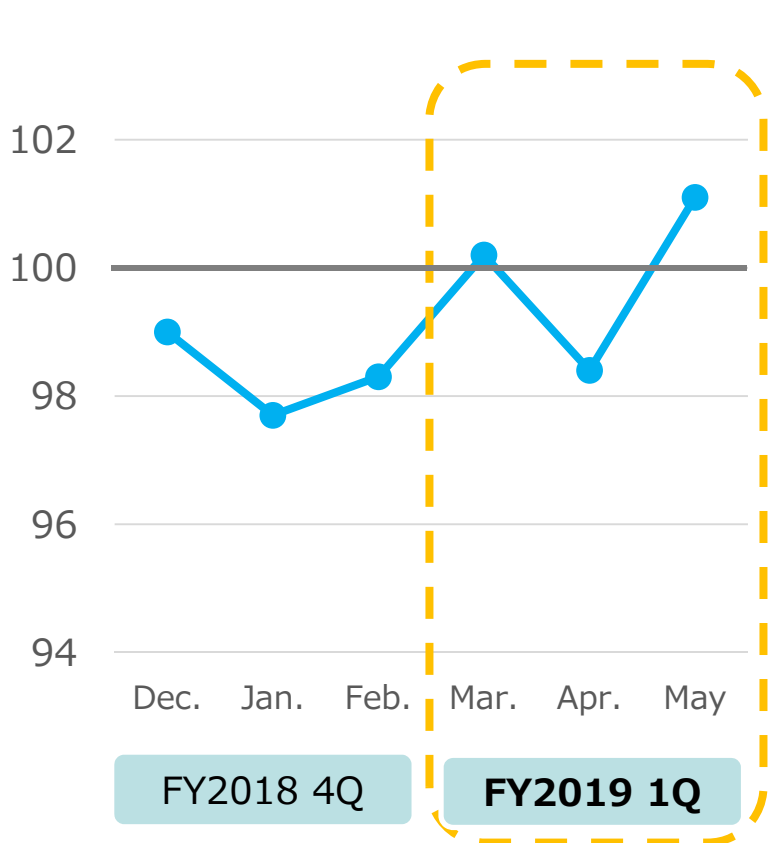
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Operating results of AEON Retail

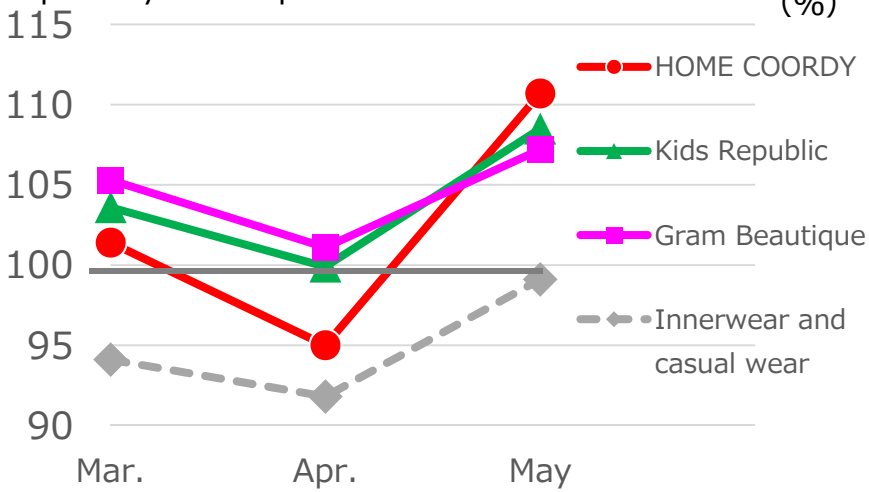
【AEON Retail】 Operating profit -4.6 billion yen (YoY change -1.3 billion yen)

・Quarterly same store sales recovered to 99.9% of the prior-year level.
Specialty store operations contributed to the sales recovery.
・Decreased clothing sales impacted gross profit.

【Monthly change of YoY same store sales】



【Monthly change of YoY same store sales of specialty store operations 】



【Strong performance sections】

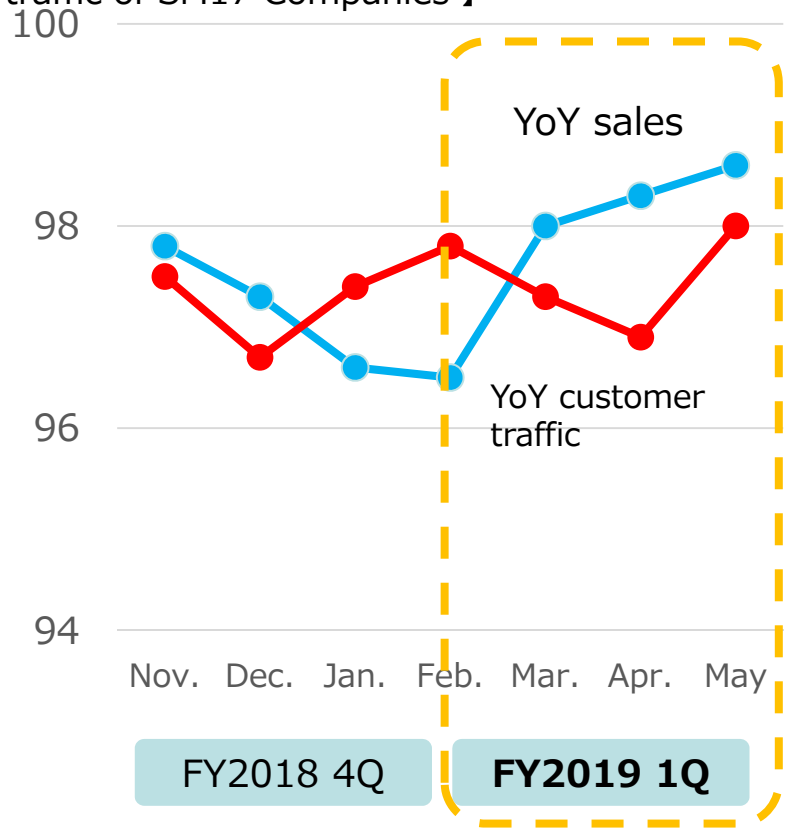
	YoY of same store sales (%)
Satchels for elementary school students	139.8
Home renovation	113.6
Home appliances	108.4

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Operating Results of Supermarket Businesses

・Sales showed a recovery compared to the preceding 4Q, but the sales remained below the prior-year level due to lesser customer traffic and impacted on gross profit. Cost increased by sales promotions and rise in electricity price.
・By implementing regional integration of SM companies, transforming into new type of SM stores which surmount changing business environment and competition

【Change in YoY sales and customer traffic of SM17 Companies 】



【Breakdown of YoY change in operating profit】
※before consolidation adjustments

(billion yen)

	YoY change
YoY change in operating profit	-3.7
(Impact in gross operating profit)	-2.4
(Impact in SG & A)	-1.3

【Breakdown of Daiei's YoY change in operating profit】

(billion yen)

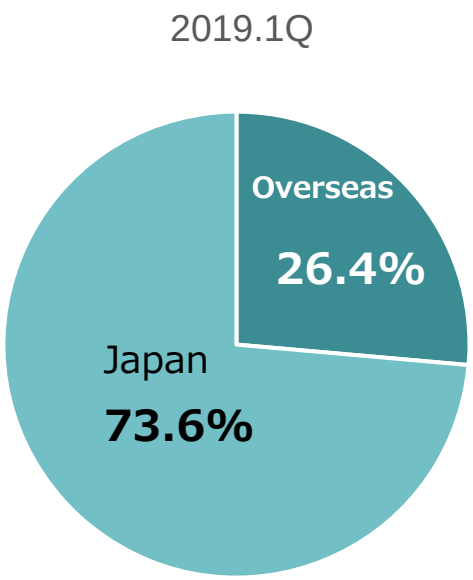
	YoY change
YoY change in operating profit	+1.3
(Impact in gross operating profit)	+0.5
(Impact in SG & A)	+0.7

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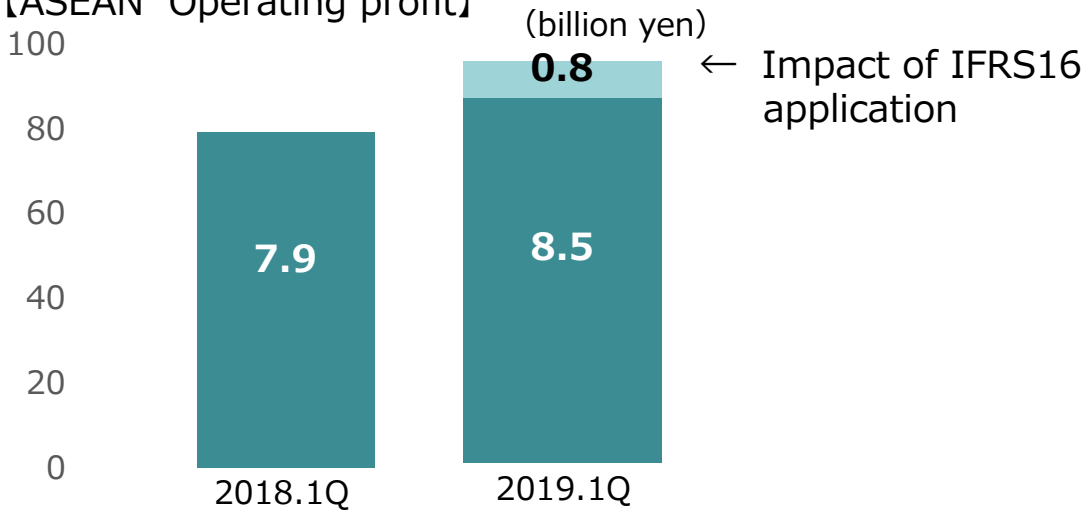
Operating Results of Overseas

・The proportion of operating profit generated overseas reached 26.4% in 1Q.
・In the ASEAN region, YoY improvement trend continues even when the impact of IFRS 16 application is excluded.
・In China, profits were at the prior-year level, excluding the impact of IFRS 16 application.

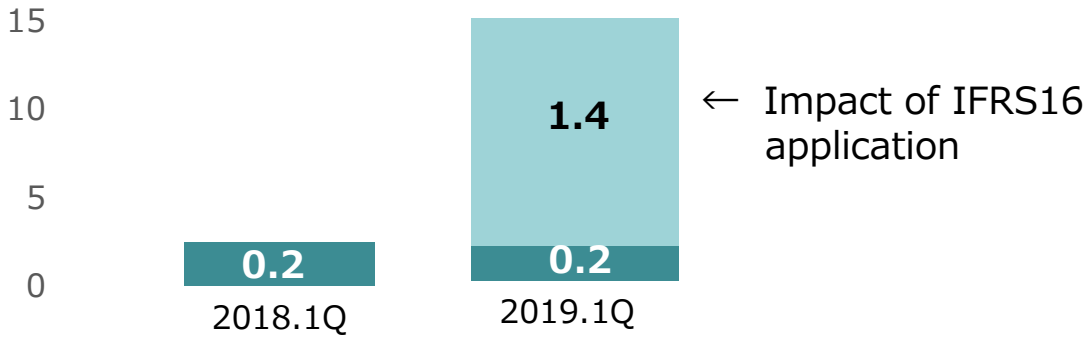
【Proportion of operating profit by area】
※excluding the impact of KAJITAKU case



【ASEAN Operating profit】



【China Operating profit】



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FY2019 Forecasts

No Change in FY2019 Forecasts from the figures announced at the Beginning of the Fiscal Year

(billion yen)

	FY2019 forecast	YoY % /change
Operating Revenue	8,600.0	+1.0%
Operating Profit	230.0	+17.7
Ordinary Profit	220.0	+4.8
Profit attributable to owners of the parent	25.0	+1.3

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Reference Materials

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FY2019 1Q Consolidated Balance Sheets

(billion yen)

Assets (main items only)	2019/2	2019/5	Change from '19/2
Cash and deposits	852.3	916.0	+63.6
Notes and accounts receivable - trade (incl. installment receivables)	1,461.6	1,569.4	+107.8
Inventories	598.4	602.4	+4.0
Operating loans, Loans and bills discounted for banking business	2,359.2	2,478.6	+119.3
Property, buildings and equipment	2,790.8	3,137.4	+346.6
Investments and other assets	994.7	953.9	-40.7
Total assets	10,045.3	10,596.0	+550.7

Liabilities and net assets (main items only)	2019/2	2019/5	Change from '19/2
Notes and accounts payable – trade	914.1	961.0	+46.9
Interest bearing debt (excl. finance subsidiary)	1,646.7	2,008.0	+361.2
Interest bearing debt (finance subsidiary)	905.8	1,028.1	+122.3
Deposits for banking business	3,443.0	3,503.2	+60.1
Total liabilities	8,170.0	8,767.9	+597.8
Shareholder's equity	1,047.4	1,011.7	-35.7
Total net assets	1,875.3	1,828.1	-47.1
Total net assets and liabilities	10,045.3	10,596.0	+550.7

※Applying partial amendments to Accounting standard on tax effect accounting, certain reclassifications, rearrangement, and offset have been made to the partial account items as of FY2018.

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FY2019 1Q Result of Daiei and ex-Daiei GMS

(billion yen)

Business segment	Company name	Operating Revenue		Operating Profit	
		Results	YoY	Results	YoY changes
GMS	AEON Retail store ※Former Daiei GMS in Kanto, Kinki, and Nagoya region	32.0	-4.6%	-1.5	+0.1
	AEON Store Kyushu ※Former Daiei GMS in Kyushu	12.1	-11.4%	-0.6	-0.1
SM	Daiei	72.4	+3.4%	-0.8	+1.3

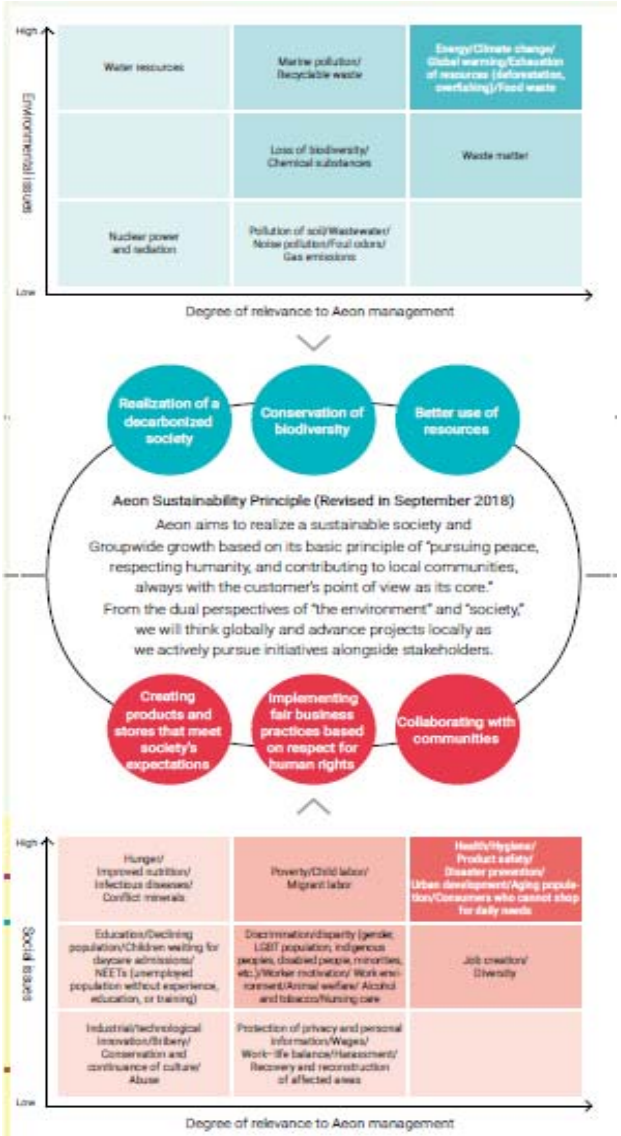
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Forecast of Dividend Payments

		FY2018 Results	FY2019 Forecasts
Dividend per share / year	End of second quarter	Ordinary dividend 17yen	Ordinary dividend 17yen Commemorative dividend 1yen
	Year-end	Ordinary dividend 17yen	Ordinary dividend 17yen Commemorative dividend 1yen
	Total	Ordinary dividend 34yen	Ordinary dividend 34yen Commemorative dividend 2yen

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Toward A Sustainable Society (Major initiatives in FY2019 1Q)



Initiatives for environmental issues through business activities

Contract on sales of electric power to shopping center toward enhanced utilization of renewable energy
https://www.aeon.info/news/release_13936/

Expanding the Lineup of Topvalu environment-friendly products
https://www.aeon.info/news/release_14608/

Opening of environment-friendly convenience store
https://www.ministop.co.jp/corporate/release/

Initiatives for social issues through business activities

Mind barrier-free・・・ experiencing Paralympic sports
https://www.aeon.info/news/release_14710/

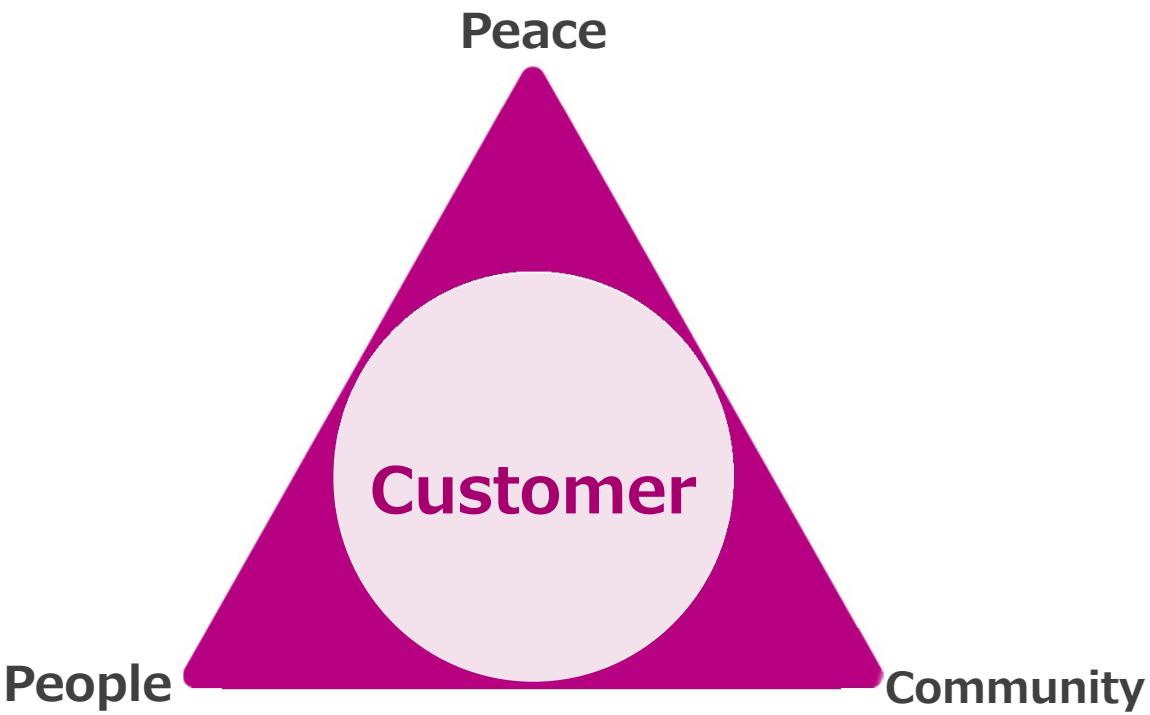
Developing new gender-free brand produced by LGBTQ influencer
https://www.cox-online.co.jp/news/corporate/

Release of frozen meal-kit which completes cooking in one package, the first product in Japanese PB
https://www.aeonretail.jp/company/news.html

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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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