FY２０１９　１H

Presentation Materials

October 9, 2019

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Consolidated Operating Results

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Consolidated Operating Results (FY2019 1H)

Growth in both Revenue and Profit.
Operating Profit and Ordinary Profit achieved record highs*.

(billion yen)

	Results	YoY % /change	KAJITAKU case	IFRS 16	Excluding these impacts	YoY % /change
Operating Revenue	4,290.2	+0.6%	-14.6	–	**4,304.8**	**+0.9%**
Operating Profit	86.3	-3.5	-14.5	+4.6	**96.1**	**+6.3**
Ordinary Profit	79.7	-11.1	-14.5	-2.9	**97.3**	**+6.4**
Profit attributable to owners of the parent	3.7	-6.7	-7.9	-1.6	**13.3**	**+2.7**

*excluding the impact of the KAJITAKU case and the application of IFRS16 overseas

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Results by Business Segment (Operating Revenue)

Revenue increased in 4 business segments: Heath and Wellness, Financial Services, SC Development and International Business.

【Operating Revenue】(excluding the impact of the KAJITAKU case)

(billion yen, %)

	Operating Revenue	YoY %	YoY %(1Q)	YoY %(2Q)
Consolidated Total	4,304.8	+0.9	+1.3	+0.6
GMS	1,530.4	-0.3	+0.4	-1.0
SM	1,605.1	-1.5	-0.8	-2.2
Health & Wellness	434.7	+10.1	+10.5	+9.7
Financial Services	239.3	+13.0	+8.4	+17.7
Shopping Center Development	184.6	+3.6	+4.5	+2.7
Services & Specialty Store	392.8	-0.6	-0.8	-0.5
International	223.1	+1.2	+1.6	+0.7

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Results by Business Segment (Operating Profit)

Profit increased in the 2Q due to diverse business expansion efforts have borne fruit.

【Operating Profit】
(excl. the impact of the KAJITAKU case and the application of IFRS 16 overseas) (billion yen, %)

	Operating Profit	YoY change	YoY change (1Q)	YoY change (2Q)
Consolidated Total	96.1	+6.3	+0.2	+6.1
GMS	-7.5	-1.6	-0.8	-0.7
SM	2.5	-8.5	-3.9	-4.5
Health & Wellness	16.9	+3.3	+1.9	+1.4
Financial Services	34.6	+2.6	-0.9	+3.6
Shopping Center Development	28.2	+2.7	+1.6	+1.1
Services & Specialty Store	16.9	+3.1	+0.2	+2.9
International	1.1	+0.6	+0.0	+0.5

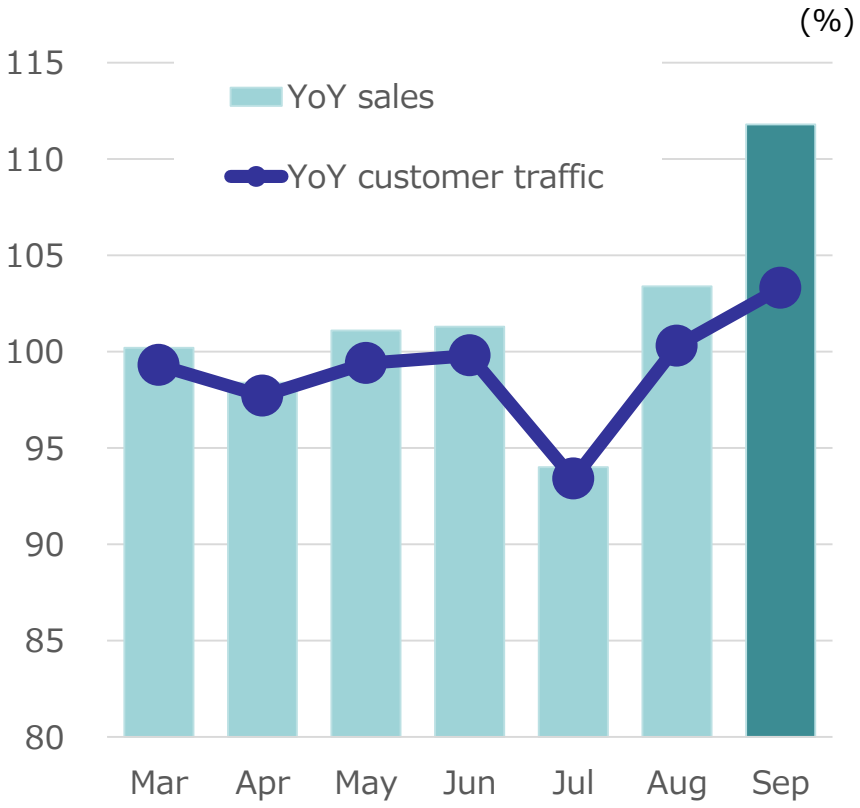
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GMS Business

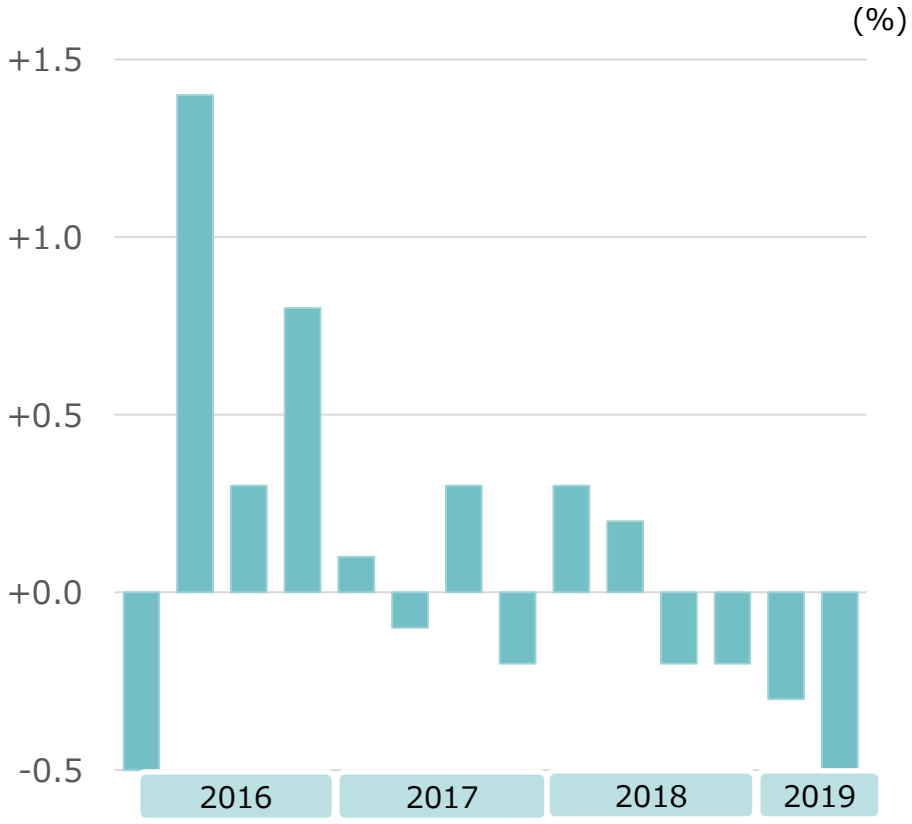
[AEON Retail] Operating profit: -6.3 billion yen (YoY change -2.8 billion yen)

Record cold temperatures in July due to a prolonged rainy season affected sales and customer traffic.

【Monthly change of YoY same store sales & customer traffic】



【Quarterly YoY change in Gross Profit Margin】

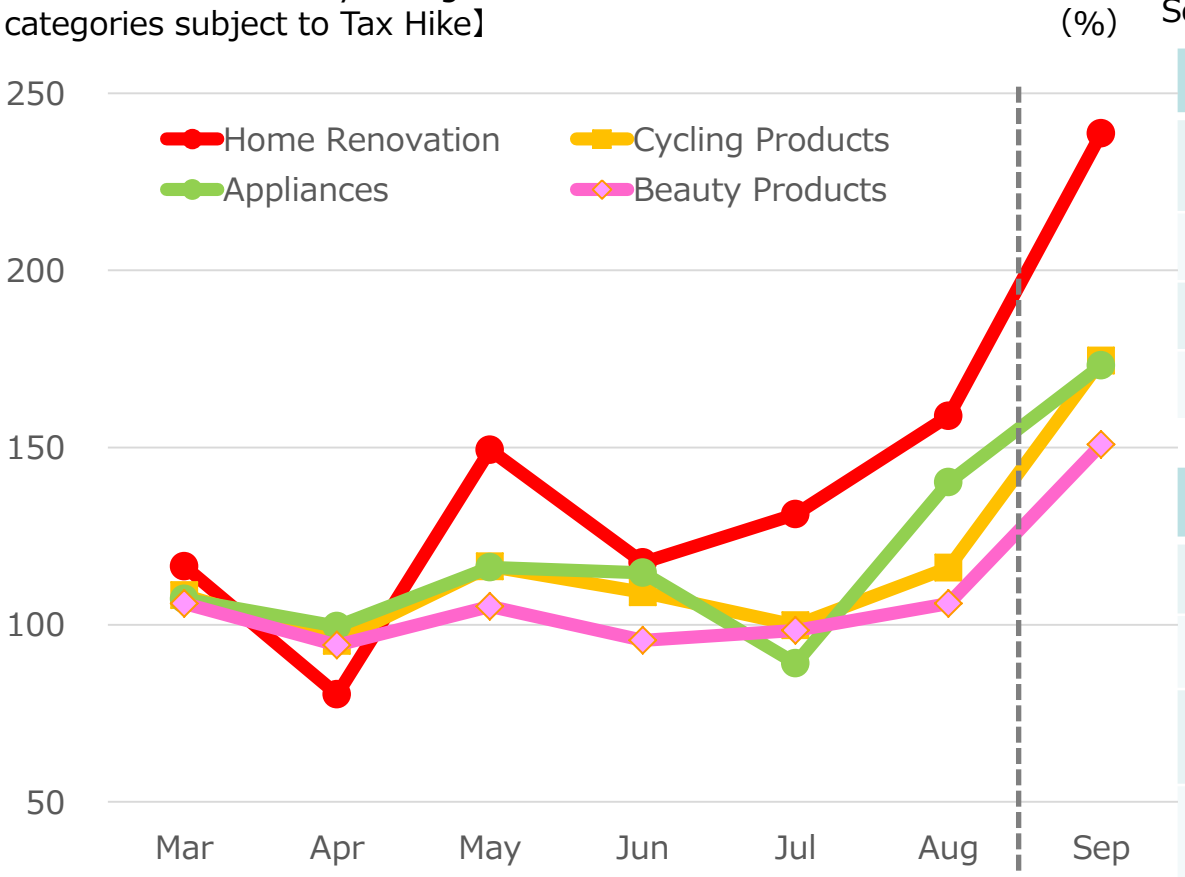


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GMS Business (Sales Prior to the Consumption Tax Increase)

Sales of the high-priced product categories increased substantially by strengthening the sales structure of in-store customer service to capture last-minute demand prior to the tax hike.

【AEON Retail: Monthly change of YoY same store sales of main categories subject to Tax Hike】



【AEON Retail: YoY same store sales in September】

(%)

Good sales categories	
Home Renovation Products	238
Cycling Products	174
Appliances	173
Beauty Products	150

(%)

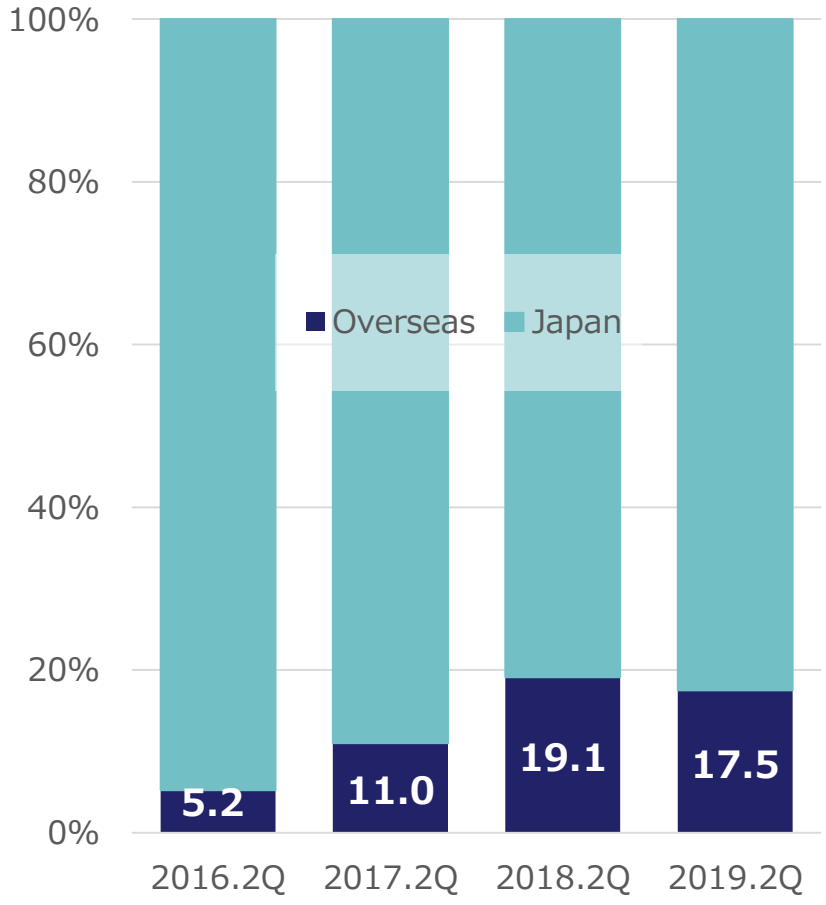
AEON Retail Total	**112**
Apparel dept.	109
Food dept.	103
Home Furnishing & Leisure dept.	133
Health & Beauty Care dept.	144

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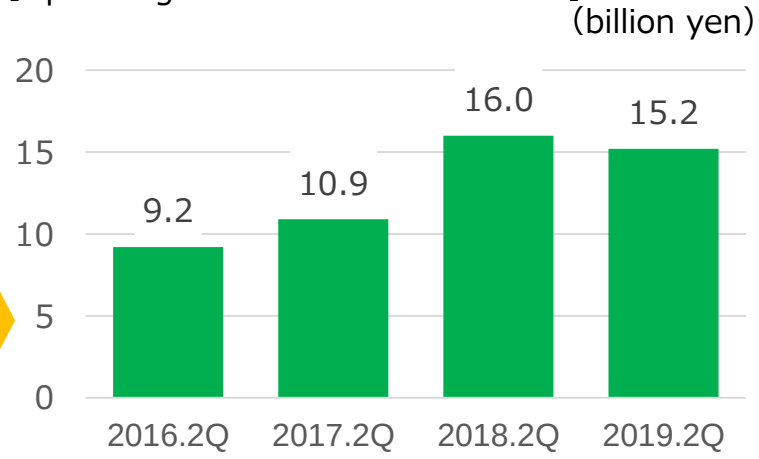
Operating Results of Overseas (1H)

The medium-term trend toward expansion of the overseas profit contribution ratio continuing steadily.

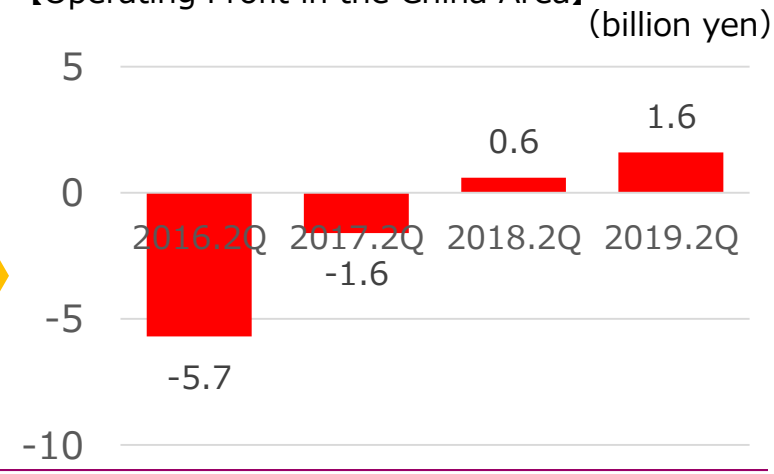
【Comparison of percentage of Operating Profit by Area】
(Excluding the impact of the KAJITAKU case)



【Operating Profit in the ASEAN Area】



【Operating Profit in the China Area】



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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 forecasts	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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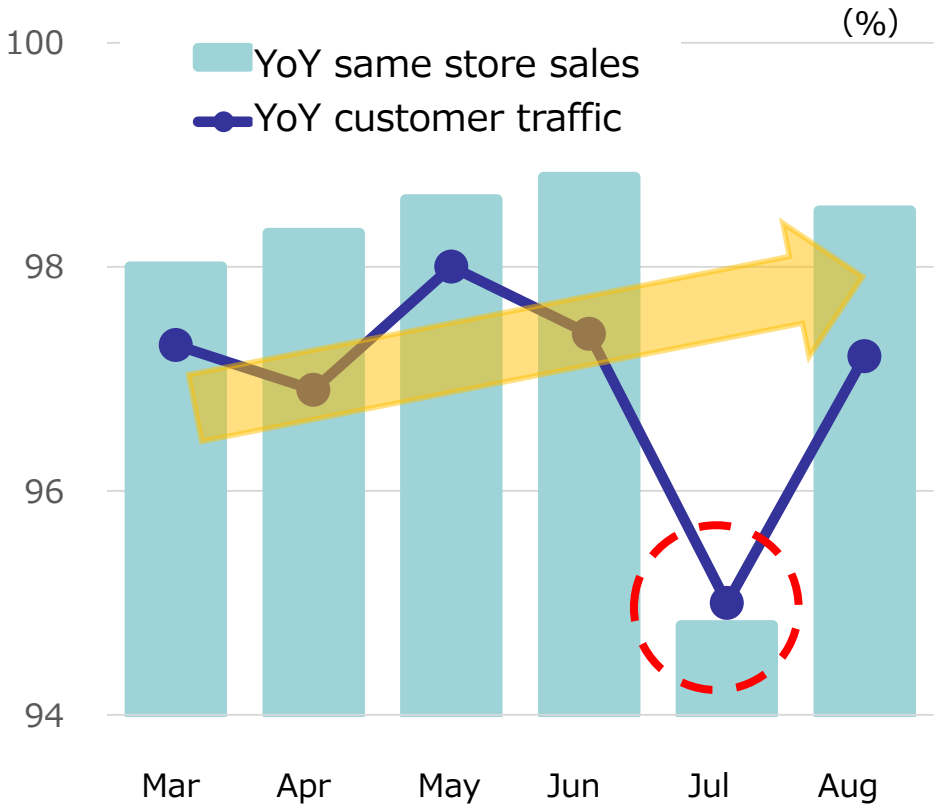
Overview of Supermarket Business

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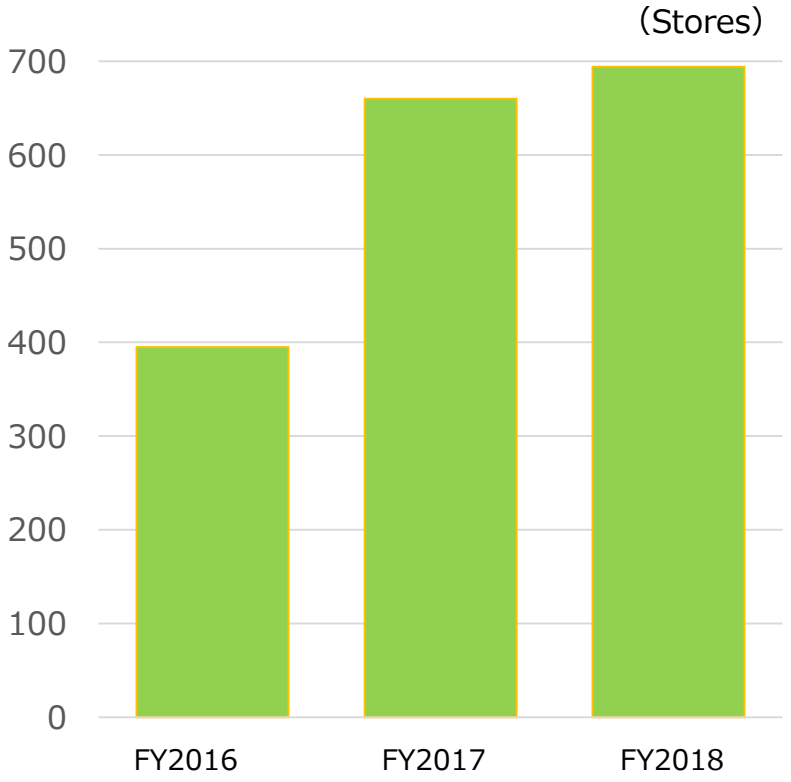
Overview of Supermarket Business ①

Intensification of Business Competition. Unfavorable Weather in July.

【Change in YoY sales and customer traffic of 17 SM companies in Aeon Group】



【Increase in the Number of Drug Stores】*



* Source: Japan Association of Chain Drug Stores, Drug Store Industry Research Report, 2019 1H, Drug Store Industry Research Team Report

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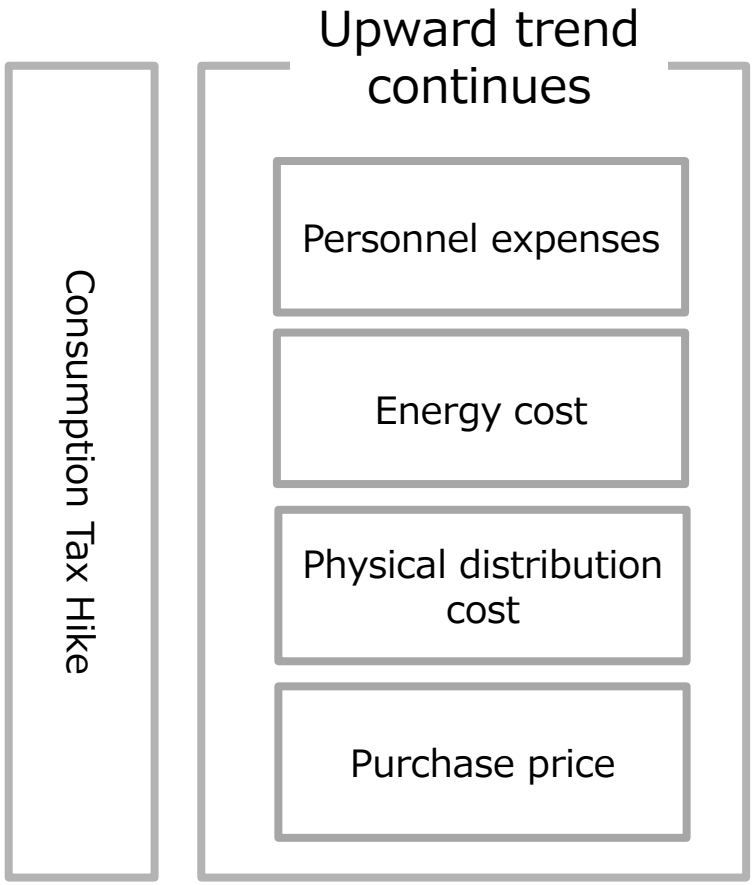
Overview of Supermarket Business ②

Declined in Consumer Confidence.
Prolonging influence of raising costs.

【Consumer Confidence Index】*



【Assessment of business environment】



* Cabinet Office, households of 2 or more people adjusted for seasonality

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2H Recovery Measures in Supermarket Business

Not only improve the short-term financials, but also simultaneously transform our current business.

- Weekly verification of the results of operating measures corresponding to the consumption tax increase.
- Conduct a zero-based review of existing costs.
- Share the sense of crisis toward the current business structure.
- Proceed with regional supermarket integration as a fundamental transformation

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Synergies by Regional Shift
(Regional integration of supermarkets)

Creating synergies of integration.

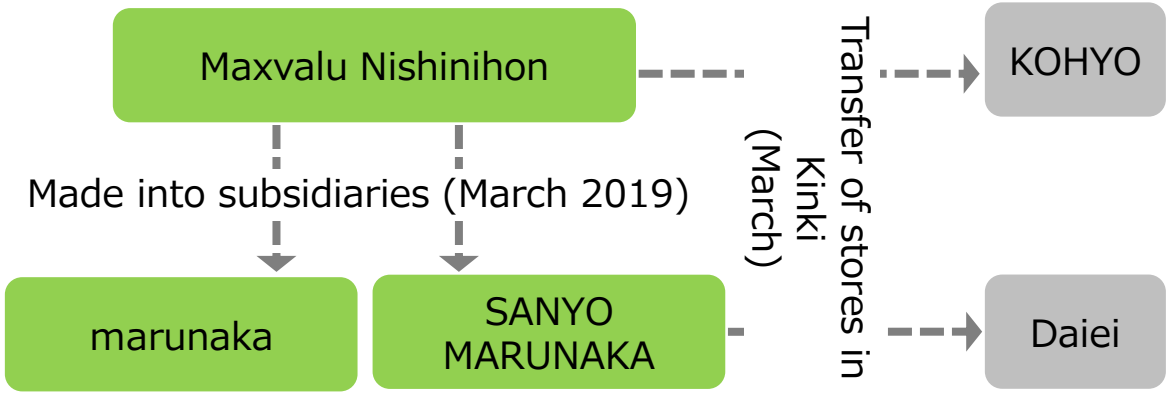
Synergies	Direction of Consideration
Synergies of Continuity	・Increase in Margin Buying terms, Joint purchase, Development of production area, etc. ・Cost Reduction Integration of headquarters functions, Materials and Logistics, Outsourcing, etc.
Synergies of Efficiency	・Utilization of new Digital Technology Business process efficiency improvement, Data analysis, Investment to IT, Payment systems, etc. ・Channel Development Online sales, Diversification of “Last one mile”, etc.
Synergies of New Markets	・New Partnerships Platform, Vertical integration, etc. ・Development and transformation to new store formats Redefinition of value provided, Radicalization of customer experiences, etc.

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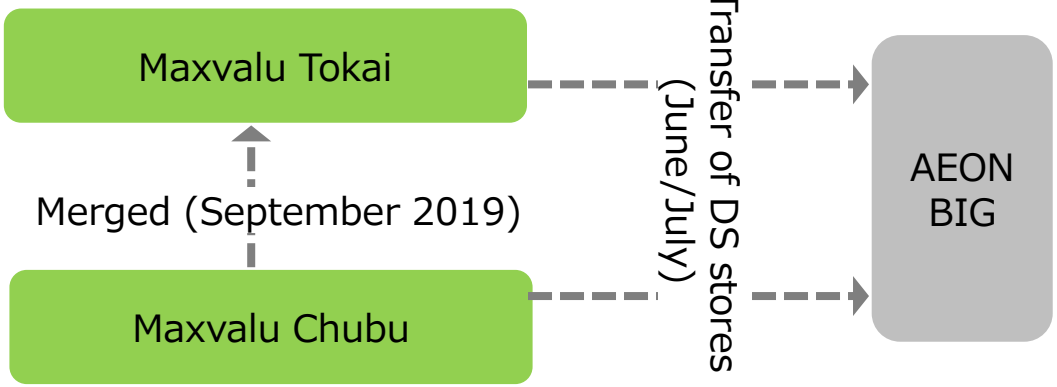
Progress of Regional Shift
(Regional integration of supermarkets)

Made the start of an integrated regional management structure in Chugoku-Shikoku and Tokai-Chubu.

[Chugoku-Shikoku regions]



[Tokai-Chubu regions]

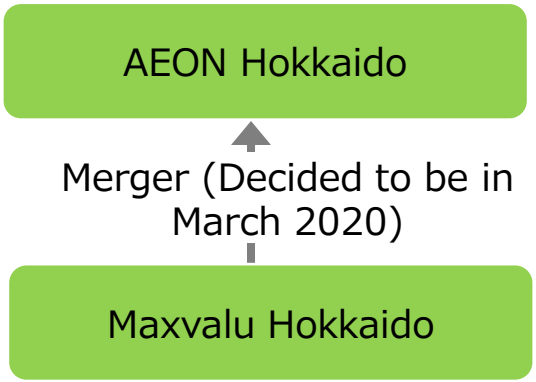


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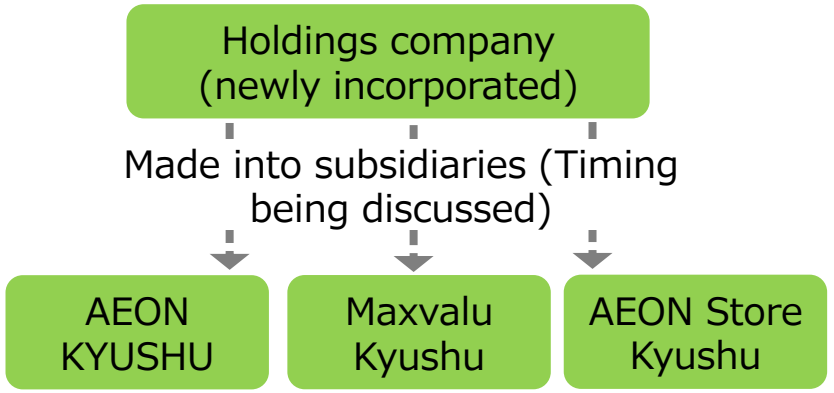
Progress of Regional Shift (Regional integration of supermarkets)

Resolved to merge in Hokkaido in March 2020 and other three regions also being reached the final phase for formal agreements.

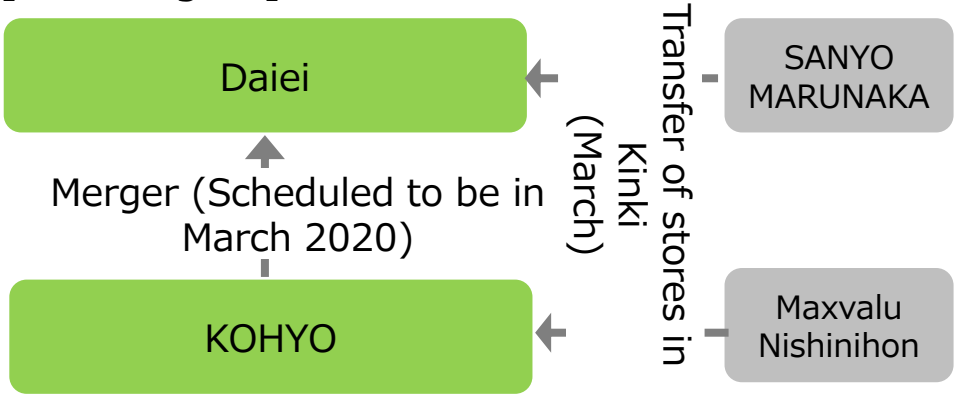
[Hokkaido region]



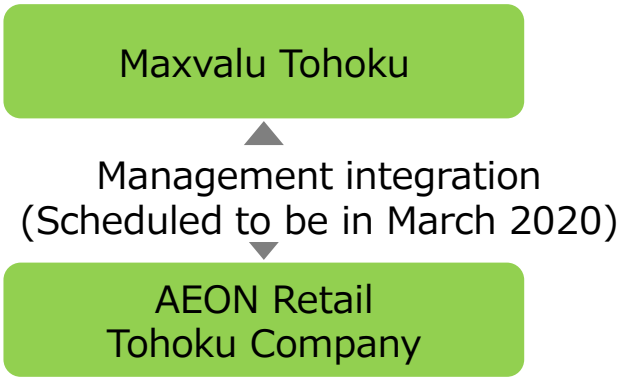
[Kyushu region]



[Kinki region]



[Tohoku region]



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Reference Materials

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FY2019 1H Consolidated Balance Sheets

(billion yen)

Assets (main items only)	2019/2	2019/8	Change from '19/2
Cash and deposits	852.3	1,114.4	+262.0
Notes and accounts receivable - trade (incl. installment receivable)	1,461.6	1,613.7	+152.0
Inventories	598.4	589.2	-9.1
Operating loans, Loans and bills discounted for banking business	2,359.2	2,460.5	+101.3
Property, buildings and equipment	2,790.8	3,134.4	+343.5
Investments and other assets	994.7	968.3	-26.3
Total assets	10,045.3	10,900.9	+855.5

Liabilities and net assets (main items only)	2019/2	2019/8	Change from '19/2
Notes and accounts payable - trade	914.1	1,127.4	+213.3
Interest bearing debt (excl. finance subsidiaries)	1,646.7	1,892.2	+245.4
Interest-bearing debt (financial subsidiaries)	905.8	1,051.6	+145.8
Deposits for banking business	3,443.0	3,620.9	+177.8
Total liabilities	8,170.0	9,066.8	+896.8
Shareholders' equity	1,047.4	1,016.5	-30.9
Total net assets	1,875.3	1,834.1	-41.2
Total liabilities and net assets	10,045.3	10,900.9	+855.5

※Applying partial amendments to Accounting standards 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 1H Results of Daiei and ex-Daiei GMS

(billion yen)

Business Segment	Company Name	Operating Revenue		Operating Profit	
		Results	YoY %	Results	YoY change
GMS	AEON Retail store ※Former Daiei GMS in Kanto, Kinki and Nagoya region	64.2	-6.9%	-2.7	+0.6
	AEON Store Kyushu * Former Daiei GMS in Kyushu	24.5	-14.5%	-0.8	-0.1
SM	Daiei	147.9	+3.5%	-1.6	+1.8

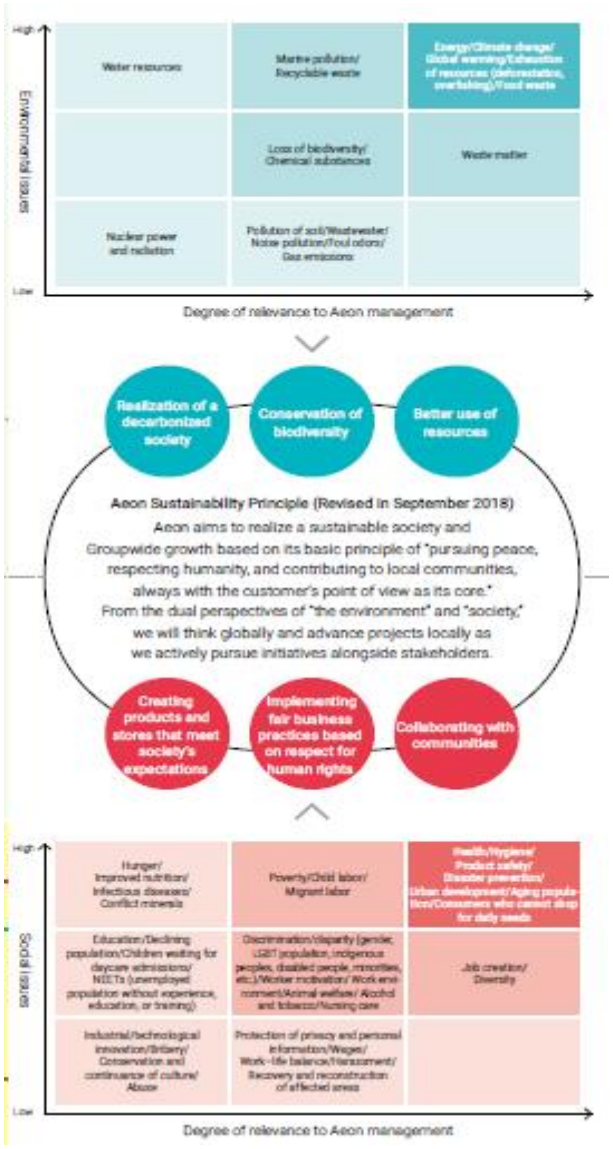
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Forecast of Dividend Payments

		FY2018 (Results)	FY2019
Dividend per share / year	End of second quarter	Ordinary dividend: 17 yen	Ordinary dividend: 17 yen Commemorative dividend: 1 yen Total: 18 yen (Results)
	Year-end	Ordinary dividend: 17 yen	Ordinary dividend: 17 yen Commemorative dividend: 1 yen Total: 18 yen (Forecasts)
	Total	Ordinary dividend: 34 yen	Ordinary dividend: 34 yen Commemorative dividend: 2 yen Total: 36 yen (Forecasts)

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Toward a Sustainable Society(Major initiatives in FY2019 1H)



Initiatives for environmental issues through business activities

Contract on sales 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/

Commencement of the virtual power plant field trial and the environmental value assessment at AEON Mall Sakai Teppocho
https://www.aeon.info/news/release_15997/

Initiatives for social issues through business activities

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

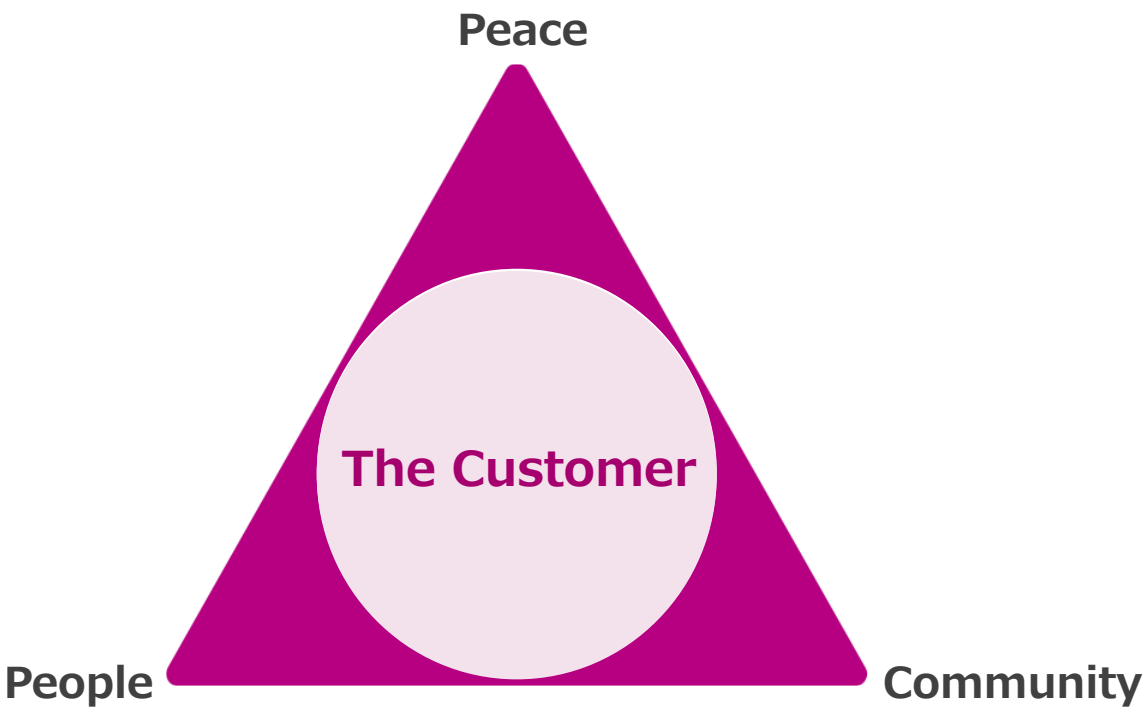
Release of frozen meal-kit which completes cooking in one package, the first product in Japanese Private Brand
https://www.aeonretail.jp/company/news.html

Conclude the "Coordination Agreement on Disaster Response" with the Cabinet Office
https://www.aeon.info/news/release_15673/

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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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