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Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 (Japanese GAAP)

April 7, 2022

Company name:	AEON MALL Co., Ltd.	Listings	Tokyo Stock Exchange
Stock code:	8905	URL	https://www.aeonmall.com/ir/index.html
Representative:	Yasutsugu Iwamura, President and CEO		

Scheduled dates:

General shareholder's meeting	May 19, 2022
Commencement of dividend payments	May 2, 2022
Submission of statutory financial report	May 20, 2022
Supplementary documents for financial results	Yes
Financial results briefing	Yes (for institutional investors and analysts)

(Amounts in millions of yen rounded down to the nearest million yen)

1. Consolidated Financial Results for the Year Ended February 28, 2022 (March 1, 2021 – February 28, 2022)

(1) Consolidated Operating Results (Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
Years ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2022	316,813	12.9	38,228	11.1	32,540	14.4	19,278	－
February 28, 2021	280,688	(13.4)	34,394	(43.4)	28,437	(49.3)	(1,864)	－

(Note) Comprehensive income Year ended February 28, 2022: ¥49,755 million (－%)
Year ended February 28, 2021: (¥8,611) million (－%)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income / total assets ratio	Operating income / net sales ratio
Years ended	Yen	Yen	%	%	%
February 28, 2022	84.72	84.71	4.9	2.3	12.1
February 28, 2021	(8.19)	－	(0.5)	2.0	12.3

(Reference) Investment profit on equity method Year ended February 28, 2022: ¥－million
Year ended February 28, 2021: ¥－million

(Note) Diluted net income per share for the fiscal year ended February 28, 2021, is not provides, as the company recorded a net loss per share for shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
February 28, 2022	1,463,256	426,931	28.5	1,830.21
February 28, 2021	1,394,199	387,486	27.1	1,658.23

(Reference) Equity February 28, 2022: ¥416,455 million
February 28, 2021: ¥377,318 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Years ended	Million yen	Million yen	Million yen	Million yen
February 28, 2022	61,492	(122,382)	8,225	82,973
February 28, 2021	61,621	(64,444)	12,244	124,080

2. Dividends

	Dividend per share					Total dividend	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2021	―	20.00	―	20.00	40.00	9,101	―	2.4
February 28, 2022	―	25.00	―	25.00	50.00	11,377	59.0	2.9
Year ending February 28, 2023 (Projection)	―	25.00	―	25.00	50.00		49.5	

3. Consolidated Earnings Projections for the Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half, FY2022	196,500	―	24,700	25.5	20,000	23.5	8,000	(37.7)	35.15
Full-year	404,000	―	55,500	45.2	45,500	39.8	23,000	19.3	101.07

(Note) Beginning with the fiscal year ending February 28, 2023, the company will adopt *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29), etc. The consolidated earnings forecast above is based on this standard. Since operating revenue has been affected significantly by the adoption of this standard, we have not shown the percentage change compared with the previous period. Operating income, ordinary income, and net income attributable to owners of parent have not been affected by the application of the standard. Estimating results for the fiscal year ending February 28, 2023 before the adoption of this standard, we expect operating revenue to increase 12.8% for the first half and 13.3% for the full year.

* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): Yes

(2) Changes in accounting policies, changes of accounting-based estimates, revisions and restatements
[1] Changes in accounting policies due to changes in accounting standards, etc.: None
[2] Changes in accounting policies other than the above: None
[3] Changes in accounting estimates: None
[4] Revisions and restatements: None

(3) Number of shares issued and outstanding (common stock)

[1] Number of shares outstanding at period-end (including treasury stock)	Year ended February 28, 2022	227,548,939	Year ended February 28, 2021	227,545,839
[2] Treasury stock at period-end	Year ended February 28, 2022	3,997	Year ended February 28, 2021	3,265
[3] Average number of shares during the period (quarterly cumulative)	Year ended February 28, 2022	227,544,377	Year ended February 28, 2021	227,533,220

*This summary of consolidated results is exempt from review procedures conducted by a certified public accountant or public accounting firm.

* Explanations and other special notes concerning the appropriate use of earnings projections

(Cautionary statement regarding forward-looking statements, etc.)

Earnings projections included in these materials and attachments are based on information available to the Company at the time and reflect certain assumptions the Company deems reasonable. Projections do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. For matters related to earnings projections, see *(1) Analysis of Operating Results 2) Future Outlook* on P.15.

(Procedures for obtaining supplementary information on financial results and accessing briefing materials)

The Company is scheduled to hold a briefing for institutional investors and analysts on April 8, 2022. The materials handed out at this briefing will be posted on the Company’s website on April 7, 2022. An audio recording of the briefing will be made available on the Company’s website soon after the briefing has ended.

Accompanying Materials — Contents

Attachments

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of the consolidated fiscal year under review

a. Explanation of consolidated results of operations

The Company has defined a long-term vision through the fiscal year ending February 28, 2026 (FY2025) by which we will pursue our management philosophy and achieve further business growth. We are working together with local communities to achieve sustainable growth by creating social, environmental, and economic value.

Our current medium-term management plan (FY2020-FY2022), which we launched in fiscal 2020, outlines four growth policies:(1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Pursue a financing mix and strengthen governance structures to support growth; and (4) Pursue ESG-based management.

In pursuing growth initiatives, we have established certain management issues and a vision for our future: (1) Achieve profit growth in overseas businesses and accelerate new mall openings; (2) Maximize the attractiveness of brick-and-mortar malls through customer experience (CX); (3) Build next-generation malls and pursue the urban shopping center business; (4) Pursue digital transformation (DX); and (5) Pursue medium-term strategies, while accelerating reform based on ESG perspectives. Through these efforts, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be a central facility for the local community.

During the consolidated fiscal year under review, COVID-19 infections remained uncontained, although differences were evident among various countries and regions. Certain of our malls in Japan and overseas were forced to shorten operating hours or close temporarily.

AEON MALL recorded higher revenue and income for the consolidated fiscal year ended February 28, 2022. Consolidated operating revenue for the fiscal year ended February 28, 2022 amounted to ¥316,813 million, an increase of 12.9% year on year. Operating income amounted to ¥38,228 million (+11.1%), ordinary income amounted to ¥32,540 million (+14.4%), and net income attributable to owners of parent amounted to ¥19,278 million (compared to net loss of ¥1,864 million in the previous consolidated fiscal year). Fixed costs for the fiscal year amounted to ¥4,075 million stemming from temporary closures and other factors (¥16,572 million in the previous consolidated fiscal year). We posted these costs as extraordinary losses due to COVID-19.

Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were -2.3%, -37.1%, -42.0%, and -43.7% compared to the results recorded for the fiscal year ended February 29, 2020 (“FY2019”), which was a period not impacted by COVID-19.

◆Consolidated Earnings (Million yen)

	Fiscal Year Ended February 28, 2021	Fiscal Year Ended February 28, 2022	Change [Year on year]
Operating revenue	280,688	316,813	+36,125 [+12.9%]
Operating income	34,394	38,228	+3,834 [+11.1%]
Ordinary income	28,437	32,540	+4,103 [+14.4%]
Net income (loss) attributable to owners of parent	(1,864)	19,278	+21,142 [−]

(Reference) Results vs. FY2019

	Fiscal Year Ended February 28, 2020	Fiscal Year Ended February 28, 2022	Change (Vs. FY2019)
Operating revenue	324,138	316,813	(7,325) [-2.3%]
Operating income	60,794	38,228	(22,566) [-37.1%]
Ordinary income	56,117	32,540	(23,576) [-42.0%]
Net income attributable to owners of parent	34,239	19,278	(14,960) [-43.7%]

b. Explanation of business performance by segment

◆Earnings by Segment (Million yen)

	Operating Revenue			Segment Income (Loss)		
	Fiscal Year Ended February 28, 2021	Fiscal Year Ended February 28, 2022	Change [Year on year]	Fiscal Year Ended February 28, 2021	Fiscal Year Ended February 28, 2022	Change [Year on year]
Japan	237,093	261,214	+24,121 [+10.2%]	30,597	31,945	+1,347 [+4.4%]
China	31,353	43,139	+11,785 [+37.6%]	2,296	6,958	+4,662 [+203.0%]
ASEAN	12,241	12,459	+217 [+1.8%]	1,474	(701)	(2,175) [－]
Overseas	43,594	55,598	+12,003 [+27.5%]	3,771	6,257	+2,486 [+65.9%]
Adjustment	―	―	― [－]	25	25	― [+0.0%]
Total	280,688	316,813	+36,125 [+12.9%]	34,394	38,228	+3,834 [+11.1%]

(Reference) Results vs. FY2019

	Operating Revenue			Segment Income (loss)		
	Fiscal Year Ended February 29, 2020	Fiscal Year Ended February 28, 2022	Change (Vs. FY2019)	Fiscal Year Ended February 29, 2020	Year Ended February 28, 2022	Change (Vs. FY2019)
Japan	274,999	261,214	(13,784) [-5.0%]	52,460	31,945	(20,515) [-39.1%]
China	35,850	43,139	+7,288 [+20.3%]	5,622	6,958	+1,336 [+23.8%]
ASEAN	13,288	12,459	(829) [-6.2%]	2,686	(701)	(3,387) [－]
Overseas	49,138	55,598	+6,459 [+13.1%]	8,308	6,257	(2,050) [-24.7%]
Adjustment	―	―	― [－]	25	25	― [+0.0%]
Total	324,138	316,813	(7,325) [-2.3%]	60,794	38,228	(22,566) [-37.1%]

Overseas

The company recorded overseas operating revenue in the amount of ¥55,598 million (+27.5% year on year) and operating income in the amount of ¥6,257 million (+65.9%). Revenue and profit rose in China as specialty store sales grew during the consolidated fiscal year under review. In ASEAN, however, businesses in certain countries were forced to close temporarily during the consolidated third quarter (July to September) due to the spread of COVID-19 infections in Vietnam, which resulted higher revenue and lower profit. As a result, operating revenue for the overseas business increased 13.1%, while operating income fell 24.7% compared to FY2019, which was not affected by COVID-19.

We continue area-dominant mall openings in China, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei and Guangdong. In ASEAN, we continue opening malls in Vietnam, Cambodia, and Indonesia. Strengthening the AEON MALL brand power attracts more customers, which provides the type of brand advantage that lets us attract quality tenants and enter into lease contracts under favorable terms.

In addition, AEON MALL leverages operational expertise developed in Japan to drive consumer demand and generate customer traffic through promotional sales and events. The company also offers the same type of cleanliness found in Japanese malls (clean, safe, comfortable environments) and conducts renovations regularly, timed to the changeover of specialty stores.

As part of our future growth strategy, we will accelerate the opening of new malls, aiming to create a 50-mall overseas network by 2025. We will continue to search for and secure new properties in high-growth areas of China and ASEAN toward building a pipeline by the end of 2025 that will support a network of 70 malls.

The accounting period for companies outside Japan is the year ending December 31. Accordingly, figures presented herein reflect results for January through December.

(China)

[Fiscal Year Ended December 2021 (January - December)]

In China, the Company recorded operating revenue in the amount of ¥43,139 million (+37.6% year on year) and operating income in the amount of ¥6,958 million (+203.0%). Operating revenue and operating income were +20.3% and +23.8%, compared to FY2019, which was not affected by COVID-19.

Due to the outbreak of new COVID-19 infections throughout China in late July, we closed certain of our malls in Hubei Province in August. In November and December, the outbreak of COVID-19 in the inland areas spread through the rest of the country, and activities were restricted due to the strict containment efforts and measures taken by local governments to restrict physical entry into certain industries such as cinemas.

Although there have been cases of localized COVID-19 outbreaks in China, infections tend to be contained within a short period of time due to strict government-led containment measures. The impact on specialty store sales at our malls was limited, with specialty store sales at existing malls growing 32.0% year on year (21 malls) and 5.3% compared with FY2019 (19 malls) during the current fiscal year. We will continue to monitor the infection situation in China and continue to push forward with aggressive sales measures.

In May, we opened a new fourth mall in Guangdong Province, AEON MALL Guangzhou Xintang (Guangzhou City, Guangdong Province). In terms of existing malls, we renovated three malls in Hubei Province (AEON MALL Wuhan Jingkai (Wuhan City), AEON MALL Wuhan Jinqiao (Wuhan City), and AEON MALL Wuhan Jingyintan (Wuhan City)), three malls in Guangdong Province (AEON MALL Guangzhou Panyu Square (Guangzhou City), AEON MALL Foshan Dali (Foshan City), and AEON MALL Guanzhou Jinsha (Guangzhou City)), and AEON MALL Suzhou Yuanqu Hudong (Suzhou City) in Jiangsu Province.

New Chinese Malls Opened During the Fiscal Year Ended December 31, 2021

<table>
<tr><th>Name</th><th>Location</th><th>Opening Date</th><th>Tenants</th><th>Lease Area</th></tr>
<tr><th colspan="5">Features</th></tr>
<tr><td>AEON MALL Guangzhou Xintang</td><td>Guangzhou City, Guangdong</td><td>May 29, 2021</td><td>220</td><td>76,000㎡</td></tr>
<tr><td colspan="5">Within China, we introduced an AEON MALL membership system using WeChat, an app widely used in China. The mall also offers many services using digital technology to improve customer convenience, including an AI information system, face recognition lockers, large LED screen and digital signage.</td></tr>
</table>

(ASEAN)

[Fiscal Year Ended December 2021 (January - December)]

Our operations in ASEAN recorded operating revenue of ¥12,459 million, an increase of 1.8% year on year. Operating loss amounted to ¥701 million, compared with operating income of ¥1,474 million in the previous year. Although sales increased owing to the impact of new mall openings, operating income decreased due to the significant impact of the spread of COVID-19 in Vietnam and Indonesia. Further, operating revenue was down 6.2% and operating income was ¥3,387 million lower compared to FY2019, which was not affected by COVID-19.

In May, COVID-19 infections spread in southern Vietnam, and infections began spreading throughout the country in July. Social segregation measures under the government's directions were lifted in October, and specialty stores in our malls resumed operations. However, even though we implemented rules that included preventing unvaccinated employees at specialty stores from serving customers, specialty store sales in existing malls for the consolidated fiscal year were down 26.8% (five malls) year on year and 34.8% compared to FY2019 (four malls).

In Cambodia, we closed specialty stores temporarily in April due to urban blockades implemented in response to COVID-19 infections that spread in Phnom Penh City in March. The number of new cases of COVID-19 infections peaked in July with the improvement of vaccination rates, and the number of new infections has been on a downward trend. However, the continued closures of certain business categories such as cinemas and amusement facilities has had an impact on customer traffic throughout the year. As a result, specialty stores sales in existing malls for the current fiscal year decreased compared with the previous fiscal year down 24.1% (two malls) year on year and 43.0% (two malls) compared with FY2019.

In Indonesia, the number of people infected with new COVID-19 cases decreased, and May specialty store sales at existing malls recovered to approximately 80% of the previous year (two malls). However, infections began to spread again in June, forced shorter business hours, closure of amusement industry facilities, and limit customer entry. Customer traffic for the consolidated fiscal year under review was challenging, coming in at around 60% compared with FY2019.

We partially pre-opened sections of a new mall in Indonesia in November. This mall, AEON Mall Tanjung Barat (South Jakarta District), became our fourth in the country. In addition, we held a grand opening for AEON MALL Sentul City (West Java District) in October 2021, partially pre-opened in October 2020. With respect to existing malls, in April, we conducted a large-scale renovation of our first mall in Indonesia, AEON MALL BSD CITY (Tangerang Province). This is the first renovation since we opened the mall in 2015.

New ASEAN Malls Opened During the Fiscal Year Ended December 31, 2021

<table>
<tr><th>Country</th><th>Name</th><th>Location</th><th>Opening Date</th><th>Tenants</th><th>Lease Area</th></tr>
<tr><th colspan="6">Features</th></tr>
<tr><td>Indonesia</td><td>AEON MALL Tanjung Barat</td><td>South Jakarta</td><td>November 18, 2021</td><td>180 (Note)</td><td>40,000㎡</td></tr>
<tr><td colspan="6">As part of our digitalization efforts, we collaborated with JD.ID, an e-commerce platform company based in China. JD.ID offers a virtual AEON MALL on its website, shares a platform for live video streaming, and provides new convenience to customers through the fusion of the internet and the real world.</td></tr>
</table>

(Note) Certain zones have been opened already ahead of the grand opening scheduled for 2022.

Japan

The company recorded operating revenue in Japan in the amount of ¥261,214 million (+10.2% year on year) and operating income of ¥31,945 million (+4.4%). Operating revenue and operating income were -5.0% and -39.1%, compared to FY2019, which was not affected by COVID-19.

Japan declared a state of emergency on April 25. In response, we temporarily closed 30 of the group's malls and urban shopping centers until May 11. Subsequently, as COVID-19 infections continued to spread, declarations of emergencies were implemented intermittently until September 30 for expanding target areas, although business restrictions were eased. However, we have seen improved customer sentiment since the declaration of emergency was lifted in October, reflecting pent-up demand after lengthy self-restraints in non-essential travel outside the home. In January, the highly contagious Omicron variant spread, and priority measures against infection were implemented. This development resulted in a return toward self-restraint in consumer spending. As a result, specialty store sales at existing malls for the consolidated fiscal year under review were +8.5% year on year (84 malls) and -17.6% compared with FY2019 (83 malls).

New malls opened during the consolidated fiscal year under review were AEON MALL Shinrifu South Wing (Miyagi Prefecture) in March, AEON MALL Kawaguchi (Saitama Prefecture) in June, AEON MALL Hakusan (Ishikawa Prefecture) in July, and AEON MALL Nagoya Noritake Garden (Aichi Prefecture) in October. Among existing malls, we reopened THE OUTLETS HIROSHIMA (Hiroshima Prefecture) in November after conducting a floor space expansion.

New Japanese Malls Opened During the Fiscal Year Ended February 28, 2022

<table>
<tr><th>Name</th><th>Location</th><th>Opening Date</th><th>Tenants</th><th>Lease Area</th></tr>
<tr><th colspan="5">Features</th></tr>
<tr><td>AEON MALL Shinrifu South Wing</td><td>Miyagi Prefecture</td><td>March 5, 2021</td><td>170</td><td>69,000㎡</td></tr>
<tr><td colspan="5">One of the largest entertainment malls in the Tohoku region, AEON MALL Shinrifu South Wing offers the first state-of-the-art experiential amusement facility in Tohoku and one of the largest cinemas in the Tohoku region. The mall also provides a digital technology-based shopping experience that includes communications via the latest 350-inch LED screen, offering new levels of convenience to our customers.</td></tr>
<tr><td>AEON MALL Kawaguchi</td><td>Saitama Prefecture</td><td>June 8, 2021</td><td>150</td><td>59,000㎡</td></tr>
<tr><td colspan="5">AEON MALL Kawaguchi, which opened in 1984 and closed for business in August 2018, was opened once again with a larger facility site under our scrap-and-build policy. The mall was renovated into a state-of-the-art mall that combines both real-world and digital elements to meet the needs of the new normal social environment. In addition to a gourmet zone consisting of 39 stores, one of the largest in the area, we have also introduced a mobile ordering service and food delivery service, available via the AEON MALL app.</td></tr>
<tr><td>AEON MALL Hakusan</td><td>Ishikawa Prefecture</td><td>July 19, 2021</td><td>200</td><td>74,000㎡</td></tr>
<tr><td colspan="5">AEON MALL Hakusan installed a tree-lined path in the center of the main mall, providing an indoor space in which customers can relax in a lush green environment. AEON MALL Hakusan offers a wide variety of stores, including entertainment, service, and retail stores, centered on the restaurant zone, one of the largest in the Hokuriku area. The zone includes a new Grand Chef's Kitchen, where visitors can enjoy dishes produced by Japan's leading chefs from various specialties.</td></tr>
<tr><td>AEON MALL Nagoya Noritake Garden</td><td>Aichi Prefecture</td><td>October 27, 2021</td><td>150</td><td>(Commercial) 37,000㎡
(Office) 22,000㎡</td></tr>
<tr><td colspan="5">We are developing the BIZrium office brand as an office/retail commercial facility. Based on the concept of a blended work-life office, Office BIZrium is a lifestyle office in which individuals have the flexibility to choose how they wish to work and live, making full use of physical space and time, and offering new added value for office workers.</td></tr>
</table>

Japanese Malls Renovated During the Fiscal Year Ended February 28, 2022

Name	Location	Date Reopened	Tenants	No. of Renovated Specialty Stores
AEON MALL Okayama	Okayama Prefecture	March 12, 2021	350	36
		October 8, 2021		11
AEON MALL Kusatsu	Shiga Prefecture	March 19, 2021	200	13
AEON MALL Okazaki	Aichi Prefecture	April 16, 2021	180	30
		September 17, 2021		24
AEON MALL Kyoto Katsuragawa	Kyoto Prefecture	April 23, 2021	220	29
AEON Lake Town kaze (Note 1)	Saitama Prefecture	April 29, 2021	230	13
		July 15, 2021		3
AEON Lake Town Outlet (Note 1)	Saitama Prefecture	April 29, 2021	120	9
		July 15, 2021		2
AEON MALL Shinrifu North Wing (Note 2)	Miyagi Prefecture	July 2, 2021	80	80
AEON MALL Kawaguchi Maekawa	Saitama Prefecture	October 8, 2021	170	29
AEON MALL Suzuka	Mie Prefecture	November 5, 2021	180	22
THE OUTLETS HIROSHIMA (Note 3)	Hiroshima Prefecture	November 26, 2021	230	33

(Notes) 1. Renovations for all three properties, including AEON Lake Town Mori, which AEON MALL manages and operates on consignment for AEON Retail Co., Ltd.

2. This property had been managed and operated on consignment for AEON Retail Co., Ltd.; however, AEON MALL acquired the property on February 28, 2021. In late January 2021, we closed the mall temporarily to conduct major renovations in terms of physical assets and services, after which we reopened the mall.

3. The mall was expanded to 230 specialty stores (+30 stores) and a lease area of 59,000m^2 (+6,000m^2).

In our Urban Shopping Center Business, we conducted a company split for OPA ("Former OPA") Effective March 1, 2021, with the newly formed company ("New OPA") acting as the surviving company. Former OPA was merged with AEON MALL Co., Ltd. in an absorption-type merger.

New OPA focuses on the management and operations of eight urban facilities, mainly located in transportation terminals, creating new value through a concentration of management resources. We established a new department responsible for the development of new businesses and business expansion. In this way, we are striving to create new business models through digital transformation, achieve operational efficiencies, and engage in other measures. We continue to improve vacant floor space ratios, a key issue, by attracting larger stores with the ability to attract customers. In October, Kanazawa FORUS (Ishikawa Prefecture) welcomed a new large-scale general merchandise store to better meet lifestyle needs and attract more customers to the facility.

With respect to the 14 community-based facilities and certain urban facilities we merged into the company, we plane to leverage our leasing capabilities to transform these locations into facilities that meet the daily needs of their local communities. At the same time, we intend to improve profitability and strengthen facilities management functions based on our operational expertise, following up with area business divisions through a sales support system. We continue to make changes by introducing specialty stores that meet the needs of the local community in each location.

c. Growth Measures and New Initiatives

■ Achieve profitable growth in overseas businesses and accelerate new mall openings

(New Mall Opening and Revitalization Strategy in China)

As of the end of the consolidated fiscal year under review, we expanded our mall network in China to 22 malls. We aim to have 29 malls in operation as of the end of fiscal 2025. Further, we plan to open AEON MALL Wuhan Jiangxia (tentative name;

Wuhan City, Hubei Province) in 2023; AEON MALL Hangzhou Qiantang New Area (tentative name; Hangzhou City, Zhejiang Province) and AEON MALL Changsha Tiantang (tentative name; Changsha City, Hunan Province) in 2024; and four malls (unannounced) in 2025.

We have identified high-growth inland areas in China as key areas for opening new malls. In addition to Hubei Province, we are looking to Hunan Province as a new area for expansion. We will work to grow the number of malls in both provinces, working from these areas as the core of our businesses inland. AEON MALL signed an agreement on cooperation and collaboration with the Changsha People's Government, Hunan Province Based on this agreement, we will establish a full cooperative partnership in the development of a large-scale shopping mall in Changsha City. We will work together with the government to leverage the active consumer market in the city and promote local economic development.

We will continue to evolve our existing malls in both physical and intangible ways through renovations and localization programs. In this way and more, we will develop specialty stores and facilities that meet the rapidly changing lifestyles of our customers, while at the same time engaging in initiatives that highlight the attractiveness of our local communities. We decided to renovate the third floor of AEON MALL Tianjin Zhongbei (Tianjin City), which had been used as a parking lot, to increase floor space for specialty retailers, working toward a fall 2022 opening for the space.

(New Mall Opening and Revitalization Strategy in ASEAN)

As of the end of the consolidated fiscal year under review, we expanded our mall network in ASEAN to 11 malls. We aim to have 23 malls in operation as of the end of fiscal 2025.

In Vietnam, a key area for us, we intend to accelerate the opening of area-dominant malls in the south and north, where we already operate malls, as well as in the surrounding cities in central Vietnam. In February, we signed the Thua Thien Hue Province Comprehensive Memorandum of Understanding for Investment and Business Promotion Related to Shopping Mall Development with the government of Thua Thien Hue Province in central Vietnam. We signed MOUs similarly with Bac Ninh Province in March, Dong Nai Province in May, and Thanh Hoa Province in November. In this way, we are building a cooperative framework for mutual mall development by strengthening cooperation with local governments to secure sites for new mall openings. Moving forward, we aim to secure an even deeper foundation for business in Vietnam, extending into regional cities. In so doing, we intend to contribute to the sustainable development and urban planning of the rapidly growing Vietnamese economy, while expanding our businesses at the same time.

We plan to open our third mall in Cambodia, AEON MALL Meanchey (Phnom Penh City) during fiscal 2022. To evolve our first mall in the country, AEON Mall Phnom Penh (Phnom Penh City) into an urban luxury mall, we have decided to renovate and expand the floor space of the mall for the first time since its opening in 2014. We are preparing for a reopening in fiscal 2023. We intend to strengthen our area dominance in Phnom Penh by developing MD that that takes advantage of the characteristics of each location, including our second AEON Mall, AEON MALL Sen Sok City (Phnom Penh City).

In Indonesia, we began construction of the fifth mall, AEON MALL Delta Mas (tentative name, Bekasi Province), with a view to opening in fiscal 2024. The planned Delta Mas City is one of the world's largest urban development projects by Sinar Mas Land, the largest real estate company in Indonesia, and Sojitz Corporation of Japan. The project aims to create a smart city representing Asia, and AEON MALL is playing an active role, contributing a central facility to the area.

We planned to open our first mall in Myanmar, AEON MALL Dagon Seikkan (tentative name; Yangong Province) in 2023. However, a coup d'état led by the Myanmar military occurred in February 2021, and the country is under a further extended declared state of emergency by the country's armed forces. We will continue to monitor the ongoing local situation and revise the construction schedule as appropriate. We continue to work with our local partner company, SHWE TAUNG REAL ESTATE CO., LTD., and we will issue an announcement as soon as the decision is final.

(New Business Development to Solve Local Issues)

As a future growth strategy standing next to our mall business, we are developing the country's first multifunctional logistics center business in Cambodia, which will serve as a platform for overseas logistics. In conjunction with this decision, we established AEON MALL (CAMBODIA) LOGI PLUS CO., LTD. As a measure for sustainable economic growth, the government of Cambodia is considering the creation of a free trade port (freeport) in Sihanoukville, which has the largest cargo volume in the country and is still under development, together with a portion of the special economic zone located in an outlying area of Sihanoukville. This concept is headed by the Sihanoukville Autonomous Port with the technical support of the Japanese government and Japan International Cooperation Agency (JICA). As the first pilot project to realize this concept, AEON MALL has established and operates a multi-function logistics center in a special economic zone neighboring the Sihanoukville Autonomous Port. The center has the necessary licenses for cross-border e-commerce businesses, including bonded functions, as well as customs clearance and fulfillment center functions. Through these efforts, we will contribute to the further development of the country, solving logistics issues, improving convenience for customers, and providing business opportunities and services to a wide variety of businesses, including our own.

■ Maximizing the Attractiveness of Brick-and-Mortar Malls Through Customer Experience (CX)
(Strengthening Value Propositions Only Experienced and Sensed in Real Spaces)
As consumer behavior and purchasing habits change at an accelerating pace, AEON MALL, which is in the business of operating brick-and-mortar malls, strives to improve our ability to attract customers by creating new customer experiences (customer experiential value) and maximizing the appeal of brick-and-mortar malls.

At AEON MALL Hakusan, we have introduced two concepts in food and beverage zones, the value of which can only be experienced at a brick-and-mortar mall: a food zone in which customers can enjoy popular local Kanazawa cuisine in a large, open space, and a restaurant zone produced by a leading Japanese chef, providing a high-quality dining experience. We introduced a next-generation entertainment facility in the AEON MALL Shinrifu South Wing that offers exciting activity experiences.

AEON MALL Nagoya Noritake Garden boasts a large-scale medical clinic outfitted with the latest medical equipment. The mall has a Health and Wellness zone with a concentration of stores with various functions based on health. In this way, the mall proposes health lifestyles to create incentives for mall customers and office workers to visit the mall.

AEON MALL Kawaguchi strives to increase the frequency of visits to the mall by enhancing the food and beverage sales zone with a wide range of products, including fresh foods, confections, and groceries.

(Creating Facility Environments to be Relaxing Spaces)
As customer needs for open and comfortable outside zones increase, we incorporate mechanisms to appeal to the five senses for comfort and ease, striving to create facility environments that will become a place of relaxation for our customers.

AEON MALL Hakusan has created a tree-lined path in the center of the main mall, providing an indoor space in which customers can relax in a lush green environment. The entire food zone from the first to third floor in AEON MALL Nagoya Noritake Garden faces the lush outdoor landscape. Outdoor and terrace seating offer relaxing spaces in which customers enjoy the natural environment and the four seasons.

(Developing New Business Models Through Co-Creation With Partner Companies)
In response to the type of new value sought by customers, we intend to develop new business models via co-creation with partner companies and local residents, endeavoring to enhance the attractiveness of our facilities by creating new customer experiences.

AEON Lake Town Kaze (Saitama Prefecture) features a pop-up store opened in collaboration with Sojitz Infinity Inc. and specializing in *femtech* to solve women's health issues. This shop provides products, services, and information that address women's mental and physical concerns, offering solutions to these issues and encouraging women to be more active in society. The shop also contributes to improving the literacy of society as a whole with regard to women's health issues.

(Effective Use of Mall Grounds)
As a new use for grounds surrounding existing malls, we intend to create environments tailored to new lifestyles in collaboration with local governments and partner companies, etc. This lively atmosphere will encourage interaction among people, offering new value for customers that cannot be found in conventional malls, as well as providing increased rental and ancillary income.

AEON MALL Kyoto Katsuragawa (Kyoto Prefecture) has installed a house builder's interactive showroom on an outdoor site that had previously been idle space. This showroom offers the added value of customers being able to view an actual model house during negotiations in the mall shop.

AEON MALL Hanyu (Saitama Prefecture), renovated in March 2022, now features three interior and exterior parks, as well as an outdoor terrace for kitchen cars and other vendors to set up stores. In this space, visitors can enjoy a variety of meals outdoors.

■ Build Next-Generation Malls and Pursue the Urban Shopping Center Business

(Creating Diverse Development Patterns)

The direction of mall development in the future calls for market analysis from various perspectives, based on which we will build next-generation malls across a variety of development patterns according to the characteristics of the location in question. In this way, we will develop malls capable of proposing new value.

At AEON MALL Nagoya Noritake Garden, we are developing the *BIZrium* office brand as an office/retail commercial facility. Based on the concept of a blended work-life office, Office BIZrium is a lifestyle office in which individuals have the flexibility to choose how they wish to work and live, making full use of physical space and time, and offering new added value for office workers. Overseas, we plan to develop BIZrium as an office/retail commercial facility at AEON MALL Hoang Mai (tentative name; Hanoi, which is scheduled to open as the seventh store in Vietnam.

THE OUTLETS KITAKYUSHU (Fukuoka Prefecture) is scheduled to open in April 2022 as the second mall under the concept of a regional innovative commercial facility. In addition to the outlet style of shopping experience, the mall is developing an education tourism center for learning through co-creation with relevant local institutions and companies.

To solve structural issues in Japanese society such as aging population, worker shortage, “shopping refugees,” childcare support, and disaster-response measures, we intend to open Hachioji Interchange North (tentative name; Tokyo), a next-generation commercial facility with a Customer Fulfillment Center (CFC) developed by AEON Next Preparatory Corporation. As a new lifestyle facility that fuses online and offline channels, we plan to develop not only a home delivery function, but also a next-generation supermarket with a physical store attached to the CFC, a cinema complex, sports facilities for the physically challenged, and a dining facility connected to a roadside station.

Under a scrap-and-build policy, AEON MALL Yokohama Nishiguchi (tentative name; Kanagawa Prefecture) will be built on the site of the former Daiei Yokohama Nishiguchi facility, which closed in February 2019, together with the adjacent Yokohama VIVRE (operated by subsidiary OPA Co., Ltd.). This project will contribute to a revitalization of the commercial environment of the Yokohama Station West Exit area.

Also under a scrap-and-build policy, the Jiyugaoka 2-chome Plan (tentative name; Tokyo) will be built on the site of the Jiyugaoka Peacock Store, which closed in May 2021. The unique streets of Jiyugaoka will lead into the facility, which features a building plan that allows people to stroll around in search of new encounters and discoveries, not to mention adding to the daily convenience of local residents. We also plan to construct a supermarket in the project.

■ Pursue Digital Transformation (DX)

(Acquisition of DX Certification)

In January 2022, we obtained certification as a DX Certified Business Operator under the DX Certification System established by the Ministry of Economy, Trade and Industry. The DX Certification System is based on the *Act on Facilitation of Information Processing* and aims to promote DX throughout Japan by having the government certify companies demonstrating excellent management and systems governance. We believe in the importance of the sensibilities of the individual and individual personalities. Our vision for DX is to achieve DX centered on individual sensibilities. In our pursuit of digital transformation (DX), we will continue to develop businesses that create new value according to the life stages of our customers, create new business models via co-creation with local communities and partners using digital technology and data, and establish operating systems for the next generation.

(AEON MALL Co-Creation Program)

As an initiative based on co-creation with external partners, we implemented the AEON MALL Co-Creation Program aiming to create innovative businesses and services in collaboration with a variety of companies. With a view to the challenges of local communities and major changes in the consumption environment, this program invites start-up companies to join us in creating businesses together for new future of living through the combination of our management resources with external technologies and networks. From among 123 applicants, we selected three companies with whom to work. Moving forward, we will work with these companies to prepare for proof-of-concept tests and examine the impact of these new business.

(Proof-of-Concept Test for Marketing Data)
AEON MALL launched a proof-of-concept test related to marketing data, utilizing digital technology and data to create sales areas and improve services to customers. The pop-up femtech specialty store in AEON Lake Town kaze provides a solution for obtaining non-identifying data on customer behavior and attributes. We launched this project based on the judgment that we will be able to reflect this data in making sales areas that respond to the characteristics of the shop in question, as well as to diversifying consumption channels. This proof-of-concept test combines customer behavior, market data, and various other data stored by AEON MALL to create effective marketing data, which will be utilized for solutions tailored the life stages of each individual customer.

■ Pursue Medium-Term Strategies, Accelerate Reforms Based on ESG Perspectives
AEON MALL selected 10 materialities from five areas deemed important from an ESG perspective: (1) Develop community and social infrastructure; (2) Build community relationships; (3) the environment; (4) diversity and work-style reform; and (5) accountability in business. To reach this decision, we conducted a materiality analysis in consideration of the SDGs and social issues in Japan and overseas, evaluating the level of importance to our stakeholders and the Company. We are engaged in measures toward ESG-based management, working to raise employee awareness. Such measures include incorporating matters related to materialities in the personal goals of our employees.

The AEON Group pursues sustainable management under the AEON Basic Policy on Sustainability, which is a group-wide policy for the development of a sustainable society. This policy identifies priority issues related to the environment (achieve a decarbonized society, preserve biodiversity, promote resource recycling) and society (create products and stores meeting the expectations of society, engage in fair business practices that respect human rights, collaborate with communities). AEON accomplishes sustainable management by engaging with each of these issues. AEON MALL is also committed to exercising ESG-based management, growing revenues and corporate value for a stronger management foundation and higher levels of development.

(Measures to Address Environmental Issues)
・Mall Operations With Effectively Zero Electricity and Gas CO_2 Emissions
AEON MALL Kawaguchi is the first large-scale commercial facility in Japan to operate using electricity and gas with zero CO_2 emissions. In addition to energy conservation efforts, we procure electricity offering effectively zero CO_2 emissions through the Non-FIT Non-Fossil Certificate Electricity Menu (Note 1) offered by TEPCO Energy Partner, Inc. For city gas, we use Carbon Neutral City Gas (Note 2) supplied by Tokyo Gas Co., Ltd.

Similarly, AEON MALL Nagoya Noritake Garden uses electricity supplied by Chubu Electric Power Miraiz Co., Inc. under the Non-FIT Non-Fossil Certificate Electricity Menu (Note 3) and city gas supplied by Toho Gas Co.

・Working With Local Communities to Create Renewable Energy Locally for Local Consumption
AEON MALL aims to generate locally produced and renewable energy locally for local consumption ("Renewable Energy") together with customers in local communities. We intend to use CO_2 emission-free electricity ("CO_2-Free Electricity") for all electricity used in our facilities, including our specialty store tenants.

Our goal is to convert the electricity used in 160 malls managed and operated by AEON MALL to Renewable Energy by fiscal 2025. We will switch gradually from the procurement of effectively CO_2-Free Electricity through direct renewable energy contracts in each region to Renewable Energy (including PPA (Note 4)). By fiscal 2040, 100% of our directly managed malls will be operated under Renewable Energy (approximately 2 billion Kwh/year). We will begin with solar power generation in fiscal 2022, and gradually utilize other power generation methods such as wind power, hydrogen energy, and storage batteries.

We will also pursue V2AEON MALL (from vehicle to AEON MALL), which is an evolution of the conventional V2H (vehicle to home) approach. We will establish a customer-participatory renewable energy recycling platform by which electricity generated in the home (surplus electricity) is discharged to the mall by via electric vehicles (EV). We will provide visibility in an environmental contribution index and award points according to the amount of discharge. An app will manage action records and quantify environmental contribution activities such as tree planting, collection of waste plastic, cooperation in food loss prevention, etc., in addition to the discharge of renewable energy by EVs. In this way, we will provide visibility to the meaning of the activities and pursue initiatives together with customers.

By supporting our customers in turning their own environmental awareness into action, we will work with them to build decarbonized societies in Japan and overseas.

・Happy Clothes Relay Clothing Collection

To create a recycling-oriented society AEON MALL pursues the 6Rs, which consist of the 3Rs (Reduce, Reuse, and Recycle) plus Rethink, Repair, and Returnable. We are moving forward in efforts to create circular malls.

As part of these efforts, we held a Happy Clothes Relay event at malls across Japan to collect clothing that customers no longer use, collecting 103 tons of clothing over a four-day period. The clothes collected will be recycled and reborn as new clothes, contributing to the reduction of clothing loss and CO_2 emissions. Also, as part of the Happy Clothes Relay! World, we donated a portion of the clothing received from customers at seven malls in Japan to local children through our malls in Cambodia.

(Notes) 1. A service option in which the environmental value procured by TEPCO is sent to the location of customer demand, together with grid electricity, resulting in effectively CO_2-free electricity for the user.
2. Greenhouse gases generated in the process from mining to the combustion of natural gas are offset with CO2 credits (carbon offsets). Eligible CO_2 credits are those that have been certified by highly reliable verification organizations for the CO2 reduction effects of environmental conservation projects around the world.
3. CO_2-free electricity resulting by procuring electricity and non-fossil certificates from non-FIT hydroelectric power sources owned by a group company of Chubu Electric Power Miraiz Co., Inc.
4. A contract with an electricity retailer providing a means of receiving power supplied from a dedicated power plant without owning any assets directly.

(Measures to Address Social Issues)

・Anti-Infection Initiatives

AEON MALL Ageo (Saitama Prefecture), AEON MALL Shinrifu South Wing, AEON MALL Kawaguchi, AEON MALL Hakusan, and AEON MALL Nagoya Noritake Garden received the WELL Health-Safety Rating (Note), a global evaluation of measures against COVID-19 infection. In addition to measures to prevent droplet and contact infections within the facility, we established comprehensive safety measures at each entrance and a cleaning management system within the facility for the safety and security of customers and employees at specialty stores.

・Support for COVID-19 Vaccinations in Japan and Overseas

In cooperation with local governments, we are offering AEON MALL event halls, parking lots, and other facilities as COVID-19 vaccination centers. AEON MALL Hiroshima Fuchu (Hiroshima Prefecture), AEON MALL Kasukabe (Saitama Prefecture), AEON MALL Asahikawa (Hokkaido), and nearly 30 other malls nationwide are being used as sites for COVID-19 vaccinations. Approximately 490,000 individuals have received vaccinations at AEON MALL facilities. By maximizing the use of our malls, we strive to create a safe, secure, and comfortable lifestyle for all community members. Overseas, as well, AEON MALL Binh Duong Canary (Binh Duong Province) in Vietnam is providing a large-scale vaccination site inside the mall. Through its efforts, the mall is facilitating approximately 650 vaccinations per day for the approximately 3,300 people working at factories and commercial facilities in the city. In cooperation with the government of Indonesia, we established a vaccination center at AEON MALL Jakarta Garden City (East Jakarta City), providing vaccinations for approximately 1,400 people. To prevent the spread of infection in local communities, we continue to cooperate in ensuring the safety and security of local residents.

In addition, The AEON Group is supporting workplace COVID-19 vaccinations for group employees throughout Japan to increase vaccination rates in every region. Several malls, including AEON MALL Makuhari Shintoshin (Chiba Prefecture) and AEON MALL Lake Town (Saitama Prefecture) are being used as vaccination centers. We are striving to create a workplace environment where employees can work with peace of mind by expanding the scope of vaccinations not only among our own employees, but also among employees of specialty store tenants.

・Initiatives for Industry-Academia Collaboration

As the impact of COVID-19 has limited the opportunities and locations for students to conduct academic and cultural activities, we have been providing our malls as spaces for these activities.

In April, we signed a Memorandum of Understanding on Industry-Academia Collaboration between Sanko Gakuen and AEON MALL Nagoya Noritake Garden. Based on this memorandum of understanding, we held an event called “Find Your Own Christmas” between November 27 and December 25. Students from Nagoya Children’s Education College, Nagoya Beauty Art College, and other institutions attended activities that included workshops for making Christmas tree decorations, makeup application experiences, exercise experiences, and other activities.

We concluded an agreement in June on industry-academia collaboration between AEON MALL, the International Research Institute of Disaster Science at Tohoku University, and the AEON Environmental Foundation. Aiming to create safe, secure, and resilient communities, the three parties established the AEON Research Division for the Promotion of Disaster-Resistant Environmental Cities within the Tohoku University International Research Institute of Disaster Science. We plan to hold workshops and other events with the participation of local residents, focusing three main topics: disaster prevention and mitigation, forest design, and measures against infectious diseases. In particular, we are developing a disaster relief facility on the former site of the Tohoku University Amamiya Campus, which we plan to test and implement from expert perspectives for the confident use by community members.

We signed a memorandum of understanding for industry-academia collaboration with Kokusai Business Gakuin, Kinjo University/College, and the Ishikawa Prefecture Suisei High School to promote initiatives between AEON MALL Hakusan and area schools as part of the Kagayaki Atsumaru Project. The mall will provide the schools with a place to present their research, and the schools will use the space for research presentations and events. In this way, the mall will deepen cooperation with each school, continue to revitalize communities, and contribute to regional development.

(Note) The WELL Health-Safety Rating is a global standard conducted by a third-party verification organization to ensure facilities in the with-COVID-19 era are managed and operated in consideration of health and safety for visitors, employees, and others.

(Strengthening Corporate Governance)

・**Management Strategy Advisory Committee**

The Company provides opportunities for outside directors to participate voluntarily in the Management Council, an advisory body to the president and CEO. The directors use this opportunity to discuss important matters related to management strategies, management plans, and business execution. After discussions and preliminary explanations to outside directors and members of the Audit & Supervisory Board, the board of directors proceed to ensure constructive discussions during meetings.

Furthermore, in May 2021, the Company established the Management Strategy Advisory Committee. The purpose of this committee is to response to requests for advice from the president and CEO, identified topics in advance from important policy and management issues, and exchange opinions on approaches, the direction of initiatives, specific plans, and progress, offering advice to the president and CEO. The committee is structured and operated to make the most use of the knowledge of independent outside directors in policy implementation and resolution of management issues. The committee also emphasizes discussions on the direction of strategies and initiatives, as well as the appropriateness and rationality of standards and rules.

・**Establishment of the Governance Committee**

In November 2021, we established a new Governance Committee consisting of five independent outside directors to oversee conflict-of-interests in transactions. Important transactions and actions that may involve conflicts of interest between controlling shareholders and minority shareholders are deliberated and reviewed by the committee. After confirming that the fairness and reasonableness of such transactions are ensured from the perspective of improving the Company's corporate value, the transactions are deliberated and approved by the board of directors. The transaction in question is then supervised appropriate according to the materiality of the transaction. To strengthen the Company's governance function further, the Company discusses ways to improve the evaluation of the effectiveness of the board of directors and review criteria for submitting proposals to the board.

(Sustainability Finance Initiatives)

In November, we issued ¥20,000 million of our first-ever Sustainability-Linked Bonds ("Bonds," see Note 1) for the purpose of solving social issues and for environmental considerations. In September 2020, we raised ¥30,000 billion through the issuance of Sustainability Bonds. We used the proceeds for measures against COVID-19 and for reconstruction assistance related to the Great East Japan Earthquake. We issue these Bonds as a sustainability finance initiative toward the creation of decarbonized societies. These Bonds are issued on terms that vary according to the whether we achieve predetermined sustainability targets, and we will continue to contribute sustainable societies by expanding our ESG initiatives further.

Name	AEON MALL Co., Ltd. Unsecured Bond Series 28 (with inter-bond pari passu clause) (Sustainability-Linked Bonds)
Term	5 years
Amount	¥20,000 million
Coupon Rate	0.160%
Condition Determination Date	November 19, 2021
Date of Issuance	November 26, 2021
Redemption Date	November 26, 2026
Rating	A- (Rating and Investment Information, Inc.)
SPT (Note 2)	CO_2-free electricity used at all AEON MALL locations in Japan by the end of fiscal 2025
Bond Attributes After Determination	If the SPT is confirmed to be unachievable at the time of judgment at the end of fiscal 2025, an amount equivalent to 0.2% of the bond issue amount will be donated to a public interest incorporated foundation (AEON Environmental Foundation, etc. (Note 3)) by the end of October 2026.
Lead Underwriter	Mizuho Securities Co., Ltd. (Administration), Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd.
Sustainability-Linked Bond Structuring Agent (Note 4)	Mizuho Securities Co., Ltd.
Third-Party Evaluation	We received a second opinion about the Bonds from Rating and Investment Information, Inc. about the conformity of these bonds with the Sustainability-Linked Bond Principles of the International Capital Market Association.

(Notes) 1. Refers to bonds whose terms and conditions vary depending on whether the issuer achieve predetermined sustainability goals. The bond proceeds do not have to be used for specific purposes necessarily, but the bonds are evaluated based on key performance indicators (KPIs) and SPTs determined beforehand by the issuer. SPTs are target values to be achieved with respect to the KPI. The terms of the bond change depending on whether the KPI has achieved the SPT, thereby motivating the issuer to achieve the SPT.

2. Sustainability performance target. A goal based on the issuer's business strategy that determines the terms and conditions of the sustainability-linked bond issue.

3. The AEON Environmental Foundation (https://www.aeon.info/ef/) is engaged in public service activities focusing on grants, support, tree planting, awards, and environmental education. Established in December 1990 with donations from Mr. Takuya Okada (honorary chairman and advisor of AEON Co., Ltd. and chairman of AEON Environmental Foundation) and two others, based on the AEON basic principle of *pursuing peace, respecting humanity, and contributing to local communities*. After receiving approval as a designated public interest corporation in 1991, the foundation became a public interest incorporated foundation in 2009.

4. Entities that provide support for the implementation of sustainability finance through advice on the design of sustainability-linked bond products and on obtaining external third-party evaluations such as second opinions.

2) Future Outlook

a. Overseas

We plan to open one new mall in Cambodia during the fiscal year ending February 28, 2023 (FY2022). Among existing malls, we plan to expand the floor space of one mall in China. Our overseas business has entered a stage of expanding profits as a growth driver for the Company, and we will proceed in securing a pipeline to accelerate the opening of new malls in the future. At the same time, we are moving forward with renovations for new tenants, floor space expansions, and initiatives to improve our operations at existing malls.

New Overseas Malls Scheduled to Open During the Fiscal Year Ending February 28, 2023

	Name	Location	Opening Date	Tenants	Lease Area (m^2)
Cambodia	AEON MALL Meanchey	Phnom Penh City	FY2022	250	98,000

(Note) The fiscal year of the opening date is the fiscal year used in Japan. The accounting period for companies outside Japan is the year ending December 31.

b. Japan

We plan to open two new malls in Japan during the fiscal year ending February 28, 2023 (FY2022). We intend to grow earnings by pursuing aggressive floor space expansion and renovation, while opening new malls that take advantage of the characteristics of the locations where they are situated.

New Japanese Malls Scheduled to Open During the Fiscal Year Ending February 28, 2023

Name	Location	Opening Date	Tenants	Lease Area (m^2)
THE OUTLETS KITAKYUSHU	Fukuoka Prefecture	Apr 2022	170	48,000
(tentative name) AEON MALL Toki	Gifu Prefecture	FY2022	150	TBA

Financial Forecast

We project earnings for the fiscal year ending February 28, 2023 of ¥404,000 million in operating revenue, ¥55,5000 million in operating income, ¥45,5000 million in ordinary income, and ¥23,000 million in net income attributable to owners of parent. Beginning with the fiscal year ending February 28, 2023, the Company will adopt *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29), etc. The consolidated earnings forecast above is based on this standard. Since operating revenue has been affected significantly by the adoption of this standard, our estimate of operating revenue results for the fiscal year ending February 28, 2023 before the adoption of this standard is an increase of 13.3% year on year. Operating income, ordinary income, and net income attributable to owners of parent have not been affected by the adoption of the standard.

The outlook for COVID-19 infections in Japan and overseas may remain uncertain due to the re-emergence of outbreaks caused by new variants and other factors. We will announce revisions to these forecasts promptly if such becomes necessary.

(2) Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,463,256 million, up ¥69,057 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in property, plant and equipment of ¥91,144 million stemming from an increase in new mall development, reactivation of existing malls, and investments in the acquisition of property for future development of ¥118,253 million in excess of ¥63,735 million of depreciation and amortization. We also recorded a significant increase in foreign currency translation adjustments. These figures were offset in part by a decrease in cash and deposits of ¥44,293 million.

Liabilities

Total liabilities stood at ¥1,036,325 million, up ¥29,612 million from the end of the prior consolidated fiscal year. This result was mainly due to an increase of ¥35,000 million in bonds (including current portion), an increase in lease obligations of ¥10,560 million (including lease obligations under current liabilities), an increase in lease deposits from lessees of ¥8,420 million, and an increase in long-term debt of ¥2,373 million (including current portion). These increases were offset in part by decreases of ¥21,491 million in deposits received from specialty stores and ¥5,313 million in accounts payable-other (related to facilities).

Net assets

Net assets totaled ¥426,931 million, up ¥39,444 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase of ¥9,039 million in retained earnings stemming from the recording of ¥19,278 million in net income attributable to owners of parent and ¥10,239 million in dividend payments, as well as an increase in foreign currency translation adjustment of ¥30,027 million.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the current consolidated fiscal year amounted to ¥82,973 million, down ¥41,106 million compared to the end of the prior consolidated fiscal year.

The following text describes cash flows for the period under review:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥61,492 million, compared to cash flows of ¥61,621 million in the prior consolidated fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥26,149 million (¥4,268 million in the year-ago period) and depreciation and amortization of ¥63,735 million (¥58,586 million in the year-ago period). These amounts were offset in part by a decrease in deposits received from specialty stores of ¥22,122 million (¥5,184 million in the year-ago period) and a decrease in income before income taxes and other adjustments of ¥11,403 million (¥11,528 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥122,382 million, compared to ¥64,444 million for the same period in the prior fiscal year. This result was mainly due to purchases of property, plant and equipment in the amount of ¥117,864 million (¥57,535 million in the year-ago period) for equipment at malls expanded and revitalized in the prior consolidated fiscal year (AEON MALL Kochi) and malls newly opened in the prior consolidated fiscal year (AEON MALL Ageo), as well as for purchases of assets related to AEON MALL Sentul City during the consolidated fiscal year for land for development.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥8,225 million, compared to net cash provided of ¥12,244 million for the same period in the prior fiscal year. This result was mainly due to proceeds from the issuance of bonds in the amount of ¥65,000 million (¥60,000 million in the year-ago period) and proceeds from long-term debt of ¥34,026 million (¥23,734 million in the year-ago period). During the same period, the company made cash outlays for repayment of long-term debt of ¥33,644 million (¥35,774 million in the year-ago period), redemptions of bonds of ¥30,000 million (¥15,000 million in the year-ago period), ¥16,384 million in repayment of lease obligations (¥11,727 million in the year-ago period), and ¥10,239 million in dividend payments (¥9,100 million in the year-ago period).

With respect to capital resources and cash liquidity, the AEON MALL Group uses cash generated through free cash flows from operating activities, borrowings from financial institutions and cash procured through corporate bonds, etc. for working capital,

capital investment, dividend payments, etc.

(Reference) Changes in Cash Flow Indicators

	Fiscal Year ended February 28, 2021	Fiscal Year ending February 28, 2022
Equity ratio (%)	27.1	28.5
Equity ratio based on market capitalization (%)	29.2	25.1
Ratio of interest-bearing debt to cash flow (annual)	11.5	12.3
Interest coverage ratio (times)	6.3	5.7

(Notes) Equity ratio: Equity/total assets
Equity ratio based on market capitalization: Market capitalization/total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow
Interest coverage ratio: Cash flow/interest payments

* 1. All indicators were calculated using consolidated financial data.
2. Interest-bearing debt consists of short-term debt, current portion of long-term debt, lease obligations (current liabilities), commercial paper, bonds, and long-term debt, reflected in liabilities shown on the Consolidated Balance Sheet.
3. Cash flow and interest payments are based on the corresponding items shown in the Consolidated Statements of Cash Flows.

(3) Basic Policy on Income Distribution, Dividends for Fiscal Years Ended February 2022 and February 2023

AEON MALL recognizes that returning profits to shareholders through improving earnings power is a key management priority. Our basic policy on income distribution emphasizes steady dividend payments to shareholders, while using internal reserves to invest in structural business improvements, including investments in growth businesses, new businesses, and other areas that strengthen our operating foundation. Our policy is to maintain a consolidated payout ratio of at least 30%.

We issue dividends twice annually, in the interim and at the end of the fiscal year, according to the *provisions of Article 459, Paragraph 1 of the Companies Act*. The Company’s articles of incorporation state that dividends paid from surplus are to be determined by resolution of the board of directors.

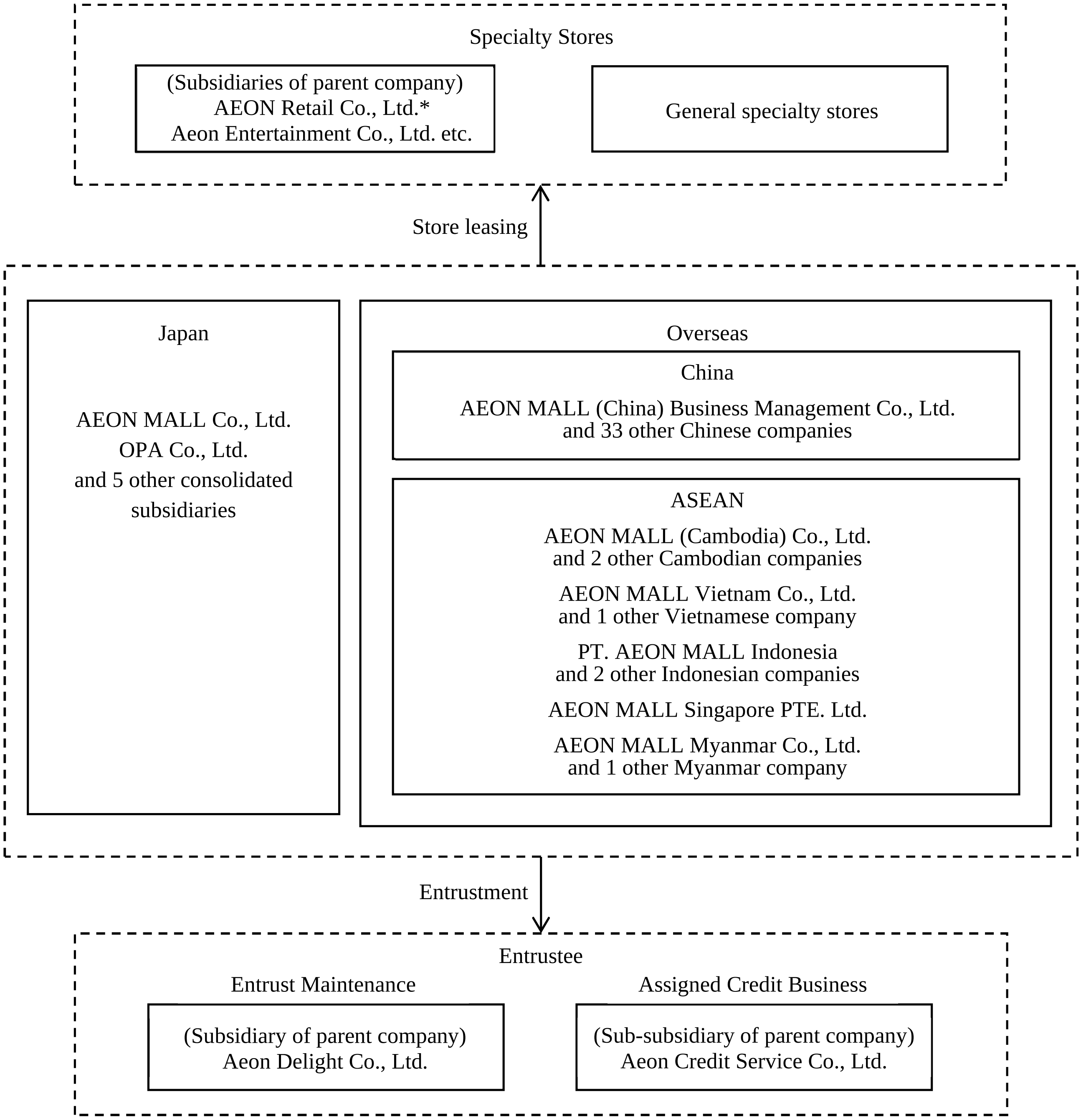
At a meeting held on April 7, 2022, our board of directors resolved to pay year-end dividends of ¥25 per share, in line with our initial plan. In combination with an interim dividend of ¥25 per share, our annual dividend for the fiscal year amounted to ¥50 per share. Consolidated payout ratio was 59.0%. We expect the annual dividend for the next fiscal year to remain unchanged at ¥50 per share.

2. State of the Corporate Group

The AEON Mall Group consists of parent AEON MALL Co., Ltd. (shopping mall operations) and 51 consolidated subsidiaries, including OPA Co., Ltd., AEON MALL, five other Japanese subsidiaries, AEON MALL (China) Business Management Co., Ltd. and 33 other subsidiaries in China, three subsidiaries in Cambodia, two subsidiaries in Vietnam, three subsidiaries in Indonesia, one subsidiary in Singapore, and two subsidiaries in Myanmar. Among consolidated subsidiaries, OPA Co., Ltd. and two others are engaged in urban shopping center operations, while the remaining 48 subsidiaries are engaged in shopping mall operations.

AEON MALL Co., Ltd. is the central entity in the AEON Group responsible for development operations. The Company leases mall shop space to general tenants, as well as AEON Retail Co., Ltd. (general retail operator) and other companies within the AEON Group.

The following diagram illustrates the relationships between AEON MALL Co., Ltd. and our affiliated companies.



* AEON MALL manages and operates 49 large-scale commercial facilities under contract with AEON Retail Co., Ltd. and AEON TOHOKU Co., Ltd.

3. Management Policies

(1) Basic Management Policies

AEON MALL Co., Ltd. is a Life Design Developer (note), creating the future of community living as we pursue our basic principle that the customer comes first. Under this management philosophy, we defined our corporate activities as Heartful Sustainable. In this way, we contribute to the development and revitalization of communities and society as a corporate citizen, striving to achieve sustainable societies through various initiatives.

We develop malls localized to the characteristics of each community we serve in Japan and around the world, contributing to better individual lifestyles and community growth. Through efforts in co-creation with customers, communities, partner companies, shareholders, and investors, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be central facilities for local communities.

(Note) Our definition of Life Design extends beyond the framework of the shopping mall. Life Design addresses functions associated with different customer life stages, including not only shopping, but also interaction with other people, cultural development, and other features contributing to future lifestyles.

(2) Target Performance Indicators

To maximize cash flows in the future and improve corporate value, the Company has established target financial indicators (FY2025 targets): EPS growth rate of 7% (annual growth rate from fiscal 2019 through fiscal 2025); net interest-bearing debt/EBITDA ratio of 4.5 times or less, and return on invested capital (ROIC) of at least 5%.

The Company recorded the following indicators for the fiscal year ended February 2022.

Financial Indicators	Target (for FY2025)	Results (for FY2021)
EPS Growth Rate	7%	-25.0%
Net interest-bearing debt/EBITDA ratio	Within 4.5 times	6.6 times
ROIC (Return on Invested Capital)	At least 5%	2.4%

(Note) EPS: net income attributable to owners of parent/average outstanding shares during the year
Net interest-bearing debt/EBITDA ratio: (interest-bearing debt - cash and cash equivalents)/ (operating income + depreciation and amortization on the statement of cash flows)
ROIC: Operating income x (1-effective tax rate) / average equity for the fiscal year + average interest-bearing debt for the fiscal year)

(3) Medium-Term Management Strategies and Priorities

The Company has defined a long-term vision through the fiscal year ending February 2026 (FY2025) by which we will pursue our management philosophy and achieve further business growth.

Vision for 2025
(1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
(2) Make AEON MALL a leading global commercial developer with consolidated operating income of ¥90,000 million.
(3) Conduct floor space expansions and renovations in Japan to become the overwhelmingly dominant mall in each region.
(4) Secure growth markets overseas, expand overseas business to 50 malls, and record operating income of ¥27,000 million (25% profit margin)

Under our Long-Term Vision, the current medium-term management plan (FY2020-FY2022) which we launched in fiscal 2020 outlines four growth policies: (1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Pursue a financing mix and strengthen governance structures to support growth; and (4) Pursue ESG-based management. In pursuing growth measures, we established the following management issues and goals, aiming to achieve sustainable growth together with local communities through the creation of social and economic value through management based on an ESG perspective.

Management Issues and Future Vision
(1) Achieve Profitable Growth in our Overseas Business and Accelerate New Mall Openings Aim for high profit growth in our overseas business, accelerating the opening of new malls in the growing markets of China and ASEAN, and expanding floor space at existing malls.
(2) Maximize the Appeal of Brick-and-Mortar Malls Through Customer Experience (CX) Maximize the attraction of brick-and-mortar malls in our business in Japan by offering community solutions, creating new initiatives in collaboration with tenant companies, striving for the rapid resolution of vacant floor space and other priority issues, and creating a customer experience (CX).
(3) Build Next-Generation Malls and Pursue the Urban Shopping Center Business Create environments responding to the era of the new normal, pursuing an urban shopping center business (urban development) through next-general malls, office complexes, and the revitalization of the OPA business.
(4) Pursue Digital Transformation (DX) Leverage digital and data technologies to pursue digital transformation (DX), including the creation of new business models, business development that creates new customer lifestyles, operating systems for a new era, and improved employee satisfaction.
(5) Pursue Medium-Term Strategies, Accelerate Reforms Based on ESG Perspectives Create economic, social, and environmental value for stakeholders by accelerating reforms based on ESG perspectives, with a focus on addressing materialities (key issues) using clearly defined performance indicators.

AEON MALL selected 10 materialities from five areas deemed important from an ESG perspective: (1) Develop community and social infrastructure; (2) Build community relationships; (3) the environment; (4) diversity and work-style reform; and (5) accountability in business. To reach this decision, we conducted a materiality analysis in consideration of the SDGs and social issues in Japan and overseas, evaluating the level of importance to our stakeholders and the Company. We are engaged in measures toward ESG-based management, working to raise employee awareness. Such measures include incorporating matters related to materialities in the personal goals of our employees.

Materiality	Measures	
Develop community and social infrastructure ・Developing sustainable and resilient infrastructure ・Production consumption formats	・Development of safe, secure, comfortable facilities ・Development of malls attractive to the local community ・Build disaster-resistant communities	・Expand public function offerings ・Encourage the spread and use of electric vehicles (EV) ・Encourage the use of public transportation
Build community relationships ・Cultural preservation and succession ・Declining birthrate and aging society	・Happiness Mall initiatives ・Ultimate localization that bolsters attractiveness to the community	
Environment ・Climate change, global warming ・Biodiversity, protect natural resources	・Dealing with climate change, global warming ・AEON Hometown Forest Project (biodiversity)	・Recycling waste products
Diversity and work-style reform ・Health and welfare ・Diversity, work styles	・AEON Yume-Mirai Nursery Schools ・Employee globalization	・Nadeshiko Brand ・Improve employee satisfaction (ES), including tenant employee satisfaction
Accountability in business ・Human rights ・Bribery	・Human rights policies, human rights structure, human rights training ・Anti-corruption initiatives	

(1) Develop Community and Social Infrastructure
(Safe, secure, and comfortable mall operating systems)

Based on the AEON COVID-19 Prevention Protocol, a standard for quarantine measures established by AEON to protect the health and livelihoods of customers and employees, we will continue to manage and operate improved mall environments that offer thorough infection prevention measures.

(Disaster-response agreements)
We are establishing stronger partnerships with external partners such as governments and private companies to create safe and secure communities. In Japan, most of our malls have concluded agreements with local governments for cooperation in disaster prevention activities. AEON has concluded agreements with the Japan Ground Self-Defense Force, Japan Airlines Co., Ltd., and electric power companies throughout Japan. In the event of an emergency, we will cooperate and provide support, including infrastructure development and supplies, to serve as a base for reconstruction.

(2) Build Community Relationships
(Localization efforts)
We endeavor toward deeper localization efforts in Japan to maximize the attractiveness of brick-and-mortar malls through customer experience (CX). In Japan, one of our management visions states that "we, together with our partners, will take on the challenge of hyper-localization to continue refining the appeal of local communities." In 2015, we began plans for to this end through AEON MALL collaborations in six areas: (1) Industry; (2) Education; (3) Government; (4) Private Organizations; (5) Culture & History; and (6) Products. We launched a similar initiative in China beginning in 2021, and we intend to enhance the presence value of AEON MALLL facilities in the region through initiatives to communicate the attractiveness of local communities in regions overseas.
(AEON Mall Walking)
We have set up walking courses in most of our malls in Japan to support healthy lifestyles. Using these courses, customers can easily exercise while shopping, regardless of season, weather, or time of day.

AEON MALL and Chiba University conducted joint research on "AEON Mall Walking and Health." Further, aiming to support the healthy lifestyles of local customers, we conduct initiatives that include the installation of walking courses and walking events inside malls, as well as the inclusion of a walking feature in the AEON MALL app. The research in question aims to clarify the impact of the AEON MALL Walking initiative on the health of local residents and the community through industry-academia collaboration as an OPERA accepted project.

(3) Environment
(AEON MALL Decarbonization Vision)
As a decarbonization initiative based on AEON Decarbonization 2050, we aim to reduce total CO_2 and other emissions in Japan to zero by the year 2040.

To date, we have streamlined air conditioning operations, installed high-efficiency energy-saving equipment, installed solar systems on mall roofs, and introduced LED lighting. The goal of these efforts was to reduce energy consumption by 50% in the year 2020 as compared to 2010. We actually achieved a 55.1% reduction in energy consumption (per unit of floor space) compared to 2010. In addition to these measures, we set a new goal of operating all AEON MALL locations in Japan using effectively CO_2-free electricity by the year 2025 by procuring energy from off-site sources and pursuing direct contracts for renewable energy. As the majority of CO_2 emissions arise from the use of electricity, we will reduce our CO_2 emissions in Japan by 80% by the year 2025 compared to 2013. We will also accelerate efforts to achieve a decarbonized society in Japan and overseas by reducing to zero all CO_2 emissions from all AEON MALL business activities.

(Information disclosure based on TCFD)
In June 2020, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD, a task force for information disclosure of business risks and opportunities posed by climate change.

We referenced the climate change scenarios in the Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC), and selected the 2℃ scenario and the 4℃ scenario. The time horizon of our analysis covers the impact of climate change in the year 2050. Based on these assumptions, we conducted scenario analysis to estimate the impact of climate change.

We identified major climate change risks and opportunities in Japan, China, and certain ASEAN countries where we operate our mall business based on external information. We then collected future projection data on each risk and opportunity. Based on this approach, we examined the risks and opportunities associated with the transition to a decarbonized society and the physical risks and opportunities arising from climate change. Here, we identified key risks and opportunities that could impact our businesses between now and 2050.

Through further scenario analysis, we will conduct both qualitative assessments and quantitative impact assessments to understand the extent of financial impact due to climate change. We will strive to disclose this information in an appropriate manner.

(Establishment of SBTs)
AEON MALL submitted a letter of commitment to the SBT Initiative (SBTi) defining our science-based targets (SBTs) for the reduction of greenhouse gas emissions consistent with the targets set forth in the Paris Agreement.

SBTi is an international consortium that encourages companies to set science-based targets that are consistent with the levels required by the Paris Agreement. When a company's long-term greenhouse gas reduction targets meet the level required to achieve the Paris Agreement's goal of limiting the rise in global temperatures to less than 2°C above pre-industrial levels, the company is considered to have set a science-based target.

We have set our Scope 1 and Scope 2 reductions for the 1.5°C level and Scope 3 for the 2°C level, aiming for SBT certification.

Scope 1: Direct greenhouse gas emissions by businesses themselves (fuel combustion, industrial processes)
Scope 2: Indirect emissions associated with electricity, heat, and steam supplied by other companies
Scope 3: Emissions other than Scope 1 and Scope 2
(emissions of other companies related to activities of the business in question)

(Circular Malls)
To address the issues of waste and resources, we incorporate the concept of a circular economy into mall operations, building systems that enable resource recycling. In this way, we move away from the idea of reducing waste toward the ideal of eliminating waste as we work to create circular economic zones in our local communities. To create recycling-oriented societies, we work together with stakeholders, including customers, store association members, and local communities, to achieve circular malls through initiatives that include plastic-free, food recycling, and clothing collection.

(Protecting biodiversity)
In addition to solving global environmental problems such as climate change, we also foster deep roots in local communities and pursue urban development in harmony with nature. We assess the impact of our business activities on ecosystems and engage in activities to reduce our impact and preserve nature in cooperation with our customers, government, NGOs, and other stakeholders.

As a quantitative target for biodiversity protection, we aim to have all directly managed malls certified as ABINC® by fiscal 2050. As of March 31, 2022, 15 malls have acquired this certification.

(4) Diversity and Work-Style Reform
(Diversity management)
We believe human resources are the greatest management resource for sustainable growth. Based on this belief, we aim to be an organization in which diversity is a strength, employees are healthy, and employees continue to grow by maximizing their skills. In particular, we pursue diversity management that allows diverse employees to play active roles in the company, based on our belief that creative business models respond to changes in society and the needs of employees, as well as through active exchanges of opinions from different perspectives. To this end, we established various human resources development and education programs to support human resource growth.

To create a framework to support the success of female employees, we are specifically increasing the number of educational opportunities (notifying female employees about internal and external systems ranging from maternity leave to returning to work), expanding AEON Yume-Mirai Nursery Schools, an on-site nursery, and conducting training to foster willingness among women to take on the challenges of higher-level positions. In addition, we encourage both female and male employees to take maternity leave. In this way, we are eliminating the stereotypical gender roles and fostering an understanding among supervisors and workplaces to promote female employees to senior management positions. These efforts have earned AEON MALL the Kurumin award as a company that actively supports a balance between work and child rearing.

Our basic policy regarding the appointment of human resources overseas is to conduct operations rooted in each region by local staff with a deep understanding of our corporate philosophy. We encourage the active exchange of human resources between Japan and overseas to nurture future leaders of overseas operations. We promote high-achieving personnel to management positions, regardless of nationality.

KPIs Related to the Empowerment of Women

	Targets	Results
Ratio of women in management positions	30% (by the end of FY2025)	19.4% (as of the end of FY2021)
Ratio of female employees	30% (by the end of FY2023)	35.3% (as of the end of FY2021)
Ratio of male employees taking childcare leave	100% (by the end of FY2024)	100% (as of the end of FY2021)

(Health management)
We engage in health management based on the belief that the health of our employees is the basis of our corporate activities and that healthy employees enable us to provide services that bring health and spiritual enrichment to our customers in local communities.

In March 2022, we were recognized as the 2022 Health and Productivity Management Outstanding Organization (Large Enterprise Category) under the Health and Productivity Management Outstanding Organization System sponsored by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (health promotion organization), which recognizes corporations that practice particularly excellent health management.

(5) Accountability in Business
(AEON MALL Human Rights Policy)
AEON MALL follows the AEON Human Rights Policy in respecting human rights. We aspire to create an organization that allows all people, regardless of their gender or nationality, to participate in the development of the company. And we strive to create workplaces that enable all employees to perform to the highest level of their abilities. All AEON MALL employees are required to attend an annual human rights training. We also provide employees with a handbook that lists both internal and external help desks. This handbook provides clear information about respect for human rights, prevention of discrimination, and other matters in the context of the AEON MALL employment rules.

(Guidelines for Sustainable Trade)
To prevent incidents that may lead to human rights violations, as well as to build a sustainable value chain, we have newly formulated our own Guidelines for Sustainable Trade. These guidelines are based on the AEON Human Rights Policy and the AEON Supplier Transaction Code of Conduct.

In December, we held a presentation for construction-related suppliers to encourage an understanding and wider awareness of these guidelines. We comply with the guidelines as a handbook to foster shared values with our business partners and fulfill our social responsibilities in partnership. In this way, we aim to manage and reduce human rights risks in the supply chain, while also monitoring the status of the implementation of these guidelines.

(Human rights due diligence)
The AEON Human Rights Policy clearly describes the human rights due diligence process. AEON MALL began implementing initiatives under this policy in 2020. We will continue our efforts to build a sustainable value chain in our role as a leader in ensuring human rights.

(Systems to prevent corrupt practices)
To prevent bribery, we adhere to the Basic Rules for the Prevention of Bribery as our code of conduct. All employees are aware that they are not to seek benefits via bribes or other improper means under any circumstances. To instill and establish corporate ethics within our organization, we conduct training for directors and employees at different levels, and we incorporate corporate ethics into the behavioral evaluation of our target management system.
The Compliance Committee, chaired by the HQ general manager, confirms compliance with laws, the Articles of Incorporation, and internal regulations. The committee also identifies problems, deliberates remedial measures, and reports meeting proceedings to the Management Council. Important matters are also reported to the board of directors and are included in an annually published report. The company has established a help line (*Aeon Mall Hotline*) for internal reporting that assures confidentiality

and anonymity for all employees. The company's labor union has likewise established its own *Kumiai 110* help line. Subsidiaries have also established help lines equivalent to the Company's help line. In operating the helpline, we ensure user privacy is protected and that individuals submitting reports are not treated in a disadvantageous manner.

4. Policy on Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements according to Japanese standards for some time to come. This ensures proper comparison of consolidated financial statements for different periods and across group companies. We will consider adopting international accounting standards as appropriate in consideration of our circumstances in Japan and overseas.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	131,442	87,148
Notes and accounts receivable–trade	7,661	8,308
Prepaid expenses	3,663	3,965
Deposits paid to affiliates	—	*2 9,000
Other	36,792	42,661
Allowance for doubtful receivables	(133)	(373)
Total current assets	179,427	150,711
Fixed assets		
Property, plant and equipment		
Buildings and structures	*1 964,301	*1 1,033,311
Accumulated depreciation	(340,264)	(385,467)
Buildings and structures, net	*1 624,036	*1 647,844
Machinery and transportation equipment	5,826	5,965
Accumulated depreciation	(2,349)	(2,775)
Machinery and transportation equipment, net	3,476	3,189
Furniture and fixtures	43,591	46,477
Accumulated depreciation	(32,814)	(35,825)
Furniture and fixtures, net	10,777	10,651
Land	*1 310,198	*1 341,296
Right-of-use assets	167,879	215,268
Accumulated depreciation	(33,007)	(55,992)
Right-of-use assets (net)	134,872	159,276
Construction in progress	16,685	28,940
Other	188	124
Accumulated depreciation	(150)	(95)
Other, net	37	29
Total property, plant and equipment	1,100,085	1,191,229
Intangible assets	3,350	3,456
Investments and other assets		
Investment securities	1,948	1,991
Long-term loans	24	18
Long-term prepaid expenses	42,533	43,956
Deferred tax assets	14,940	19,496
Lease deposits paid	50,926	51,922
Other	992	491
Allowance for doubtful receivables	(29)	(18)
Total investments and other assets	111,336	117,859
Total fixed assets	1,214,771	1,312,544
Total assets	1,394,199	1,463,256

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	8,606	9,919
Bonds due within one year	30,000	40,000
Current portion of long-term debt	*1 33,629	*1 46,093
Lease obligations	14,955	19,555
Income taxes payable	7,024	6,830
Deposits received from specialty stores	60,223	38,732
Deposits received	8,295	6,528
Allowance for employee bonus	1,703	1,714
Allowance for director and corporate auditor performance-based remuneration	85	78
Provision for loss on store closing	733	733
Notes payable—construction	778	6,081
Electronically recorded obligations—construction	20,876	9,344
Accounts payable—construction	7,713	8,628
Other	19,313	18,492
Total current liabilities	213,938	212,734
Long-term liabilities		
Straight bonds	330,000	355,000
Long-term debt	*1 188,794	*1 178,704
Lease obligations	112,279	118,239
Deferred tax liabilities	594	628
Accrued retirement benefits to employees	837	647
Asset retirement obligations	18,679	19,843
Lease deposits from lessees	137,778	146,198
Other	3,809	4,329
Total long-term liabilities	792,774	823,590
Total liabilities	1,006,712	1,036,325
Net assets		
Shareholders' equity		
Common stock	42,372	42,374
Capital surplus	40,691	40,693
Retained earnings	307,790	316,829
Treasury stock, at cost	(6)	(7)
Total shareholders' equity	390,848	399,890
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,029	1,059
Foreign currency translation adjustment	(13,868)	16,158
Remeasurements of defined benefit plans	(690)	(652)
Total accumulated other comprehensive income	(13,529)	16,565
Stock acquisition rights	23	33
Non-controlling interests	10,143	10,441
Total net assets	387,486	426,931
Total liabilities and net assets	1,394,199	1,463,256

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

(Consolidated Statements of Income)

(Million yen)

	FY2020 Q4 March 1, 2020 - February 28, 2021	FY2021 Q4 March 1, 2021 - February 28, 2022
Operating revenue		
Rental income	280,688	316,813
Operating costs		
Cost of rental income	218,926	248,884
Gross profit	61,761	67,928
Selling, general and administrative expenses		
Employees' salaries and bonuses	7,195	7,522
Provision for employees' bonuses	810	826
Provision for director and auditor performance-based remuneration	77	77
Retirement benefit expenses	320	329
Statutory welfare benefit expense	1,865	2,128
Travel expenses	598	647
Rent	1,038	1,982
Sales commission	2,381	2,340
Depreciation and amortization	909	1,083
Other	12,169	12,762
Total selling, general and administrative expenses	27,367	29,700
Operating income	34,394	38,228
Non-operating profits		
Interest income	1,274	1,564
Dividend income	26	20
Compensation paid by departing tenants	2,204	1,571
Foreign exchange gains	66	—
Gain on valuation of derivatives	323	1,325
Compensation income	*5 391	*5 2,416
Insurance income	95	155
Other	659	406
Total non-operating profits	5,042	7,459
Non-operating expenses		
Interest expenses	9,762	10,871
Foreign exchange losses	—	1,319
Other	1,236	956
Total non-operating expenses	10,998	13,147
Ordinary income	28,437	32,540

(Million yen)

	FY2020 Q4 March 1, 2020 - February 28, 2021	FY2021 Q4 March 1, 2021 - February 28, 2022
Extraordinary gains		
Gain on sale of fixed assets	*1 749	*1 4
Gain on sale of investment securities	5	—
Compensation income	*5 318	*5 1,748
Insurance income	—	218
Total extraordinary gains	1,073	1,970
Extraordinary losses		
Loss on sale of fixed assets	*2 1	*2 1
Loss on retirement of fixed assets	*3 867	*3 759
Impairment loss	*4 7,288	*4 3,302
Loss due to COVID-19	*6 16,572	*6 4,075
Other	512	223
Total extraordinary losses	25,242	8,362
Income before income taxes	4,268	26,149
Income tax – current	7,223	11,218
Income tax – deferred	(922)	(4,280)
Total income taxes	6,301	6,937
Net income (loss)	(2,032)	19,211
Net loss attributable to non-controlling interests	(168)	(66)
Net income (loss) attributable to owners of parent	(1,864)	19,278

(Consolidated Statements of Comprehensive Income)

(Million yen)

	FY2020 Q4 March 1, 2020 - February 28, 2021	FY2021 Q4 March 1, 2021 - February 28, 2022)
Net income (loss)	(2,032)	19,211
Other comprehensive income		
Net unrealized gain on available-for-sale securities	109	29
Foreign currency translation adjustment	(7,002)	30,476
Remeasurements of defined benefit plans	313	37
Total other comprehensive income	*1 (6,578)	*1 30,543
Comprehensive income	(8,611)	49,755
Comprehensive income (loss) attributable to		
Owners of parent	(7,477)	49,373
Non-controlling interests	(1,134)	381

(3) Statements of Changes in Shareholders' Equity

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	42,347	40,666	318,755	(5)	401,765
Changes during period					
Issue of new shares	24	24			48
Cash dividends			(9,100)		(9,100)
Net income (loss) attributable to owners of parent			(1,864)		(1,864)
Purchase of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total of changes	24	24	(10,965)	(0)	(10,917)
Balance at end of fiscal year	42,372	40,691	307,790	(6)	390,848

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	920	(7,832)	(1,003)	(7,916)	47	10,625	404,522
Changes during period							
Issue of new shares							48
Cash dividends							(9,100)
Net income (loss) attributable to owners of parent							(1,864)
Purchase of treasury stock							(0)
Net change in items other than shareholders' equity	109	(6,036)	313	(5,612)	(23)	(481)	(6,118)
Total of changes	109	(6,036)	313	(5,612)	(23)	(481)	(17,035)
Balance at end of fiscal year	1,029	(13,868)	(690)	(13,529)	23	10,143	387,486

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	42,372	40,691	307,790	(6)	390,848
Changes during period					
Issue of new shares	2	2			4
Cash dividends			(10,239)		(10,239)
Net income attributable to owners of parent			19,278		19,278
Purchase of treasury stock				(1)	(1)
Net change in items other than shareholders' equity					
Total of changes	2	2	9,039	(1)	9,042
Balance at end of fiscal year	42,374	40,693	316,829	(7)	399,890

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	1,029	(13,868)	(690)	(13,529)	23	10,143	387,486
Changes during period							
Issue of new shares							4
Cash dividends							(10,239)
Net income attributable to owners of parent							19,278
Purchase of treasury stock							(1)
Net change in items other than shareholders' equity	29	30,027	37	30,094	9	298	30,402
Total of changes	29	30,027	37	30,094	9	298	39,444
Balance at end of fiscal year	1,059	16,158	(652)	16,565	33	10,441	426,931

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2020 Q4 March 1, 2020 to February 28, 2021	FY2021 Q4 March 1, 2021 to February 28, 2022
Cash flows from operating activities		
Income before income taxes	4,268	26,149
Depreciation and amortization	58,586	63,735
Impairment loss	7,288	3,302
Increase (decrease) in provision for loss on store closing	161	—
Increase (decrease) in allowance for doubtful accounts	81	201
Increase (decrease) in provision for employees' bonus	41	11
Increase (decrease) in provision for director and auditor performance-based remuneration	(29)	(6)
Increase (decrease) in net defined benefit liability	31	23
Interest and dividend income	(1,300)	(1,584)
Interest expenses	9,762	10,871
Loss (gain) on sale of investment securities	(5)	—
Loss on retirement of fixed assets	602	321
Loss (gain) on sales of fixed assets	(748)	(2)
Decrease (increase) in receivables–trade accounts	97	382
Decrease (increase) in other current assets	(1,044)	(4,915)
Increase (decrease) in payables–trade accounts	113	1,314
Increase (decrease) in consumption tax payable	(3,829)	(979)
Increase (decrease) in deposits received from specialty stores	(5,184)	(22,122)
Increase (decrease) in other current liabilities	3,208	(2,470)
Other	9,578	7,967
Subtotal	81,677	82,199
Interest and dividends received	1,177	1,507
Interest paid	(9,705)	(10,811)
Income taxes paid	(11,528)	(11,403)
Net cash provided by (used in) operating activities	61,621	61,492

(Million yen)

	FY2020 Q4 March 1, 2020 to February 28, 2021	FY2021 Q4 March 1, 2021 to February 28, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,535)	(117,864)
Proceeds from sales of property, plant and equipment	760	6
Purchase of intangible assets	(992)	(1,076)
Purchase of long-term prepaid expenses	(2,202)	(4,379)
Proceeds from sale of investment securities	9	—
Collection of loans	7	6
Payment of lease deposits to lessors	(1,762)	(2,771)
Reimbursement of lease deposits to lessors	308	1,078
Repayment of lease deposits from lessees	(11,170)	(8,259)
Proceeds from lease deposits from lessees	8,618	15,594
Time deposits	(6,367)	(21,444)
Withdrawal of time deposits	6,021	16,726
Other	(137)	0
Net cash provided by (used in) investing activities	(64,444)	(122,382)
Cash flows from financing activities		
Repayment of lease obligations	(11,727)	(16,384)
Proceeds from long-term debt	23,734	34,026
Repayment of long-term debt	(35,774)	(33,644)
Proceeds from issuance of bonds	60,000	65,000
Redemption of bonds	(15,000)	(30,000)
Proceeds from share issuance to non-controlling shareholders	718	—
Purchase of treasury stock	(0)	(1)
Dividends paid	(9,100)	(10,239)
Dividends paid to non-controlling interests	(66)	(83)
Other	(539)	(447)
Net cash provided by (used in) financing activities	12,244	8,225
Foreign currency translation adjustments on cash and cash equivalents	290	11,558
Net increase (decrease) in cash and cash equivalents	9,711	(41,106)
Cash and cash equivalents at beginning of the period	114,368	124,080
Cash and cash equivalents at end of the period	*1 124,080	*1 82,973

(5) Notes on Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Important matters concerning the basis for preparing consolidated financial statements

1. Matters concerning scope of consolidation

Number of consolidated subsidiaries: 51

Names of major consolidated subsidiaries

AEON MALL (China) Business Management Co., Ltd., AEON MALL (Cambodia) Co., Ltd., PT. AEON MALL Indonesia, AEON MALL (Guangdong) Business Management Co., Ltd., PT. AMSL Indonesia, AEON MALL HIMLAM Company Limited, AEON MALL Vietnam Co., Ltd., PT. AMSL DELTA MAS, AEON MALL (China) Co., Ltd., AEON MALL DIANYA (Tianjin) Business Management Co., Ltd., OPA Co., Ltd.

During the consolidated fiscal year under review, we established Changsha Mall Investment Limited, CHANGSHA MALL COMMERCIAL DEVELOPMENT CO., LTD. and HANGZHOU HANGDONG MALL REAL ESTATE DEVELOPMENT CO, LTD. and AEON MALL (CAMBODIA) LOGI PLUS CO., LTD., which have been included in the scope of consolidation.

CHANGSHA MALL COMMERCIAL DEVELOPMENT CO., LTD. changed its name from CHANGSHA MALL REAL ESTATE DEVELOPMENT CO., LTD. on December 31, 2021.

At meetings held December 1, 2020, the board of directors of AEON MALL Co., Ltd. and wholly owned subsidiary OPA Co., Ltd. as then constituted ("OPA") resolved to split off (via incorporation-type company split) a wholly owned subsidiary ("New OPA") to be established by OPA, with New OPA becoming the successor company. The boards also resolved to merge with the split company (OPA) in an absorption-type merger, subject to a condition precedent that the company split in question take effect. The transaction in question was executed on March 1, 2021. As a result of this reorganization, we removed Former OPA from the scope of consolidation and added New OPA to the scope of consolidation for the consolidated fiscal year under review.

2. Matters concerning consolidated subsidiary fiscal years

The 43 overseas subsidiaries end their fiscal years on December 31. We prepare our consolidated financial statements using the respective balance sheet dates of our consolidated subsidiaries. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

In addition, AEON MALL MYANMAR CO., LTD and one other company end their fiscal years on September 30. We prepare our consolidated financial statements using the December 31 respective balance sheet dates of our consolidated subsidiaries. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

3. Matters concerning basis for accounting

(1) Valuation criteria and method for significant assets

1) Available-for-sale securities

Available-for-sale securities classified as other securities

Available-for-sale securities with market value

Stated at market value, determined by the market price as of the fiscal year-end and other means, with all valuation gains and losses reported in net assets and the cost of securities sold is determined by the moving-average method.

Available-for-sale securities without market value

Stated at cost determined by the moving-average method

2) Derivatives

Stated at market value

(2) Method for depreciating and amortizing significant depreciable and amortizable assets

1) Property, plant and equipment (excluding right-of-use assets)

Depreciated using the straight-line method based on the economic useful life

The Company has adopted the following ranges of economic useful life for each asset category:

Buildings and structures: 2 to 39 years

Machinery and transportation equipment: 3 to 17 years

Furniture and fixtures: 2 to 20 years

2) Intangible assets

Amortized using the straight-line method

Software used in-house is amortized using the straight-line method based on an estimated useful internal life of five years.

3) Right-of-use assets

Amortized using the straight-line method

4) Long-term prepaid expenses

Amortized in equal installments based on contract periods and other factors (period of amortization: 2 to 50 years)

(3) Accounting method for deferred assets

Bond issuance expenses are treated as an expense when paid.

(4) Accounting standards for significant allowances

1) Allowance for doubtful accounts

An allowance for doubtful accounts provides for possible losses arising from default on receivables such as operating accounts receivable. An allowance is provided for the estimated credit loss for ordinary receivables based on historical default rates and for specific receivables, such as doubtful receivables, based on an individual assessment of the recoverability of each account.

2) Allowance for employee bonuses

The Company provides an allowance for employee bonuses to cover the amount of bonuses to be paid to employees and part-time workers. This allowance is based on the estimated portion to be paid in the fiscal year under review.

3) Allowance for director and corporate auditor performance-based remuneration

The Company provides an allowance for director and corporate auditor performance-based remuneration, which is based on the estimated portion to be paid during the fiscal year under review.

4) Provision for loss on store closing

The Company records estimates and accrues for losses on store closing (penalty charges for canceling contracts mid-term, etc.) reasonably assumed to result from the closing of stores.

(5) Accounting for retirement benefits

The Company records projected retirement benefit liabilities less projected pension assets at the end of the fiscal year under review to provide for retirement benefits for employees. When calculating retirement benefit liabilities, the method to allocate the projected retirement benefits to the consolidated fiscal year under review is based on benefits calculation formula standards.

Actuarial gains and losses are expensed from the following fiscal year using the straight-line method over a fixed period (10 years) of the estimated average remaining life of service of employees at the time of accrual.

Unrecognized actuarial gains or losses and unrecognized prior service cost are posted as remeasurements of defined retirement benefit plans as part of total accumulated other comprehensive income under net assets.

(6) Standards for translating significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated assets and liabilities are translated into yen amounts at the rates of exchange in effect as of the consolidated balance sheet date. Differences are treated as a gain or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the balance sheet dates of each subsidiary in question. Revenues and expenses of subsidiaries are translated into yen amounts at the average exchange rate for the fiscal year under review. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Accounting policies for significant hedging activities

1) Hedge accounting methods

Deferred hedge accounting is used in principle. Special hedge accounting is applied to interest rate swaps that meet the criteria for qualification as special hedge accounting.

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

3) Hedging policy

In accordance with internal rules, interest rate swaps are conducted for the purpose of hedging against the risk of fluctuations in interest rates.

The exceptional treatment prescribed in the PITF is applied to all hedging relationships above included in the scope of Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No.40, September 29, 2020). The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting applied: Exceptional accounting treatment
Hedging instruments: Interest rate swaps
Hedged items: Borrowings
Categories of hedges: Hedge of exposure to avoid interest rate variability risks

4) Evaluation of hedging effectiveness

The Company compares market prices and cash flows from hedged items and hedging instruments over their respective periods from the start of hedging to the point where effectiveness is measured. The fluctuation in these parameters is used as a benchmark for evaluating hedging effectiveness. However, the evaluation of hedging effectiveness for interest rate swaps accounted for using special hedge accounting has been omitted.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits repayable on demand, and short-term investments with a maturity of three months or less from the acquisition date which can be readily converted into cash and carry little risk of fluctuation in value.

(9) Other important matters concerning the preparation of consolidated financial statements

Accounting treatment of consumption taxes

Financial statements are prepared exclusive of consumption taxes.

Notes

Consolidated balance sheets

*1. Assets pledged as collateral and collateral-backed liabilities

(Assets pledged as collateral) (Million yen)

	Year Ended February 28, 2021 (As of February 28, 2021)	Year Ended February 28, 2022 (As of February 28, 2022)
Buildings and structures	28,171	26,562
Land	2,456	2,456
Total	30,627	29,018

(Liabilities backed by above collateral) (Million yen)

	Year Ended February 28, 2021 (As of February 28, 2021)	Year Ended February 28, 2022 (As of February 28, 2022)
Current portion of long-term debt	1,976	1,976
Long-term debt	23,785	21,809
Total	25,761	23,785

*2 Carbon-neutral city gas: Deposits paid to affiliates (Million yen)

	Year Ended February 28, 2021 (As of February 28, 2021)	Year Ended February 28, 2022 (As of February 28, 2022)
Deposits paid to affiliates	-	9,000

(Note) Management trust deposits based on depositary agreements with Aeon Co., Ltd.

Consolidated statements of income

*1 Gains on sale of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)		Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	
Former Tenjin Vivre (Fukuoka City, Fukuoka Prefecture)	746		-
Other	2	Other	4
Total	749	Total	4

*2 Losses on sale of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)		Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	
Other	1	Other	1
Total	1	Total	1

*3 Losses on disposal of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)		Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	
Buildings and structures	396	Buildings and structures	59
Furniture and fixtures	7	Furniture and fixtures	3
Demolition and removal expenses	455	Demolition and removal expenses	696
Other	7	Other	1
Total	867	Total	759

*4 Impairment loss

The AEON MALL Group incurred an impairment loss in the following asset groups during the previous fiscal year (March 1, 2020 to February 28, 2021).

Location	Use	Type	Amount (million yen)
Aomori Prefecture	Store	Land and buildings, etc.	1,254
Akita Prefecture	Store	Buildings, etc.	240
Ibaraki Prefecture	Store	Buildings, etc.	29
Gunma Prefecture	Store	Buildings, etc.	102
Chiba Prefecture	Store	Buildings, etc.	558
Chiba Prefecture	Store	Intangible fixed assets (goodwill)	340
Chiba Prefecture	Common-use assets	Furniture and fixtures	61
Tokyo Prefecture	Store	Buildings, etc.	138
Kanagawa Prefecture	Store	Buildings, etc.	53
Mie Prefecture	Store	Construction in progress	5
Kyoto Prefecture	Store	Buildings, etc.	200
Osaka Prefecture	Store	Buildings, etc.	761
Okayama Prefecture	Development property	Construction in progress	1
Nagasaki Prefecture	Development property	Construction in progress	50
Oita Prefecture	Store	Land and buildings, etc.	1,321
Okinawa Prefecture	Store	Buildings, etc.	13
Overseas (China)	Store	Right-of-use assets	2,155
Total			7,288

The AEON MALL Group has defined individual shopping malls as the smallest unit for asset grouping. Idle assets are grouped individually. Common-use assets are grouped in larger units that include groups contributing to the generation of future cash flows.

Significant profitability declines and changes resulting in a market decrease in expected recoverability for the asset groups noted above have led the Company to reduce the carrying values to their respective recoverable values. The write-down was posted as impairment losses under extraordinary losses. Recoverable value is measured mainly based on value in use or net realizable value. We used a discount rate of 3.55% to calculate the future cash flows of value in use for locations in Japan and 8.84% to calculate the future cash flows of value in use for overseas (China) locations. No future cash flows are expected for certain facilities and common-use assets; therefore, the value in use has been measured as zero. Net realizable value is measured at the appraised value of the real estate in question. The Company reduced the entire amount of goodwill of certain domestic subsidiaries as they are no longer expected to earn the revenue planned at the time of acquisition. We recorded the amount of the reduction as an impairment loss under extraordinary losses.

The impairment losses above consist of losses of ¥414 million in land, ¥3,446 million in building and structures, ¥186 million in furniture and fixtures, ¥1,122 million in long-term prepaid expenses, ¥340 million in goodwill, ¥1,627 million in right-of-use assets, and ¥151 million in other.

The AEON MALL Group incurred an impairment loss in the following asset groups during the fiscal year under review (March 1, 2021 to February 28, 2022).

Location	Use	Type	Amount (million yen)
Akita Prefecture	Store	Buildings, etc.	7
Ibaraki Prefecture	Store	Buildings, etc.	4
Gunma Prefecture	Store	Buildings, etc.	49
Chiba Prefecture	Store	Buildings, etc.	78
Tokyo Prefecture	Store	Buildings, etc.	33
Tokyo Prefecture	Development property	Construction in progress	534
Kanagawa Prefecture	Store	Buildings, etc.	81
Kyoto Prefecture	Store	Buildings, etc.	27
Osaka Prefecture	Store	Buildings, etc.	32
Oita Prefecture	Store	Land and buildings, etc.	80
Okinawa Prefecture	Store	Buildings, etc.	6
Overseas (China)	Store	Right-of-use assets	2,325
Overseas (Indonesia)	Store	Buildings, etc.	38
Total			3,302

The AEON MALL Group has defined individual shopping malls as the smallest unit for asset grouping. Idle assets are grouped individually.

Significant profitability declines and changes resulting in a market decrease in expected recoverability for the asset groups noted above have led the Company to reduce the carrying values to their respective recoverable values. The write-down was posted as impairment losses under extraordinary losses. Recoverable value is measured based on value in use, net realizable value, or fair value less disposal costs.

No future cash flows is expected for certain malls, and we have assessed the value in use as zero, respectively. We used a discount rate of 9.14% to calculate the future cash flows for value in use for overseas malls (China). We calculated the net realizable value or fair value less disposal costs based on real estate appraisals, etc.

The impairment losses above consist of losses of ¥92 million in land, ¥128 million in building and structures, ¥110 million in furniture and fixtures, ¥680 million in long-term prepaid expenses, ¥1,739 million in right-of-use assets, ¥534 million in construction in progress, and ¥15 million in other.

*5. Subsidy income consists mainly of subsidies provided by local governments for shortened mall operating hours and temporary mall closures due to the spread of COVID-19 infections.

*6. These costs stemming from loss on the impact of COVID-19 consist mainly of rent, fixed costs of depreciation and amortization, and tenant support in the form of rent reductions during the temporary closures.

Consolidated statements of comprehensive income

*1 Rearrangements, adjustments, and tax effects related to other comprehensive income (Million yen)

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Net unrealized gain on available-for-sale securities		
Amount accrued in the fiscal year	163	43
Amount rearranged or adjusted	(5)	-
Before tax effect adjustment	157	43
Tax effect	(48)	(13)
Net unrealized gain on available-for-sale securities	109	29
Foreign currency translation adjustment：		
Amount accrued in the fiscal year	(7,002)	30,476
Amount rearranged or adjusted	-	-
Before tax effect adjustment	(7,002)	30,476
Tax effect	-	-
Foreign currency translation adjustment	(7,002)	30,476
Remeasurements of defined benefit plans		
Amount accrued in the fiscal year	245	(4)
Amount rearranged or adjusted	209	180
Before tax effect adjustment	455	175
Tax effect	(141)	(138)
Remeasurements of defined benefit plans	313	37
Total other comprehensive income	(6,578)	30,543

Statements of changes in shareholders' equity

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

1. Matters concerning the type and total number of shares issued and outstanding; type and number of treasury stock

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,515,009	30,830	—	227,545,839
Total	227,515,009	30,830	—	227,545,839
Treasury stock, at cost				
Common stock (Note 2)	2,697	568	—	3,265
Total	2,697	568	—	3,265

(Notes) 1. An increase of 30,830 shares issued and outstanding resulted from the exercise of stock acquisition rights.

2. An increase in treasury stock resulted from the purchase of 568 odd-lot shares.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in number in the fiscal year under review	Decrease in number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	-	-	-	-	-	23
Total		-	-	-	-	-	23

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 9, 2020	Common stock	4,550	20.00	February 29, 2020	May 01, 2020
Board of Directors meeting on October 6, 2020	Common stock	4,550	20.00	August 31, 2020	October 23, 2020

(2) Dividends whose record dates are in the fiscal year under review and whose effective dates are in the following fiscal year

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 8, 2021	Common stock	4,550	Retained earnings	20.00	February 28, 2021	April 30, 2021

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

1. Matters concerning the type and total number of shares issued and outstanding; type and number of treasury stock

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,545,839	3,100	—	227,548,939
Total	227,545,839	3,100	—	227,548,939
Treasury stock, at cost				
Common stock (Note 2)	3,265	732	—	3,997
Total	3,265	732	—	3,997

(Notes) 1. An increase of 3,100 shares issued and outstanding resulted from the exercise of stock acquisition rights.
2. An increase in treasury stock resulted from the purchase of 732 odd-lot shares.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in number in the fiscal year under review	Decrease in number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	-	-	-	-	-	33
Total		-	-	-	-	-	33

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on April 8, 2021	Common stock	4,550	20.00	February 28, 2021	April 30, 2021
Board of directors meeting on October 5, 2021	Common stock	5,688	25.00	August 31, 2021	October 22, 2021

(2) Dividends whose record dates are in the fiscal year under review and whose effective dates are in the following fiscal year

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on April 7, 2022	Common stock	5,688	Retained earnings	25.00	February 28, 2022	May 2, 2022

Consolidated statements of cash flows

*1 Relationship between cash and cash equivalents at the end of the period and the itemized amounts stated in consolidated balance sheets

(Million yen)

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Cash and deposits	131,442	87,148
Deposits paid to affiliates	―	9,000
Time deposits with a deposit term longer than three months	(7,362)	(13,175)
Cash and cash equivalents	124,080	82,973

2. Significant non-cash transactions

(1) Asset retirement obligations recorded

(Million yen)

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Asset retirement obligations	1,907	962

(2) Assets and obligations recorded for lease transactions under IFRS 16

(Million yen)

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Right-of-use assets	27,161	24,280
Lease obligations	22,041	21,685

Lease transactions

1. Finance leases

Omitted due to the lack of materiality.

2. Operating leases

Unexpired lease payment related to non-cancellable operating lease transactions

As lessee (Million yen)

	Year Ended February 28, 2021 (As of February 28, 2021)	Year Ended February 28, 2022 (As of February 28, 2022)
Due within 1 year	55,692	65,285
Due after 1 year	324,050	354,274
Total	379,742	419,560

As lessor (Million yen)

	Year Ended February 28, 2021 (As of February 28, 2021)	Year Ended February 28, 2022 (As of February 28, 2022)
Due within 1 year	5,264	5,696
Due after 1 year	16,097	13,793
Total	21,361	19,490

Business combinations

Business combinations involving entities under common control

At meetings held on December 1, 2020, the board of directors of AEON MALL Co., Ltd. and wholly owned subsidiary OPA Co., Ltd. as then constituted (“OPA”) resolved to split off (via incorporation-type company split) a wholly owned subsidiary (“New OPA”) to be established by OPA, with New OPA becoming the successor company. The boards also resolved to merge with the split company (OPA) in an absorption-type merger, subject to a condition precedent that the company split in question take effect. The transaction in question took place on March 1, 2021.

1. Transaction overview

A. Split company

i. Company name and business lines at the time of combination

Name of company subject to combination: OPA Co., Ltd.

Business lines: Management, operations, and development of commercial facilities

ii. Date of combination

March 1, 2021

iii. Legal form of business combination

OPA will become the split company with newly formed New OPA established via incorporation-type company split.

iv. Name of company after combination

OPA Co., Ltd.

B. Absorption-type merger

i. Company name and business lines at the time of combination

Name of company subject to combination: OPA Co., Ltd.

Business lines: Management, operations, and development of commercial facilities

ii. Date of combination

March 1, 2021

iii. Legal form of business combination

The merger will be an absorption-type merger, with AEON MALL as the surviving company and OPA as the absorbed company.

iv. Name of company after combination

AEON MALL Co., Ltd.

C. Other matters related to the transaction

On March 1, 2016, AEON MALL made fashion building business operator OPA a wholly owned subsidiary, entering the urban shopping center business. AEON MALL has reorganized its Urban Shopping Center business for the purpose of strengthening initiatives to respond to changes in consumer behavior in the with-COVID-19 era of the new normal.

New OPA will specialize in the management and operations of urban facilities, mainly located in transportation terminals, creating new value through a concentration of management resources. AEON MALL will absorb certain community-based facilities and urban shopping centers owned by OPA, transforming these assets into facilities that meet daily needs and engaging in the redevelopment of certain properties to increase property values.

By pivoting to the business structure as described, AEON MALL intends to pursue initiatives tailored to the characteristics of each location and to improve the profitability and efficiency of the facilities in question.

2. Overview of accounting treatment

We adopted a treatment reflecting a transaction under common control based on *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, issued January 16, 2019) and *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, issued January 16, 2019).

Rental property

The Company and certain consolidated subsidiaries own commercial leasing buildings in various regions nationwide as well as overseas (China and ASEAN region) for the purpose of generating profits from property leasing. Leasing profit related to rental properties, etc. (properties for lease owned by the Company and overseas master lease properties; malls under master lease and property management agreements are not included; the same applies hereinafter) amounted to ¥34,247 million for the previous consolidated fiscal year (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses). Gain on sale of fixed assets amounted to ¥746 million (posted under extraordinary gains), loss on retirement of fixed assets amounted to ¥674 million (posted under extraordinary losses), and impairment losses amounted to ¥4,162 million (posted under extraordinary losses). Leasing profit for the consolidated fiscal year under review amounted to ¥41,709 million (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses). Loss on retirement of fixed assets amounted to ¥246 million (posted under extraordinary losses). Impairment losses amounted to ¥2,984 million (posted under extraordinary losses).

The consolidated balance sheet amounts, changes during the term under review, and the fair value related to property leasing are as follows.

(Million yen)

		Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Consolidated balance sheet amount			
	Balance at the beginning of the term under review	1,090,837	1,082,591
	Change during term under review	(8,246)	93,290
	At end of term under review	1,082,591	1,175,882
Fair value at end of term under review		1,333,547	1,491,911

(Notes) 1. The balance sheet amount is the acquisition price less the accumulated depreciation.

2. Of the changes during the prior consolidated fiscal year, the largest increase was due to property acquisitions (¥61,199 million), while the largest decreases were due to disposals and sales of fixed assets (¥522 million), impairment losses (¥4,162 million), depreciation (¥58,586 million), and foreign exchange losses (¥6,299 million). The largest increase during the consolidated fiscal year under review was due to property acquisitions (¥123,591 million) and foreign currency translation adjustments (¥41,335 million). The largest decreases were due to disposal and sales of fixed assets (¥245 million), impairment losses (¥2,984 million), and depreciation expense (¥68,546 million).

3. The fair value at the end of term under review is based on appraisal reports and other information provided by an appraisal company.

Segment and other information

Segment information

1. Overview of reportable segments

The Group's reportable segments are units of the Group whose financial information is available separately and are reviewed regularly for determining the distribution of management resources and the evaluation of business performance.

The Group has been operating solely in the shopping mall business in Japan and overseas. The Group develops comprehensive strategies according to the characteristics of different regions and conducts operations.

Accordingly, the Group consists of three geographical reportable segments: Japan, China, and ASEAN.

2. Method of calculating operating revenue, profit (loss), assets, liabilities, and other items of each reportable segment

The accounting treatment for each reportable segment is reporting segment is essentially the same as that described in Important matters concerning the basis for preparing the consolidated financial statements. Profit for each reportable segment is treated as operating income.

3. Information on operating revenue, profit (loss), assets, liabilities, and other items of each reportable segment

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue from external customers	237,093	31,353	12,241	280,688	-	280,688
Intersegment operating revenue or transfers	-	-	-	-	-	-
Total	237,093	31,353	12,241	280,688	-	280,688
Segment profit	30,597	2,296	1,474	34,369	25	34,394
Segment assets	923,327	219,777	188,828	1,331,932	62,266	1,394,199
Other items						
Depreciation and amortization (Note 3)	37,459	18,406	4,870	60,736	(25)	60,711
Impairment loss	5,132	2,155	-	7,288	-	7,288
Increase in property, plant and equipment and intangible assets (Note 3)	41,691	12,777	30,827	85,296	-	85,296

(Notes) 1. Adjustments are as follows:

(1) Adjustment to segment profit is adjustment to unrealized gains in intersegment transactions.

(2) Adjustment to segment assets of ¥62,266 million include corporate assets not allocated to reportable segments of ¥62,154 million and the elimination of intersegment transactions.

(3) Adjustment to depreciation and amortization is an adjustment to unrealized gains related to fixed assets.

2. Segment profit has been adjusted to operating income on the consolidated statement of income.

3. Depreciation and amortization and the increase in property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization of long-term prepaid expenses.

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue from external customers	261,214	43,139	12,459	316,813	-	316,813
Intersegment operating revenue or transfers	-	-	-	-	-	-
Total	261,214	43,139	12,459	316,813	-	316,813
Segment profit (loss)	31,945	6,958	(701)	38,203	25	38,228
Segment assets	950,037	269,989	227,035	1,447,062	16,194	1,463,256
Other items						
Depreciation and amortization (Note 3)	41,072	22,582	6,589	70,244	(25)	70,219
Impairment loss	937	2,325	38	3,302	-	3,302
Increase in property, plant and equipment and intangible assets (Note 3)	69,105	37,688	22,514	129,308	-	129,308

(Notes) 1. Adjustments are as follows:

(1) Adjustments to segment profit (loss) reflect unrealized profits on intersegment transactions.

(2) Adjustment to segment assets of ¥16,194 million include corporate assets not allocated to reportable segments of ¥16,470 million and the elimination of intersegment transactions.

(3) Adjustment to depreciation and amortization is an adjustment to unrealized gains related to fixed assets.

2. Segment profit (loss) has been adjusted to operating income on the consolidated statement of income.

3. Depreciation and amortization and the increase in property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization of long-term prepaid expenses.

Related information

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

1. Information by product and service

Omitted, as more than 90% of operating revenue in the consolidated statements of income consists of operating revenue to external customers in the shopping mall business.

2. Information by region

(1) Operating revenue

Omitted, as the same information is disclosed in segment information.

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
800,711	144,608	154,764	1,100,085

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
AEON Retail Co., Ltd.	32,734	Japan

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

1. Information by product and service

Omitted, as more than 90% of operating revenue in the consolidated statements of income consists of operating revenue to external customers in the shopping mall business.

2. Information by region

(1) Operating revenue

Omitted, as the same information is disclosed in segment information.

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
825,428	179,461	186,339	1,191,229

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
AEON Retail Co., Ltd.	32,653	Japan

Information regarding impairment losses on fixed assets per reportable segment

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

Omitted, as the same information is disclosed in segment information.

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

Omitted, as the same information is disclosed in segment information.

Information on amortization of goodwill and balance of portion not amortized per reporting segment

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

Omitted, as information is not material.

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

Omitted, as information is not material.

Information regarding gain on negative goodwill per reporting segment

Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

Not applicable

Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

Not applicable

Per-share information

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Net assets per share	1,658.23 yen	1,830.21 yen
Net income (loss) per share	(8.19) yen	84.72 yen
Diluted net income per share	-	84.71 yen

(Note) 1. Diluted net income per share for the previous consolidated fiscal year is not shown, despite the existence of dilutive shares, as the Company posted a net loss per share.

2. The basis for the calculation of net income per share, net loss per share, and diluted net income per share is shown in the table below.

	Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)
Net income (loss) per share		
Net income (loss) attributable to owners of parent (million yen)	(1,864)	19,278
Amounts not attributable to shareholders of common stock (million yen)	-	-
Net income (loss) attributable to shareholders of common stock of parent (million yen)	(1,864)	19,278
Average number of common shares outstanding during the fiscal year	227,533,220	227,544,377
Diluted net income per share		
Adjustment of net income attributable to owners of parent (million yen)	-	-
Increase in number of common stock (shares) (Stock acquisition rights included)	- [－]	23,930 (23,930)
Outline of dilutive stock not included in calculation of diluted net income per share because it is anti-dilutive	――――――	――――――

Significant subsequent events

Not applicable