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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2023 (Japanese GAAP)

October 4, 2022

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

URL <https://www.aeonmall.com/en/ir/index.html>

Representative: Yasutsugu Iwamura, President and CEO

Scheduled date of filing of quarterly report: October 11, 2022

Starting date of dividend payment: October 21, 2022

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 Second Quarter of the Fiscal Year Ending February 2023 (March 1, 2022 – August 31, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended August 31, 2022	194,104	26.0	22,826	16.0	18,533	14.5	7,122	(44.5)
Six months ended August 31, 2021	154,101	22.3	19,684	67.4	16,189	80.2	12,835	—

(Note) Comprehensive income: Six months ended August 31, 2022: ¥53,449 million (90.0%)

Six months ended August 31, 2021: ¥28,130 million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six months ended August 31, 2022	31.30	31.29
Six months ended August 31, 2021	56.40	56.40

(Note) The Company adopted **Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)** as of the beginning of the first quarter of the current consolidated fiscal year. Figures for the second quarter of the fiscal year ending February 28, 2023 reflect the application of this accounting standard.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
August 31, 2022	1,625,060	473,488	28.4
February 28, 2022	1,463,256	426,931	28.5

(Reference) Equity: August 31, 2022: ¥461,653 million

February 28, 2022: ¥416,455 million

(Note) The Company adopted **Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)** as of the beginning of the first quarter of the current consolidated fiscal year. Figures for the second quarter of the fiscal year ending February 28, 2023 reflect the application of this accounting standard.

2. Dividends

	Annual Dividend				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2022	—	25.00	—	25.00	50.00
Year ending February 28, 2023	—	25.00			
Year ending February 28, 2023 (projection)			—	25.00	50.00

(Note) Revisions to dividend forecast announced recently: None

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
Full-year	404,000	—	55,500	45.2	45,500	39.8	23,000	19.3	101.07

(Notes) 1. Revisions to earnings forecast announced recently: None

2. 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 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 13.3%.

* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting-based estimates, revisions & restatements

[1] Changes in accounting policies due to changes in accounting standards, etc.: Yes

[2] Changes in accounting policies other than the above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(Note) For more information, see **2. Quarterly Consolidated Financial Statements and Notes (4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)** on P.20

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

[1] Number of shares outstanding at period-end (including treasury stock)	Six months ended August 31, 2022	227,557,439	Year ended February 28, 2022	227,548,939
[2] Treasury stock at period-end	Six months ended August 31, 2022	4,092	Year ended February 28, 2022	3,997
[3] Average number of shares during the period (quarterly cumulative)	Six months ended August 31, 2022	227,548,242	Six months ended August 31, 2021	227,543,726

* The summary of quarterly financial results is exempt from quarterly review procedures.

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

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

The forward-looking statements, such as earnings projections, included in these materials are based on information currently available to the Company and certain assumptions it deems reasonable. They do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. See **1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Projections and Other Projections** on P.14 of the accompanying materials for assumptions used in earnings projections and matters to note when using earnings projections.

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on October 5, 2022. The materials handed out at this briefing will be posted on the Company's website on October 4, 2022, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

1) Explanation of consolidated results of operations

AEON MALL Co., Ltd., creating the future of community living as we pursue our basic principle that the customer comes first. Under this management philosophy, is a *Life Design Developer* (Note) we defined our corporate activities as Heartful Sustainable.

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.

We recorded higher revenue and profit for the six months ended August 31, 2022 compared to the same period in the previous consolidated fiscal year. Operating revenue amounted to ¥194,104 million (+26.0% year on year), while operating income amounted to ¥22,826 million (+16.0%) and ordinary income amounted to ¥18,533 million (+14.5%) Extraordinary losses included losses of ¥1,782 million (¥2,405 million in the cumulative consolidated second quarter of the previous fiscal year) due to COVID-19, recorded as fixed costs during the temporary closure period. We also recorded an impairment loss of ¥1,731 million yen (¥78 million in the cumulative consolidated second quarter of the previous fiscal year) due to the decision to scrap and build certain aging facilities, as well as provision for loss on store closings of ¥2,017 million (no provision in the cumulative consolidated second quarter of the previous fiscal year). As a result, income before income taxes and other adjustments amounted to ¥12,375 million (-10.3% year on year). In addition, total income taxes increased ¥4,257 million year on year, mainly due to the recording of deferred tax assets in the second quarter of the previous consolidated fiscal year in connection with the absorption-type merger of our subsidiary, OPA Co., Ltd. As a result, net income attributable to owners of parent decreased to ¥7,122 million (-44.5% year on year).

Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were +20.5%, -21.9%, -26.3%, and -58.2% compared to the results recorded during the second quarter of the consolidated fiscal year ended February 28, 2020, which was not impacted by COVID-19 (“FY2019” below).

◆ Consolidated Earnings

(Million yen)

	FY2021 Q2	FY2022 Q2	Change [YoY]
Operating revenue	154,101	194,104	+40,003 [+26.0%]
Operating income	19,684	22,826	+3,141 [+16.0%]
Ordinary income	16,189	18,533	+2,343 [+14.5%]
Net income attributable to owners of parent	12,835	7,122	(5,712) [-44.5%]

(Reference) Results vs. six months ended August 31, 2019

(Million yen)

	FY2019 Q2	FY2022 Q2	Change (Vs. FY2019)
Operating revenue	161,070	194,104	+33,034 [+20.5%]
Operating income	29,212	22,826	(6,386) [-21.9%]
Ordinary income	25,157	18,533	(6,624) [-26.3%]
Net income attributable to owners of parent	17,043	7,122	(9,920) [-58.2%]

2) Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2021 Q2	FY2022 Q2	Change [YoY]	FY2021 Q2	FY2022 Q2	Change [YoY]
China	20,964	25,765	+4,800 [+22.9%]	4,192	4,453	+261 [+6.2%]
Vietnam	4,155	5,926	+1,771 [+42.6%]	861	1,459	+598 [+69.4%]
Cambodia	1,380	2,489	+1,109 [+80.3%]	279	617	+337 [+120.4%]
Indonesia	1,828	2,739	+910 [+49.8%]	(530)	(542)	(12) [-]
Other	—	—	—	(16)	(7)	+9 [-]
Overseas	28,329	36,921	+8,592 [+30.3%]	4,786	5,980	+1,194 [+25.0%]
Japan	125,771	157,443	+31,671 [+25.2%]	14,886	16,832	+1,946 [+13.1%]
Adjustment	—	(259)	(259) [-]	12	12	— [+0.0%]
Total	154,101	194,104	+40,003 [+26.0%]	19,684	22,826	+3,141 [+16.0%]

(Reference) Results vs. six months ended August 31, 2019

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2019 Q2	FY2022 Q2	Change [YoY]	FY2019 Q2	FY2022 Q2	Change (Vs. FY2019)
China	17,801	25,765	+7,963 [+44.7%]	3,006	4,453	+1,447 [+48.1%]
Vietnam	2,423	5,926	+3,503 [+144.6%]	589	1,459	+869 [+147.5%]
Cambodia	1,995	2,489	+494 [+24.8%]	619	617	(1) [-0.3%]
Indonesia	1,939	2,739	+800 [+41.3%]	138	(542)	(680) [-]
Other	—	—	—	—	(7)	(7) [-]
Overseas	24,159	36,921	+12,761 [+52.8%]	4,352	5,980	+1,627 [+37.4%]
Japan	136,911	157,443	+20,532 [+15.0%]	24,847	16,832	(8,014) [-32.3%]
Adjustment	—	(259)	(259) [-]	12	12	— [+0.0%]
Total	161,070	194,104	+33,034 [+20.5%]	29,212	22,826	(6,386) [-21.9%]

a. Overseas**(Six Months Ended June 30, 2021)**

The company recorded higher revenue and profit in Cambodia. Operating revenue amounted to ¥36,921 million (+30.3% year on year) and operating income in the amount of ¥5,980 million (+25.0%). Operating revenue and operating income were +52.8% and +37.4%, compared to FY2019, which was not affected by COVID-19.

The following describes the impact of COVID-19 and status of sales in each country. The accounting period for companies outside Japan is the year ending December 31. Accordingly, figures presented herein for the cumulative consolidated second quarter reflect overseas results for January through June.

(China)

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥25,765 million (+22.9% year on year) and operating income in the amount of ¥4,453 million (+6.2%). Operating revenue and operating income were +44.7% and +48.1%, compared to FY2019, which was not affected by COVID-19.

In China, COVID-19 infections spread rapidly beginning in April, leading to severe restrictions on activities by the government, which is pursuing a Zero COVID policy. Restrictions forced some of our malls in Beijing/Tianjin, Suzhou, Wuhan, and other cities to close temporarily and on an intermittent basis. While large-scale events to generate customer traffic were banned, we seized on local government initiatives to stimulate consumption through electronic coupons, issuing our own electronic coupons and engaging in other sales promotion measures for members at our malls. In June and later, consumers continued to refrain from unnecessary travel outside the home in the Beijing and Tianjin areas. However, consumption trends showed signs of recovery in the Jiangsu and Zhejiang areas, as well as in the Hubei area. As a result, specialty store sales at existing malls for the cumulative consolidated second quarter were -19.5% compared with the year-ago period (21 malls). On the other hand, operating income increased due to the impact of shifting fixed costs, etc., during the temporary closure period from operating costs to extraordinary losses, recorded as a loss of impact of COVID-19. Existing mall specialty store sales -12.2% compared to FY2019 (19 malls).

With respect to existing malls, we planned for a two-phase (spring/summer) renovation of AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province), with the first phase reopening in April. In May, we renovated AEON MALL Guangzhou Panyu Square (Guangzhou City, Guangdong Province).

(Vietnam)

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥5,926 million (+42.6% year on year) and operating income in the amount of ¥1,459 million (+69.4%). Operating revenue and operating income were +144.6% and +147.5%, compared to FY2019, which was not affected by COVID-19.

In Vietnam, we closed malls temporarily around the Ho Chi Minh area in the second quarter of the previous fiscal year due to the spread of COVID-19 in the southern region of the country that began in May 2021. During the consolidated second quarter of the fiscal year under review, with-COVID-19 policies of the government put the economy back on a growth track, and all business categories in AEON MALL facilities resumed operations. AEON MALL facilities featuring shopping, amusement, and dining, etc., enjoyed wide support, and we implemented sales promotion measures to strengthen our ability to attract customer traffic. As a result, specialty store sales at existing malls (6 malls) during the cumulative consolidated second quarter were +56.8% compared with the year-ago quarter. Sales were +47.6% compared with FY2019 (4 malls).

(Cambodia)

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥2,489 million (+80.3% year on year) and operating income in the amount of ¥617 million (+120.4%). Operating revenue and operating income were +24.8% and -0.3%, compared to FY2019.

During the second quarter of the previous consolidated fiscal year, Cambodia was impacted significantly terms of generating customer traffic due to the spread of COVID-19 infections beginning in since March 2021 and the implementation of an urban blockade in the capital city of Phnom Penh in April. However, mask requirements were lifted in late April, and other restrictions on activities have been eased. During the Cambodian Khmer New Year (April 14-16), we held joint promotions at two existing malls to attract more customers. Specialty store sales for the three months ended August 31, 2022 generally recovered to pre-COVID-19 levels of double-digit growth and 99.5% (two existing malls) of FY2019 results. As a result, specialty store sales at existing malls (two malls) during the consolidated second quarter were +98.3% compared with the year-ago quarter. Sales were -6.3% compared with FY2019.

(Indonesia)

The Company recorded higher revenue in Indonesia of ¥2,739 million (+49.8% year on year). However, we recorded an operating loss of ¥542 million (compared with an operating loss of ¥530 million in the cumulative consolidated second quarter of the previous fiscal year). Compared to FY2019, operating revenue increased +41.3% and operating income decreased ¥680 million yen.

In Indonesia, all malls returned to regular operating hours in April and lifted entry restrictions in May, as the government lowered the level of activity restrictions in response to a decrease in the number of new COVID-19 infections.

In addition, during the period of Ramadan (month of fasting) and Lebaran (end of fasting) between April and May, the movement of people within the country became more active, returning to their ancestral homes and traveling to other parts of the country as the government eased restrictions on activities. In this context, our malls also sought to attract more customers through sales promotions and other measures. As a result, the number of visitors to existing malls during the cumulative consolidated second quarter rose +23.5% compared with previous period (three malls); however, operating income decreased, partly due to the impact of vacant floor space at a new mall that opened in the previous fiscal year during the COVID-19 pandemic. However, operating income declined, due in part to unused space in a new mall opened during the COVID-19 pandemic in the previous consolidated fiscal year. Customer traffic was -24.9% compared with FY2019 (two malls).

[Consolidated third quarter and beyond (July-)]

Despite strict administrative management over activities under the Zero COVID policy in the Beijing and Tianjin areas of China since July, consumption trends in high-growth areas such as Suzhou and Wuhan have been recovering. Existing mall specialty store sales improved to a decrease of -0.4% year-on-year in July (+6.4% compared to FY2019) and +15.0% year-on-year in August (-3.1% compared to FY2019). With the prospect that the Zero COVID policy will continue, we intend to develop sales measures to capture growing demand under an economic recovery, with a view to economic support through government-led fiscal stimulus and further consumption stimulus measures by local governments heading into the end of the year.

In Vietnam, consumption trends have remained strong since July. In the consolidated third quarter of the previous fiscal year, we closed specialty stores temporarily in our malls due to social segregation measures ordered by the government following the

spread of COVID-19 throughout Vietnam. In a rebound, partially due to these past restrictions, existing mall specialty store sales rose significantly in July at +486.3% year on year (+49.2% compared to FY2019) and +2,175.5% in August (+31.4% compared to FY2019).

Cambodia and Indonesia were both subject to operating restrictions during the previous consolidated third quarter, including the closure of certain types of businesses such as cinemas and amusement centers, and reduced operating hours. Specialty store sales at existing malls in Cambodia for July were +130.6% (-1.7% compared to FY2019) and +103.6% in August (-9.4% compared to FY2019). Specialty store sales at existing malls in Indonesia for July were +196.2% (-20.6% compared to FY2019) and +130.7% in August (-25.1% compared to FY2019). Performance in both countries showed improvement.

During the current consolidated fiscal year, we plan to open one new mall in Cambodia. With respect to existing malls, we conducted a second phase of renovation in July for AEON Mall Wuhan Jingkai, following the first phase in the spring. We renovated AEON Mall Wuhan Jingyintan (Wuhan City, Hubei Province) between July to September. In September, we renovated and expanded AEON MALL Tianjin Zhongbei (Tianjin City) and conducted a soft opening heading toward a November grand opening.

New Overseas Business Malls Scheduled to Open During the Consolidated Third Quarter of Fiscal 2022

Country	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

[Six Months Ended August 31, 2022 (March to August)]

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥157,443 million (+25.2% year on year) and operating income in the amount of ¥16,832 million (+13.1%). Operating revenue and operating income were +15.0% and -32.3%, compared to FY2019.

We closed certain malls temporarily in the Tohoku region due to the Fukushima Prefecture earthquake that occurred on March 16. In terms of the impact of COVID-19 during the first half of the current consolidated fiscal year, we saw improving sales trends until the beginning of July in response to fewer new infections. However, a rapid increase in infections in a seventh wave of the pandemic began in mid-July, causing customers to refrain from going outside their homes. This development had had a significant impact on our ability to attract customers. During the first half of the previous consolidated fiscal year, we closed a certain number of malls due to a declaration of emergency resulting from an increase in the number of new infections. Specialty store sales at existing malls during the cumulative consolidated second quarter of the current fiscal year rose +11.5% (85 malls) compared to the previous fiscal year. Sales were -13.2% compared with FY2019 (83 malls).

We plan to open two new malls during the current consolidated fiscal year, one being THE OUTLETS.

KITAKYUSHU (Fukuoka Prefecture) which we opened in April. We completed renovations of nine existing malls.

New Japanese Malls Opened Through the Second Quarter Fiscal 2022

Name	Location	Opening Date	Tenants	Lease Area (m ²)
Features				
THE OUTLETS KITAKYUSHU	Fukuoka Prefecture	April 28, 2022	170	48,000
As the second regional innovative commercial facility of THE OUTLETS business model, the facility will offer not only an outlet shopping experience, but also provide edutainment that combines fun with learning to meet domestic and international tourism demand in cooperation with the local community and surrounding tourist facilities. We also plan to work with local residents and customers to address social issues, such as the use of renewable energy and reduction of food loss.				

[Consolidated third quarter and beyond (September-)]

Since September, the number of new cases COVID-19 infections has been trending downward. As consumer behavior will become more active, we intend to implement measures to attract more customers through strict anti-infection measures, as well as through sales promotions to capture new demand created by government measures to stimulate consumption (domestic travel support, etc.).

With respect to new malls scheduled to open in the cumulative consolidated third quarter and beyond, we plan on opening AEON MALL Toki (Gifu Prefecture) on October 7.

New Japanese Business Malls Scheduled to Open Through the Third Quarter of Fiscal 2022

Name	Location	Opening Date	Tenants	Lease Area (m ²)
AEON MALL Toki	Gifu Prefecture	October 7, 2022	140	49,000

3) Growth Measures and New Initiatives

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.

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 overseas growth markets, aiming for an overseas business mall network of 50 malls and operating income of ¥27,000 million (operating margin of 25%).

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. We identified the following management issues and vision related to our growth initiatives. 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.

Management Issues and Future Vision
a. 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.
b. 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).
c. 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.
d. 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.
e. 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.

a. Achieve Profitable Growth in our Overseas Business and Accelerate New Mall Openings (New Mall Opening and Revitalization Progress)

As of the six months ended June 31, 2022, we operate a total of 34 malls overseas, including 22 malls in China, 6 malls in Vietnam, 2 malls in Cambodia, and 4 malls in Indonesia. We intend to accelerate new mall openings, aiming to achieve a 50-mall network by the end of fiscal 2025, continuing to search for and secure new properties in high-growth areas of China and ASEAN.

In Vietnam, our most important area for new mall openings, we are pursuing area-dominant mall openings in the south of the country, focused on Ho Chi Minh City, and in the north of the country, focused on Hanoi. We signed new comprehensive memoranda of understanding to implement investment decisions for shopping mall development with the Ho Chi Minh City

Huyện Hóc Môn Province, the Dong Nai Province neighboring Ho Chi Minh City, and Da Nang City, in the central area of the country, in April, May, and June 2022, respectively. In May, we announced the decision to open AEON Mall Hue (Hue City) in Hue City, the capital of Thừa Thiên Huế Province and our first mall in the central area of the country. In addition to accelerating area-dominant mall openings in the north and south, we will also accelerate our efforts in the central part of the country.

We are pursuing area-dominant mall openings in four areas of China: (1) Beijing, Tianjin, and Shandong, (2) Jiangsu and Zhejiang, (3) Hubei, and (4) Guangdong. Moving forward, 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 as we aim to open seven malls in the area by the end of fiscal 2025.

We will continue to evolve our existing malls in both physical and intangible ways through renovations and localization programs.

At AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province), we renovated a total of 84 stores over two phases in April and July. In August, we increased parking capacity to 4,500 cars by adding a multi-story parking lot, evolving the mall into one of the largest in the area.

AEON MALL Wuhan Jinyintan (Wuhan City, Hubei Province) also underwent renovations in July and September. Here, we replaced a total of 41 specialty stores and took other measures to strengthen the area dominance of our mall in Wuhan and improve our ability to attract customers further.

AEON MALL Tianjin Zhongbei (Tianjin City) underwent renovations to increase floor space, despite the impact of restrictions on entry into Tianjin from outside the city due to the government's Zero COVID policy. We conducted a soft opening for the mall on September 9 in preparation for a grand opening in November. We converted the third floor, which had been used as a parking lot, to retail space and installed a new restaurant area. We also added new specialty stores on existing floors, creating a mall with 230 specialty stores (+63 stores) and a total lease area of 76,000m² (+16,000m²).

We plan to open our third mall in Cambodia, AEON MALL Meanchey (Phnom Penh City) during fiscal 2022. The first AEON MALL in Cambodia, AEON Mall Phnom Penh (Phnom Penh City), will evolve into an urban luxury mall. We plan to expand and reopen the facility in fiscal 2023. Including new merchandising leveraging the characteristics of this mall and our second Phnom Penh City mall, AEON MALL Sen Sok City, we plan to strengthen our dominance in the Phnom Penh area.

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. In May 2022, we held the grand opening of a fourth mall, AEON MALL Tanjung Barat (South Jakarta), which we opened partially in November 2021.

(New Business Development to Solve Local Issues)

We established AEON MALL (CAMBODIA) LOGI PLUS CO. LTD. in Cambodia to develop the country's first multi-function logistics center business, which will serve as a platform for overseas logistics. In May, we held a groundbreaking ceremony for the Sihanoukville Logistics Center, which will serve as a new base of operations. Through this project, we will contribute to the further development of the country, improving convenience for customers and providing business opportunities and services to a wide variety of businesses.

b. Maximize the Appeal of Brick-and-Mortar Malls Through Customer Experience (CX)

(Initiatives to Improve CX Only Available at Brick-and-Mortar Malls)

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.

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.

THE OUTLETS KITAKYUSHU (opened on April 28) maximizes an open-air environment, offering beautiful plantings matching the theme of each street. Here, visitors can shop while walking through a park-like environment, enjoying a comfortable environment.

AEON MALL Toki (Gifu Prefecture), scheduled to open on October 7, will feature an open terrace adjacent to a restaurant zone on the first floor, designed to provide a lush green landscape and an airy environment for dining. Various events will be held on weekends, creating a rich and relaxing atmosphere and serving as a community interaction center. We installed automatic volume control devices in the atrium court, common corridors, food court, etc., to improve conditions for hearing during noisy congestion in the building. We also increased the number of speakers in the facility to make it easier to hear announcements and background music compared with other malls. In this way, we are creating a sound environment experienced by all five senses.

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 opportunities for increased revenue.

As of March, the AEON MALL Hanyu (Saitama Prefecture) 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.

AEON MALL Toki will provide a high-quality entertainment experience for people of all ages, utilizing its vast site of over 200,000 m². Entertainment options will include a go-kart circuit track, hot bath facilities (onsen), a large SUV specialty store, and other attractions in surrounding buildings.

(Digital Technology Initiatives for Improved Customer Experience (CX))

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. Beginning March, we built a pop-up femtech specialty store at AEON Lake Town Kaze (Saitama Prefecture). Here, non-identifying data on customer behavior and attributes are accumulated and reflected in the creation of sales areas that correspond to the business 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.

Utilizing the Staff DX application service provided through collaboration with Vanish Standard, Co. Ltd., we launched an initiative to distribute highlight recommendations and coordination suggestions from specialty store staff working at AEON MALL locations nationwide on interior digital signage. Customers who visit the stores can visit the specialty stores and enjoy shopping based on the information delivered by the excellent staff influencers who work at the respective specialty stores.

The Company and hakuodo-XR (Note) launched a joint proof-of-concept test to create a new customer experience utilizing the AR cloud function in the AEON MALL app. As a first step, we will be conducting a joint test at THE OUTLETS KITAKYUSHU. This test will be an Art AR Exhibition at THE OUTLETS KITAKYUSHU in which works by local art students and young artists will be displayed in AR space. Another activity will feature a Nuri-e (coloring) Experience displaying children's coloring pictures. Through this test, we will verify how to create content experiences that enrich real life using AR technology, and how to measure the effectiveness of such experiences.

The fourth AEON MALL facility in Indonesia, AEON MALL Tanjung Barat, is operated in collaboration with JD.ID, an e-commerce platform company based in China. We are opening a virtual AEON MALL section on the JD.ID website to offer an environment for both brick-and-mortar and online shopping. AEON MALL content will be shared by linking the JD.ID live video streaming platform with the mall signage, creating an integration of online and brick-and-mortar elements for customer convenience.

(Note) A project between Hakuodo, Inc. and Hakuodo DY Media Partners Inc. to develop creative content and solutions in the XR domain.

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

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.

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.

OPA Co., Ltd., an AEON MALL subsidiary, focuses management resources on the management and operation of eight urban commercial facilities, mainly located in transportation terminals. The company aims to raise profitability by quickly improving vacant floor space ratios, which is a key issue, by strengthening profitability through new business models leveraging DX, and by pursuing initiatives to achieve operational efficiencies, etc.

At Kanazawa FORUS (Ishikawa Prefecture), we launched the MIHON-ICHI KANAZAWA as a virtual shop. This shop sells selected traditional crafts from Ishikawa Prefecture. This shop, a proof-of-concept for a new shopping experience, uses the latest AR technology to allow visitors a free 360-degree view of the products. Reading a QR code shows the product in full size on the screen. In this way, images of products can be projected into actual rooms and shelves, allowing users to visualize realistic usage scenarios.

Takasaki OPA (Gunma Prefecture) strives to reduce fashion loss by collecting, sorting, and re-dyeing clothes, repurposing clothes as new apparel. This project represents the creation of a new upcycling community.

d. Pursue Digital Transformation (DX)

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.

To generate business ideas for a new future of living, we held a first Business Ideathon (Note) in May for the purpose of co-creating ideas with individuals active outside the company. This initiative is designed to generate business ideas that combine social issues and new technologies with AEON MALL management resources. We invited participants from the general public, including people in new business development and start-up companies, as well as students studying business related fields, to leverage their diverse perspectives and experiences for generating new ideas that go beyond the framework of commercial facilities.

We have launched a business co-creation program with startup companies in China, aiming to create innovative businesses that will design the future of living in the region. The objective of the program is to transform existing industries and solve social issues by combining AEON MALL assets with the cutting-edge technologies of various startups, focusing on a range of partnerships related to ESG, environmental content, improved customer experience, etc.

(Note) A term coined by combining the words “idea” and “marathon.” This event consists of a specific topic decided beforehand about which small groups brainstorm ideas that are submitted for judgment.

e. 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, as well as co-creation with customers, local communities, partners, and other stakeholders.

(AEON MALL Decarbonization Vision)

As a decarbonization initiative based on AEON Decarbonization 2050, we aim to reduce total CO₂ and other emissions in Japan to zero by the year 2040.

We continue to pursue energy conservation through activities that include the installation of solar power generation equipment and EV chargers. In addition to these measures, we set a new goal of operating all AEON MALL locations in Japan using effectively CO₂-free electricity by fiscal 2025 by procuring energy from off-site sources and pursuing direct contracts for renewable energy.

We will accelerate our efforts to achieve a decarbonized society in Japan and overseas, aiming to reduce the total amount of CO₂ and other emissions from all our business activities to zero.

(Launch of AEON MALL Machi no Hatsudensho (community power plant) based on low-voltage, distributed solar power generation systems via self-directed transmission)

In September, we began operations of the AEON MALL Machi no Hatsudensho (community power plant) based on low-voltage, distributed solar power generation systems via self-directed transmission. As a first step, we will supply approximately 65MW of electricity (equivalent to the electricity consumption of four AEON Mall facilities) generated at approximately 740 low-voltage solar power plants across Japan to approximately 30 AEON Mall facilities nationwide on a self-directed basis. We will continue to expand the number of solar and other "community power plants" throughout Japan. By 2040, we intend to convert the electricity used at directly managed malls to 100% locally produced, locally consumed renewable energy.

(Note) Transmission of electricity generated at remote solar power generation facilities to a company's own facilities or those of group companies using the transmission and distribution facilities of a power transmission and distribution company.

(SDGs Festival)

We held the AEON MALL SDGs Festival over 12 days from September 16 to September 27. This span included the day that the Sustainable Development Goals (SDGs) were adopted (September 25). In collaboration with government agencies, local organizations, and partner companies, roughly 500 original programs were conducted on topics such as communicating the attractiveness of communities, disaster prevention, food drives, health, etc. By asking customers to participate casually in these events, we encouraged them to change their behavior from knowing about the SDGs to learning about the SDGs through participation.

As specific initiatives, AEON MALL Sakai Teppochō (Osaka Prefecture) held various workshops and booths where more than 40 companies, educational institutions, and organizations participated to make the SDGs more accessible to the public. AEON MALL Takasaki (Gunma Prefecture) invited participants to bring in unused food items from home, which was distributed through Takasaki City Social Welfare Council to children's cafeterias and organizations supporting the needy in Takasaki City.

(Creating a Human Resources and Organizational Vision)

AEON MALL is a Life Design Developer of community living. We believe that the mission of our business is to create connections among stakeholders, including customers, local communities, and partner companies, as well as to solve local issues. We also believe that human resources are the most important capital we have for achieving sustainable growth. Based on these beliefs, we developed a new vision in May for human resources and our organization that will drive innovation to achieve our management philosophy.

Future Ideal for Our Human Resources: Life Design Producer	Future Ideal for Our Organization: A Group of Professionals who Continue to Innovate
(1) Develop human resources capable of achieving self-fulfillment from the perspectives of positive outcomes for co-workers, for local communities, and for the future (2) Develop human resources capable of creating and nurturing relationship (3) Develop human resources who can envision their own ideal future by making most of their individuality	(1) Become an organization that creates customers constantly and pioneers new areas of business (2) Become an organization that expands and deepens relationships (3) Become an organization with a culture that respects each employee, allows them to maximize their talents

(Conducting Responsible Business)

Based on the AEON Human Rights Policy, we respect human rights and aim to be an organization in which all employees can participate in corporate development regardless of gender, nationality, etc. We also strive to create workplaces in which all employees can make the most of their abilities.

The AEON Human Rights Policy specifies the implementation of human rights due diligence, and we began initiatives in 2020 to conduct assessments of our company and upstream suppliers during fiscal 2021. The government of Japan is scheduled to establish guidelines for human rights due diligence by the end of 2022. In line with government policy, we will expand the scope of implementation to downstream contractors and specialty stores, and establish a PDCA cycle by formulating corrective plans after process implementation. Here, we aim to build a system for reducing risks related to human rights on a routine basis.

In August 2021, we established our own Guidelines for Sustainable Trade based on the AEON Human Rights Policy and AEON Supplier Transaction Code of Conduct in order to prevent the occurrence of incidents that could constitute human rights violations and to build a sustainable value chain. In December 2021, we held a briefing session for construction-related suppliers to communicate and promote an understanding of the guidelines. We held a similar session in June for specialty store companies.

(Sustainability Finance Initiatives)

In April, we issued ¥40,000 million of Sustainability-Linked Bonds (“Bonds,” see Note 1) to individual investors for the purpose of solving social issues and for environmental considerations. We issued these Bonds as a sustainability finance initiative toward the creation of decarbonized societies, issued on terms that vary according to whether we achieve predetermined sustainability targets.

Name	AEON MALL Co., Ltd. Unsecured Bond Series 30 (with inter-bond pari passu clause) (Sustainability-Linked Bonds)
Term	5 years
Amount	¥40,000 million
Coupon Rate	0.490%
Condition Determination Date	April 15, 2022
Date of Issuance	April 28, 2022
Redemption Date	April 28, 2027
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) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,625,060 million, up ¥161,804 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in deposits paid to affiliates (included in other current assets) of ¥61,000 million, an increase in cash and deposits of ¥30,685 million, an increase in property, plant and equipment of ¥52,020 million stemming from investments of ¥35,085 million in new businesses and existing mall revitalization, and a significant increase due to the impact of foreign currency translation.

Liabilities

Total liabilities stood at ¥1,151,572 million, up ¥115,247 million from the end of the prior consolidated fiscal year. This result was mainly due to increases of ¥70,000 million in bonds (including current portion), ¥14,830 million in deposits received from specialty stores, ¥8,373 million in long-term debt (including current portion), ¥7,462 million in lease obligations (including lease obligations under current liabilities) impacted by foreign currency translation, and ¥5,232 million in accounts payable-other related to facilities (included in other current liabilities).

Net assets

Net assets totaled ¥473,488 million, up ¥46,556 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in retained earnings of ¥265 million stemming from the recording of ¥7,122 million in net income attributable to parent company shareholders, payment of ¥5,688 million in dividends, and a decrease of ¥1,167 million in retained earnings due to the application of *Accounting Standard for Revenue Recognition*. At the same time, the Company recorded an increase of ¥44,778 million in foreign currency translation adjustments.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of six months of the consolidated second quarter amounted to ¥169,175 million, up ¥86,201 million from 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 ¥48,144 million, compared to net cash provided of ¥17,647 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥12,375 million (¥13,803 million in the year-ago period), depreciation and amortization of ¥34,446 million (¥31,080 million in the year-ago period), and an increase in deposits received from specialty stores of ¥14,121 million (decrease of ¥19,229 million in the year-ago period). These amounts were offset in part by income taxes paid of ¥7,024 million (¥7,320 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥36,199 million, compared to ¥74,006 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 ¥31,815 million (¥69,747 million in the year-ago period) for equipment at malls in AEON MALL Kawaguchi (opened in Saitama Prefecture in the previous consolidated fiscal year) and AEON MALL Meanchey (scheduled to open in Phnom Penh City during the current consolidated fiscal year).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥57,695 million, compared to net cash provided of ¥4,891 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 ¥80,000

million (¥30,000 million in the year-ago period) and proceeds from long-term debt of ¥29,130 million (¥19,212 million in the year-ago period). During the same period, the company made cash outlays for repayment of long-term debt of ¥25,902 million (¥17,141 million in the year-ago period), redemptions of bonds of ¥10,000 million (¥15,000 million in the year-ago period), ¥9,432 million in repayment of lease obligations (¥7,345 million in the year-ago period), and ¥5,688 million in dividend payments (¥4,550 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

We have made no changes to the full-year consolidated earnings projections as announced April 7, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	87,148	117,834
Notes and accounts receivable-trade	8,308	15,619
Other	55,627	124,189
Allowance for doubtful receivables	(373)	(360)
Total current assets	150,711	257,283
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	647,844	668,447
Land	341,296	347,824
Right-of-use assets (net)	159,276	169,305
Other	42,811	57,671
Total property, plant and equipment	1,191,229	1,243,249
Intangible fixed assets	3,456	3,469
Investments and other assets		
Lease deposits paid	51,922	52,377
Other	65,954	68,699
Allowance for doubtful receivables	(18)	(18)
Total investments and other assets	117,859	121,058
Total fixed assets	1,312,544	1,367,777
Total assets	1,463,256	1,625,060

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	9,919	13,258
Bonds due within one year	40,000	75,000
Current portion of long-term debt	46,093	51,359
Lease obligations	19,555	23,312
Income taxes payable	6,830	5,463
Deposits received from specialty stores	38,732	53,562
Allowance for employee bonus	1,714	965
Allowance for director and corporate auditor performance-based remuneration	78	35
Provision for loss on store closing	733	733
Other	49,076	57,248
Total current liabilities	212,734	280,941
Long-term liabilities		
Straight bonds	355,000	390,000
Long-term debt	178,704	181,812
Lease obligations	118,239	121,944
Accrued retirement benefits to employees	647	519
Asset retirement obligations	19,843	20,327
Lease deposits from lessees	146,198	148,682
Provision for loss on store closing	—	2,017
Other	4,957	5,328
Total long-term liabilities	823,590	870,631
Total liabilities	1,036,325	1,151,572
Net assets		
Shareholders' equity		
Common stock	42,374	42,380
Capital surplus	40,693	40,699
Retained earnings	316,829	317,095
Treasury stock, at cost	(7)	(7)
Total shareholders' equity	399,890	400,168
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,059	1,132
Foreign currency translation adjustment	16,158	60,936
Remeasurements of defined benefit plans	(652)	(584)
Total accumulated other comprehensive income	16,565	61,484
Stock acquisition rights	33	30
Non-controlling interests	10,441	11,804
Total net assets	426,931	473,488
Total liabilities and net assets	1,463,256	1,625,060

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended August 31, 2021 and August 31, 2022)

(Million yen)

	FY2021 Q2 March 1 - August 31, 2021	FY2022 Q2 March 1 - August 31, 2022
Operating revenue	154,101	194,104
Operating costs	120,234	156,457
Gross profit	33,866	37,647
Selling, general and administrative expenses	14,181	14,821
Operating income	19,684	22,826
Non-operating profits		
Interest income	673	732
Compensation paid by departing tenants	893	682
Gain on valuation of derivatives	720	1,666
Compensation income	538	449
Other	237	286
Total non-operating profits	3,063	3,818
Non-operating expenses		
Interest expenses	5,380	5,768
Foreign exchange losses	751	1,715
Other	427	627
Total non-operating expenses	6,558	8,111
Ordinary income	16,189	18,533
Extraordinary gains		
Gain on sale of fixed assets	1	0
Insurance income	—	293
Compensation income	848	—
Total extraordinary gains	849	294
Extraordinary losses		
Loss on sale of fixed assets	—	0
Loss on retirement of fixed assets	531	720
Impairment loss	78	1,731
Provision for loss on store closings	—	2,017
Loss due to COVID-19	2,405	1,782
Other	220	198
Total extraordinary losses	3,236	6,451
Income before income taxes	13,803	12,375
Income tax – current	3,809	5,636
Income tax – deferred	(2,838)	(408)
Total income taxes	970	5,227
Net income	12,832	7,148
Net income (loss) attributable to non-controlling interests	(2)	25
Net income attributable to owners of parent	12,835	7,122

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months ended August 31, 2021 and August 31, 2022)

(Million yen)

	FY2021 Q2 March 1 - August 31, 2021	FY2022 Q2 March 1 - August 31, 2022
Net income	12,832	7,148
Other comprehensive income		
Net unrealized gain on available-for-sale securities	25	72
Foreign currency translation adjustment	15,209	46,160
Remeasurements of defined benefit plans	62	67
Total other comprehensive income	15,297	46,301
Comprehensive income	28,130	53,449
Comprehensive income (loss) attributable to:		
Owners of parent	28,218	52,041
Non-controlling interests	(87)	1,407

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2021 Q2 March 1 - August 31, 2021	FY2022 Q2 March 1 - August 31, 2022
Cash flows from operating activities		
Income before income taxes	13,803	12,375
Depreciation and amortization	31,080	34,446
Impairment loss	78	1,731
Increase (decrease) in provision for loss on store closing	—	2,017
Interest and dividend income	(686)	(748)
Interest expenses	5,380	5,768
Decrease (increase) in receivables—trade accounts	(383)	(6,036)
Increase (decrease) in payables—trade accounts	2,572	2,948
Increase (decrease) in deposits received from specialty stores	(19,229)	14,121
Other	(2,977)	(6,476)
Subtotal	29,639	60,149
Interest and dividends received	690	674
Interest paid	(5,361)	(5,654)
Income taxes paid	(7,320)	(7,024)
Net cash provided by (used in) operating activities	17,647	48,144
Cash flows from investing activities		
Purchase of property, plant and equipment	(69,747)	(31,815)
Proceeds from sales of property, plant and equipment	1	1
Payment of lease deposits to lessors	(1,985)	(139)
Reimbursement of lease deposits to lessors	957	240
Repayment of lease deposits from lessees	(4,590)	(4,575)
Proceeds from lease deposits from lessees	9,037	5,116
Other payments	(8,726)	(13,640)
Other proceeds	1,045	8,614
Net cash provided by (used in) investing activities	(74,006)	(36,199)
Cash flows from financing activities		
Repayment of lease obligations	(7,345)	(9,432)
Proceeds from long-term debt	19,212	29,130
Repayment of long-term debt	(17,141)	(25,902)
Proceeds from issuance of bonds	30,000	80,000
Redemption of bonds	(15,000)	(10,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,550)	(5,688)
Dividends paid to non-controlling interests	(83)	(44)
Other	(196)	(367)
Net cash provided by (used in) financing activities	4,891	57,695
Foreign currency translation adjustments on cash and cash equivalents	6,069	16,561
Net increase (decrease) in cash and cash equivalents	(45,397)	86,201
Cash and cash equivalents at beginning of the period	124,080	82,973
Cash and cash equivalents at end of the period	78,683	169,175

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

The Company adopted *Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)* as of the beginning of the first quarter of the consolidated fiscal year. The impact of this change is described in *Notes (Changes in accounting policies)*.

Changes in major consolidated subsidiaries during the period under review

Not applicable

Although not a specified subsidiary, we established AEON MALL (WUHAN JIANGXIA) BUSINESS MANAGEMENT CO., LTD. during the second quarter of the current consolidated fiscal year and added the entity to the scope of consolidated.

Changes in accounting policies

Adoption of Accounting Standard for Revenue Recognition

The Company adopted *Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)* as of the beginning of the first quarter of the consolidated fiscal year. Accordingly, the Company now recognizes revenue at the time control of the promised goods or services are transferred to the customer at the amount expected to be received in exchange for such goods or services. The main impact of this change is that the Company previously recognized a portion of overhead expenses received from tenants as a net amount within operating costs. We will now recognize the total consideration received as operating revenue after determining whether the role (as principal or agent) served in the provision of goods or services to customers qualifies the Company as a principal. In addition, the Company changed the method of recognizing contributions received from tenants for interior decoration construction of common areas of commercial facilities. Previously, the Company recognized contributions as a lump-sum net amount within operating costs. Now, the Company will recognize the total amount as operating revenues over a certain period of time, as these transactions are deemed to be the fulfillment of performance obligations over a certain period of time and to fall under transactions in the role of a principal.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the *Accounting Standard for Revenue Recognition*, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the consolidated fiscal year should be added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year, and the new accounting policy is then applied from the revised beginning balance.

As a result, operating revenue, operating costs, and selling, general and administrative expenses for the second quarter of the current consolidated fiscal year rose ¥23,307 million, ¥23,096 million, and ¥23 million, respectively. In addition, the balance of retained earnings at the beginning of the period decreased ¥1,167 million.

Adoption of Accounting Standard for Fair Value Measurement

The Company adopted *Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)* as of the beginning of the first quarter of the consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the *Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)*, we will apply the new accounting policy prescribed for the *Accounting Standard for Fair Value Measurement* prospectively. This change in accounting policy has no effect on the quarterly consolidated financial statements.

Supplementary Information

Accounting estimates related to the impact of COVID-19

There have been no material changes to the assumptions made in the material accounting estimates section of the Company's annual securities report for the previous consolidated fiscal year, including assumptions regarding how COVID-19 will spread in the future or when COVID-19 will subside.

Segment and Other Information

Segment information

I. Six Months Ended August 31, 2021

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount to quarterly consolidated statements of income (Note 3)
Operating revenue									
Operating revenue from external customers	125,771	20,964	4,155	1,380	1,828	—	154,101	—	154,101
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	125,771	20,964	4,155	1,380	1,828	—	154,101	—	154,101
Segment profit (loss)	14,886	4,192	861	279	(530)	(16)	19,672	12	19,684

(Notes) 1. Other (Overseas) represents Myanmar, etc.

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

3. Segment profit (loss) adjustment reflected in operating income on the quarterly consolidated statement of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups for which changes have occurred causing a significant decline in expected recoverable value. The company recorded ¥78 million in impairment loss for the cumulative current consolidated second quarter.

Goodwill did not change materially during the period under review.

II. Six months ended August 31, 2022

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount to quarterly consolidated statements of income (Note 3)
Operating revenue									
Operating revenue from external customers	157,183	25,765	5,926	2,489	2,739	—	194,104	—	194,104
Intersegment operating revenue or transfers	259	—	—	—	—	—	259	(259)	—
Total	157,443	25,765	5,926	2,489	2,739	—	194,364	(259)	194,104
Segment profit (loss)	16,832	4,453	1,459	617	(542)	(7)	22,813	12	22,826

(Notes) 1. Other (Overseas) represents Myanmar, etc.

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

3. Segment profit (loss) adjustment reflected in operating income on the quarterly consolidated statement of income.

2. Matters related to changes in reportable segments

As described in the AEON MALL Vision for 2025, we aim to capture overseas growth markets, establish a 50-mall overseas business network, and achieve high profit growth overseas. To achieve these goals, we began implementing organizational reforms on April 1, 2022, and in light of the increasing importance of overseas countries in our business, we have changed our reporting segments from *ASEAN* to *Vietnam, Cambodia, Indonesia*, and *Other (Overseas)* effective as of the first quarter of the consolidated fiscal year

Segment information for the second quarter of the previous fiscal year is disclosed based on the reporting segment classification for the second quarter of the current fiscal year.

As described under *Changes in accounting policies*, the Company adopted the *Accounting Standard for Revenue Recognition* and other accounting standards as of the beginning of the first quarter of the consolidated fiscal year. As we have changed our accounting method for revenue recognition, we have modified the calculation method of income or loss for reportable segments in the same manner. The effect of this change on the Japan segment income was immaterial.

3. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups for which changes have occurred causing a significant decline in expected recoverable value. The company recorded ¥1,731 million in impairment loss for the cumulative current consolidated second quarter.

Goodwill did not change materially during the period under review.

Significant subsequent events

Not applicable