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

January 12, 2023

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: January 13, 2023

Starting date of dividend payment: —

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 Third Quarter of the Fiscal Year Ending February 28, 2023 (March 1, 2022 – November 30, 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	%
Nine months ended November 30, 2022	294,600	26.3	32,499	14.6	26,624	12.1	10,428	(36.6)
Nine months ended November 30, 2021	233,286	15.1	28,346	23.1	23,755	25.6	16,457	—

(Note) Comprehensive income: Nine months ended November 30, 2022: ¥67,063 million (84.5%)

Nine months ended November 30, 2021: ¥36,344 million (-%)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
Nine months ended November 30, 2022	45.83		45.82	
Nine months ended November 30, 2021	72.32		72.31	

(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 third 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	%
November 30, 2022	1,620,383	481,413	29.0
February 28, 2022	1,463,256	426,931	28.5

(Reference) Equity: November 30, 2022: ¥469,125 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 third 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.22

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

[1] Number of shares outstanding at period-end (including treasury stock)	Nine months ended November 30, 2022	227,557,439	Year ended February 28, 2022	227,548,939
[2] Treasury stock at period-end	Nine months ended November 30, 2022	4,132	Year ended February 28, 2022	3,997
[3] Average number of shares during the period (quarterly cumulative)	Nine months ended November 30, 2022	227,549,925	Nine months ended November 30, 2021	227,544,186

* 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.16 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 January 13, 2023. The materials handed out at this briefing will be posted on the Company's website on January 12, 2023, 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.

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 nine months ended November 30, 2022 compared to the same period in the previous consolidated fiscal year. Operating revenue amounted to ¥294,600 million (+26.3% year on year), while operating income amounted to ¥32,499 million (+14.6%) and ordinary income amounted to ¥26,624 million (+12.1%). Extraordinary losses included losses of ¥2,040 million (¥3,663 million in the cumulative consolidated third 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 (¥613 million in the cumulative consolidated third 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 third quarter of the previous fiscal year) and loss on retirement of fixed assets in the amount of ¥2,468 million (¥496 million in the cumulative consolidated third quarter of the previous fiscal year) in connection with domestic mall revitalization work. As a result, income before income taxes and other adjustments amounted to ¥17,932 million (-11.0% year on year). In addition, total income taxes increased ¥3,755 million year on year, mainly due to the recording of deferred tax assets in the third 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 ¥10,428 million (-36.6% year on year).

Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were +22.5%, -23.1%, -27.6%, and -55.6% compared to the results recorded during the third quarter of the consolidated fiscal year ended February 28, 2020, which was not impacted by COVID-19 (“FY2019” below).

◆ Consolidated Earnings

(Million yen)

	FY2021 Q3	FY2022 Q3	Change [YoY]
Operating revenue	233,286	294,600	+61,314 [26.3%]
Operating income	28,346	32,499	+4,152 [14.6%]
Ordinary income	23,755	26,624	+2,868 [12.1%]
Net income attributable to owners of parent	16,457	10,428	(6,029) [-36.6%]

(Reference) Versus nine months ended November 30, 2019

(Million yen)

	FY2019 Q3	FY2022 Q3	Change [Vs. FY2019]
Operating revenue	240,573	294,600	+54,027 [22.5%]
Operating income	42,265	32,499	(9,766) [-23.1%]
Ordinary income	36,783	26,624	(10,158) [-27.6%]
Net income attributable to owners of parent	23,503	10,428	(13,075) [-55.6%]

2) Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2021 Q3	FY2022 Q3	Change [YoY]	FY2021 Q3	FY2022 Q3	Change [YoY]
China	31,428	40,295	+8,866 [28.2%]	5,247	5,663	+415 [7.9%]
Vietnam	5,685	9,398	+3,713 [65.3%]	1,413	2,288	+875 [61.9%]
Cambodia	2,068	3,968	+1,900 [91.9%]	388	975	+587 [151.5%]
Indonesia	2,528	4,338	+1,809 [71.6%]	(618)	(756)	(137) [—]
Other	—	—	—	(20)	(10)	+9 [—]
Overseas	41,711	58,001	+16,290 [39.1%]	6,409	8,160	+1,750 [27.3%]
Japan	191,575	236,859	+45,284 [23.6%]	21,917	24,319	+2,401 [11.0%]
Adjustment	—	(260)	(260) [—]	18	18	— [0.0%]
Total	233,286	294,600	+61,314 [26.3%]	28,346	32,499	+4,152 [14.6%]

(Reference) Results vs. nine months ended November 30, 2019

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2019 Q3	FY2022 Q3	Change [Vs. FY2019]	FY2019 Q3	FY2022 Q3	Change [Vs. FY2019]
China	26,489	40,295	+13,805 [52.1%]	4,107	5,663	+1,555 [37.9%]
Vietnam	3,691	9,398	+5,707 [154.6%]	878	2,288	+1,410 [160.7%]
Cambodia	2,995	3,968	+973 [32.5%]	929	975	+46 [4.9%]
Indonesia	2,858	4,338	+1,480 [51.8%]	211	(756)	(967) [—]
Other	—	—	—	—	(10)	(10) [—]
Overseas	36,034	58,001	+21,966 [61.0%]	6,126	8,160	+2,034 [33.2%]
Japan	204,538	236,859	+32,320 [15.8%]	36,120	24,319	(11,801) [-32.7%]
Adjustment	—	(260)	(260) [—]	18	18	— [0.0%]
Total	240,573	294,600	+54,027 [22.5%]	42,265	32,499	(9,766) [-23.1%]

a. Overseas

(Nine Months Ended September 30, 2022)

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥58,001 million (+39.1% year on year) and operating income in the amount of ¥8,160 million (+27.3%). Operating revenue and operating income were +61.0% and +33.2%, compared to FY2019, which was not affected by COVID-19.

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

(China)

The company recorded higher revenue and profit in China. Operating revenue amounted to ¥40,295 million (+28.2% year on year) and operating income in the amount of ¥5,663 million (+7.9%). Operating revenue and operating income were +52.1% and +37.9%, compared to FY2019, which was not affected by COVID-19.

In China, specialty store sales at existing malls during the second quarter (April-June) were down 24.6% year on year (21 malls) due to temporary closures of certain malls due to the rapid spread of COVID-19 infections beginning in April and strict behavioral restrictions imposed based on the government's Zero-COVID policy. Although restrictions on activities continued in the Beijing and Tianjin areas after July, we saw a trend toward recovery in cities with high growth potential, including Suzhou and Wuhan. Sales improved +0.8% year on year for the third quarter (July to September) of the current fiscal year. As a result, specialty store sales at existing malls for the cumulative consolidated third quarter were -13.2% compared with the year-ago period. 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 of ¥1,915 million, recorded as a loss of impact of COVID-19. Existing mall specialty store sales were -8.6% compared to FY2019 (19 malls).

With respect to existing malls, we renovated and expanded AEON MALL Tianjin Zhongbei (Tianjin City), conducting a soft opening on September 9 heading toward a November grand opening. In addition, we renovated specialty stores and facilities at AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province), AEON Mall Wuhan Jingyintan (Wuhan City, Hubei Province), AEON MALL Guangzhou Panyu Square (Guangzhou City, Guangdong Province), and AEON MALL Suzhou Xinqu (Suzhou City, Jiangsu Province).

(Vietnam)

The company recorded higher revenue and profit in Vietnam. Operating revenue amounted to ¥9,398 million (+65.3% year on year) and operating income in the amount of ¥2,288 million (+61.9%). Operating revenue and operating income were +154.6% and +160.7%, compared to FY2019, which was not affected by COVID-19.

During the third quarter of the previous consolidated year in Vietnam (July-September 2021), COVID-19 infections spread throughout the country beginning in July, and the government implemented social segregation measures, causing our malls to close specialty stores temporarily. After the shift to the With-COVID policy, our malls opened operations at specialty stores across all types, receiving significant support for leisure functions such as shopping, amusement, and dining. As a result of sales promotion activities at each mall, specialty store sales at existing malls (6 malls) during the cumulative consolidated third quarter rose significantly at +865.2% compared with the year-ago period. As a result, specialty store sales at existing malls during the consolidated third quarter were +122.6% compared with the year-ago quarter. Sales were +43.6% compared with FY2019 (4 malls).

(Cambodia)

The company recorded higher revenue and profit in Cambodia. Operating revenue amounted to ¥3,968 million (+91.9% year on year) and operating income in the amount of ¥975 million (+151.5%). Operating revenue and operating income were +32.5% and +4.9%, compared to FY2019, which was not affected by COVID-19.

During the second quarter of the previous fiscal year (April-June 2021), the government implemented urban blockades in the capital of Phnom Penh City as part of measures against the rapid spread of COVID-19 infections in Cambodia beginning in April. During the third quarter of the previous fiscal year (July-September 2021), specialty stores in certain industries, including cinemas and amusement centers, were forced to close or operate under shortened business hours, which had a significant impact

on our ability to attract customers. During the cumulative consolidated third quarter of the current fiscal year, restrictions on activities in the country were eased significantly. AEON MALL Sen Sok City (Phnom Penh City) sponsored a public broadcast event in the TV station studio located in the mall to attract more customers. As a result, specialty store sales at existing malls (2 malls) during the consolidated third quarter were +96.4% compared with the year-ago quarter. Sales were -7.0% compared with FY2019 (2 malls).

(Indonesia)

The Company recorded higher revenue in Indonesia of ¥4,338 million (+71.6% year on year). However, we recorded an operating loss of ¥756 million (compared with an operating loss of ¥618 million in the cumulative consolidated third quarter of the previous fiscal year). Compared to FY2019, operating revenue increased +51.8% and operating income decreased ¥967 million yen.

In Indonesia, all malls returned to regular operating hours in April, and restrictions on the number of customers allowed in facilities were lifted 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 August, AEON MALL BSD CITY (Tangerang City, Banten Province) held an educational and hands-on event related to local production for local consumption. The event catered to local children through an association of Indonesian organic farmers as part of an industry-academia-government collaboration. The event was even featured on a leading local TV station. As a result, the number of visitors to existing malls during the cumulative consolidated third quarter rose +45.9% compared with previous period (3 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. Customer traffic was -24.6% compared with FY2019 (2 malls).

[Consolidated fourth quarter and beyond (October -)]

In China, the Zero-COVID policy continued after the conclusion of the Chinese Communist Party Congress held beginning October 16. As a result of temporary closures of many of our malls across the country, November specialty store sales of existing malls fell -38.0% year on year (-40.1% vs. FY2019). The Zero-COVID policy was eased across the country beginning on December 7, and the number of newly infected patients rose significantly. In light of the shortage of medical resources, we expect the impact of new COVID-19 infections on mall customer traffic and sales will continue for the foreseeable future. However, economic activities are expected to normalize with the shift under a With-COVID approach, and consumer behavior is likely to increase in line with pent-up demand for leisure, travel, etc. Therefore, we will continue to improve mall environments using comprehensive infection prevention and operations management measures, while developing sales promotions to capture rising demand for economic recovery.

In Vietnam, consumption trends have remained strong since October. Existing mall specialty store sales rose +112.6% year on year in October (+36.4% compared to FY2019) and +71.0% year on year in November (+20.4% vs. 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 October were +25.0% year on year (-7.5% compared to FY2019) and -0.3% in November (-10.2% compared to FY2019). Specialty store sales at existing malls in Indonesia for October were +21.2% (-24.3% compared to FY2019) and +12.1% in November (-30.2% compared to FY2019). Performance in both countries showed improvement.

During the current consolidated fiscal year, we conducted a soft opening for a new mall, AEON MALL Meanchey (Phnom Penh City), in December.

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

Country	Name	Location	Opening Date (Note)	Tenants	Lease Area (m ²)
Features					
Cambodia	AEON MALL Meanchey	Phnom Penh City	December 15, 2022	250	98,000
Targeting a wide range of age groups, the concept is to be an edutainment mall, combining education and entertainment. Offering the first-ever park located inside a shopping mall in Cambodia (Komsang Park), we expect to provide various value propositions as an edutainment center. The mall will respond to ever-changing lifestyles through a fusion of the latest trends and Cambodian culture, including holding events for visitors to experience Cambodian culture through industry-academia collaboration with the Phnom Penh Royal University of Fine Arts.					

(Note) Certain zones have been opened already ahead of the grand opening scheduled for spring 2023.

b. Japan

(Nine Months Ended November 30, 2022)

The company recorded higher revenue and profit in Japan. Operating revenue amounted to ¥236,859 million (+23.6% year on year) and operating income in the amount of ¥24,319 million (+11.0%). Operating revenue and operating income were +15.8% and -32.7%, compared to FY2019, which was not affected by COVID-19.

During the cumulative consolidated third quarter of the current fiscal year, we closed certain malls temporarily in the Tohoku region due to the Fukushima Prefecture earthquake that occurred on March 16. The number of COVID-19 infections has been on a downward trend since September. Our malls implemented aggressive sales promotions to attract more customers, including the *AEON MALL SDGs Festival*, which ran from September 16 to September 27. We promoted the event in a number of ways, including TV commercials. In October, the Japanese government launched a nationwide travel support program to stimulate consumption, and we sought to expand sales through sales promotions designed to capture demand created by the increased flow of consumers. As a result, specialty store sales at existing malls (85 malls) during the consolidated third quarter were +10.0% compared with the year-ago quarter. Sales were -11.5% compared with FY2019 (83 malls).

During the current consolidated fiscal year, we opened 2 malls, THE OUTLETS KITAKYUSHU (Fukuoka Prefecture) in April and AEON MALL Toki (Gifu Prefecture) in October. We completed renovations of 12 existing malls.

New Japanese Malls Opened During the Nine Months Ended November 30, 2022

Name	Location	Opening Date	Tenants	Lease Area (㎡)
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.				
AEON MALL Toki	Gifu Prefecture	October 7, 2022	140	49,000
The lush green grounds include an outside go-kart circuit track, a hot springs facility, and other attractions meeting the needs of three-generation families to enjoy a full day. The mall also features an open terrace located adjacent to the restaurant zone on the first floor, providing a lush green landscape and an airy environment in which to enjoy a meal. We installed mega solar panels on the rooftop, making for one of the largest such installations in Japan for a commercial facility. This is just another way in which we create human- and environment- friendly malls.				

[Consolidated fourth quarter and beyond (December -)]

Since December, the number of newly infected customers has been on the rise due to the spread of an 8th wave of COVID-19 infections. We expect customer consumption behavior to continue to rise in Japan as well, in line with the shift to With-COVID. But customer habits have changed under COVID-19. In response, we go beyond conventional measures to attract customers through holding events, etc., also working to recover customer traffic and increase sales through new experiential value for customers. This type of experiential value includes comfortable, attractive mall environments where customers can visit easily and stay for as long as they want.

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 nine months ended September 30, 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. We are making preparations toward the launch of construction currently. 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. As of the end of December, we have begun construction at AEON MALL Wuhan Jiangxia (tentative name; Wuhan City, Hubei Province), AEON MALL Hangzhou Qiantang Xinqu (tentative name; Hangzhou City, Zhejiang Province), and AEON MALL Changsha Tiantang (tentative name; Changsha City, Hunan Province), with plans to have 29 malls in operation 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 that respond to rapidly changing customer lifestyles.

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 on September 9, and a grand opening for the mall on November 11. 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 76,000 m² (+16,000 m²).

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.

Toward localization in collaboration with local communities, we called for hyper-localization initiatives to address issues in each region and to continue to refine our malls as local attractions. This year, all 22 malls that we manage and operate in China, as well as each area headquarters, participated. Three projects were selected as top prize winners for their particularly active local collaborations. AEON MALL Tianjin TEDA (Tianjin City) partnered with a local TV station to promote agricultural products previously consumed only locally. The mall also held a tasting event as part of support activities for local agricultural development. AEON MALL Hubei Province Headquarters Operations Department (Wuhan City, Hubei Province) held the AEON MALL Cup 1st Annual University Student Entrepreneur Competition aiming to support college student entrepreneurialism. Eight teams of colleges students presented their business plans to a panel of expert judges on the day of the competition. AEON MALL Changshu Xinqu (Changshu City, Jiangsu Province) sponsored an event in cooperation with the government and educational institutions. The topic of the event was Scientific Agriculture for a Green Future, supporting local agricultural products whose sales channels have contracted due to the impact of COVID-19. Through these and other projects, AEON MALL will continue to build stronger ties to communities for ongoing development.

On December 15, we conducted a partial opening of our third mall in Cambodia, AEON MALL Meanchey (Phnom Penh City). Targeting a wide range of age groups, the concept is to be an edutainment mall, combining entertainment and education. Offering the first-ever park located inside a shopping mall in Cambodia (Komsang Park), we expect to provide various value propositions as an edutainment center. The mall will respond to ever-changing lifestyles through a fusion of the latest trends and Cambodian culture, including holding events for visitors to experience Cambodian culture through industry-academia collaboration with the Phnom Penh Royal University of Fine Arts. 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. Now under construction, an expressway connecting the capital Phnom Penh and Sihanoukville opened in November, reducing the time from five or six hours one way to

just over two. This development is expected to improve logistics efficiency and revitalize the economy in the country. 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), opened on October 7, features 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 open 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.

AEON MALL Kurashiki (Okayama Prefecture), which reopened on October 7, features a completely renovated GREEN PARK courtyard terrace. In addition to a giant-sized slide for children to play on, the area has 200 terrace seats for grandparents, parents, and children to enjoy a relaxing meal together. In this way and more, we strive to provide comfortable shopping environments for our customers.

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.

Pursuing localization initiatives actively in cooperation with the local community, the mall aims to become a community space both rooted in and relied upon by the local community.

In addition to efforts to promote Toki Mino Ware, a traditional craft in the Tono region of Gifu Prefecture, AEON MALL Toki is home to *TOKI MEKKU*, a childcare support facility operated by Toki City on behalf of a non-profit organization. The facility is used widely by parents of small children as a place to interact and discuss childcare concerns and worries.

(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. Between March and November, we operated 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 hakuhodo-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.

(Note) A project between Hakuhodo, Inc. and Hakuhodo 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

Based on market analysis from various perspectives, we intend to pursue the construction of next-generation malls of multiple development patterns, offering new value according to the characteristics of the location where the mall is to open.

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.

The Hiratsuka Project (tentative name) will represent our third location, THE OUTLETS SHONAN HIRATSUKA (Kanagawa Prefecture). This will be a regional innovative commercial facility in the format of our THE OUTLETS model.

In conjunction with the adjacent Yokohama VIVRE (operated by subsidiary OPA Co., Ltd.), AEON MALL Yokohama Nishiguchi (tentative name; Kanagawa Prefecture), will contribute more excitement to the commercial environment in the Yokohama Station West Exit area. The new mall is the result of scrap-and-build in connection with the former Daiei Yokohama Nishiguchi facility, which closed in February 2019.

As part of the scrap-and-build associated with Peacock Store Jiyugaoka, closed in May 2021, the Jiyugaoka 2-Chome Plan (Tokyo Prefecture) will be a facility at the end of one of Jiyugaoka's distinct streets. Here, people will stroll, search for new encounters, and make happy discoveries on the grounds, plans for which include a supermarket for greater community convenience.

OPA Co., Ltd., a subsidiary company, is working to improve profitability by concentrating management resources on the management and operations of eight urban facilities, mainly located near transportation hubs. OPA pursues a new business model through DX, engaging in initiatives to achieve operating efficiencies and other measures.

At Kanazawa FORUS (Ishikawa Prefecture), we launched the MIHON-ICHI KANAZAWA as a virtual shop. This shop sells selected traditional crafts from Ishikawa Prefecture. We are conducting a proof-of-concept test for new shopping experiences, including the latest AR technology, to let customers view products freely in 360 degrees.

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, 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 from our businesses in Japan to zero by the year 2040.

We continue to engage in energy conservation activities that include installation of solar power generation systems and EV chargers. In addition to these reduction measures, we aim to convert electricity used at approximately 160 malls in Japan to renewable energy sources by FY2025 through direct renewable energy contracts in each region. We will then shift switch over time from procuring effectively CO₂-free electricity through direct renewable energy contracts in each region to locally produced and locally consumed renewable energy (including PPA (see note below)). By fiscal 2040, we aim to operate 100% of our directly managed malls using locally produced and locally consumed 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.

(Note) PPA: Abbreviation for power purchase agreement (sales contract model). This is a business model in which a PPA operator leases a building premises or roof belonging to an electricity customer, installing a solar power generation system and selling the electricity generated thereby to the customer.

(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 continue to expand solar power generation and other Machi no Hatsudensho (community power plant) installations throughout Japan.

AEON MALL Toki has installed solar panels on its rooftop under the PPA model. This facility now boasts the largest power generation capacity among commercial facilities in Japan. The panels generate and use approximately 20% of the electricity used in the mall, contributing to the expansion of renewable energy, as well as to cost reductions in the face of soaring unit prices for electricity procured from power companies.

(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.

(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 encourage recycling-oriented societies, we work together with customers, local communities, partners, and other stakeholders to build circular malls through initiatives such as de-plasticization, food recycling, and clothing collection.

To reduce food loss, THE OUTLETS KITAKYUSHU introduced doggie bags in its food court, providing an environment in which customers can take food home for consumption later. At locations where doggie bags are available, we also installed collection devices for leftover food. After collection, we use a bio-composter to convert the leftover food into compost.

As a mechanism for resource recycling throughout our facilities, we recycle resources not only during facility operations, but also throughout the supply chain. This includes construction and renovation. We pursue systems that prevent the waste of resources to the greatest extent possible.

AEON MALL Ota (Gunma Prefecture) employed material crushed and reused for pavement during renovation of the west side parking lot in preparation for a grand reopening in spring 2024. AEON MALL Toki, in collaboration with a local tile workshop, used soil excavated from the construction site as part of the tile materials for the walls of the open terrace.

(Note) In addition to conventional 3Rs (Reduce, Reuse, Recycle), these are economic activities that generate added value through a shift to services, making effective use of stock, while also limiting resource investment and consumption. The aim here is to maximize the value of resources and products, minimize resource consumption, and prevent the generation of waste.

(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.

(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. On September 13, 2022, the Japanese government established *Guidelines on Respecting Human Rights in Responsible Supply Chains*. Moving forward, we intend to expand the scope of application to downstream contractors and specialty stores in line with the government policy. We also plan to establish a PDCA cycle to identify, evaluate, prevent, mitigate, and correct latent negative impacts. In this way, we aim to build a system ensuring regular human rights risk reduction efforts.

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.

(Biodiversity Initiatives)

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. One of our materialities is to protect biodiversity and natural resources. We set a quantitative target to increase the number of malls that are ABINC certified by fiscal 2030 (Note). As of end of December 2022, 15 malls have received ABINC certification.

AEON MALL Shinrifu North Wing (Miyagi Prefecture) held a birdhouse workshop in November. Under the guidance of experts, we installed birdhouses made of thinned wood sourced from Minamisanriku around the mall grounds, aiming to conserve wild birds living in the area. This was one of our projects to interact with Rifu Town and Minamisanriku, providing opportunities to value nature.

(Note) ABINC independently evaluates and certifies biodiversity-conscious green space creation and other initiatives based on ABINC Guidelines created and registered by the Japan Business Initiative for Biodiversity (JBIB).

(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 ¥1,620,383 million, up ¥157,126 million compared to the end of the prior consolidated fiscal year. This result was mainly due to investments of ¥89,708 million incurred for the opening of new malls, the revitalization of existing malls, and upfront costs for purchasing land for existing malls and for future mall development, leading to an increase in property, plant and equipment of ¥100,485 million. Also, cash and deposits and deposits paid to affiliates (included in other current assets) increased ¥20,127 million and ¥11,000 million, respectively. In addition, we recorded a significant increase due to the impact of foreign currency translation.

Liabilities

Total liabilities stood at ¥1,138,969 million, up ¥102,644 million from the end of the prior consolidated fiscal year. This result was mainly due to an increase of ¥40,000 million in bonds (included current portion), ¥23,721 million in deposits received from specialty stores, ¥19,929 million in accounts payable-other related to facilities (included in other current liabilities), ¥9,165 million in long-term debt (including current portion), and lease obligations (included in lease obligations under current liabilities) that rose ¥2,579 million due to the impact of foreign currency translation, etc.

Net assets

Net assets totaled ¥481,413 million, up ¥54,482 million compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease of ¥2,116 million in retained earnings stemming from the recording of ¥10,428 million in net income attributable to owners of parent, ¥11,377 million in dividend payments, and a decrease in beginning retained earnings of ¥1,167 million stemming from the application the *Accounting Standard for Revenue Recognition*. In addition, we recorded an increase of ¥54,551 million in foreign currency translation adjustments.

2) Cash Flows

Cash and cash equivalents as of the end of the cumulative consolidated third quarter amounted to ¥110,180 million, up ¥27,206 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 ¥70,539 million, compared to net cash provided of ¥45,925 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥17,932 million (¥20,142 million in the year-ago period), depreciation and amortization of ¥52,347 million (¥47,235 million in the year-ago period), and an increase in deposits received from specialty stores of ¥22,956 million (decrease of ¥980 million in the year-ago period). These amounts were offset in part by income taxes paid of ¥11,580 million (¥10,669 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥77,600 million, compared to ¥93,225 million for the same period in the prior fiscal year. This result was mainly due to payments for purchases of property, plant and equipment in the amount of ¥76,686 million (¥86,717 million in the year-ago period), including payments for facilities at THE OUTLETS KITAKYUSHU (Fukuoka Prefecture), which opened in the current fiscal year, and AEON MALL Meanchey (Phnom Penh, Cambodia), as well as for purchases of land for existing malls, as well as upfront costs for the purchase of land for future development.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥17,643 million, compared to net cash provided of ¥14,910 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 (¥65,000 million in the year-ago period) and proceeds from long-term debt of ¥44,553 million (¥23,287 million in the year-ago period). During the same period, the Company made cash outlays for repayment of long-term debt of ¥40,606 million (¥20,380 million in the year-ago period), redemptions of bonds of ¥40,000 million (¥30,000 million in the year-ago period), ¥14,362 million in repayment of lease obligations (¥12,225 million in the year-ago period), and ¥11,377 million in dividend payments (¥10,239 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 November 30, 2022
Assets		
Current assets		
Cash and deposits	87,148	107,276
Notes and accounts receivable–trade	8,308	14,085
Other	55,627	84,574
Allowance for doubtful receivables	(373)	(360)
Total current assets	150,711	205,576
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	647,844	677,756
Land	341,296	369,091
Right-of-use assets (net)	159,276	173,693
Other	42,811	71,173
Total property, plant and equipment	1,191,229	1,291,714
Intangible fixed assets	3,456	3,418
Investments and other assets		
Lease deposits paid	51,922	51,206
Other	65,954	68,485
Allowance for doubtful receivables	(18)	(18)
Total investments and other assets	117,859	119,673
Total fixed assets	1,312,544	1,414,806
Total assets	1,463,256	1,620,383

(Million yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	9,919	12,818
Bonds due within one year	40,000	70,000
Current portion of long-term debt	46,093	43,405
Lease obligations	19,555	23,739
Income taxes payable	6,830	2,590
Deposits received from specialty stores	38,732	62,453
Allowance for employee bonus	1,714	2,018
Allowance for director and corporate auditor performance-based remuneration	78	55
Provision for loss on store closing	733	—
Other	49,076	71,587
Total current liabilities	212,734	288,669
Long-term liabilities		
Straight bonds	355,000	365,000
Long-term debt	178,704	190,557
Lease obligations	118,239	116,635
Accrued retirement benefits to employees	647	455
Asset retirement obligations	19,843	20,165
Lease deposits from lessees	146,198	150,526
Provision for loss on store closing	—	2,017
Other	4,957	4,940
Total long-term liabilities	823,590	850,300
Total liabilities	1,036,325	1,138,969
Net assets		
Shareholders' equity		
Common stock	42,374	42,380
Capital surplus	40,693	40,699
Retained earnings	316,829	314,713
Treasury stock, at cost	(7)	(7)
Total shareholders' equity	399,890	397,785
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,059	1,181
Foreign currency translation adjustment	16,158	70,709
Remeasurements of defined benefit plans	(652)	(551)
Total accumulated other comprehensive income	16,565	71,339
Stock acquisition rights	33	30
Non-controlling interests	10,441	12,258
Total net assets	426,931	481,413
Total liabilities and net assets	1,463,256	1,620,383

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the nine months ended November 30, 2021 and November 30, 2022)

(Million yen)

	FY2021 Q3 March 1 - November 30, 2021	FY2022 Q3 March 1 - November 30, 2022
Operating revenue	233,286	294,600
Operating costs	183,459	239,825
Gross profit	49,827	54,775
Selling, general and administrative expenses	21,480	22,276
Operating income	28,346	32,499
Non-operating profits		
Interest income	1,038	1,394
Compensation paid by departing tenants	1,202	1,119
Gain on valuation of derivatives	978	1,245
Compensation income	1,583	533
Other	402	480
Total non-operating profits	5,206	4,773
Non-operating expenses		
Interest expenses	8,132	8,781
Foreign exchange losses	874	1,053
Other	789	813
Total non-operating expenses	9,796	10,647
Ordinary income	23,755	26,624
Extraordinary gains		
Gain on sale of fixed assets	1	0
Insurance income	—	293
Compensation income	1,381	—
Total extraordinary gains	1,382	294
Extraordinary losses		
Loss on sale of fixed assets	—	0
Loss on retirement of fixed assets	496	2,468
Impairment loss	613	1,731
provision for loss on store closings	—	2,017
Loss of Impact of COVID-19	3,663	2,040
Other	221	727
Total extraordinary losses	4,995	8,985
Income before income taxes	20,142	17,932
Income tax – current	6,997	7,588
Income tax – deferred	(3,296)	(132)
Total income taxes	3,700	7,455
Net income	16,442	10,477
Net income (loss) attributable to non-controlling interests	(15)	48
Net income attributable to owners of parent	16,457	10,428

(Quarterly Consolidated Statements of Comprehensive Income)
(For the nine months ended November 30, 2021 and November 30, 2022)

(Million yen)

	FY2021 Q3 March 1 - November 30, 2021	FY2022 Q3 March 1 - November 30, 2022
Net income	16,442	10,477
Other comprehensive income		
Net unrealized gain on available-for-sale securities	6	122
Foreign currency translation adjustment	19,801	56,363
Remeasurements of defined benefit plans	94	100
Total other comprehensive income	19,902	56,586
Comprehensive income	36,344	67,063
Comprehensive income (loss) attributable to:		
Owners of parent	36,217	65,203
Non-controlling interests	127	1,860

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2021 Q3 March 1 - November 30, 2021	FY2022 Q3 March 1 - November 30, 2022
Cash flows from operating activities		
Income before income taxes	20,142	17,932
Depreciation and amortization	47,235	52,347
Impairment loss	613	1,731
Increase (decrease) in provision for loss on store closing	—	1,284
Interest and dividend income	(1,058)	(1,417)
Interest expenses	8,132	8,781
Decrease (increase) in receivables—trade accounts	(929)	(4,395)
Increase (decrease) in payables—trade accounts	2,040	2,489
Increase (decrease) in deposits received from specialty stores	(980)	22,956
Other	(11,255)	(12,153)
Subtotal	63,940	89,555
Interest and dividends received	969	1,473
Interest paid	(8,314)	(8,909)
Income taxes paid	(10,669)	(11,580)
Net cash provided by (used in) operating activities	45,925	70,539
Cash flows from investing activities		
Purchase of property, plant and equipment	(86,717)	(76,686)
Proceeds from sales of property, plant and equipment	1	1
Payment of lease deposits to lessors	(2,738)	(616)
Reimbursement of lease deposits to lessors	1,033	1,964
Repayment of lease deposits from lessees	(6,172)	(6,859)
Proceeds from lease deposits from lessees	12,928	8,558
Other payments	(20,586)	(26,161)
Other proceeds	9,025	22,200
Net cash provided by (used in) investing activities	(93,225)	(77,600)
Cash flows from financing activities		
Repayment of lease obligations	(12,225)	(14,362)
Proceeds from long-term debt	23,287	44,553
Repayment of long-term debt	(20,380)	(40,606)
Proceeds from issuance of bonds	65,000	80,000
Redemption of bonds	(30,000)	(40,000)
Purchase of treasury stock	(1)	(0)
Dividends paid	(10,239)	(11,377)
Dividends paid to non-controlling interests	(83)	(44)
Other	(447)	(519)
Net cash provided by (used in) financing activities	14,910	17,643
Foreign currency translation adjustments on cash and cash equivalents	7,190	16,624
Net increase (decrease) in cash and cash equivalents	(25,199)	27,206
Cash and cash equivalents at beginning of the period	124,080	82,973
Cash and cash equivalents at end of the period	98,881	110,180

(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 specified subsidiaries, we established AEON MALL (WUHAN JIANGXIA) BUSINESS MANAGEMENT CO., LTD. during the second quarter of the current consolidated fiscal year and AEON MALL HANGDONG (HANGZHOU) BUSINESS MANAGEMENT CO., LTD. during the third quarter of the current consolidated fiscal year, adding these entities to the scope of consolidation.

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 third quarter of the current consolidated fiscal year rose ¥36,299 million, ¥36,073 million, and ¥35 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 with respect to Japan and ASEAN, including assumptions regarding how COVID-19 will spread in the future or when COVID-19 will subside. Considering the status of COVID-19 infections in China, we assume that the timing of the recovery in operating revenue to fiscal 2019 levels in general will occur in fiscal 2023.

Segment and other information

Segment information

I. Nine Months Ended November 30, 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	191,575	31,428	5,685	2,068	2,528	—	233,286	—	233,286
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	191,575	31,428	5,685	2,068	2,528	—	233,286	—	233,286
Segment profit (loss)	21,917	5,247	1,413	388	(618)	(20)	28,327	18	28,346

(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 ¥613 million in impairment loss for the cumulative current consolidated third quarter.

Goodwill did not change materially during the period under review.

II. Nine Months Ended November 30, 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	236,599	40,295	9,398	3,968	4,338	—	294,600	—	294,600
Intersegment operating revenue or transfers	260	—	—	—	—	—	260	(260)	—
Total	236,859	40,295	9,398	3,968	4,338	—	294,860	(260)	294,600
Segment profit (loss)	24,319	5,663	2,288	975	(756)	(10)	32,480	18	32,499

(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 third quarter of the previous fiscal year is disclosed based on the reporting segment classification for the third 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 consolidated third quarter.

Goodwill did not change materially during the period under review.

Significant subsequent events

Not applicable