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## Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (Japanese GAAP)

April 11, 2023

Company name:	AEON MALL Co., Ltd.	Listings	Tokyo Stock Exchange
Stock code:	8905	URL	<a href="https://www.aeonmall.com/ir/index.html">https://www.aeonmall.com/ir/index.html</a>
Representative:	Yasutsugu Iwamura, President and CEO		
Scheduled dates:			
General shareholder's meeting	May 17, 2023		
Commencement of dividend payments	May 1, 2023		
Submission of statutory financial report	May 18, 2023		
Supplementary documents for financial results	Yes		
Financial results briefing	Yes (for institutional investors and analysts)		

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

### 1. Consolidated Financial Results for the Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)

#### (1) Consolidated Operating Results

(Percentages represent year-on-year changes)

Years ended	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	398,244	25.7	43,979	15.0	36,409	11.9	12,994	(32.6)
February 28, 2022	316,813	12.9	38,228	11.1	32,540	14.4	19,278	—

(Note) Comprehensive income Year ended February 28, 2023: ¥37,361 million (-24.9%)  
Year ended February 28, 2022: ¥49,755 million (- %)

Years ended	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income / total assets ratio	Operating income / net sales ratio
	Yen	Yen	%	%	%
February 28, 2023	57.10	57.10	3.0	2.4	11.0
February 28, 2022	84.72	84.71	4.9	2.3	12.1

(Reference) Investment profit on equity method Year ended February 28, 2023: ¥ - million  
Year ended February 28, 2022: ¥ - 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 fiscal year ended February 28, 2023 reflect the application of this accounting standard.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
February 28, 2023	1,559,592	451,711	28.2	1,935.77
February 28, 2022	1,463,256	426,931	28.5	1,830.21

(Reference) Equity February 28, 2023: ¥440,495 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 fiscal year ended February 28, 2023 reflect the application of this accounting standard.

#### (3) Consolidated Cash Flows

Years ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	Million yen	Million yen	Million yen	Million yen
February 28, 2023	101,490	(103,276)	13,515	101,101
February 28, 2022	61,492	(122,382)	8,225	82,973

(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 fiscal year ended February 28, 2023 reflect the application of this accounting standard.

## 2. Dividends

	Dividend per share					Total dividend	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2022	—	25.00	—	25.00	50.00	11,377	59.0	2.9
February 28, 2023	—	25.00	—	25.00	50.00	11,377	87.6	2.7
Year ending February 29, 2024 (Projection)	—	25.00	—	25.00	50.00		42.1	

## 3. Consolidated Earnings Projections for the Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half, FY2023	220,000	13.3	27,500	20.5	22,500	21.4	15,000	110.6	65.91
Full-year	447,000	12.2	58,500	33.0	49,000	34.6	27,000	107.8	118.65

### \* 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) Changes in accounting policies, changes of accounting-based estimates, revisions and 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 **5. Consolidated Financial Statements and Notes (5) Notes on Consolidated Financial Statements (Changes in accounting policies)** on P.34

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

[1] Number of shares outstanding at period-end (including treasury stock)	Year ended February 28, 2023	227,559,339	Year ended February 28, 2022	227,548,939
[2] Treasury stock at period-end	Year ended February 28, 2023	4,270	Year ended February 28, 2022	3,997
[3] Average number of shares during the period (quarterly cumulative)	Year ended February 28, 2023	227,551,163	Year ended February 28, 2022	227,544,377

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

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

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

Earnings projections included in these materials and attachments are based on information available to the Company at the time and reflect certain assumptions the Company deems reasonable. Projections do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. For matters related to earnings projections, see **1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results 2) Future Outlook** on P.12.

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

The Company is scheduled to hold a briefing for institutional investors and analysts on April 12, 2023. The materials handed out at this briefing will be posted on the Company's website on April 11, 2023. 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. Analysis of Operating Results and Financial Position

#### (1) Analysis of Operating Results

##### 1) Overview of the consolidated fiscal year under review

##### a. Explanation of consolidated results of operations

We recorded higher revenue and profit for the consolidated fiscal year ended February 28, 2023. Operating revenue amounted to ¥398,244 million (+25.7% year on year), while operating income amounted to ¥43,979 million (+15.0%) and ordinary income amounted to ¥36,409 million (+11.9%). Extraordinary losses included losses of ¥3,037 million due to COVID-19 (¥4,075 million in the previous consolidated fiscal year), recorded as fixed costs during temporary closure periods. Extraordinary losses also included impairment loss of ¥4,461 million (¥3,302 million in the previous consolidated fiscal year), provision for loss on store closings of ¥2,017 million (no provision in the previous consolidated fiscal year), and loss on retirement of fixed assets in the amount of ¥2,499 million (¥759 million in the previous consolidated fiscal year). As a result, income before income taxes and other adjustments amounted to ¥24,592 million (-6.0% year on year). In addition, total income taxes increased ¥4,573 million year on year, mainly due to the recording of deferred tax assets 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 ¥12,994 million (-32.6% year on year).

We posted these costs as extraordinary losses due to COVID-19. Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were +22.9%, -27.7%, -35.1%, and -62.0% compared to the results recorded for the fiscal year ended February 29, 2020 (“FY2019”), which was a period not impacted by COVID-19.

#### ◆ Consolidated Earnings

(Million yen)

	Fiscal Year Ended February 28, 2022	Fiscal Year Ended February 28, 2023	Change [YoY]
Operating revenue	316,813	398,244	+81,431 [125.7%]
Operating income	38,228	43,979	+5,751 [115.0%]
Ordinary income	32,540	36,409	+3,868 [111.9%]
Net income attributable to owners of parent	19,278	12,994	(6,284) [67.4%]

#### (Reference) Results vs. FY2019

	Fiscal Year Ended February 29, 2020	Fiscal Year Ended February 28, 2023	Change [Vs. FY2019]
Operating revenue	324,138	398,244	+74,105 [122.9%]
Operating income	60,794	43,979	(16,814) [72.3%]
Ordinary income	56,117	36,409	(19,707) [64.9%]
Net income attributable to owners of parent	34,239	12,994	(21,244) [38.0%]

**b. Explanation of business performance by segment**
**◆ Earnings by Segment**

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	Fiscal Year Ended February 28, 2022	Fiscal Year Ended February 28, 2023	Change [Year on year]	Fiscal Year Ended February 28, 2022	Fiscal Year Ended February 28, 2023	Change [YoY]
China	43,139	52,538	+9,399 [121.8%]	6,958	6,634	(324) [95.3%]
Vietnam	5,925	13,283	+7,358 [224.2%]	(83)	3,063	+3,146 [—]
Cambodia	3,001	5,672	+2,670 [189.0%]	491	1,145	+654 [233.2%]
Indonesia	3,532	5,897	+2,364 [166.9%]	(1,084)	(987)	+96 [—]
Other	—	—	—	(24)	(15)	+8 [—]
Overseas	55,598	77,392	+21,793 [139.2%]	6,257	9,839	+3,581 [157.2%]
Japan	261,214	321,700	+60,485 [123.2%]	31,945	34,114	+2,169 [106.8%]
Adjustment	—	(848)	(848) [—]	25	25	— [100.0%]
Total	316,813	398,244	+81,431 [125.7%]	38,228	43,979	+5,751 [115.0%]

## (Reference) Results vs. FY2019

	Operating Revenue			Segment Income (Loss)		
	Fiscal Year Ended February 29, 2020	Fiscal Year Ended February 28, 2023	Change [Vs. FY2019]	Fiscal Year Ended February 29, 2020	Fiscal Year Ended February 28, 2023	Change [Vs. FY2019]
China	35,850	52,538	+16,687 [146.5%]	5,622	6,634	+1,012 [118.0%]
Vietnam	5,420	13,283	+7,863 [245.1%]	1,254	3,063	+1,808 [244.2%]
Cambodia	4,026	5,672	+1,645 [140.9%]	1,183	1,145	(38) [96.8%]
Indonesia	3,841	5,897	+2,056 [153.5%]	248	(987)	(1,235) [—]
Other	—	—	—	—	(15)	(15) [—]
Overseas	49,138	77,392	+28,253 [157.5%]	8,308	9,839	+1,531 [118.4%]
Japan	274,999	321,700	+46,700 [117.0%]	52,460	34,114	(18,346) [65.0%]
Adjustment	—	(848)	(848) [—]	25	25	— [100.0%]
Total	324,138	398,244	+74,105 [122.9%]	60,794	43,979	(16,814) [72.3%]

## Overseas

### [Fiscal Year Ended December 2022 (January - December)]

The company recorded operating revenue overseas in the amount of ¥77,392 million (+39.2% year on year) and operating income of ¥9,839 million (+57.2%). Operating revenue and operating income were +57.5% and +18.4%, compared to FY2019, which was a fiscal year 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 ended December 31. Accordingly, figures presented herein reflect results for January through December.

#### (China)

The company recorded operating revenue in China in the amount of ¥52,538 million (+21.8% year on year) and operating income of ¥6,634 million (-4.7%). We recorded ¥2,910 million as loss of impact of COVID-19, transferring fixed costs and other expenses incurred during temporary closure periods from operating costs to extraordinary losses. Operating revenue and operating income were +46.5% and +18.0% compared to FY2019, which was a fiscal year not affected by COVID-19.

Performance in China was impacted significantly due to severe restrictions on activities based on the Zero-COVID policy. This policy resulted in temporary closure of certain AEON MALL locations. The government was expected to strengthen large-scale economic stimulus measures in preparation for the Chinese Communist Party Congress in October, and we anticipated a recovery in consumption trends. However, the Zero-COVID policy continued after the conclusion of the Communist Party Congress, and temporary closures occurred intermittently in areas where there were cases of infection. The government relaxed the Zero-COVID policy on December 7, and our malls resumed operations. However, the outbreak of infections in the absence of behavioral restrictions resulted in many specialty stores closing due to the inability of employees to come to work. As a result, specialty store sales at existing malls (21 malls) during the consolidated fiscal year were down -18.1% compared with the previous consolidated fiscal year. Sales were down -14.1% compared with FY2019 (19 malls).

#### (Vietnam)

The company recorded higher revenue and profit in Vietnam. Operating revenue amounted to ¥13,283 million (+124.2% year on year) and operating income in the amount of ¥3,063 million (compared with a loss of ¥83 million in the previous consolidated fiscal year). Operating revenue and operating income were +145.1% and +144.2%, compared to FY2019, which was a fiscal year not affected by COVID-19.

During the previous consolidated fiscal year in Vietnam (January-December 2021), COVID-19 began spreading throughout the country in July. We were forced to close specialty stores temporarily in our malls due to social segregation measures ordered by the government. During the current consolidated fiscal year (January-December 2022), all specialty stores across all business types were open for business in our malls as the government shifted to a With-COVID policy. Customers flocked to our malls that offered leisure functions such as shopping, amusement, and dining. As a result of seasonal sales, Black Friday sales, and other sales promotion activities at each mall, specialty store sales at existing malls (6 malls) during the current consolidated fiscal year rose significantly at +110.1% compared with the previous consolidated fiscal year. Sales were up +39.6% compared with FY2019 (4 malls).

#### (Cambodia)

The company recorded operating revenue in Cambodia in the amount of ¥5,672 million (+89.0% year on year) and operating income of ¥1,145 million (+133.2%). Operating revenue and operating income were +40.9% and -3.2% compared to FY2019.

During the previous consolidated fiscal year in Cambodia (January-December 2021), COVID-19 spread rapidly, resulting the implementation of an urban blockade in the Phnom Penh capital in April. Businesses in certain industries, such as cinemas and amusement facilities, were forced to close or shorten operating hours, which had a significant impact on customer traffic. During the current consolidated fiscal year (January-December 2022), 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, sponsored sales promotion activities, held events, and engaged in other measures to attract more customers. As a result, specialty store sales at existing malls (2 malls) during the current consolidated fiscal year were up 61.3% compared with the previous consolidated fiscal year. Sales were down -8.0% compared with FY2019 (2 malls).

(Indonesia)

The Company recorded higher revenue in Indonesia of ¥5,897 million (+66.9% year on year). We also recorded a ¥96 million improvement in operating loss to ¥987 million (compared with an operating loss of ¥1,084 million in the previous consolidated fiscal year). Compared to FY2019, operating revenue increased +53.5% and operating income decreased ¥1,235 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, customer traffic at existing malls (3 malls) during the current consolidated fiscal year were up 36.0% compared with the previous consolidated fiscal year. Customer traffic was -24.9% compared with FY2019 (2 malls).

During the current consolidated fiscal year, we conducted a December soft opening for AEON MALL Meanchey, our third mall in Cambodia.

#### New Overseas Malls Opened During the Consolidated Fiscal Year Ended February 28, 2023

Country	Name	Location	Opening Date	Tenants	Lease Area (㎡)
Features					
Cambodia	AEON MALL Meanchey	Phnom Penh City	December 15, 2022 (Note)	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 April 7, 2023.

#### Japan

##### [Fiscal Year Ended February 2022 (March - February)]

The company recorded higher revenue and profit in Japan, with operating revenue in the amount of ¥321,700 million (+23.2% year on year) and operating income of ¥34,114 million (+6.8%). Operating revenue and operating income were +17.0% and -35%, compared to FY2019.

During the current consolidated fiscal year, we closed certain malls temporarily in the Tohoku region due to the Fukushima Prefecture earthquake that occurred on March 16. During the previous consolidated fiscal year, we closed a certain number of malls due to the declaration of a state of emergency following the spread of COVID-19 infections in Japan. However, we have operated malls normally through the current consolidated fiscal year, despite the emergence of a seventh wave of COVID-19 infections in July and an eighth wave of infections in December. To attract more customers, we held special events at each mall. In addition, we implemented sales measures under various approaches, including TV commercials to promote the AEON Mall SDGs Festival held September 16 to September 27, as well as collaboration projects with specialty stores on Black Friday and year-end and New Year sales season, etc. As the transition to With-COVID continues in Japan, customer spending behavior has become more active over time. Specialty store sales in existing malls during the fourth quarter (December to February) grew +10.0% compared to the previous period (85 malls). As a result, sales at existing specialty stores in existing malls for the current consolidated fiscal year were up +10% year on year. Sales were down -9.2% 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 Fiscal Year Ended February 28, 2023

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. 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.				

### c. Measures Based on Growth 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.

Our current medium-term management plan (FY2020-FY2022), which we launched in fiscal 2020, outlines four growth policies: (1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Pursue a financing mix and strengthen governance structures to support growth; and (4) Pursue ESG-based management. We are engaging in the measures below, based on management issues identified and our future vision.

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.

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

#### (Open New Malls in Growth Areas)

In Vietnam, our most important area for opening new malls, 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 began construction in February 2023 toward a grand opening in the second half of 2024.

We plan to open new malls by the end of fiscal 2023, beginning construction on 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).

In December, we conducted a partial opening of our third mall in Cambodia, AEON MALL Meanchey (Phnom Penh City), celebrating the grand opening on April 7, 2023. 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.

#### **(Evolve Existing Malls Through Revitalization)**

We respond to rapidly changing customer lifestyles by evolving our existing malls, pursuing revitalization in terms of both physical and intangible aspects.

In China, 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 m<sup>2</sup> (+16,000 m<sup>2</sup>).

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.

#### **■ Maximizing the Attractiveness 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, 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. We also aim to create a sound environment experienced through all five senses. To this end, we installed automatic volume control devices in the open atrium space, in common corridors, in the food court, etc. We also installed a greater number of speakers compared to existing malls.

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.

AEON MALL Toki provides a high-quality entertainment experience for people of all ages, utilizing its vast site of over 200,000

m<sup>2</sup>. Entertainment options include a go-kart circuit track, hot bath facilities (onsen), and a large sport utility vehicle specialty store.

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

With the goal of creating store sales areas and improving customer service, 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.

Aiming to enhance the shopping experience for customers through digitalization, we are evolving the AEON MALL app functions, improving usability and providing timely information, etc. The app has been downloaded a cumulative 17 million times as of February 2023, and we are working to increase the frequency of store visits by increasing touchpoints with customers. In January, we added a new function to award WAON e-money points (lottery basis) to customers who opted not to receive spoons or other cutlery items. This function was the subject of a subsidized project under the Green Life Point program sponsored by the Ministry of Environment. We hope this function supports a lifestyle shift toward achieving a decarbonized society for customers who are becoming increasingly environmentally conscious.

As an initiative in digital co-creation with tenant companies, we launched an initiative to distribute highlighted 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.

### **■ 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.

As the second regional innovative commercial facility of THE OUTLETS business model, THE OUTLETS KITAKYUSHU 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.

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 used the latest AR technology to demonstrate a new shopping experience, including the ability to 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.

### **■ 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.

#### ■ 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.

#### (Initiatives to Create Environmental Value)

##### • 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.

##### • Initiatives 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.

##### • Facility-Wide Resource Recycling Systems

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.

##### • Initiatives to Conserve Biodiversity

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.

#### (Initiatives to Create Social Value)

##### • Pursuing Localization in Japan and Overseas

Pursuing localization initiatives actively in Japan and Overseas in cooperation with local communities, our malls aim to become community spaces both rooted in and relied upon by the local community.

As one example in Japan, we 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 for Toki City by 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.

In 2015, we began engaging with community issues through AEON MALL collaborations in six areas: (1) Industry; (2) Education; (3) Government; (4) Private Organizations; (5) Culture & History; and (6) Products. We expanded this program in fiscal 2022, with more than 160 projects planned and implemented under the title, *Heartful Sustainable Projects*.

In Japan, the Kyushu/Okinawa Business Division, along with AEON KYUSHU CO., LTD. and the Japan Agricultural Cooperative Association Ltd. (JA), promoted vegetables grown in Kyushu through joint creation and collaborations with specialty stores. The project included offering limited-time-only menu items at restaurants using the vegetables grown in Kyushu and holding related events in mall common areas. We contribute to local businesses by expanding sales channels for local products, promoting local production for outside consumption (Note) through mutual cooperation within the Kyushu area.

In China, malls and area headquarters are involved actively in projects. As one example, 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.

(Note) In contrast to local production for local consumption, under this concept locally produced products are consumed in major consumption areas beyond the local region, and even overseas.

• **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.

**(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 <sub>2</sub> -free electricity used at all AEON MALL locations in Japan by the end of fiscal 2025
Bond Attributes After Determination	If the SPT is confirmed to be unachievable at the time of judgment at the end of fiscal 2025, an amount equivalent to 0.2% of the Bond issue amount will be donated to a public interest incorporated foundation (AEON Environmental Foundation, etc. (Note 3)) by the end of October 2026.
Lead Underwriter	Mizuho Securities Co., Ltd. (Administration), Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd.
Sustainability-Linked Bond Structuring Agent (Note 4)	Mizuho Securities Co., Ltd.
Third-Party Evaluation	We received a second opinion about the Bonds from Rating and Investment Information, Inc. about the conformity of these bonds with the Sustainability-Linked Bond Principles of the International Capital Market Association.

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

2. Sustainability performance target. A goal based on the issuer's business strategy that determines the terms and conditions of the sustainability-linked bond issue.
3. The AEON Environmental Foundation (<https://www.aeon.info/ef/>) is engaged in public service activities focusing on grants, support, tree planting, awards, and environmental education. Established in December 1990 with donations from Mr. Takuya Okada (honorary chairman and advisor of AEON Co., Ltd. and chairman of AEON Environmental Foundation) and two others, based on the AEON basic principle of pursuing peace, respecting humanity, and contributing to local communities. After receiving approval as a designated public interest corporation in 1991, the foundation became a public interest incorporated foundation in 2009.
4. Entities that provide support for the implementation of sustainability finance through advice on the design of sustainability-linked bond products and on obtaining external third-party evaluations such as second opinions.

## 2) Future Outlook

### a. Overseas

The Chinese government relaxed the Zero-COVID policy on December 7, 2022. Economic activity and consumer behavior have been increasing rapidly under the With-COVID policy, and we expect mall sales to recover to a +30% year-on-year growth trajectory for the ending February 29, 2024 (FY2023). In ASEAN, we expect double-digit growth across the region as a whole, supported by ongoing high economic growth, particularly in Vietnam.

We plan to open one new mall in China and one new logistics center in Cambodia during the fiscal year ending February 29, 2024 (FY2023). Our overseas business has entered a stage of expanding profits as a growth driver for the Company, and we will proceed in securing a pipeline to accelerate the opening of new malls in the future. At the same time, we are moving forward with renovations for new tenants, floor space expansions, and initiatives to improve our operations at existing malls.

#### New Overseas Properties During the Fiscal Year Ending February 29, 2024

	Name	Location	Opening Date	Tenants	Lease Area (m <sup>2</sup> )
China	AEON Mall Wuhan Jiangxia	Wuhan City, Hubei Province	FY2023	250	98,000
Cambodia	Sihanoukville Logistics Center	Sihanoukville Province	FY2023	—	20,000

(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.

(Note) Sihanoukville Logistics Center represents building area, not total lease area.

### b. Japan

Consumer behavior in Japan is picking up with the transition to With-COVID, including the policy to allow individuals a choice in wearing masks as of March 13, 2023. We expect mall sales to grow 10% for the fiscal year ending February 29, 2024.

We plan to open four new properties during the fiscal year ending February 29, 2024 (FY2023). We intend to grow earnings at existing malls by pursuing aggressive floor space expansion and renovations, while opening new malls that take advantage of the characteristics of the locations where they are situated.

#### New Japanese Properties During the Fiscal Year Ending February 29, 2024

Name	Location	Opening Date	Tenants	Lease Area (m <sup>2</sup> )
AEON MALL Toyokawa	Aichi Prefecture	April 4, 2023	190	63,000
THE OUTLETS SHONAN HIRATSUKA	Kanagawa Prefecture	April 28, 2023	150	33,000
AEON MALL Yokohama Nishiguchi (tentative name)	Kanagawa Prefecture	Fall 2023	TBA	20,000
Jiyugaoka 2-Chome Plan (tentative name, Tokyo)	Tokyo Prefecture	Fall 2023	TBA	5,000

#### (Financial Forecast)

We project earnings for the fiscal year ending February 29, 2024 of ¥447,000 million in operating revenue, ¥58,500 million in operating income, ¥49,000 million in ordinary income, and ¥27,000 million in net income attributable to owners of parent.

## **(2) Consolidated Financial Position**

### **1) Assets, Liabilities and Net Assets**

#### **Assets**

Total assets amounted to ¥1,559,592 million, up ¥96,336 million compared to the end of the previous consolidated fiscal year. This result was mainly due to investments of ¥109,998 million, in excess of depreciation and amortization expense of ¥70,422 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 ¥65,534 million. Also, deposits paid to affiliates increased ¥16,000 million and cash and deposits increased ¥5,534 million. In addition, we recorded a significant increase in cash due to the impact of foreign currency translation.

#### **Liabilities**

Total liabilities stood at ¥1,107,881 million, up ¥71,556 million from the end of the previous consolidated fiscal year. This result was mainly due to a decrease of ¥12,424 million yen in lease obligations (including lease obligations under current liabilities), and increases of ¥40,000 million in bonds (including current portion), ¥9,030 million in long-term debt (including current portion), ¥17,204 million in accounts payable-other related to facilities, and ¥8,493 million in deposits received from specialty stores.

#### **Net Assets**

Net assets totaled ¥451,711 million, up ¥24,779 million compared to the end of the previous consolidated fiscal year. This result was mainly due to an increase in retained earnings of ¥449 million stemming from the recording of ¥12,994 million in net income attributable to owners of parent, payment of ¥11,377 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 ¥23,316 million in foreign currency translation adjustments.

### **2) Cash Flows**

Cash and cash equivalents (“Cash”) as of the current consolidated fiscal year amounted to ¥101,101 million, up ¥18,127 million compared to the end of the previous consolidated fiscal year.

Cash flows in the period under review were as follows:

#### **Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥101,490 million, compared to cash flows of ¥61,492 million in the previous consolidated fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥24,592 million (¥26,149 million in the year-ago period), depreciation and amortization of ¥70,422 million (¥63,735 million in the year-ago period), and an increase in deposits received from specialty stores of ¥8,010 million (decrease of ¥22,122 million in the year-ago period). These amounts were offset in part by income taxes paid of ¥12,456 million (¥11,403 million in the year-ago period).

#### **Cash flows from investing activities**

Net cash used in investing activities amounted to ¥103,276 million, compared to cash flows of ¥122,382 million in the previous consolidated fiscal year. This result was mainly due to payments for purchases of property, plant and equipment in the amount of ¥99,670 million (¥117,864 million in the previous consolidated fiscal year), including payments for facilities at T H E OUTLETS KITAKYUSHU (Fukuoka Prefecture), which opened in the current consolidated 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 ¥13,515 million, compared to net cash provided of ¥8,225 million for the same period in the previous 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 previous consolidated fiscal year) and proceeds from long-term debt of ¥51,053 million (¥34,026 million in the previous consolidated fiscal year). During the same period, the Company made cash outlays for repayment of long-term debt of ¥46,670 million (¥33,644 million in the previous consolidated fiscal year), redemptions of bonds of ¥40,000 million (¥30,000 million in the previous consolidated fiscal year), ¥18,925 million in repayment of lease obligations (¥16,384 million in the previous consolidated fiscal year), and ¥11,377 million in dividend payments (¥10,239 million in the previous consolidated fiscal year).

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

(Reference) Changes in Cash Flow Indicators

	Fiscal Year ended February 28, 2022	Fiscal Year ended February 28, 2023
Equity ratio (%)	28.5	28.2
Equity ratio based on market capitalization (%)	25.1	25.9
Ratio of interest-bearing debt to cash flow (annual)	12.3	7.8
Interest coverage ratio (times)	5.7	8.7

(Notes) Equity ratio: Equity/total assets

Equity ratio based on market capitalization: Market capitalization/total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest payments

\* 1. All indicators were calculated using consolidated financial data.

2. Interest-bearing debt consists of short-term debt, current portion of long-term debt, lease obligations (current liabilities), commercial paper, bonds, and long-term debt, reflected in liabilities shown on the Consolidated Balance Sheet.

3. Cash flow and interest payments are based on the corresponding items shown in the Consolidated Statements of Cash Flows.

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

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

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

At a meeting held on April 11, 2023, our board of directors resolved to pay year-end dividends of ¥25 per share, in line with our initial plan. In combination with an interim dividend of ¥25 per share, our annual dividend for the current consolidated fiscal year amounted to ¥50 per share. Consolidated payout ratio was 87.6%. We expect the annual dividend for the next consolidated fiscal year to remain unchanged at ¥50 per share.

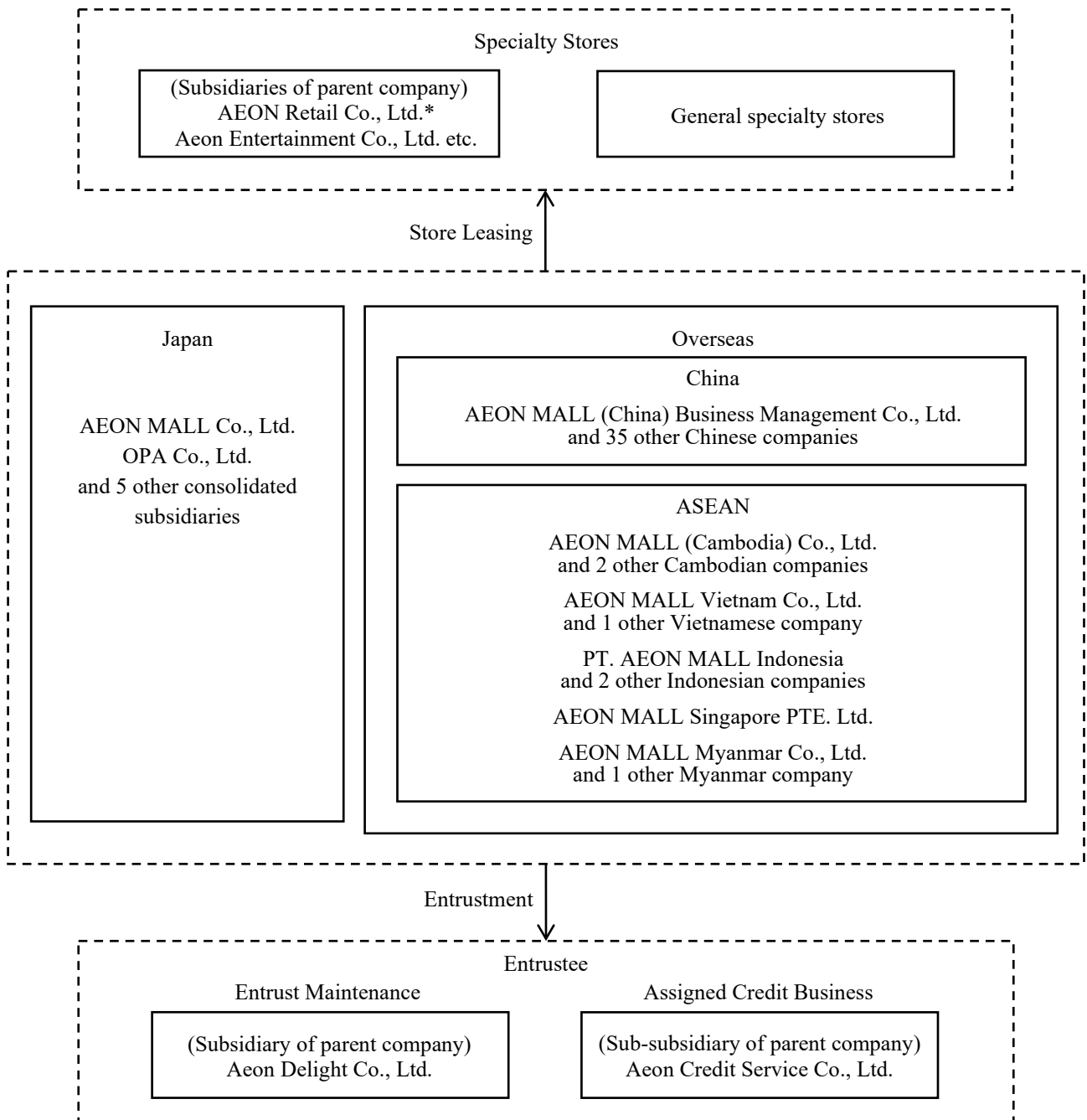


## 2. State of the Corporate Group

The AEON Mall Group consists of parent AEON MALL Co., Ltd. (shopping mall operations) and 53 consolidated subsidiaries, including OPA Co., Ltd., AEON MALL, five other Japanese subsidiaries, AEON MALL (China) Business Management Co., Ltd. and 35 other subsidiaries in China, three subsidiaries in Cambodia, two subsidiaries in Vietnam, three subsidiaries in Indonesia, one subsidiary in Singapore, and two subsidiaries in Myanmar. Among consolidated subsidiaries, OPA Co., Ltd. and two others are engaged in urban shopping center operations, while the remaining 50 subsidiaries are engaged in shopping mall operations.

AEON MALL Co., Ltd. is the central entity in the AEON Group responsible for development operations. The Company leases mall shop space to general tenants, as well as AEON Retail Co., Ltd. (general merchandiser) and other companies within the AEON Group. The following diagram illustrates the relationships between AEON MALL Co., Ltd. and our affiliated companies.

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



\*The Company entered into a contract to manage and operate 49 commercial facilities owned by AEON Retail Co., Ltd. and AEON TOHOKU Co., Ltd.

### 3. Management Policies

#### (1) Basic Management Policies

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.

#### (2) Target Performance Indicators

To maximize cash flows in the future and improve corporate value, the Company has established target financial indicators: EPS growth rate of 7% (annual growth rate beginning FY2019); net interest-bearing debt/EBITDA ratio of 4.5 times or less, and return on invested capital (ROIC) of at least 5%.

We have fallen short of this indicators, as our ability to generate cash flow has been sluggish in each country since fiscal 2020 due to the impact of COVID-19, and we have incurred an increase in upfront investments in Vietnam, and other overseas markets, where we expect high growth in the future. However, we expect these indicators to improve in line with the greater cash flow in response to the high growth of overseas malls in the future.

The Company recorded the following indicators for the fiscal year ended February 28, 2023.

Financial Indicators	Target	Results (for FY2022)
EPS Growth Rate	7%	-27.6%
Net interest-bearing debt/EBITDA ratio	4.5 times or lower	6.0 times
ROIC (Return on Invested Capital)	5.0% or greater	2.5%

(Note) EPS: net income attributable to owners of parent/average outstanding shares during the year

Net interest-bearing debt/EBITDA ratio: (interest-bearing debt - cash and cash equivalents) / (operating income + depreciation and amortization on the statement of cash flows)

ROIC: Operating income x (1-effective tax rate) / average equity for the fiscal year + average interest-bearing debt for the fiscal year)

### (3) Medium-Term Management Strategies and Priorities

#### Vision for 2025

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

Vision for 2025
(1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
(2) Make AEON MALL a leading global commercial developer with consolidated operating income of ¥85,000 million (Note).
(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 20%).

(Note) On April 11, 2023, the Company revised the figure for consolidated operating income from over ¥90,00 million to ¥85,000 million.

#### Medium-Term Management Plan (FY2023-FY2025)

Based on the Long-Term Vision, AEON MALL created a new medium-term management plan (FY2023-FY2025) beginning with the fiscal year ending February 29, 2024 (FY2023). We engage in ESG management as a measure of growth. To evolve ESG management further, we (1) pursue regional shift in Japan and overseas and (2) create a Health and Wellness platform, aiming for sustainable growth through truly integrated ESG management that creates economic, social, and environmental value for our stakeholders. Specifically, we develop growth measures to discover and commercialize business opportunities in overseas growth markets, pursue business model innovation in Japan, and create business models that break from existing business frameworks. We also strive to build strong financial foundations and resilient organizations from the perspective of sustainability.



#### ■ Initiatives

##### (Pursue Regional Shift in Japan and Overseas)

In today's societies, issues faced by each country and region are becoming more diverse and complex, including issues related to demographic changes. We pursue business development in co-creation with local stakeholders to address the issues and needs of each region through detailed market analysis and surveys focusing on local living areas, rather than uniformly across the country in question. Providing central facilities in the AEON Lifestyle Zone (Note), we strengthen cooperation with AEON Group companies to provide products, services, and lifestyle infrastructure seamlessly, working from the perspective of local consumers.

(Note) One of the growth strategies of the Aeon Group, which enriches lives by providing community-based products, services, and lifestyle infrastructure seamlessly by combining the comprehensive strengths of Aeon Group companies.

##### (Create a Platform for Health and Wellness)

We are creating community-based health and wellness platforms that support not only the physical and mental health of our customers, but also the health of local communities and the environment. To this end, we continue to foster well-being in our communities by deepening the value we provide to local residents through the discovery of wellness-related tenants based in

comfortable and pleasant facilities, the formation of new curated zones, and initiatives to create new wellness-related businesses.

### **Growth Initiatives**

#### **(Discover and Commercialize Business Opportunities in Overseas Growth Markets)**

We continue to search for and secure properties in high-growth areas, accelerating new mall openings as we aim to achieve a 50-mall network by the end of fiscal 2025. We intend to move away from a single mall format to a new value creation model tailored to the characteristics of each region, exploring new business opportunities outside the framework of commercial facilities through deeper research into the issues facing each country and region.

##### **• Accelerate Mall Openings in Priority Areas**

As of the end of fiscal 2022, we operate a total of 35 malls overseas, including 22 malls in China, 6 malls in Vietnam, 3 malls in Cambodia, and 4 malls in Indonesia.

Vietnam is our most important area for opening new malls. Here, we are signing cooperation agreements, or comprehensive memoranda of understanding on investment decisions concerning shopping mall development, with local governments. 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. Further, we are looking in neighboring cities in the center of the country to accelerate area-dominant mall openings.

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 plan to accelerate the opening malls in the inland Hubei and Hubei Provinces, treating these as priority areas to accelerate the opening of new malls.

##### **• New Business Development to Solve Local Issues**

In fiscal 2023, we plan to open the Sihanoukville Logistics Center in Cambodia. This center will be the country's first multi-function logistics center business and serve as a platform for overseas logistics. Developing and operating bonded warehouses will be important for Cambodia to become a global production center. 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, including our own.

#### **(Pursue Business Model Innovation in Japan)**

The external environment in Japan can be characterized by a declining population, labor shortages due to falling birthrates and an aging population, high construction unit prices due to soaring materials costs, and a declining willingness of specialty store operators, particularly in the apparel industry, to open new stores. Major issues in the internal environment include stagnation in specialty store sales, particularly in the apparel industry, and the decline in investment efficiency due to soaring construction costs. Taking advantage of dramatic and seemingly daily changes in the business environment, we strive to strengthen our ability to attract customers and improve profitability in Japan by introducing reforms into existing business models to respond to developing regional issues, customer values, and latent needs.

##### **• Diversify Value Offerings Tailored to the Market**

We diversify the value we offer to customers in Japan by researching the needs of customers in the areas surrounding our malls and introducing new malls in new formats that break from past approaches. In addition to expanding the functions of existing mall formats, we provide solutions to foster well-being among customers and communities. We do so by proposing new lifestyles in local communities and by diversifying the value we provide in response to local issues, adopting development approaches, include complex facilities and urban formats, that match the characteristics of each location.

##### **• Improve Profitability Through the Effective Use of Existing Assets**

In reviewing business models centered on existing malls, we intend to pursue revenue model diversification, in addition to conventional lease income, taking into account the wider adoption of BOPIS (Note) and the changing role of brick-and-mortar malls. To use existing assets more effectively, we plan to create new business areas based on the actual utilization rate of shops and parking lots in the mall to convert underutilized space into new value. We will enhance the attractiveness of our malls by recruiting businesses to external buildings and by creating energetic atmospheres. We will strengthen our ability to attract customers through new value that will motivate customers to visit our stores.

(Note) An acronym for *buy online, pick-up in store*, a system that allows customers to receive products purchased online at stores.

• **Improve Operational Efficiencies and Convenience Through Digital Technologies**

Using the latest in digital technologies, we intend to improve operational efficiencies that allow employees to build stronger relationships with local communities and partner companies. Armed with more time, employees will be able to create new value in their daily business activities. We aim to become the developer of choice for our partners by improving the productivity of our own employees and employees of the specialty retailers in the mall.

Customers are shifting to mobile devices as the foundation of their activities. In response, we are developing and improving mobile applications such as the AEON MALL app. Going forward, we will continue to improve usability from the perspective of the customer and offer better value propositions to generate support from customers and expand points of contact.

• **Implement Fundamental Business Structure Reforms**

While we strive to deepen existing businesses amid accelerating changes in the external environment and in customer values, certain of our facilities have not responded to these changes sufficiently. The ability of these facilities to attract customers and generate cash flow has been in decline due to sluggish profitability. We are engaged in increasing competitiveness and improving operational efficiencies within the market area, including investments in revitalization. In addition, we are also moving forward with initiatives aimed at fundamental structural reforms from aspects of real estate and finances.

**(Create New Business Models That Break From Existing Business Frameworks)**

In an era of rapid and uncertain change, we not only develop existing businesses, but also focus on creating new businesses for new value and new initiatives to expand our business domains.

• **Expand Complex Development Functions**

To expand our office complex development capabilities, we aim for local co-creation through stronger collaborations with partner companies via M&A, equity investments, and business alliances. Our goal is to expand into social businesses designed to solve social issues. Local co-creation is the idea of addressing global issues as local issues, while creating new value together with people who share the same vision to solve each issue one by one. In March 2023, into an equity and business alliance with Marimo Co., Ltd., a company focused on condominiums and income-producing real estate who shares our philosophy. We believe we can contribute to sustainable urban reconstruction, which is the objective of the Japanese government's Location Optimization Plan. We also believe we can be part of building vibrant communities and compact and networked cities by guiding urban functions that include residential functions, medical care, welfare, commerce, and public transportation to urban centers. Driven by this belief, we pursue redevelopment and mixed-use office complex development projects in urban areas.

• **Pursue Initiatives to Create New Businesses**

We backcast from the ideal vision of AEON MALL to study potential ideas for commercialization and new businesses. This exercise reflects mindset reform in our organization and co-creation with other companies through our Accelerator Program. AEON MALL launched a new corporate venture capital (CVC) arm through which we will invest in startup companies, bringing together cutting-edge technology and expertise from startup companies for new value through our in-house venture system. In this way, we are taking on the challenge of creating new business value through solutions for local issues and the advancement of mall operations.

We may face challenges in continuing logistics services in the logistics industry at the same level of quality, due to driver shortages, soaring fuel prices, and caps on driver overtime beginning in 2024. As a new value offering to partners who have opened stores, we now offer joint delivery services from the Kinki and Tokai regions to the Nagoya area. Also, by sharing packing materials and hangers, we aim to offer not only economic value, but also environmental value.

■ **Foundation Building**

**(Build Strong Financial Foundations and Resilient Organizations From the Perspective of Sustainability)**

Amid a rapidly and dramatically changing business environment, build strong financial foundations and resilient organizations from the perspective of sustainability, supporting our pursuit of regional shift in Japan and overseas and the creation of a Health and Wellness platform as we exercise truly integrated ESG management. In this way, we structure a strong management foundation capable of sustainable growth.

- **Pursue Finance Mix and Optimization of Asset Portfolio**

We diversify our financing options for investment in overseas businesses, which represent future growth drivers. We achieve this diversity through a global finance mix that combines direct and indirect financing, real estate securitization, and ESG finance in Japan and overseas. We will also seek to improve investment efficiency by optimizing our asset portfolio through the use of development-type leases for new properties and the acquisition of highly profitable existing quality properties.

- **Strengthen Management Supervision Function and Establish a Nimble Business Execution System**

We strive to clarify the roles and responsibilities of our organization, increase the speed of business execution, and conduct effective monitoring toward achieving our management strategies and growth measures, as well as to achieve the numerical targets of our plans. To this end AEON MALL plans to adopt an executive officer system beginning in May 2023. This new system will strengthen our supervisory function by separating management oversight and business execution. This system will also help us evolve existing businesses and develop new businesses, clarify responsibilities for business execution, speed decision-making. We believe this system will also advance our organizational structure, including training the next generation of management personnel.

- **Leverage Human Capital, Which is the Most Important Management Resource**

Based on our vision for human resources and organizational structure, we are delving deeper and expanding efforts in human resource development, diversity, work-style reform, health management, career development, and other areas to maximize the value of human capital, which represents our most important management resource. By inspiring and supporting employee efforts toward self-actualization, we improve job satisfaction for our employees, who achieve higher levels of performance and organizational productivity.

■ **AEON MALL Materialities**

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.

Materialities		KGIs (Our Vision for 2050)	KPIs (Action Indicators Through FY2030)
Develop community and social infrastructure	Develop a sustainable and resilient infrastructure	A society in which local residents constantly feel safe and secure	<ul style="list-style-type: none"> <li>As an initiative to strengthen the BCP system, make all malls in Japan bases for disaster prevention</li> <li>Proportion of malls that have signed disaster prevention agreements with local governing bodies</li> </ul>
	Production and consumption formats	A society in which environmental impact is reduced to infinitely close to zero through reasonable production and consumption	<ul style="list-style-type: none"> <li>Promote ethical consumption green purchasing rate</li> <li>Promote plastic elimination initiatives</li> </ul>
Build bridges to local communities	Cultural preservation and succession	A society with cultural inheritance platforms established	<ul style="list-style-type: none"> <li>Actively hold traditional and cultural activities and promote these to other regions including outside of Japan</li> </ul>
	Low birth rates and aging societies	A society in which everyone, including children and seniors, lives a comfortable life	<ul style="list-style-type: none"> <li>Enrich services for children</li> <li>Number of nursing staff for people with dementia</li> </ul>
Environment	Climate change, global warming	<ol style="list-style-type: none"> <li>A decarbonized society</li> <li>A society in which the whole community is committed to protecting the environment</li> </ol>	<ul style="list-style-type: none"> <li>Expand the coverage of EV charger stations, number of installed EV charger stations</li> <li>35% reduction of annual CO<sub>2</sub> emissions by producing renewable energy</li> <li>Strengthen environmental protection education among local residents and specialty stores</li> <li>100% acquisition rate of eco Kentei</li> </ul>
	Protect biodiversity and resources	A society that attaches importance to environmental protection and coexists in harmony with the nature	<ul style="list-style-type: none"> <li>Number of ABINC® (Association for Business Innovation in Harmony with Nature and Community) certified malls</li> <li>Achieve a recycling rate of 70% *Except thermal recycling</li> </ul>
Diversity and work-style reform	Health and welfare	A society in which all people can enjoy good physical and mental health	<ul style="list-style-type: none"> <li>Propose healthy lifestyles</li> </ul>
	Diversity and work-styles	A society in which all people have equal opportunities regardless of race, nationality, age, gender, or location	<ul style="list-style-type: none"> <li>Proportion of female management personnel: 30%</li> <li>Male employees' parental leave acquisition rate: 100%</li> <li>Promote training of globally active talents</li> </ul>
Promote Responsible Business	Human rights	A society in which all people's human rights are respected	<ul style="list-style-type: none"> <li>Set and introduce human rights due diligence process</li> <li>100% employees receive human rights education and training</li> </ul>
	Bribery	0 incidents	<ul style="list-style-type: none"> <li>Conduct bribery education and enlightenment aiming for observance of basic anti-bribery regulations</li> <li>Continuous abidance by anti-bribery regulations under employment regulations</li> <li>Continuous reassessment of the abidance institutions of basic anti-bribery regulations, and thorough carry-out of reporting the abidance status of the basic anti-bribery regulations to the President at least once a year and relevant correction</li> </ul>

Our main action guidelines, goals, and specific initiatives based on materialities are as follows.

**(AEON MALL Decarbonization Vision)**

As a decarbonization initiative based on AEON Decarbonization 2050, we aim to reduce total CO<sub>2</sub> 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 over time from procuring effectively CO<sub>2</sub>-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 CO<sub>2</sub> 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.

**(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.

(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.

**(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 March 2023, 19 malls have received ABINC certification.

(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).

**(Creating a Human Resources and Organizational Vision)**

Our management philosophy is that AEON MALL Co., Ltd. is a that creates the future 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 believes, we developed a vision for human resources and our organization that will drive innovation to achieve our management philosophy.

Future Ideal for Our Human Resources: <b>Life Design Producer</b>	Future Ideal for Our Organization: <b>A Group of Professionals who Continue to Innovate</b>
(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

**(Diversity management)**

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

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

Our basic policy regarding the appointment of human resources overseas is to conduct operations rooted in each region by local



staff with a deep understanding of our corporate philosophy. We encourage the active exchange of human resources between Japan and overseas to nurture future leaders of overseas operations. We promote high-achieving personnel to management positions, regardless of nationality.

◆Diversity-Related KPIs (Non-Consolidated)

Item	KPI	FY2020	FY2021	FY2022
Ratio of women in management positions	30.0%	18.1%	19.4%	20.4%
Male employees' parental leave acquisition rate	100%	53.5%	100%	100%
Paid leave acquisition rate	60%	58%	62%	55%
Paid leave acquisition days	—	10	11	11
Ratio of employees with disabilities	2.50%	2.14%	2.17%	2.20%
Number of new graduate hires (male/female)	—	53 (25/28)	65 (30/35)	74 (37/37)
Turnover (personal reasons)	—	3.1%	3.9%	4.1%

(Health Management)

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

In March 2023, we were recognized as the 2023 Health and Productivity Management Outstanding Organization (Large Enterprise Category) under the Health and Productivity Management Outstanding Organization System sponsored by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (health promotion organization), which recognizes corporations that practice particularly excellent health management.

(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 2022 for specialty store companies.

#### **4. Policy on Selection of Accounting Standards**

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

## 5. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	87,148	92,683
Notes and accounts receivable–trade	8,308	14,689
Prepaid expenses	3,965	4,126
Deposits paid to affiliates	* <sub>2</sub> 9,000	* <sub>2</sub> 25,000
Other	42,661	48,720
Allowance for doubtful receivables	(373)	(760)
<b>Total current assets</b>	<b>150,711</b>	<b>184,459</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures	* <sub>1</sub> 1,033,311	* <sub>1</sub> 1,110,611
Accumulated depreciation	(385,467)	(428,524)
Buildings and structures, net	* <sub>1</sub> 647,844	* <sub>1</sub> 682,086
Machinery and transportation equipment	5,965	6,175
Accumulated depreciation	(2,775)	(3,242)
Machinery and transportation equipment, net	3,189	2,932
Furniture and fixtures	46,477	49,624
Accumulated depreciation	(35,825)	(38,598)
Furniture and fixtures, net	10,651	11,026
Land	* <sub>1</sub> 341,296	* <sub>1</sub> 364,533
Right-of-use assets	215,268	234,070
Accumulated depreciation	(55,992)	(79,697)
Right-of-use assets (net)	159,276	154,373
Construction in progress	28,940	41,788
Other	124	115
Accumulated depreciation	(95)	(93)
Other, net	29	22
<b>Total property, plant and equipment</b>	<b>1,191,229</b>	<b>1,256,763</b>
Intangible assets	3,456	3,456
Investments and other assets		
Investment securities	1,991	2,129
Long-term loans	18	12
Long-term prepaid expenses	43,956	41,260
Deferred tax assets	19,496	19,927
Lease deposits paid	51,922	51,095
Other	491	543
Allowance for doubtful receivables	(18)	(54)
<b>Total investments and other assets</b>	<b>117,859</b>	<b>114,913</b>
<b>Total fixed assets</b>	<b>1,312,544</b>	<b>1,375,133</b>
<b>Total assets</b>	<b>1,463,256</b>	<b>1,559,592</b>

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	9,919	12,655
Bonds due within one year	40,000	70,000
Current portion of long-term debt	*1 46,093	*1 39,365
Lease obligations	19,555	22,406
Income taxes payable	6,830	5,787
Deposits received from specialty stores	38,732	47,225
Deposits received	6,528	8,867
Allowance for employee bonus	1,714	1,336
Allowance for director and corporate auditor performance-based remuneration	78	75
Provision for loss on store closing	733	—
Notes payable—construction	6,081	23,199
Electronically recorded obligations—construction	9,344	5,374
Accounts payable—construction	8,628	12,685
Other	18,492	21,266
Total current liabilities	212,734	270,246
Long-term liabilities		
Straight bonds	355,000	365,000
Long-term debt	*1 178,704	*1 194,463
Lease obligations	118,239	102,963
Deferred tax liabilities	628	545
Accrued retirement benefits to employees	647	305
Asset retirement obligations	19,843	20,038
Lease deposits from lessees	146,198	148,267
Provision for loss on store closing	—	2,017
Other	4,329	4,032
Total long-term liabilities	823,590	837,634
Total liabilities	1,036,325	1,107,881
Net assets		
Shareholders' equity		
Common stock	42,374	42,381
Capital surplus	40,693	40,700
Retained earnings	316,829	317,279
Treasury stock, at cost	(7)	(7)
Total shareholders' equity	399,890	400,353
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,059	1,120
Foreign currency translation adjustment	16,158	39,474
Remeasurements of defined benefit plans	(652)	(453)
Total accumulated other comprehensive income	16,565	40,141
Stock acquisition rights	33	27
Non-controlling interests	10,441	11,187
Total net assets	426,931	451,711
Total liabilities and net assets	1,463,256	1,559,592

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

(Million yen)

	FY2021 Q4 March 1, 2021 - February 28, 2022	FY2022 Q4 March 1, 2022 - February 28, 2023
Operating revenue	316,813	398,244
Operating costs	248,884	322,829
Gross profit	67,928	75,414
Selling, general and administrative expenses		
Employees' salaries and bonuses	7,522	7,672
Provision for employees' bonuses	826	695
Provision for director and auditor performance-based remuneration	77	60
Retirement benefit expenses	329	213
Statutory welfare benefit expense	2,128	2,322
Travel expenses	647	795
Rent	1,982	805
Sales commission	2,340	2,379
Depreciation and amortization	1,083	1,266
Other	12,762	15,224
Total selling, general and administrative expenses	29,700	31,434
Operating income	38,228	43,979
Non-operating profits		
Interest income	1,564	1,905
Dividend income	20	23
Compensation paid by departing tenants	1,571	1,560
Gain on valuation of derivatives	1,325	993
Compensation income	*5 2,416	*5 639
Insurance income	155	63
Other	406	529
Total non-operating profits	7,459	5,715
Non-operating expenses		
Interest expenses	10,871	11,684
Foreign exchange losses	1,319	723
Other	956	877
Total non-operating expenses	13,147	13,285
Ordinary income	32,540	36,409

(Million yen)

	FY2021 Q4 March 1, 2021 - February 28, 2022	FY2022 Q4 March 1, 2022 - February 28, 2023
Extraordinary gains		
Gain on sale of fixed assets	* <sub>1</sub> 4	* <sub>1</sub> 3
Compensation income	* <sub>5</sub> 1,748	—
Insurance income	* <sub>6</sub> 218	* <sub>6</sub> 1,408
Total extraordinary gains	1,970	1,411
Extraordinary losses		
Loss on sale of fixed assets	* <sub>2</sub> 1	* <sub>2</sub> 1
Loss on retirement of fixed assets	* <sub>3</sub> 759	* <sub>3</sub> 2,499
Impairment loss	* <sub>4</sub> 3,302	* <sub>4,*7</sub> 4,461
Provision for loss on store closings	—	* <sub>7</sub> 2,017
Loss due to COVID-19	* <sub>8</sub> 4,075	* <sub>8</sub> 3,037
Loss on disaster	* <sub>9</sub> 223	* <sub>9</sub> 1,189
Other	—	23
Total extraordinary losses	8,362	13,229
Income before income taxes	26,149	24,592
Income tax – current	11,218	11,421
Income tax – deferred	(4,280)	88
Total income taxes	6,937	11,510
Net income	19,211	13,081
Profit (loss) attributable to non-controlling interests	(66)	86
Net income attributable to owners of parent	19,278	12,994

**(Consolidated Statements of Comprehensive Income)**

(Million yen)

	FY2021 Q4 March 1, 2021 - February 28, 2022	FY2022 Q4 March 1, 2022 - February 28, 2023
Net income	19,211	13,081
Other comprehensive income		
Net unrealized gain on available-for-sale securities	29	61
Foreign currency translation adjustment	30,476	24,019
Remeasurements of defined benefit plans	37	198
Total other comprehensive income	*1 30,543	*1 24,279
Comprehensive income	49,755	37,361
Comprehensive income (loss) attributable to		
Owners of parent	49,373	36,570
Non-controlling interests	381	790

**(3) Statements of Changes in Shareholders' Equity**

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

(Million yen)

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

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



Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of fiscal year	42,374	40,693	316,829	(7)	399,890
Cumulative effects of changes in accounting policies			(1,167)		(1,167)
Restated balance	42,374	40,693	315,661	(7)	398,722
Changes during period					
Issue of new shares	7	7			14
Cash dividends			(11,377)		(11,377)
Net income attributable to owners of parent			12,994		12,994
Purchase of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total of changes	7	7	1,617	(0)	1,631
Balance at end of fiscal year	42,381	40,700	317,279	(7)	400,353

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	1,059	16,158	(652)	16,565	33	10,441	426,931
Cumulative effects of changes in accounting policies							(1,167)
Restated balance	1,059	16,158	(652)	16,565	33	10,441	425,763
Changes during period							
Issue of new shares							14
Cash dividends							(11,377)
Net income attributable to owners of parent							12,994
Purchase of treasury stock							(0)
Net change in items other than shareholders' equity	61	23,316	198	23,576	(6)	746	24,316
Total of changes	61	23,316	198	23,576	(6)	746	25,947
Balance at end of fiscal year	1,120	39,474	(453)	40,141	27	11,187	451,711

**(4) Consolidated Statements of Cash Flows**

(Million yen)

	FY2021 Q4 March 1, 2021 - February 28, 2022	FY2022 Q4 March 1, 2022 - February 28, 2023
Cash flows from operating activities		
Income before income taxes	26,149	24,592
Depreciation and amortization	63,735	70,422
Impairment loss	3,302	4,461
Increase (decrease) in provision for loss on store closing	—	1,284
Increase (decrease) in allowance for doubtful accounts	201	410
Increase (decrease) in provision for employees' bonus	11	(377)
Increase (decrease) in provision for director and auditor performance-based remuneration	(6)	(3)
Increase (decrease) in net defined benefit liability	23	46
Interest and dividend income	(1,584)	(1,928)
Interest expenses	10,871	11,684
Loss on retirement of fixed assets	321	866
Loss (gain) on sales of fixed assets	(2)	(2)
Decrease (increase) in receivables–trade accounts	382	(5,806)
Decrease (increase) in other current assets	(4,915)	(4,309)
Increase (decrease) in payables–trade accounts	1,314	2,524
Increase (decrease) in consumption tax payable	(979)	(29)
Increase (decrease) in deposits received from specialty stores	(22,122)	8,010
Increase (decrease) in other current liabilities	(2,470)	2,935
Other	7,967	9,124
Subtotal	82,199	123,907
Interest and dividends received	1,507	1,639
Interest paid	(10,811)	(11,600)
Income taxes paid	(11,403)	(12,456)
Net cash provided by (used in) operating activities	61,492	101,490

(Million yen)

	FY2021 Q4 March 1, 2021 - February 28, 2022	FY2022 Q4 March 1, 2022 - February 28, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(117,864)	(99,670)
Proceeds from sales of property, plant and equipment	6	5
Purchase of intangible assets	(1,076)	(949)
Purchase of long-term prepaid expenses	(4,379)	(2,627)
Purchase of investment securities	—	(49)
Collection of loans	6	6
Payment of lease deposits to lessors	(2,771)	(874)
Reimbursement of lease deposits to lessors	1,078	2,062
Repayment of lease deposits from lessees	(8,259)	(9,496)
Proceeds from lease deposits from lessees	15,594	10,297
Time deposits	(21,444)	(30,487)
Withdrawal of time deposits	16,726	28,508
Other	0	—
Net cash provided by (used in) investing activities	(122,382)	(103,276)
Cash flows from financing activities		
Repayment of lease obligations	(16,384)	(18,925)
Proceeds from long-term debt	34,026	51,053
Repayment of long-term debt	(33,644)	(46,670)
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	8,225	13,515
Foreign currency translation adjustments on cash and cash equivalents	11,558	6,397
Net increase (decrease) in cash and cash equivalents	(41,106)	18,127
Cash and cash equivalents at beginning of the period	124,080	82,973
Cash and cash equivalents at end of the period	* <sub>1</sub> 82,973	* <sub>1</sub> 101,101

## **(5) Notes on Consolidated Financial Statements**

### **Notes on the going concern assumption**

Not applicable

### **Important matters concerning the basis for preparing consolidated financial statements**

#### 1. Matters concerning scope of consolidation

Number of consolidated subsidiaries: 53

Names of major consolidated subsidiaries

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

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

#### 2. Matters concerning consolidated subsidiary fiscal years

The 45 overseas subsidiaries end their fiscal years on December 31. We prepare our consolidated financial statements using the respective balance sheet dates of our consolidated subsidiaries. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

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

#### 3. Matters concerning basis for accounting

##### (1) Valuation criteria and method for significant assets

###### 1) Available-for-sale securities

Available-for-sale securities classified as other securities

Securities other than equity securities without market prices

Stated at market value (all valuation gains and losses reported in net assets and the cost of securities sold is determined by the moving-average method).

Equity securities without market prices

Stated at cost determined by the moving-average method.

###### 2) Derivatives

Stated at market value

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

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

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

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

Buildings and structures: 2 to 39 years

Machinery and transportation equipment: 3 to 17 years

Furniture and fixtures: 2 to 20 years

###### 2) Intangible assets

Amortized using the straight-line method

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

###### 3) Right-of-use assets

Amortized using the straight-line method

###### 4) Long-term prepaid expenses

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

##### (3) Accounting method for deferred assets

Bond issuance expenses are treated as an expense when paid.

(4) Accounting standards for significant allowances

1) Allowance for doubtful accounts

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

2) Allowance for employee bonuses

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

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

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

4) Provision for loss on store closing

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

(5) Accounting for retirement benefits

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

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

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

(6) Basis for recognition of significant revenues and expenses

The following is a description of the major performance obligations in AEON MALL Group principal businesses related to revenues arising from contracts with customers and the usual time at which such performance is satisfied (¥usual time at which revenues are recognized). For major Group transactions involving performance obligations related to real estate lease transactions based on mall-opening contracts with customers, the Group recognizes revenue in accordance with *Accounting Standard for Lease Transactions (ASBJ Statement No. 13, March 30, 2007)*.  
Common area expense income based on store-opening contracts, etc.

As the manager of commercial facilities operated by the AEON MALL Group and based on store-opening contracts with customers, we are obligated to provide security, cleaning, greenery management and other facilities management services, maintenance and management services related to electricity, water, and other facilities. We are also obligated to provide effective sales promotion activities for the benefit of tenants. As these services are provided to tenants in satisfaction of these performance obligations, the Company recognizes revenues over the contract period with tenants, primarily based on the passage of time.

In addition, a variable income component is included for maintenance and management obligations related to facilities such as electricity and water on a pay-as-incurred basis. The terms of this variable income are related to the actual use of electricity, water, etc., by tenants, and the variable income is allocated to the performance obligation related to the variable income in its entirety after considering the performance obligation and payment terms in the contract.

Payments from tenants are usually received prior to the satisfaction of performance obligations, or is generally collected within approximately one month from the time the performance obligations are satisfied, and does not include a significant financial component.

PM Management Contract Fees

Under management contract agreements with customers, the AEON MALL Group is obligated to perform all services related to the operation of commercial facilities, including the creation of operating policies, facility management services such as security and cleaning, and tenant leasing services. As these services are provided to customers in satisfaction of performance obligations, the Company recognizes revenues over the contract period with tenants,

primarily based on the passage of time.

In addition, management contract agreements include a variable income component based on the operating performance of the commercial facilities in question as an incentive fee. The terms of this variable income are related to the actual commercial facilities management results, and the variable income is allocated to the performance obligation related to the variable income in its entirety after considering the entirety of the performance obligation and payment terms in the contract.

Payments from customers are usually received within one month of the satisfaction of the performance obligation and does not include a significant financial component.

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

(8) Accounting policies for significant hedging activities

1) Hedge accounting methods

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

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

3) Hedging policy

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

The exceptional treatment prescribed in the PITF is applied to all hedging relationships above included in the scope of Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No.40, March 17, 2022). The details of hedging relationships to which the PITF is applied are as follows.

Hedge accounting applied: Exceptional accounting treatment

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

Categories of hedges: Hedge of exposure to avoid interest rate variability risks

4) Evaluation of hedging effectiveness

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

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

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

## 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 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 *Accounting Standard for Revenue Recognition*, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current consolidated fiscal year should be added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated 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 current consolidated fiscal year rose ¥48,890 million, ¥48,514 million, and ¥41 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 current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of *Accounting Standard for Fair Value Measurement* and Paragraph 44-2 of *Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)*, we will apply the new accounting policy prescribed under *Accounting Standard for Fair Value Measurement* prospectively. This change in accounting policy has no effect on consolidated financial statements.

## Notes

### Consolidated balance sheets

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

	(Assets pledged as collateral)		(Million yen)
	Year Ended February 28, 2022 (As of February 28, 2022)	Year Ended February 28, 2023 (As of February 28, 2023)	
Buildings and structures	26,562	25,014	
Land	2,456	2,456	
Total	29,018	27,471	

(Liabilities backed by above collateral)

	(Liabilities backed by above collateral)		(Million yen)
	Year Ended February 28, 2022 (As of February 28, 2022)	Year Ended February 28, 2023 (As of February 28, 2023)	
Current portion of long-term debt	1,976	1,976	
Long-term debt	21,809	19,833	
Total	23,785	21,809	

\*2. Deposits paid to affiliates

	Deposits paid to affiliates		(Million yen)
	Year Ended February 28, 2022 (As of February 28, 2022)	Year Ended February 28, 2023 (As of February 28, 2023)	
Deposits paid to affiliates	9,000	25,000	

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

**Consolidated statements of income**

\*1. Gains on sale of fixed assets consist of the following items.

(Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)		Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Other	4	Other	3
Total	4	Total	3

\*2. Losses on sale of fixed assets consist of the following items.

(Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)		Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Other	1	Other	1
Total	1	Total	1

\*3. Losses on disposal of fixed assets consist of the following items.

(Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)		Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Buildings and structures	59	Buildings and structures	458
Tools, furniture and fixtures	3	Tools, furniture and fixtures	5
Dismantlement cost	696	Dismantlement cost	2,034
Other	1	Other	-
Total	759	Total	2,499



\*4. Impairment loss

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

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

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

Significant profitability declines and changes resulting in a market decrease in expected recoverability for the asset groups noted above have led the Company to reduce the carrying values to their respective recoverable values. The write-down was posted as impairment losses under extraordinary losses.

Recoverable value is measured based on value in use, net realizable value, or fair value less disposal costs.

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

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

The AEON MALL Group incurred an impairment loss in the following asset groups during the current consolidated fiscal year (March 1, 2022 to February 28, 2023).

Location	Use	Type	Amount (million yen)
Fukushima Prefecture	Store	Buildings, etc.	1,731
Overseas (China)	Store	Right-of-use assets	2,729
Total	—	—	4,461

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

Significant profitability declines and changes resulting in a market decrease in expected recoverability for the asset groups noted above have led the Company to reduce the carrying values to their respective recoverable values. The write-down was posted as impairment losses under extraordinary losses.

Recoverable value is calculated mainly based on value in use or net realizable value. We used a discount rate of 4.02% to calculate the future cash flows of value in use for locations in Japan and 12.72% to calculate the future cash flows of value in use for overseas (China) locations. Net realizable value is calculated based on the appraised value of the real estate in question.

The figures above consist of ¥808 million in land, ¥915 million in building and structures, ¥724 million in long-term prepaid expenses, ¥2,006 million in right-of-use assets, and ¥7 million in other.

- \*5. Subsidy income consists mainly of subsidies provided by local governments for shortened mall operating hours and temporary mall closures due to the spread of COVID-19 infections.
- \*6. Insurance proceeds received were mainly for damages caused by the Fukushima Prefecture earthquake.
- \*7. Due to the resolution to scrap and build some aging facilities, we recorded an impairment loss and a provision for loss on store closings.
- \*8. This loss of impact of COVID-19 consists mainly of rent, depreciation and amortization, and other fixed costs during the temporary closures.
- \*9. Losses due to disaster consist mainly of restoration costs for damage caused by the Fukushima Prefecture earthquake.

**Consolidated statements of comprehensive income**

\*1. Rearrangements, adjustments, and tax effects related to other comprehensive income

(Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Net unrealized gain on available-for-sale securities		
Amount accrued in the fiscal year	43	87
Amount rearranged or adjusted	-	-
Before tax effect adjustment	43	87
Tax effect	(13)	(26)
Net unrealized gain on available-for-sale securities	29	61
Foreign currency translation adjustment :		
Amount accrued in the fiscal year	30,476	24,019
Amount rearranged or adjusted	-	-
Before tax effect adjustment	30,476	24,019
Tax effect	-	-
Foreign currency translation adjustment	30,476	24,019
Remeasurements of defined benefit plans		
Amount accrued in the fiscal year	(4)	79
Amount rearranged or adjusted	180	166
Before tax effect adjustment	175	245
Tax effect	(138)	(47)
Remeasurements of defined benefit plans	37	198
Total other comprehensive income	30,543	24,279

### Statements of changes in shareholders' equity

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

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

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

(Notes) 1. An increase of 3,100 shares issued and outstanding resulted from the exercise of stock acquisition rights.

2. An increase in treasury stock resulted from the purchase of 732 odd-lot shares.

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

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

#### 3. Matters concerning dividends

##### (1) Dividends paid

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

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

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

Year Ended February 28, 2023 (March 1, 2022 - February 28, 2023)

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

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,548,939	10,400	—	227,559,339
Total	227,548,939	10,400	—	227,559,339
Treasury stock				
Common stock (Note 2)	3,997	273	—	4,270
Total	3,997	273	—	4,270

(Notes) 1. An increase of 10,400 shares issued and outstanding resulted from the exercise of stock acquisition rights.

2. An increase in treasury stock resulted from the purchase of 273 odd-lot shares.

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

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in number in the fiscal year under review	Decrease in number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	—	-	-	-	-	27
	Total	—	-	-	-	-	27

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on April 7, 2022	Common stock	5,688	25.00	February 28, 2022	May 2, 2022
Board of directors meeting on October 4, 2022	Common stock	5,688	25.00	August 31, 2022	October 21, 2022

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

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting on April 11, 2023	Common stock	5,688	Retained earnings	25.00	February 28, 2023	May 1, 2023

## Consolidated statements of cash flows

\*1. Relationship between cash and cash equivalents at the end of the period and the itemized amounts stated in consolidated balance sheets (Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Cash and deposits	87,148	92,683
Deposits paid to affiliates	9,000	25,000
Time deposits with a deposit term longer than three months	(13,175)	(16,582)
Cash and cash equivalents	82,973	101,101

## 2. Significant non-cash transactions

(1) Asset retirement obligations recorded (Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Asset retirement obligations	962	378

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

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Right-of-use assets	24,280	84
Lease obligations	21,685	1,238

## Lease transactions

### 1. Finance leases

Omitted due to the lack of materiality.

### 2. Operating leases

Unexpired lease payment related to non-cancellable operating lease transactions

As lessee (Million yen)

	Year Ended February 28, 2022 (As of February 28, 2022)	Year Ended February 28, 2023 (As of February 28, 2023)
Due within 1 year	65,285	55,602
Due after 1 year	354,274	267,803
Total	419,560	323,405

As lessor

(Million yen)

	Year Ended February 28, 2022 (As of February 28, 2022)	Year Ended February 28, 2023 (As of February 28, 2023)
Due within 1 year	5,696	4,259
Due after 1 year	13,793	12,020
Total	19,490	16,279

## Rental property

The Company and certain consolidated subsidiaries own commercial leasing buildings in various regions nationwide as well as overseas (China and ASEAN region) for the purpose of generating profits from property leasing.

Leasing profit related to said leasing property (owned properties and overseas master leased properties, not including master leased properties in Japan and malls operated under property management, etc. Same below.) for the previous consolidated fiscal year amounted to ¥41,709 million (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses). Loss on retirement of fixed assets amounted to ¥246 million (posted under extraordinary losses). Impairment losses amounted to ¥2,984 million (posted under extraordinary losses). Leasing profit for the current consolidated fiscal year amounted to ¥47,886 million (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses). Loss on sale of fixed assets amounted to ¥1 million (posted under extraordinary losses) and loss on retirement of fixed assets amounted to ¥2,389 million (posted under extraordinary losses). Impairment losses amounted to ¥4,122 million (posted under extraordinary losses).

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

(Million yen)

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Consolidated balance sheet amount		
Balance at the beginning of the term under review	1,082,591	1,175,882
Change during term under review	93,290	63,028
At end of term under review	1,175,882	1,238,911
Fair value at end of term under review	1,491,911	1,564,362

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

2. Of the changes during the period, the largest increases during the previous consolidated fiscal year were due to property acquisitions (¥123,591 million) and foreign currency translation adjustments (¥41,335 million). The largest decreases were due to disposal and sales of fixed assets (¥245 million), impairment losses (¥2,984 million), and depreciation expense (¥68,546 million). The largest increases during the current consolidated fiscal year under review were due to property acquisitions (¥108,611 million) and foreign currency translation adjustments (¥31,292 million). The largest decreases were due to disposal and sales of fixed assets (¥763 million), impairment losses (¥4,122 million), and depreciation expense (¥70,099 million).

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

## Segment and other information

### Segment information

#### 1. Overview of reportable segments

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

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

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. In light of the increasing importance of overseas countries to our business, we have changed our reportable segments from three reportable segments (Japan, China, and ASEAN) to six reportable segments (Japan, China, Vietnam, Cambodia, Indonesia, and Other (Overseas)) beginning with the current consolidated fiscal year. Segment information for the previous consolidated fiscal year is disclosed based on the reportable segment classifications for the current consolidated 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 current 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.

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

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

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

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

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount on Consolidated Financial Statements (Note 3)
Operating revenue									
Operating revenue from external customers	261,214	43,139	5,925	3,001	3,532	—	316,813	—	316,813
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	261,214	43,139	5,925	3,001	3,532	—	316,813	—	316,813
Segment profit (loss)	31,945	6,958	(83)	491	(1,084)	(24)	38,203	25	38,228
Segment assets	950,037	269,989	72,455	71,091	80,393	3,094	1,447,062	16,194	1,463,256
Other items									
Depreciation and amortization (Note 4)	41,072	22,582	2,919	1,345	2,325	0	70,244	(25)	70,219
Impairment loss	937	2,325	—	—	38	—	3,302	—	3,302
Increase in property, plant and equipment and intangible assets (Note 4)	69,105	37,688	2,241	8,459	11,747	65	129,308	—	129,308



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

2. Adjustments are as follows:

- (1) Adjustments to segment profit (loss) reflect unrealized profits on intersegment transactions.
  - (2) Adjustment to segment assets of ¥16,194 million include corporate assets not allocated to reportable segments of ¥16,470 million and the elimination of intersegment transactions.
  - (3) Adjustment to depreciation and amortization is an adjustment to unrealized gains related to fixed assets.
3. Segment profit (loss) has been adjusted to operating income on the consolidated statement of income.
4. Depreciation and amortization and the increase in property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization of long-term prepaid expenses.

Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount on Consolidated Financial Statements (Note 3)
Operating revenue									
Operating revenue from external customers	320,852	52,538	13,283	5,672	5,897	—	398,244	—	398,244
Intersegment operating revenue or transfers	848	—	—	—	—	—	848	(848)	—
Total	321,700	52,538	13,283	5,672	5,897	—	399,092	(848)	398,244
Segment profit (loss)	34,114	6,634	3,063	1,145	(987)	(15)	43,954	25	43,979
Segment assets	978,102	254,683	90,162	100,660	86,997	3,562	1,514,168	45,423	1,559,592
Other items									
Depreciation and amortization (Note 4)	43,078	24,195	4,656	2,138	3,262	0	77,330	(25)	77,305
Impairment loss	1,731	2,729	—	—	—	—	4,461	—	4,461
Increase in property, plant and equipment and intangible assets (Note 4)	68,836	14,296	8,789	19,429	6,095	4	117,452	—	117,452

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

2. Adjustments are as follows:

- (1) Adjustments to segment profit (loss) reflect unrealized profits on intersegment transactions.
  - (2) Adjustment to segment assets of ¥45,423 million include corporate assets not allocated to reportable segments of ¥45,413 million and the elimination of intersegment transactions.
  - (3) Adjustment to depreciation and amortization is an adjustment to unrealized gains related to fixed assets.
3. Segment profit (loss) has been adjusted to operating income on the consolidated statement of income.
4. Depreciation and amortization and the increase in property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization of long-term prepaid expenses.

Related information

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

1. Information by product and service

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

2. Information by region

(1) Operating revenue

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

## (2) Property, plant and equipment

(Million yen)

Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas)	Total
825,428	179,461	54,876	59,493	69,093	2,874	1,191,229

## 3. Information per major customer

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

Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

## 1. Information by product and service

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

## 2. Information by region

## (1) Operating revenue

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

## (2) Property, plant and equipment

(Million yen)

Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas)	Total
850,143	177,264	65,556	85,436	75,041	3,320	1,256,763

## 3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
AEON Retail Co., Ltd.	38,007	Japan

Information regarding impairment losses on fixed assets per reportable segment

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

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

Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

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

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

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

Omitted, as information is not material.

Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

Omitted, as information is not material.

Information regarding gain on negative goodwill per reporting segment

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

Not applicable

Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

Not applicable

**Per-share information**

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Net assets per share	1,830.21 yen	1,935.77 yen
Net income per share	84.72 yen	57.10 yen
Diluted net income per share	84.71 yen	57.10 yen

(Note) The basis for the calculation of net income per share and diluted net income per share is shown in the table below.

	Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)	Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)
Net income per share		
Net income attributable to owners of parent (million yen)	19,278	12,994
Amounts not attributable to shareholders of common stock (million yen)	—	—
Net income attributable to shareholders of common stock of parent (million yen)	19,278	12,994
Average number of common shares outstanding during the fiscal year	227,544,377	227,551,163
Diluted net income per share		
Adjustment of net income attributable to owners of parent (million yen)	—	—
Increase in number of common stock (shares) (Stock acquisition rights included)	23,930 [23,930]	24,299 [24,299]
Outline of dilutive stock not included in calculation of diluted net income per share because it is anti-dilutive	—————	—————

**Significant subsequent events**

Not applicable