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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 29, 2024 (Japanese GAAP)

October 10, 2023

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

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

Representative: Yasutsugu Iwamura, President and CEO

Scheduled date of filing of quarterly report: October 13, 2023

Starting date of dividend payment: October 20, 2023

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 2024 (March 1, 2023 – August 31, 2023)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended August 31, 2023	210,807	8.6	24,428	7.0	19,674	6.2	10,505	47.5
Six months ended August 31, 2022	194,104	26.0	22,826	16.0	18,533	14.5	7,122	(44.5)

(Note) Comprehensive income: Six months ended August 31, 2023: ¥42,254 million (-20.9%)

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

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six months ended August 31, 2023	46.16	46.15
Six months ended August 31, 2022	31.30	31.29

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
August 31, 2023	1,627,150	488,141	29.2
February 28, 2023	1,559,592	451,711	28.2

(Reference) Equity: August 31, 2023: ¥475,729 million

February 28, 2023: ¥440,495 million

2. Dividends

	Annual Dividend				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2023	—	25.00	—	25.00	50.00
Year ending February 29, 2024	—	25.00			
Year ending February 29, 2024 (projection)			—	25.00	50.00

(Note) Revisions to dividend forecast announced recently: None

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
Full-year	447,000	12.2	58,500	33.0	49,000	34.6	27,000	107.8	118.65

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

* Notes

- (1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): None
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes of accounting-based estimates, revisions & restatements
- [1] Changes in accounting policies due to changes in accounting standards, etc.: None
 - [2] Changes in accounting policies other than the above: None
 - [3] Changes in accounting estimates: None
 - [4] Revisions and restatements: None

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

[1] Number of shares outstanding at period-end (including treasury stock)	Six months ended August 31, 2023	227,560,939	Year ended February 28, 2023	227,559,339
[2] Treasury stock at period-end	Six months ended August 31, 2023	4,570	Year ended February 28, 2023	4,270
[3] Average number of shares during the period (quarterly cumulative)	Six months ended August 31, 2023	227,555,338	Six months ended August 31, 2022	227,548,242

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

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

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

The forward-looking statements, such as earnings projections, included in these materials are based on information currently available to the Company and certain assumptions it deems reasonable. They do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. See 1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Projections and Other Projections on P.12 of the accompanying materials for assumptions used in earnings projections and matters to note when using earnings projections.

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on October 11, 2023. The materials handed out at this briefing will be posted on the Company's website on October 10, 2023, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

1) Explanation of consolidated results of operations

AEON MALL Co., Ltd. is creating the future of community living as we pursue our basic principle that the customer comes first. Under this management philosophy, we operate as a *Life Design Developer* (Note), defining our corporate activities as *Heartful Sustainable*. Under this management philosophy, 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. By continuing to provide solutions to local community and social issues, we aim to establish a position as a core facility offering social infrastructure functions in local communities. In May of this year, we formulated a new vision for 2030, *AEON MALL, Co-Creating With Our Communities*. Our goal here is to create sustainable societies and build a resilient organization in an era of increasing uncertainty. Together with our customers, local communities, partners, shareholders, investors, and other like-minded stakeholders, we strive to create, expand, and foster deeper connections, co-creating through activities that lead to sustainable futures for our 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.

The Company recorded record-high revenue for the six months ended August 31, 2023. Operating revenue amounted to ¥210,807 million (+8.6% year on year), while operating income amounted to ¥24,428 million (+7.0%) and ordinary income amounted to ¥19,674 million (+6.2%). The Company recorded ¥1,187 million in extraordinary losses, including ¥650 million in provision for loss on store closings in connection with our decision to end management and operations of QUALITE PRIX (Hokkaido). During the six months ended August 31, 2022, we also recorded extraordinary losses of ¥6,451 million, including ¥1,782 million in loss of impact of COVID-19, impairment losses of ¥1,731 million, and ¥2,017 million in provision for loss on store closings. Reflecting a ¥4,970 million improvement in extraordinary gains and losses, income before income taxes and other adjustments amounted to ¥18,487 million, a 49.4% increase year on year. As a result, net income attributable to owners of parent increased to ¥10,505 million (+47.5%).

◆ Consolidated Earnings

(Million yen)

	FY2022 Q2	FY2023 Q2	Change [YoY]
Operating revenue	194,104	210,807	+16,703 [+8.6%]
Operating income	22,826	24,428	+1,602 [+7.0%]
Ordinary income	18,533	19,674	+1,141 [+6.2%]
Net income attributable to owners of parent	7,122	10,505	+3,382 [+47.5%]

2) Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2022 Q2	FY2023 Q2	Change [YoY]	FY2022 Q2	FY2023 Q2	Change [YoY]
China	25,765	28,672	+2,907 [+11.3%]	4,453	4,192	(261) [-5.9%]
Vietnam	5,926	7,155	+1,228 [+20.7%]	1,459	1,992	+533 [+36.6%]
Cambodia	2,489	3,999	+1,509 [+60.6%]	617	181	(435) [-70.6%]
Indonesia	2,739	3,434	+694 [+25.4%]	(542)	(142)	+399 [—]
Other	—	—	— [—]	(7)	(6)	+0 [—]
Overseas	36,921	43,261	+6,340 [+17.2%]	5,980	6,217	+237 [+4.0%]
Japan	157,443	167,684	+10,241 [+6.5%]	16,832	18,198	+1,365 [+8.1%]
Adjustment	(259)	(138)	+121 [—]	12	12	— [+0.0%]
Total	194,104	210,807	+16,703 [+8.6%]	22,826	24,428	+1,602 [+7.0%]

a. Overseas

[Six months ended June 30, 2023 (January to June)]

The Company recorded higher revenue and profit overseas. Operating revenue amounted to ¥43,261 million (+17.2% year on year) and operating income amounted to ¥6,217 million (+4.0%). The following describes the status of sales in each country. Accordingly, figures presented herein for the cumulative consolidated second quarter reflect overseas results for January through June.

(China)

In China, the Company recorded operating revenue of ¥28,672 million (+11.3% year on year) and operating income of ¥4,192 million (-5.9%). During the first half of the previous consolidated fiscal year, we incurred ¥1,659 million in fixed costs related to temporary mall closures due to COVID-19. We recorded this amount as loss of impact of COVID-19, transferring the amount from operating costs to extraordinary losses, and posted a ¥261 million decrease in operating income.

During the first half of the current consolidated fiscal year, the Chinese government relaxed its Zero-COVID policy in December 2022, while in January, for the first time in four years, there were no restrictions on Chinese New Year activities, leading to increased purchasing demand for trips to ancestral homes, leisure trips, and other activities. Customer traffic at malls continued to recover, with strong sales mainly in the food and beverage and amusement industries. As a result, specialty store sales at existing malls (22 malls) during the six months ended August 31, 2023, were +29.0% compared with the year-ago period.

(Vietnam)

The Company recorded higher revenue and profit in Vietnam. Operating revenue amounted to ¥7,155 million (+20.7% year on year) and operating income in the amount of ¥1,992 million (+36.6%).

During the first half of the current consolidated fiscal year, specialty store sales at existing malls were +9.7% compared to the year-ago period (6 malls), impacted in part by sluggish external demand and slowing economic growth due to power shortages. The Company recorded strong results in the previous year stemming from pent-up demand in response to the government's shift to a With-COVID policy. The negative rebound during the second quarter of the current consolidated fiscal year (April through June) resulted in specialty store sales at existing malls of -2.9% compared to the year-ago period. However, sales were +44.2% when compared with FY2019 (4 malls), demonstrating continued strong growth.

(Cambodia)

In Cambodia, the Company recorded operating revenue of ¥3,999 million (+60.6% year on year) and operating income of ¥181 million (-70.6%). Revenue increased due to the opening of a new mall in the previous fiscal year, but operating income decreased due in part to the impact of fewer customers than anticipated and vacant floor space caused by the opening of a mall during the COVID-19 pandemic, contributing to lower operating revenues than projected.

During the cumulative consolidated second quarter, restrictions on activities associated with COVID-19 were eased significantly. Our malls operated normally; however, chronic traffic congestion caused by the construction of an overpass on Hun Sen Boulevard, the road in front of AEON MALL Meanchey (Phnom Penh City), which opened last December. Although the government-led construction of detour roads is underway and the authorities are directing traffic, the area continues to be severely impacted in terms of attracting customers. Inbound demand declined at existing malls, particularly from Chinese tourists. As a result, specialty store sales at existing malls (2 malls) for the cumulative consolidated second quarter were down - 8.4% compared with the previous consolidated fiscal year.

(Indonesia)

The Company recorded higher revenue in Indonesia at ¥3,434 million (+25.4% year on year). However, we recorded an operating loss of ¥142 million (compared with an operating loss of ¥542 million in the cumulative consolidated second quarter of the previous fiscal year). We incurred this operating loss partly due to the impact of vacant floor space at AEON MALL Tanjung Barat (South Jakarta), which opened during COVID-19 in FY2021. The vacancy situation has been improving, which led to a narrower loss by ¥399 million compared to the previous consolidated fiscal year.

During the first half of the current consolidated fiscal year, we saw robust customer traffic during Lebaran (festival at the end of the fast) with the transition to With-COVID, eased behavioral restrictions, and normalized movement of customers to our malls. As a result, customer traffic at existing malls (4 malls) during the first half of the current consolidated fiscal year was +23.4% compared with the year-ago period.

We plan to open two facilities during the current consolidated fiscal year overseas. In Cambodia, we opened the Sihanoukville FTZ Logistics Center (Sihanouk Province), which will serve as a base for our new logistics business.

New Overseas Properties Opened During the Six Months Ended June 30, 2023

Country	Name	Location	Opening Date	Tenants	Building Area (m ²)
Features					
Cambodia	Sihanoukville FTZ Logistics Center	Sihanoukville Province	July 15, 2023	—	19,400
The center makes it possible for non-residents to maintain inventory, thereby ensuring a stable supply of goods for international shipments. In addition, all customs clearance and warehousing operations can be handled in-house at the center, providing seamless support. Located in a special economic zone adjacent to the Port of Sihanoukville, which processes the largest cargo volume in the country, the center is expected to grow into a new hub in the Southeast Asia area as cargo volume increases in tandem with Cambodia's economic development.					

[Consolidated third quarter and beyond (July-)]

Concerns in China remain about a decline in the economic growth rate due to the sluggish real estate market and other factors. But our malls continue to perform well, particularly in Jiangsu and Hubei provinces. Specialty store sales at existing malls (21 malls) continue to grow at high rates, with +12.6% and +16.9% year-on-year growth in July and August, respectively. On July 28, we reopened AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province), our flagship store in China, featuring expanded floor space to expand sales further.

We are seeing signs of recovery in Vietnamese tourism and other service sectors in contrast to the impact of increasing unemployment among young people due to bankruptcies of export product factories and other developments. Specialty store sales at existing malls are improving at -2.0% in July and -0.8% in August.

In Cambodia, customer traffic at AEON MALL Meanchey continues to deviate from expected numbers due to traffic congestion caused by construction work on the road in front of the mall. Construction is scheduled to continue until June next year, and the

government is currently working on congestion countermeasures, including detours and opening surrounding roads near Hun Sen Boulevard, where the overpass work continues. Our first Cambodian mall, AEON MALL Phnom Penh (Phnom Penh City), is experiencing tenant turnover, etc., in preparation for expansion and reopening in November, resulting in some loss of business opportunities. We intend to strengthen customer attraction measures that tie in content produced live at an in-mall TV studio with other major events to recover customer traffic and sales as quickly as possible.

Domestic demand remained strong in Indonesia as economic activities have been on the rise. Customer traffic improved compared to the previous fiscal year at +21.3% in July and +13.1% in August. Our first Indonesian mall, AEON MALL BSD CITY, reopened on September 29. We plan to improve profitability through measures to drive more customer traffic and address floor space vacancies.

Overseas, we plan to open a new mall in China, AEON MALL Wuhan Jiangxia (Wuhan City, Hubei Province), sometime in the third quarter or later.

New Overseas Properties Scheduled During the Third Quarter of Fiscal 2023

Country	Name	Location	Opening Date (Note)	Tenants	Lease Area (㎡)
China	AEON MALL Wuhan Jiangxia	Wuhan City, Hubei Province	November 1, 2023	260	95,000

(Note) Opening date conforms to Japanese fiscal year. The accounting period for companies outside Japan is the year ending December 31.

b. Japan

[Six Months Ended August 31, 2023 (March to August)]

The Company recorded higher revenue and profit in Japan. Operating revenue amounted to ¥167,684 million (+6.5% year on year) and operating income amounted to ¥18,198 million (+8.1%).

During the cumulative consolidated second quarter, the wearing of masks as a measure against COVID-19 was left to individual choice beginning March 13. The Japanese government lowered the classification of COVID-19 under the Act on the Prevention of Infectious Diseases to Category 5 on May 8. These developments led to an improved willingness on the part of customers to leave the home and shop. As the heat wave continued nationwide in July onward and the need to curb soaring electricity bills increased, so did the need to use AEON MALL facilities to cool off. Specialty store sales in existing malls rose in the double digits to +10.6% year on year. Our malls executed measures to attract customers, including summer festivals, fireworks displays, and other events in conjunction with local communities. We also distributed discount coupons in collaboration with gas stations via the AEON MALL app to counter the recent sharp rise in gasoline prices. However, leisure demand shifted to domestic travel in the first vacation season under With-COVID, and typhoon No.7 reached land during the O-Bon vacation, crossing the Japanese archipelago from the Tokai region to the Kinki region, affecting mall customer traffic. These factors combined for August specialty store sales at existing malls at +8.1% higher year on year. As a result, specialty store sales at existing malls (91 malls) during the cumulative consolidated second quarter rose 7.6% compared with the year-ago period.

We plan to open four new facilities during the current consolidated fiscal year in Japan, including AEON MALL Toyokawa (Aichi Prefecture) and THE OUTLETS SHONAN HIRATSUKA (Kanagawa Prefecture), both opened in April.

We completed renovations of eight existing malls.

New Japanese Properties Opened During the Six Months ended August 31, 2023

Name	Location	Opening Date	Tenants	Lease Area (㎡)
Features				
AEON MALL Toyokawa	Aichi Prefecture	April 4, 2023	190	63,000
The facility offers a relaxing space for community residents to gather and mingle in a lush garden atmosphere, as well as an outdoor plaza for sports. In addition, the facility works hand-in-hand with the local community to address environmental issues. The mall features a solar carport boasting a power generation capacity of 1,300 kW, biogas power generation using food waste generated within the facility, and an air conditioning control system utilizing AI cameras.				

THE OUTLETS SHONAN HIRATSUKA	Kanagawa Prefecture	April 28, 2023	150	33,000
As the third location under THE OUTLETS category of regional innovative commercial facilities, THE OUTLETS SHONAN HIRATSUKA offers not only an outlet shopping experience, but also hands-on activities enjoyed through all five senses, as only a brick-and-mortar facility can. This facility focuses on sports, health, and the outdoors, and provides a lush green environment to relax and heal mind and body. We are working with Hiratsuka City, Shonan Bellmare, and other entities to foster harmony with the local community.				

[Consolidated third quarter and beyond (September-)]

New properties in Japan scheduled to open in the third quarter and beyond include JIYUGAOKA de aone (Tokyo) on October 20 and CeeU Yokohama (Kanagawa Prefecture) on December 15.

In addition to ongoing events to drive customer traffic at each mall, we will step up efforts to stimulate purchasing motivation based on marketing data. These measures will include linking the AEON MALL app and WAON POINT program to attract customers and increase sales during major promotions in the second half of the year, including Halloween and Black Friday. Further, we plan to maximize profits by taking measures to increase revenues by leveraging mall assets and reducing expenses.

New Japanese Properties Scheduled to Open in the Third Quarter of Fiscal 2023 and Later

Name	Location	Opening Date	Tenants	Lease Area (㎡)
JIYUGAOKA de aone	Tokyo Prefecture	October 20, 2023	26	5,000
CeeU Yokohama	Kanagawa Prefecture	December 15, 2023 (Note)	24	20,000

(Note) The first phase opened on October 27 (first floor), and the second phase opened on November 27 (ninth floor).

3) Growth measures and new initiatives

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
<ul style="list-style-type: none"> (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. (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%).

Based on the long-term vision above, we formulated a medium-term management plan (FY2023-FY2025), the first year of which is the fiscal year ending February 2024 (FY2023). Under this plan, we will 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. In Vietnam, our most important area for new mall openings, we are pursuing area-dominant mall openings focused on Ho Chi Minh City in the south, Hanoi in the north, and cities in the central area of the country. In China, we plan to accelerate the opening of malls in the high-growth inland Hubei and Hunan Provinces, treating these provinces as priority areas.

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.

- Opening a second mall in Hunan Province, China.

In China, we plan to open AEON MALL Changsha Xingsha (Changsha City, Hunan Province) in 2024, the first in our designated priority area, Hunan Province. In addition, we made the decision to open a second mall in Hunan Province, AEON MALL Changsha Xiangjiang Xinqu (Changsha City, Hunan Province), in 2025. Hunan Province is located in central China, and Changsha City, the capital of Hunan Province, is experiencing strong economic growth. The population of the province increased by more than 3 million in the last 10 years. We signed a comprehensive cooperation agreement with the Changsha City Government in May 2021 (to open five malls in five years), and we will continue to provide new value to the region as we aim for sustainable growth.

- Logistics solutions in Cambodia

In Cambodia, we opened the Sihanoukville FTZ Logistics Center on July 15 this year. This logistics center will serve as a base for our new logistics business. The center makes it possible for non-residents to maintain inventory, thereby ensuring a stable supply of goods for international shipments. In addition, all customs clearance and warehousing operations can be handled in-house at the center, providing seamless support. Located in a special economic zone adjacent to the Port of Sihanoukville, which processes the largest cargo volume in the country, the center is expected to grow into a new hub in the Southeast Asia area as cargo volume increases in tandem with Cambodia's economic development.

(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. In this context, we intend to diversify our value offerings to the market, improve profitability through the effective use of existing assets, improve operational efficiencies and convenience through digital technologies, and implement fundamental business structure reforms.

- Park *nONIWA*, a new plaza integration concept

We are creating a new business format that will use mall land and parking lot space effectively, developing a shopping concept we call *nONIWA*. This shopping concept integrates an outdoor plaza as part of the model. As the first location under this concept, HANYU *nONIWA* will be a park-like setting using the flat parking lot in the west area of AEON MALL Hanyu (Saitama Prefecture). *nONIWA* will conduct a soft opening on October 14 this year, featuring a layout focused on outdoor and sports activities. The facility will be completed in FY2024 with an outdoor sauna park, glamping facilities, and other

experience zones. As part of our environmental conservation efforts, we will operate the facility using virtually 100% CO₂-free electricity. We will also pursue reuse and recycling efforts, aiming to reuse resources generated from the renovation of the west side flat parking area and endeavoring to use 100% recycled materials for the pavement.

- Comfortable spaces that engage the five senses

As consumer behavior and purchasing habits change at an accelerating pace, AEON MALL strives to improve our ability to attract customers by creating 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 SHONAN HIRATSUKA, which opened on April 28 this year, makes the most of its open-air environment, with planted landscapes throughout and an open space with green terrace seating in the center of the facility, creating a comfortable environment in which visitors enjoy shopping while strolling through the park-like setting. The event court is equipped with a large LED vision system boasting a 300-inch screen. Artificial turf has been laid over the court, creating a space for relaxation, sports viewing, and other entertainment events, not to mention opportunities to eat and drink while watching the events.

- Secure Revenue Opportunities Through the Effective Use of Existing Assets

FULALI KYOBASHI (Osaka Prefecture) opened on July 20 this year as a temporary facility until the redevelopment of the former AEON Kyobashi site. By arranging a variety of food and beverage zones and an event plaza with a maximum area of approximately 8,500 m² in front of the station, we will create a new place for relaxation and information in the Kyobashi area, generating a sense of anticipation among customers for the future redevelopment project. In addition, as a new format different from a traditional shopping mall, we are conducting a proof-of-concept test for the PARADE MARKET, a mobile vending business using AEON MALL mobile vending vehicles and stall location rental services.

- Mall opening models tailored to each market

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

JIYUGAOKA de aone, scheduled to open on October 20, 2023, will be designed to blend in with Jiyugaoka over time. The environmental design concept is an urban, green, walkable street space. A lush green terrace of 1,000 square meters will be located on the third floor as an outdoor space, offering a sense of openness and an area where local residents and visitors relax and gather. In addition to using Tama cypress as wood decking for walkways and stairways to promote local production for local consumption of materials, AEON MALL is preventing global warming and achieving decarbonized societies by operating the facility using virtually 100% CO₂-free electricity.

On October 27 of this year, CeeU Yokohama will open in a first phase on the site of the former Daiei Yokohama Nishiguchi store, which closed in February 2019. The facility will celebrate its grand opening on December 15. Under this joint development project, partner Gonda Metal Industry Co., Ltd. will build the commercial facility while Urban Renaissance Agency will build residential facilities. AEON MALL will lease and operate the commercial facilities. The site will include open space to foster a greater sense of community and participate in the Yokohama Nishiguchi Area Management organization to hold events and workshops to revitalize the surrounding area and create a lively atmosphere. AEON MALL is preventing global warming and achieving decarbonized societies by using lumber from Kanagawa Prefecture for the walls of the elevator lobbies, promoting local production for local consumption of materials. In addition, we will operate facilities where virtually 100% of the electricity used is CO₂-free.

- 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. In June of this year, we decided to terminate the management and operation of QUALITE PRIX as of June 2024. We continue to

implement fundamental business reforms designed to maximize future operating income.

(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.

In March of this year, we entered into a capital and business alliance with Marimo Co., Ltd., whose core businesses are condominiums and income-producing real estate. Our aim in this relationship is to expand our business into social businesses that address social issues. We intend to pursue redevelopment and mixed-use development projects in urban areas under a shared philosophy of community co-creation with Marimo.

AEON MALL launched a corporate venture capital (CVC) arm through which we will invest in startup companies to create new businesses. The Life Design Fund brings together cutting-edge technology and expertise from startup companies for new value, helping us take on the challenge of creating new business value through solutions for local issues and the advancement of mall operations.

- **Develop Joint Delivery Services to Solve Logistics Issues**

In response to the growing seriousness of logistics issues, including driver shortages, increasing small-lot shipments, soaring fuel prices, and the new overtime caps for drivers beginning in 2024, we launched a joint delivery service as a value proposition to our partner tenant companies.

The joint delivery service takes deliveries from the logistics facilities of tenant companies to AEON MALL locations, other commercial facilities, street-facing stores, etc. The service will also handle inter-store deliveries and returns, helping tenant companies reduce costs and maintain quality in logistics services. AEON MALL also supports on-demand warehousing services that allow our partners to stock only what they need, when they need it.

We look to play our part in building a sustainable logistics network, achieving both economic and environmental value through the common use of packing materials and hangers.

- **Virtual Store**

In October this year, AEON MALL will open a first-ever virtual store in the REV Worlds smartphone metaverse app developed by Isetan Mitsukoshi Holdings. REV WORLDS is a virtual urban communications platform for users to experience shopping and events through avatars. The AEON MALL virtual store will offer a variety of shops, games, and other entertainment in the world of the metaverse, much the same as brick-and-mortar AEON MALL facilities.

■Foundation Building

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

Amid a rapidly and dramatically changing business environment, we 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 by pursuing a finance mix and asset portfolio optimization, strengthening our management supervision function and establish a nimble business execution system, and leveraging human capital, which is our most important management resource.

- Expanding AEON MALL *Machi no Hatsudensho*

As part of our decarbonization efforts, we are transitioning gradually to locally produced and locally consumed renewable energy (including PPA (Note 1) methods), shifting away from procuring virtually CO₂-free electricity through direct contracts. By 2040, we plan to operate all directly managed malls using 100% locally produced, locally consumed renewable energy.

In September of last year, 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 (Note 2). In combination with the first stage of the project, we will begin a second stage this fall to supply approximately 120MW of energy (equivalent to the electricity consumption of seven or eight AEON Mall facilities) generated at approximately 1,390 low-voltage solar power plants across Japan to approximately 50 AEON Mall facilities nationwide on a self-directed basis. We will also launch a new initiative this year. This initiative involves farm-based solar power generation (solar sharing; Note 3) systems for the advancement of agriculture through systematic and efficient use of abandoned farmland. In this way, we will contribute to the revitalization of local economies as well as the spread of renewable energy.

(Notes) 1. 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.

2. 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.
3. An initiative to utilize sunlight in both agricultural production and power generation by installing solar power generation systems suspended in the space over farmland.

- Launch of the V2AEON MALL EV, customer-participatory recharging service

In May of this year, we launched the V2AEON MALL service at three of our malls in the Kansai area. Our aim here is to create locally produced, locally consumed renewable energy together with local customers within our facilities, leading to decarbonized societies.

Under this service, customers who discharge electricity generated at home (surplus electricity) to the mall via their EVs will earn points representing their cooperation in efforts to create a decarbonized society. Through this customer-participatory renewable energy circulation platform, we will contribute to opportunities for customers to choose renewable energy for use at home.

- Biogas power generation that contributes to circular economies

As part of our efforts to create malls that incorporate the concept of circular economies (Note 1), we pursue initiatives to recycle resources generated in malls, such as de-plasticization, food recycling, and clothing collection, and other activities from the perspective of the 6Rs (Note 2).

AEON MALL Toyokawa, which opened in April this year, uses food waste generated in the facility as biogas energy. All electricity generated via biogas is consumed in the mall. The mall will be a model of waste disposal reduction, mitigating impacts on the local community environment by limiting untreated food waste.

(Notes) 1. 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.

2. Six elements for the formation of a circular society in which environmental value and economic value exist in harmony: Rethink, Reduce, Reuse, Recycle, Repair, Returnable

- Platinum Eruboshi certification

In March of this year, we received the Platinum Eruboshi certification recognizing outstanding companies under the Act on the Promotion of Women's Active Engagement in Professional Life. The certification is granted by the Minister of Health, Labour and Welfare to particularly outstanding companies for achieving action plan goals and initiatives for the empowerment of women. The certification recognized AEON MALL for our wide-ranging choices in work styles and other initiatives, including training for female management candidates and the evaluation of employees for promotion and advancement regardless of restrictions due to current life stages, creating an environment in which everyone is given a fair chance to take on challenges.

We also set up 22 AEON Yume-Mirai Nursery Schools, which are on-site childcare facilities designed to support the activities of employees who work while raising children. In 2019, we introduced our own Childcare Leave Assistance Grant (Ikubosu Support Grant System) to encourage men to take childcare leave.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,627,150 million, up ¥67,557 million compared to the end of the previous consolidated fiscal year. This result was mainly due to an increase in property, plant and equipment of ¥70,145 million stemming from an increase in new mall development, reactivation of existing malls, and the acquisition of property for future development of ¥72,291 million in excess of ¥36,317 million of depreciation and amortization. We also recorded a significant increase in foreign currency translation adjustments. These figures were offset in part by decreases in deposits paid to affiliates (included in other under current assets) of ¥15,000 million and cash and deposits of ¥10,132 million.

Liabilities

Total liabilities stood at ¥1,139,008 million, up ¥31,126 million from the end of the previous consolidated fiscal year. This result was mainly due to an increase of ¥34,891 million in lease obligations (included in *lease obligations* under current liabilities) and an increase of ¥12,474 million in deposits received from specialty stores, offset in part by a decrease of ¥16,607 million in accounts payable-other related to facilities (included in *other* under current liabilities) and a decrease of ¥5,000 million in bonds (including current portion).

Net assets

Net assets totaled ¥488,141 million, up ¥36,430 million compared to the end of the previous consolidated fiscal year. This result was mainly due to an increase of ¥4,816 million in retained earnings stemming from the recording of ¥10,505 million in net income attributable to owners of parent and ¥5,688 million in dividend payments, as well as an increase in foreign currency translation adjustments of ¥30,173 million.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the consolidated second quarter amounted to ¥77,077 million, down ¥24,023 million from the end of the prior 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 ¥55,300 million, compared to net cash provided of ¥48,144 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥18,487 million (¥12,375 million in the year-ago period), depreciation and amortization of ¥36,317 million (¥34,446 million in the year-ago period), and an increase in deposits received from specialty stores of ¥12,214 million (¥14,121 million in the year-ago period). These amounts were offset in part by income taxes paid of ¥6,441 million (¥7,024 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥62,126 million, compared to net cash used of ¥36,199 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 ¥54,039 million (¥31,815 million in the previous consolidated fiscal year), including payments for facilities at AEON MALL Toki (Gifu Prefecture) and THE OUTLETS KITAKYUSHU (Fukuoka Prefecture), which opened in the previous consolidated fiscal year, as well as upfront costs for the purchase of land for future development.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥24,407 million, compared to net cash provided of ¥57,695 million for the same period in the prior fiscal year. This result was mainly due to proceeds from the issuance of bonds in the amount of ¥40,000 million (¥80,000 million in the year-ago period) and proceeds from long-term debt of ¥28,568 million (¥29,130 million in the year-ago period). During the same period, the company made cash outlays for redemptions of bonds of ¥45,000 million (¥10,000 million in the year-ago period), repayments of long-term debt of ¥30,510 million (¥25,902 million in the year-ago period), ¥11,380 million in repayments of lease obligations (¥9,432 million in the year-ago period), and ¥5,688 million in dividend

payments (¥5,688 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

We have made no changes to the full-year consolidated earnings projections as announced April 11, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	92,683	82,551
Notes and accounts receivable–trade	14,689	15,476
Other	77,846	74,640
Allowance for doubtful receivables	(760)	(661)
Total current assets	184,459	172,007
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	682,086	684,476
Land	364,533	375,958
Right-of-use assets (net)	154,373	191,327
Other, net	55,770	75,146
Total property, plant and equipment	1,256,763	1,326,909
Intangible assets	3,456	3,294
Investments and other assets		
Lease deposits paid	51,095	52,015
Other	63,873	72,978
Allowance for doubtful receivables	(54)	(54)
Total investments and other assets	114,913	124,939
Total fixed assets	1,375,133	1,455,143
Total assets	1,559,592	1,627,150

(Million yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	12,655	13,318
Bonds due within one year	70,000	75,000
Current portion of long-term debt	39,365	30,004
Lease obligations	22,406	23,440
Income taxes payable	5,787	6,266
Deposits received from specialty stores	47,225	59,700
Allowance for employee bonus	1,336	1,102
Allowance for director and corporate auditor performance-based remuneration	75	22
Provision for loss on store closing	—	650
Other	71,393	55,813
Total current liabilities	270,246	265,318
Long-term liabilities		
Straight bonds	365,000	355,000
Long-term debt	194,463	204,511
Lease obligations	102,963	136,821
Accrued retirement benefits to employees	305	179
Asset retirement obligations	20,038	18,809
Lease deposits from lessees	148,267	151,246
Provision for loss on store closing	2,017	2,017
Other	4,577	5,103
Total long-term liabilities	837,634	873,689
Total liabilities	1,107,881	1,139,008
Net assets		
Shareholders' equity		
Common stock	42,381	42,383
Capital surplus	40,700	40,701
Retained earnings	317,279	322,095
Treasury stock, at cost	(7)	(8)
Total shareholders' equity	400,353	405,172
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,120	1,295
Foreign currency translation adjustment	39,474	69,647
Remeasurements of defined benefit plans	(453)	(384)
Total accumulated other comprehensive income	40,141	70,557
Stock acquisition rights	27	35
Non-controlling interests	11,187	12,376
Total net assets	451,711	488,141
Total liabilities and net assets	1,559,592	1,627,150

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended August 31, 2022 and August 31, 2023)

(Million yen)

	FY2022 Q2 March 1 - August 31, 2022	FY2023 Q2 March 1 - August 31, 2023
Operating revenue	194,104	210,807
Operating costs	156,457	169,881
Gross profit	37,647	40,926
Selling, general and administrative expenses	14,821	16,498
Operating income	22,826	24,428
Non-operating profits		
Interest income	732	994
Compensation paid by departing tenants	682	642
Gain on valuation of derivatives	1,666	804
Compensation income	449	79
Share of profit of entities accounted for using equity method	—	66
Other	286	284
Total non-operating profits	3,818	2,871
Non-operating expenses		
Interest expenses	5,768	6,384
Foreign exchange losses	1,715	764
Other	627	476
Total non-operating expenses	8,111	7,625
Ordinary income	18,533	19,674
Extraordinary gains		
Gain on sale of fixed assets	0	0
Insurance income	293	—
Total extraordinary gains	294	0
Extraordinary losses		
Loss on sale of fixed assets	0	0
Loss on retirement of fixed assets	720	496
Impairment loss	1,731	—
Provision for loss on store closings	2,017	650
Loss of impact of COVID-19	1,782	—
Other	198	40
Total extraordinary losses	6,451	1,187
Income before income taxes	12,375	18,487
Income tax – current	5,636	6,824
Income tax – deferred	(408)	1,092
Total income taxes	5,227	7,917
Net income	7,148	10,570
Net income attribute to non-controlling interests	25	65
Net income attributable to owners of parent	7,122	10,505

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months ended August 31, 2022 and August 31, 2023)

(Million yen)

	FY2022 Q2 March 1 - August 31, 2022	FY2023 Q2 March 1 - August 31, 2023
Net income	7,148	10,570
Other comprehensive income		
Net unrealized gain on available-for-sale securities	72	174
Foreign currency translation adjustment	46,160	31,441
Remeasurements of defined benefit plans	67	68
Total other comprehensive income	46,301	31,684
Comprehensive income	53,449	42,254
Comprehensive income (loss) attributable to:		
Owners of parent	52,041	40,921
Non-controlling interests	1,407	1,333

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2022 Q2	FY2023 Q2
	March 1 - August 31, 2022	March 1 - August 31, 2023
Cash flows from operating activities		
Income before income taxes	12,375	18,487
Depreciation and amortization	34,446	36,317
Impairment loss	1,731	—
Increase (decrease) in provision for loss on store closing	2,017	650
Share of loss (profit) of entities accounted for using equity method	—	(66)
Interest and dividend income	(748)	(1,010)
Interest expenses	5,768	6,384
Decrease (increase) in receivables—trade accounts	(6,036)	(159)
Increase (decrease) in payables—trade accounts	2,948	471
Increase (decrease) in deposits received from specialty stores	14,121	12,214
Other	(6,476)	(6,392)
Subtotal	60,149	66,895
Interest and dividends received	674	996
Interest paid	(5,654)	(6,149)
Income taxes paid	(7,024)	(6,441)
Net cash provided by (used in) operating activities	48,144	55,300
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,815)	(54,039)
Proceeds from sales of property, plant and equipment	1	0
Payment of lease deposits to lessors	(139)	(1,559)
Reimbursement of lease deposits to lessors	240	501
Repayment of lease deposits from lessees	(4,575)	(5,162)
Proceeds from lease deposits from lessees	5,116	7,095
Other payments	(13,640)	(16,325)
Other proceeds	8,614	7,361
Net cash provided by (used in) investing activities	(36,199)	(62,126)
Cash flows from financing activities		
Repayment of lease obligations	(9,432)	(11,380)
Proceeds from long-term debt	29,130	28,568
Repayment of long-term debt	(25,902)	(30,510)
Proceeds from issuance of bonds	80,000	40,000
Redemption of bonds	(10,000)	(45,000)
Proceeds from share issuance to non-controlling shareholders	—	0
Purchase of treasury stock	(0)	(0)
Dividends paid	(5,688)	(5,688)
Dividends paid to non-controlling interests	(44)	(145)
Other	(367)	(250)
Net cash provided by (used in) financing activities	57,695	(24,407)
Foreign currency translation adjustments on cash and cash equivalents	16,561	7,209
Net increase (decrease) in cash and cash equivalents	86,201	(24,023)
Cash and cash equivalents at beginning of the period	82,973	101,101
Cash and cash equivalents at end of the period	169,175	77,077

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

Not applicable

Changes in major consolidated subsidiaries during the period under review

Not applicable

Although not a specified subsidiary, we established AEON MALL (CHANGSHA) BUSINESS MANAGEMENT CO., LTD. and Changsha Wangcheng Mall Investment Limited during the first quarter of the current consolidated fiscal year and added these entities to the scope of consolidation. In the second quarter of the current consolidated fiscal year, we established Life Design Fund Investment Limited Partnership and Changsha Mall Xiangjiang New Area Commercial Development Co., Ltd., adding these entities to the scope of consolidation.

Segment and Other Information

Segment information

I. Six Months Ended August 31, 2022

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

(Million yen)

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

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

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

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

2. Matters related to changes in reportable segments

Material impairment of fixed assets

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

Goodwill did not change materially during the period under review.

II. Six Months Ended August 31, 2023

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

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount to quarterly consolidated statements of income (Note 3)
Operating revenue									
Operating revenue from external customers	167,546	28,672	7,155	3,999	3,434	—	210,807	—	210,807
Intersegment operating revenue or transfers	138	—	—	—	—	—	138	(138)	—
Total	167,684	28,672	7,155	3,999	3,434	—	210,946	(138)	210,807
Segment profit (loss)	18,198	4,192	1,992	181	(142)	(6)	24,415	12	24,428

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

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

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

2. Matters related to changes in reportable segments

Not applicable

Significant subsequent events

Not applicable