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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2022 (Japanese GAAP)

July 6, 2021

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: July 13, 2021 Starting date of dividend payment: －
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 2022 (March 1, 2021 – May 31, 2021)

(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	%
Three months ended May 31, 2021	76,207	44.4	10,822	337.9	8,888	744.9	8,879	－
Three months ended May 31, 2020	52,790	(34.6)	2,471	(83.7)	1,051	(91.8)	(13,476)	－

(Note) Comprehensive income: Three months ended May 31, 2021: ¥23,719 million (-%)
Three months ended May 31, 2020: (¥25,708) million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Three months ended May 31, 2021	39.02	39.01
Three months ended May 31, 2020	(59.23)	－

(Note) Diluted net income per share for the three months ended May 31, 2021, is not provides, as the company recorded a net loss per share for shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
May 31, 2021	1,427,424	406,584	27.8
February 28, 2021	1,394,199	387,486	27.1

(Reference) Equity: May 31, 2021: ¥396,630 million
February 28, 2021: ¥377,318 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, 2021	－	20.00	－	20.00	40.00
Year ending February 28, 2022	－				
Year ending February 28, 2022 (projection)		25.00	－	25.00	50.00

(Note) Revisions to dividend forecast announced recently: None

3. Consolidated Earnings Projections for the Year Ending February 28, 2022 (March 1, 2021 - February 28, 2022)

(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, FY2021	167,000	32.5	26,500	125.3	23,000	156.0	18,000	−	79.10
Full-year	344,000	22.6	59,000	71.5	50,500	77.6	31,000	−	136.23

(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): Yes

(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)	Three months ended May 31, 2021	227,546,939	Year ended February 28, 2021	227,545,839
[2] Treasury stock at period-end	Three months ended May 31, 2021	3,513	Year ended February 28, 2021	3,265
[3] Average number of shares during the period (quarterly cumulative)	Three months ended May 31, 2021	227,542,950	Three months ended May 31, 2020	227,525,045

* 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.11 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 July 7, 2021. The materials handed out at this briefing will be posted on the Company's website on July 6, 2021, 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

a. Explanation of consolidated results of operations

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. We are working together with local communities to achieve sustainable growth by creating social, environmental, and economic value.

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

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

Based on the AEON COVID-19 Prevention Protocol, a standard for quarantine measures established by the AEON Group to protect the health and livelihoods of customers and employees, we will continue to establish improved mall environments and operating systems that offer thorough infection prevention measures. We view this as an opportunity to reinvent our business models and create malls that offer new concepts and service functions in the era of the new normal. We will strive to create malls that respond to social change in Japan and overseas.

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

We recorded higher revenue and profit for the three months ended May 31, 2021, compared to the same period in the previous fiscal year. Operating revenue amounted to ¥76,207 million (+44.4% year on year), while operating income amounted to ¥10,822 million (+337.9%), ordinary income amounted to ¥8,888 million (+744.9%), and quarterly net income attributable to owners of parent amounted to ¥8,879 million (compared to net loss of ¥13,476 million in the year-ago period). Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were -5.6%, -28.5%, -30.9%, and +11.1% compared to the results recorded in the year-ago quarter, which was not impacted by COVID-19.

Fixed costs for the three months ended May 31,2021, amounted to ¥1,561 million stemming from temporary closures and other factors. We posted these costs as extraordinary losses due to COVID-19.

◆ Consolidated Earnings (Million yen)

	FY2020 Q1	FY2021 Q1	Change [YoY]
Operating revenue	52,790	76,207	+23,416 [+44.4%]
Operating income	2,471	10,822	+8,350 [+337.9%]
Ordinary income	1,051	8,888	+7,836 [+744.9%]
Net income (loss) attributable to owners of parent	(13,476)	8,879	+22,355 [－]

(Reference) Three months ended May 31, 2019) (Million yen)

	FY2019 Q1	FY2021 Q1	Change (vs. FY2019 Q1)
Operating revenue	80,690	76,207	(4,483) [-5.6%]
Operating income	15,137	10,822	(4,315) [-28.5%]
Ordinary income	12,862	8,888	(3,974) [-30.9%]
Net income attribute to owners of parent	7,991	8,879	+887 [+11.1%]

b. Explanation of business performance by segment

◆Earnings by Segment (Million yen)

	Operating Revenue			Segment Income (loss)		
	FY2020 Q1	FY2021 Q1	Change [YoY]	FY2020 Q1	FY2021 Q1	Change [YoY]
Japan	44,175	62,024	+17,849 [+40.4%]	2,716	8,035	+5,318 [+195.7%]
China	4,985	10,327	+5,342 [+107.1%]	(1,019)	2,299	+3,319 [－]
ASEAN	3,629	3,854	+225 [+6.2%]	768	480	(287) [-37.4%]
Overseas	8,615	14,182	+5,567 [+64.6%]	(251)	2,780	+3,032 [－]
Adjustments	－	－	－ [－]	6	6	－ [+0.0%]
Total	52,790	76,207	+23,416 [+44.4%]	2,471	10,822	+8,350 [+337.9%]

(Reference) Three months ended May 31, 2019 (Million yen)

	Operating Revenue			Segment Income		
	FY2019 Q1	FY2021 Q1	Change (vs. FY2019 Q1)	FY2019 Q1	FY2021 Q1	Change (vs. FY2019 Q1)
Japan	68,575	62,024	(6,550) [-9.6%]	12,837	8,035	(4,802) [-37.4%]
China	8,988	10,327	+1,339 [+14.9%]	1,584	2,299	+715 [+45.2%]
ASEAN	3,126	3,854	+728 [+23.3%]	709	480	(228) [-32.2%]
Overseas	12,115	14,182	+2,067 [+17.1%]	2,293	2,780	+486 [+21.2%]
Adjustments	－	－	－ [－]	6	6	－ [+0.0%]
Total	80,690	76,207	(4,483) [-5.6%]	15,137	10,822	(4,315) [-28.5%]

1. Overseas

The Company recorded higher revenue and profits overseas. Operating revenue amounted to ¥14,182 million (+64.6% year on year). Operating income amounted to ¥2,780 million (compared to operating loss of ¥251 million in the year-ago quarter). Operating revenue and operating income for the three months ended May 31, 2021, were +17.1%, and +21.2% compared to the results recorded in the year-ago quarter, respectively.

We continue area-dominant mall openings in China, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang,

Hubei and Guangdong. In ASEAN, we continue opening malls in Vietnam, Cambodia, and Indonesia. Strengthening the AEON MALL brand power attracts more customers, which provides the type of brand advantage that lets us attract quality tenants and enter into lease contracts under favorable terms. In addition, AEON MALL leverages operational expertise developed in Japan to drive consumer demand and generate customer traffic through promotional sales and events. The company also offers the same type of cleanliness found in Japanese malls (clean, safe, comfortable environments) and conducts renovations regularly, timed to the changeover of specialty stores.

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

The accounting period for companies outside Japan is the year ending December 31; therefore, earnings for FY2021 Q1 reflect results from January through March 2021.

(China)
(Three months ended March 31, 2021)
The Company recorded higher revenue and profits in China. Operating revenue amounted to ¥10,327 million (+107.1% year on year). Operating income amounted to ¥2,299 million (compared to operating loss of ¥1,019 million in the year-ago quarter). Operating revenue and operating income were +14.9%, and +45.2% compared to the results recorded in the year-ago quarter, respectively.

Consolidated specialty store sales at the existing 21 malls in China for the three months ended March 31, 2021, were significantly higher than the year-ago quarter, at +131.5%. Compared to the year before last, which was not affected by COVID-19, specialty store sales for 19 existing malls (like-for-like) were +111.5%.

In China, the COVID-19 outbreak has been largely brought under control. Restrictions on overseas travel are still in place, leading to increased consumer demand within China. As a result, sales at our malls have been strong and have recovered to the double-digit growth levels of the pre-COVID-19 era. We will continue to monitor the infection situation in China and push forward with aggressive sales measures.

(Six months ending June 30, 2021, and beyond)
We aim to create a 29-mall network in China by the end of fiscal 2025. During the cumulative consolidated year under review, in May, we opened our fourth mall in Guangdong Province, AEON MALL Guangzhou Xintang (Guangzhou City, Guangdong Province).

We have decided to open three more malls (tentative names provided): AEON MALL Wuhan Jiangxia (Wuhan City, Hubei Province) in 2023; AEON MALL Hangzhou Qiantang New Area (Hangzhou City, Zhejiang Province) in 2024; and AEON MALL Changsha Tiantang (Changsha City, Hunan Province) in 2024. In China, we have identified high-growth inland areas as key areas for opening new malls. In addition to Hubei Province, we are looking to Hunan Province as a new inland area for expansion. We will work to grow the number of malls in both provinces, working from these areas as the core of our businesses inland.

In Changsha City, Hunan Province, where we plan to open AEON MALL Changsha Tiantang (tentative name), we signed an *Agreement on Cooperation and Collaboration* with the Changsha People's Government, Hunan Province. Based on this agreement, we will establish a full cooperative partnership in the development of a large-scale shopping mall in Changsha City. We will work together with the government to reflect the consumer market in the city and promote local economic development.

For existing malls, in April we conducted a large-scale renovation at two malls, AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province) and AEON MALL Wuhan Jinqiao (Wuhan City, Hubei Province). We remodeled a total of approximately 140 retail stores between the two malls. We implemented the AEON MALL Hyper-Localization project between May and October at AEON MALL Yantai Jinshatan (Yantai City, Shandong Province) and AEON MALL Qingdao Xihaian Xinqu (Qingdao City, Shandong Province). The aim of this project, the first of its kind in China, was to improve the attractiveness of these properties among their respective local communities.
As of May 2021, we have 22 malls in China, and we continue to evolve in terms of hardware and software through renovations of

existing malls. In doing so, we are developing specialty stores, facilities, and initiatives that generate greater attractiveness in these communities.

(ASEAN)

(Three months ended March 31, 2021)

The company recorded operating revenue in ASEAN in the amount of ¥3,854 million (+6.2% year on year). Operating income amounted to ¥480 million (-37.4%). Operating revenue was +23.3% and operating income was -32.2% compared to the results recorded in the year-ago quarter, respectively. Despite an increase in revenue due to new mall openings, operating income was lower compared to the year-ago quarter, as well as the same quarter two years ago, due to the impact of COVID-19 in Cambodia and Indonesia.

Consolidated specialty store sales at the four existing malls in Vietnam were +21.0% compared the year-ago quarter. Compared to the year before last, which was not affected by COVID-19, specialty store sales for four existing malls (like-for-like) were +23.8%. Amusement, cinemas, and certain other facilities experienced restrictions beginning in late January due to the outbreak of COVID-19. However, merchandise sales and other industries are recovering to the double-digit growth levels of the pre-COVID-19 era.

Consolidated specialty store sales at the two existing malls in Cambodia were -23.7% compared the year-ago quarter. Compared to the year before last, which was not affected by COVID-19, specialty store sales for the two existing malls (like-for-like) were -35.2%. In Phnom Penh City, the impact of the spread of COVID-19 beginning in March had a negative impact on our two malls in the city, which struggled to attract customers due to shortened business hours and other factors.

In Indonesia, government restrictions on social activities have been eased from large-scale social restrictions to restrictions on small-scale community activities. However, the spread of infections continued, having a significant impact on specialty store sales and customer traffic at our two malls in the country during the three months ended March 31, 2021.

Vietnam is our most important country for new mall openings. Here, we concentrated management resources and secured land for mall construction by working in stronger cooperation with local governments, establishing a cooperative system for mutually beneficial mall development.

In February, we signed the Thua Thien Hue Province Comprehensive Memorandum of Understanding for Investment and Business Promotion Related to Shopping Mall Development with the government of Thua Thien Hue Province regarding investment and business promotion in the development of shopping malls. Thua Thien Hue Province is located in the central region of Vietnam and is expected to grow economically in the future, considering that the region has been attracting more foreign companies in recent years.

In March, we signed the Bac Ninh Province Comprehensive Memorandum of Understanding for Investment and Business Promotion Related to Shopping Mall Development with the government of Bac Ninh Province. Bac Ninh Province is located in the vicinity of Hanoi City in the north of Vietnam. It is one of the top five provinces in Vietnam in terms of industrial output, boasting a concentration of factories of foreign companies.

In Vietnam, we intend to accelerate the opening of area-dominant malls in the central area of the country, in addition to cities in the south (Ho Chi Minh, Binh Duong) and north (Hanoi, Hai Phong) where we already have malls. Moving forward, we aim to secure an even deeper foundation for business in Vietnam, extending into regional cities. In so doing, we intend to contribute to the sustainable development and urban planning of the rapidly growing Vietnamese economy, while expanding our businesses at the same time.

(Six months ending June 30, 2021, and beyond)

We aim to create a 23-mall network in ASEAN by the end of fiscal 2025. We plan to open AEON Mall Tanjung Barat (southern Jakarta District) in Indonesia during the current consolidated fiscal year.

After the February and March agreements with Thua Thien Hue and Bac Ninh provinces, we signed a Dong Nai Province Comprehensive Memorandum of Understanding for Investment and Business Promotion Related to Shopping Mall Development with government of Dong Nai Province in May. Dong Nai Province is adjacent to Ho Chi Minh City and is a developing area

featuring large-scale transportation development projects, including the construction of a new international airport. Based on this agreement, we will develop shopping malls in a cooperative structure with the government.

With respect to existing malls, in April, we conducted a large-scale renovation of our first mall in Indonesia, AEON MALL BSD CITY (Tangerang Province). This is the first renovation since we opened the mall in 2015. Changes to facilities included a new 1,000-car multi-story parking lot and a renovated prayer room. We also added new digital services integrating the real-world and online, offering greater convenience tailored to the social environment of the new normal.

We planned to open our first mall in Myanmar, AEON MALL Dagon Seikkan (tentative name; Yangong Province) in 2023. However, a coup d'état led by the Myanmar military occurred in February 2021, and the country is under a declared state of emergency. We intend to take action based on the local situation, while placing the highest priority on the safety of our employees. We are reviewing the timing of the start of construction in light of the local situation, and we are continuing to work with our local partner company, SHWE TAUNG REAL ESTATE CO., LTD. We will issue an announcement as soon as the decision is final.

In Vietnam, the number of COVID-19 infections has been on an upswing in the southern region since May, including Ho Chi Minh City. As of the end of June, we closed specialty store operations at the three existing malls around Ho Chi Minh City on a temporary basis. In ASEAN countries, we intend to implement measures to attract customers and achieve a quick recovery in sales while strengthening anti-infection measures that reflect our highest priority on safety and security.

New Overseas Business Malls Scheduled to Open During the Second Quarter of Fiscal 2021

Country	Name	Location	Opening Date	No. of Tenants	Lease Area
China	AEON MALL Guangzhou Xinjiang	Guangzhou City, Guangdong	May 29, 2021	220 (Note 2)	76,000㎡
Indonesia	AEON MALL Tanjung Barat	South Jakarta	FY2021	150	40,000㎡

(Notes) 1. 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.
2. Scheduled to open during FY2021.

2. Japan

(Three months ended May 31, 2021)

The company recorded operating revenue in Japan in the amount of ¥62,024 million (+40.4% year on year) and operating income in the amount of ¥8,035 million (+195.7%). Operating revenue and operating income were -9.6%, and -37.4% compared to the results recorded in the year-ago quarter, respectively.

Specialty store sales at the 84 existing malls in Japan were +75.6% compared with the year-ago quarter. Specialty store sales for the existing 83 malls in Japan were -22.6% compared to the results recorded in the year-ago period, like-for-like.

Japan declared a state of emergency on April 25 for four prefectures. In response, we temporarily suspended operations for 30 specialty store retail and urban shopping centers between April 25 and May 11 in Tokyo, Osaka, Kyoto, and Hyogo Prefecture out of 164 total AEON MALL Group facilities in Japan. On May 12, the regions subject to a declaration of a state of emergency was expended to 10 prefectures. However, relaxed restrictions on businesses allowed us to resume operations under shortened business hours or regular hours (in certain areas) in all areas, except for 10 locations in Osaka. The government extended the declaration of emergency until June 20. Restrictions were lifted in stages in all areas, including areas subject to priority measures to prevent the prolonged spread of the disease, and all AEON MALL facilities have been in operation since June 21.
Since the outbreak of COVID-19 during the previous year, we installed AI-based thermometers at building entrances and implemented measures to prevent droplet infections in our sales areas and back rooms, including acrylic panels. We also adopted entry restriction standards based on in-store customer management system data. We continue in our efforts to prevent infection and offer safety and security to our customers, which includes increased internal air circulation in malls through the intake of outside fresh air.

In April, we launched a joint research project with the Faculty of Science and Engineering, Waseda University, aiming to gain new knowledge for the future construction of next-generation malls. The project consists of academic verification and evaluation

of the infectious disease countermeasures we have been implementing. We will focus on building next-generation malls to provide customers with even safer and more secure spaces, looking to implement permanent measures against infectious diseases in the future.

During the current consolidated fiscal year, we plan to open four new malls and expand two existing malls. In March (first quarter of the current fiscal year), we opened AEON MALL Shin Rifu South Wing (Miyagi Prefecture).

As one of the largest entertainment malls in the Tohoku region, AEON MALL Shin Rifu South Wing offers the first state-of-the-art interactive amusement facility in Tohoku and one of the largest cinemas in the Tohoku region. The mall also provides a digital technology-based shopping experience that includes communications via the latest 350-inch LED screen and in-building delivery robots. These and other initiatives offer a new level of convenience for our customers.

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

New OPA will specialize in the management and operations of eight urban facilities (Canal City OPA (Fukuoka Prefecture), Kanazawa FORUS (Ishikawa Prefecture), etc.) mainly located in transportation terminals. The company will strive to resolve the important issue of vacant floor space as quickly as possible through a concentration of management resources. We established a new department responsible for the development of new businesses and business expansion. In this way, we are striving to create new business models through digital transformation, achieve operational efficiencies, and engage in other measures.

AEON MALL will absorb Former OPA facilities (Kitaoji VIVRE (Kyoto Prefecture), Yokohama World Porters (Kanagawa Prefecture), etc.), community facilities, and certain urban shopping centers (14 locations). Here, we will leverage our leasing capabilities to transform these locations in facilities that meet the daily needs of their local communities. At the same time, we intend to improve profitability and efficiencies of area sales departments through a sales support system. In addition, we will work to increase the value of certain properties through redevelopment.

Malls Renovated During the First Quarter of Fiscal 2020

Name	Location	Date Reopened	No. of Tenants	No. of Renovated Specialty Stores
AEON MALL Okayama	Okayama Prefecture	March 12	350	36
AEON MALL Kusatsu	Shiga Prefecture	March 19	200	13
AEON MALL Okazaki	Aichi Prefecture	April 16	170	30
AEON MALL Kyoto Katsuragawa	Kyoto Prefecture	April 23	220	29
AEON Lake Town kaze (Note)	Saitama Prefecture	April 29	230	13
AEON Lake Town Outlet (Note)	Saitama Prefecture	April 29	120	9

(Note) We renovated all three facilities, including AEON Lake Town Mori.

New Japanese Malls Opened During the Three Months Ended May 31, 2021

Name	Location	Opening Date	No. of Tenants	Lease Area
AEON MALL Shinrifu South Wing	Miyagi Prefecture	March 5, 2021	170	69,000㎡

(Six months ending August 31, 2021, and beyond)
New malls scheduled to open in the cumulative consolidated second quarter and beyond include AEON MALL Kawaguchi (Saitama Prefecture) in June, AEON MALL Hakusan (Ishikawa Prefecture) in July, and AEON MALL Nagoya Noritake Garden (Aichi Prefecture) in the fall.

For existing malls, on July 2, we held a grand opening of all sections of AEON MALL Shinrifu North Wing (Miyagi Prefecture), which had been temporarily closed since the end of January 2021. The grand opening unveiled a renovated, state-of-the-art mall.

We enhance the one-stop functions of the mall with a mix of specialty stores specializing in daily needs to improve customer convenience. Together with the AEON MALL Shin Rifu South Wing, newly opened in March, we will strive to expand our market share as the largest malls in the Tohoku area.

New Japanese Business Malls Scheduled to Open During Through the Second Quarter of Fiscal 2021

Name	Location	Opening Date	No. of Tenants	Lease Area
AEON MALL Kawaguchi	Saitama Prefecture	June 8, 2021	150	59,000㎡
AEON MALL Hakusan	Ishikawa Prefecture	July 19, 2021	200	74,000㎡
AEON MALL Nagoya Noritake Garden	Aichi Prefecture	Fall 2021	TBA	(Commercial) 37,000㎡ (Office) 22,000㎡

c. Pursuit of ESG-based Management

AEON MALL is committed to contributing to improved lifestyles and community development through environmental, social, and governance initiatives and by creating unique malls localized to each area in Japan and overseas. To achieve our Vision for 2025, AEON MALL follows an ESG-oriented approach, defining materialities in terms of regional and social infrastructure development, local community ties, the environment, diversity, work-style reform, and responsible business. We are engaged in measures toward ESG-based management, working to raise employee awareness. Such measures include incorporating matters related to materialities in the personal goals of our employees.

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

Measures to Address Environmental Issues

・Initiatives to achieve a decarbonized society

The Company continues to install solar power equipment, EV recharging devices, and engage in other energy-saving measures in our efforts to achieve a decarbonized society. The AEON Group created the AEON Decarbonization Vision 2050 in 2018, aiming to achieve a decarbonized society by the year 2050 through energy conservation and the use of renewable energy. The AEON MALL goal is to have all malls operating entirely on renewable energy by 2025.

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

・Acquisition of FSC® Project Certification (Overall Certification)

AEON MALL Shinrifu South Wing (Miyagi Prefecture), which opened in March, became the first commercial facility in Japan to receive FSC® Project Certification (Overall Certification; FSC®P001850) (Note 3). This certification is for the Mokuiku Hiroba Children's Playground located on the third floor, which uses cedar and nara wood that has been certified by FSC as being responsibly procured.

・AEON Sustena Campus

AEON MALL has sponsored the AEON Sustena Campus at malls nationwide since June 5, Environment Day. The campus provides an opportunity to learn about environmental issues together with our customers. To leave a rich global environment to future generations, we have taken the initiative in introducing the latest technologies and reducing the use of plastic products toward achieving a decarbonized society. Together with our customers, we will contribute to creating a sustainable society by thinking and acting together for the Earth and for the future.

Measures to Address Social Issues

・Anti-Infection Initiatives

AEON MALL Shin Rifu South Wing (Miyagi Prefecture), opened in March, followed AEON MALL Ageo (Saitama Prefecture), opened in December 2020, to receive the WELL Health-Safety Rating (Note 4), a global evaluation of measures against COVID-19 infection. In addition to measures to prevent droplet and contact infections within the facility, comprehensive safety measures at each entrance and a cleaning management system within the facility operate for the safety and security of customers and employees. AEON MALL Kawaguchi, which opened in June, acquired the same WELL-Health Safety Rating certification.

・COVID-19 Vaccinations

To protect the safety and security of local communities, AEON MALL works with local governments to encourage the use of halls, parking lots, and other facilities in malls as COVID-19 vaccination sites. AEON MALL Hiroshima Fuchu (Hiroshima Prefecture), AEON MALL Kasukabe (Saitama Prefecture), AEON MALL Asahikawa (Hokkaido), and nearly 30 other malls nationwide are being used as sites for COVID-19 vaccinations. By maximizing the use of our malls, we strive to create a safe, secure, and comfortable lifestyle for all community members.

・Initiatives for Industry-Academia Collaboration

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

In April, we signed a Memorandum of Understanding on Industry-Academia Collaboration with Sanko Gakuen related to AEON MALL Nagoya Noritake Garden (Aichi Prefecture), an office complex and commercial facility scheduled to open in the fall of 2021. We signed this memorandum with the aim of creating a space for students to pursue their interests, polish their skills, and put their daily learning into practice. This space will also provide a stage for students to gain the support of the local community.

AEON MALL Hakusan (Ishikawa Prefecture) is scheduled to open in July. We signed a memorandum of understanding for industry-academia collaboration with Kokusai Business Gakuin, Kinjo University/College, and the Ishikawa Prefecture Suisei High School to promote initiatives with area schools as part of the Kagayaki Atsumaru Project. The mall will provide the schools with a place to present their research, and the schools will use the space for research presentations and events, deepening cooperation with each school and contributing to regional development, education, and the improvement of the health of community residents.

With respect to our existing malls, AEON MALL Yamatokoriyama (Nara Prefecture) held an event in June in cooperation with a food education group consisting of local university students to sell pizzas made using the Yamato Maru eggplant, widely grown in Yamatokoriyama City. The aim of this activity was to promote the use of local foodstuffs whose shipment volume has been reduced due to the impact of COVID-19.

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

・Fund-Raising Activities in Cambodia

Between December 2020 and March 2021, we distributed masks at our two existing malls in Cambodia. We also conducted fund-raising activities to help those suffering from COVID-19. In addition to donations from customers, AEON Group companies in Cambodia contributed a total of US$14,000 to the Cambodian government and the Cambodian Red Cross.

・Donations to Support COVID-19 Vaccination in ASEAN Countries

Aiming to mitigate COVID-19 infections, we donated ¥60 million in total to Vietnam, Cambodia and Indonesia for use in connection with COVID-19 vaccinations implemented by the governments of each country, as well as to help counter the epidemic and promote economic recovery. Further, the AEON Group donated a total of ¥350 million (including donations from

AEON MALL) to the governments of the ASEAN countries of Malaysia, Vietnam, Indonesia, Thailand, and Cambodia.

(Notes) 1. The Non-FIT Non-Fossil Certificate Electricity Menu is a service option in which the environmental value procured by TEPCO is sent to the location of customer demand, together with grid electricity. This service can be regarded as effectively CO_2-free electricity.
2. Carbon-neutral city gas: Greenhouse gases generated in the process from mining to the combustion of natural gas are offset with CO_2 credits (carbon offsets). In this way, even when the gas is burned, no CO_2 is considered to be generated on a global scale. Eligible CO_2 credits are those that have been certified by highly reliable verification organizations for the CO_2 reduction effects of environmental conservation projects around the world.
3. In accordance with the principles of the Forest Stewardship Council® (FSC), an international NGO, this certification recognizes that a building has been constructed using FSC-certified wood from forests that have been properly managed from environmental, social, and economic perspectives, without mixing in other materials, and using correct and traceable procurement methods.
4. The WELL Health-Safety Rating is a global standard conducted by a third-party verification organization to ensure facilities in the with-COVID-19 era are managed and operated in consideration of health and safety for visitors, employees, and others.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,427,424 million, up ¥33,225 million compared to the end of the prior consolidated fiscal year. This result was mainly due to decrease of ¥15,768 million in cash and deposits, mainly as a result of an increase of ¥20,000 million in deposits paid to affiliates (recorded under other current assets), a decrease stemming from ¥15,277 million in depreciation and amortization. These amounts were offset in party by an increase of ¥15,142 million in property, plant and equipment related to the development of new properties and revitalization of existing malls, as well as a significant increase in foreign currency translation adjustments.

Liabilities

Total liabilities stood at ¥1,020,839 million, up ¥14,127 million from the end of the prior consolidated fiscal year. This result was mainly due to an increase in bonds (including current portion) of ¥30,000 million, an increase in accounts payable, etc., related to facilities (recorded under other current liabilities) of ¥5,438 million, an increase in lease obligations (recorded under lease obligations in current liabilities) of ¥4,203 million, and an increase in short-term debt of ¥1,500 million. These amounts were offset in part by a decrease in deposits received from specialty stores of ¥19,441 million, a decrease in income taxes payable of ¥5,385 million, and a decrease in long-term debt (including current portion) of ¥2,105 million.

Net assets

Net assets totaled ¥406,584 million, up ¥19,098 million compared to the end of the prior consolidated fiscal year. This result was mainly due to the recording of ¥8,879 million in quarterly net income attributable to owners of parent, an increase in retained earnings of ¥4,328 million, and an increase in foreign currency translation adjustment of ¥14,890 million.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of first three months of the consolidated first quarter amounted to ¥126,410 million, up ¥2,330 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 used in operating activities amounted to ¥9,951 million compared to cash provided by operating activities of ¥53,137 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥7,007 million (net loss before income taxes and other adjustments of ¥16,802 million in the year-ago period) and depreciation and amortization of ¥15,277 million (¥14,592 million in the year-ago period). These amounts were offset in part by a decrease in deposits received from specialty stores of ¥19,689 million (¥35,193 million in the year-ago period) and a decrease in income before income taxes and other adjustments of ¥6,523 million (¥10,332 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥12,891 million, compared to ¥20,612 million for the same period in the prior fiscal year. This result was mainly due to purchases of property, plant and equipment in the amount of ¥11,856 million (¥18,972 million in the year-ago period) for equipment at malls expanded and revitalized in the prior consolidated fiscal year (AEON

MALL Kochi) and malls newly opened in the prior consolidated fiscal year (AEON MALL Ageo).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥20,273 million, compared to net cash provided of ¥31,004 million for the same period in the prior fiscal year. This result was mainly due to proceeds from issuance of bonds in the amount of ¥30,000 million (¥30,000 million in the year-ago period), proceeds from long-term debt of ¥4,000 million (¥2,000 million in the year-ago period), and proceeds from short-term debt of ¥1,500 million (¥8,000 million in the year-ago period). During the same period, the company made cash outlays for repayments of long-term debt of ¥6,863 million (¥2,064 million in the year-ago period), dividend payments of ¥4,550 million (¥4,550 million in the year-ago period), and repayments of lease obligations of ¥3,609 million (¥2,214 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

The Company has made no changes to the consolidated earnings projections announced April 8, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	131,442	115,674
Notes and accounts receivable–trade	7,661	8,197
Other	40,456	63,352
Allowance for doubtful receivables	(133)	(174)
Total current assets	179,427	187,050
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	624,036	635,269
Land	310,198	312,672
Right-of-use assets (net)	134,872	138,784
Other	30,977	31,841
Total property, plant and equipment	1,100,085	1,118,567
Intangible assets	3,350	3,286
Investments and other assets		
Lease deposits paid	50,926	51,429
Other	60,439	67,120
Allowance for doubtful receivables	(29)	(29)
Total investments and other assets	111,336	118,520
Total fixed assets	1,214,771	1,240,374
Total assets	1,394,199	1,427,424

(Million yen)

	As of February 28, 2021	As of May 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	8,606	9,758
Short-term debt	—	1,500
Bonds due within one year	30,000	30,000
Current portion of long-term debt	33,629	50,404
Lease obligations	14,955	16,592
Income taxes payable	7,024	1,638
Deposits received from specialty stores	60,223	40,781
Allowance for employee bonus	1,703	1,011
Allowance for director and corporate auditor performance-based remuneration	85	19
Provision for loss on store closing	733	733
Other	56,977	58,286
Total current liabilities	213,938	210,727
Long-term liabilities		
Straight bonds	330,000	360,000
Long-term debt	188,794	169,915
Lease obligations	112,279	114,846
Accrued retirement benefits to employees	837	778
Asset retirement obligations	18,679	19,037
Lease deposits from lessees	137,778	140,943
Other	4,404	4,592
Total long-term liabilities	792,774	810,112
Total liabilities	1,006,712	1,020,839
Net assets		
Shareholders' equity		
Common stock	42,372	42,372
Capital surplus	40,691	40,691
Retained earnings	307,790	312,119
Treasury stock, at cost	(6)	(6)
Total shareholders' equity	390,848	395,177
Accumulated other comprehensive income		
Net unrealized gain for available-for-sale securities	1,029	1,089
Foreign currency translation adjustment	(13,868)	1,021
Remeasurements of defined benefit plans	(690)	(658)
Total accumulated other comprehensive income	(13,529)	1,452
Stock acquisition rights	23	36
Non-controlling interests	10,143	9,917
Total net assets	387,486	406,584
Total liabilities and net assets	1,394,199	1,427,424

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

(Quarterly Consolidated Statements of Income)

(For the three months ended May 31, 2020 and May 31, 2021)

(Million yen)

	FY2020 Q1 March 1 - May 31, 2020	FY2021 Q1 March 1 - May 31, 2021
Operating revenue	52,790	76,207
Operating costs	43,933	58,456
Gross profit	8,857	17,750
Selling, general and administrative expenses	6,386	6,928
Operating income	2,471	10,822
Non-operating profits		
Interest income	303	318
Compensation paid by departing tenants	273	609
Foreign exchange gains	388	—
Gain on valuation of derivatives	—	433
Compensation income	25	165
Other	280	137
Total non-operating profits	1,271	1,664
Non-operating expenses		
Interest expenses	2,398	2,719
Foreign exchange losses	—	593
Loss on valuation of derivatives	8	—
Other	283	285
Total non-operating expenses	2,691	3,598
Ordinary income	1,051	8,888
Extraordinary gains		
Gain on sale of fixed assets	0	1
Gain on sale of investment securities	5	—
Compensation income	—	6
Other	3	—
Total extraordinary gains	9	8
Extraordinary losses		
Loss on sale of fixed assets	0	—
Loss on retirement of fixed assets	187	241
Impairment loss	1,812	—
Loss due to COVID-19	15,818	1,561
Other	44	85
Total extraordinary losses	17,863	1,889
Income (loss) before income taxes	(16,802)	7,007
Income tax – current	242	1,546
Income tax – deferred	(3,346)	(3,422)
Total income taxes	(3,103)	(1,876)
Net income (loss)	(13,698)	8,884
Net income (loss) attributable to non-controlling interests	(221)	4
Net income (loss) attributable to owners of parent	(13,476)	8,879

(Quarterly Consolidated Statements of Comprehensive Income)

(For the three months ended May 31, 2020 and May 31, 2021)

(Million yen)

	FY2020 Q1 March 1 - May 31, 2020	FY2021 Q1 March 1 - May 31, 2021
Net income (loss)	(13,698)	8,884
Other comprehensive income		
Net unrealized gain on available-for-sale securities	84	60
Foreign currency translation adjustment	(12,127)	14,743
Remeasurements of defined benefit plans	33	31
Total other comprehensive income	(12,010)	14,835
Comprehensive income	(25,708)	23,719
Comprehensive income (loss) attributable to:		
Owners of parent	(24,145)	23,861
Non-controlling interests	(1,562)	(142)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2020 Q1 March 1 - May 31, 2020	FY2021 Q1 March 1 - May 31, 2021
Cash flows from operating activities		
Income (loss) before income taxes	(16,802)	7,007
Depreciation and amortization	14,592	15,277
Impairment loss	1,812	―
Interest and dividend income	(321)	(330)
Interest expenses	2,398	2,719
Decrease (increase) in receivables–trade accounts	(3,130)	(0)
Increase (decrease) in payables–trade accounts	306	1,005
Increase (decrease) in deposits received from specialty stores	(35,193)	(19,689)
Other	(4,225)	(6,873)
Subtotal	(40,564)	(883)
Interest and dividends received	365	428
Interest paid	(2,606)	(2,974)
Income taxes paid	(10,332)	(6,523)
Net cash provided by (used in) operating activities	(53,137)	(9,951)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,972)	(11,856)
Proceeds from sales of property, plant and equipment	2	1
Payment of lease deposits to lessors	(1,406)	(933)
Reimbursement of lease deposits to lessors	143	680
Repayment of lease deposits from lessees	(2,186)	(2,828)
Proceeds from lease deposits from lessees	2,327	5,273
Other payments	(2,166)	(4,234)
Other proceeds	1,644	1,006
Net cash provided by (used in) investing activities	(20,612)	(12,891)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	8,000	1,500
Repayment of lease obligations	(2,214)	(3,609)
Proceeds from long-term debt	2,000	4,000
Repayment of long-term debt	(2,064)	(6,863)
Proceeds from issuance of bonds	30,000	30,000
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,550)	(4,550)
Dividends paid to non-controlling interests	(6)	(6)
Other	(161)	(196)
Net cash provided by (used in) financing activities	31,004	20,273
Foreign currency translation adjustments on cash and cash equivalents	(1,962)	4,899
Net increase (decrease) in cash and cash equivalents	(44,708)	2,330
Cash and cash equivalents at beginning of the period	114,368	124,080
Cash and cash equivalents at end of the period	69,660	126,410

(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

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

Although not considered a change in a specified subsidiary, New OPA and Changsha Mall Investment Limited were newly established during the first quarter of the current fiscal year, and these entities have been included in the scope of consolidation.

Supplementary Information

Accounting estimates related to the impact of COVID-19

COVID-19 infections remained uncontained, although differences were evident among various countries and regions. Certain AEON MALL Group-operated malls were forced to shorten operating hours or close temporarily. At the same time, COVID-19 vaccinations have begun in Japan and many other countries, and the AEON MALL Group is striving to maintain anti-infection systems at the malls we operate. Accordingly, we have assumed in our accounting estimates for impairment of fixed assets, etc., that operating revenue for the fiscal year ending February 2022 will recover to the same level as the fiscal year ended February 2020. However, we have factored in the impact of temporary closures at some malls. Although we continue mall operations in Indonesia, we have assumed that ongoing restrictions on small-scale community activities will have a negative impact on operating revenue for through 2022.

Segment and other information

Segment information

I. Three Months Ended May 31, 2020

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	44,175	4,985	3,629	52,790	—	52,790
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	44,175	4,985	3,629	52,790	—	52,790
Segment profit (loss)	2,716	(1,019)	768	2,465	6	2,471

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

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

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

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups which have experienced a significant decline in profitability. The Company recorded ¥1,812 million in impairment loss for the cumulative consolidated first quarter of the current fiscal year.

Goodwill did not change materially during the period under review.

II. Three Months Ended May 31, 2021

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	62,024	10,327	3,854	76,207	—	76,207
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	62,024	10,327	3,854	76,207	—	76,207
Segment profit	8,035	2,299	480	10,815	6	10,822

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

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

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

Not applicable.

Significant subsequent events

Not applicable.