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

July 5, 2022

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

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

Representative: Yasutsugu Iwamura, President and CEO

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

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 2023 (March 1, 2022 – May 31, 2022)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2022	96,167	26.2	13,092	21.0	10,845	22.0	6,226	(29.9)
Three months ended May 31, 2021	76,207	44.4	10,822	337.9	8,888	744.9	8,879	—

(Note) Comprehensive income: Three months ended May 31, 2022: ¥25,425 million (7.2%)

Three months ended May 31, 2021: ¥23,719 million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Three months ended May 31, 2022	27.36	27.36
Three months ended May 31, 2021	39.02	39.01

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
May 31, 2022	1,557,471	445,464	27.9
February 28, 2022	1,463,256	426,931	28.5

(Reference) Equity: May 31, 2022: ¥434,511 million

February 28, 2022: ¥416,455 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, 2022	—	25.00	—	25.00	50.00
Year ending February 28, 2023	—				
Year ending February 28, 2023 (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, 2023 (March 1, 2022 - February 28, 2023)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half, FY2022	196,500	—	24,700	25.5	20,000	23.5	8,000	(37.7)	35.15
Full-year	404,000	—	55,500	45.2	45,500	39.8	23,000	19.3	101.07

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

2. Beginning with the fiscal year ending February 28, 2023, the Company will adopt *Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)*, etc. The consolidated earnings forecast above is based on this standard. Since operating revenue has been affected by the adoption of this standard, we have not shown the percentage change compared with the previous period. Operating income, ordinary income, and net income attributable to owners of parent have not been affected by the application of the standard. Estimating results for the fiscal year ending February 28, 2023 before the adoption of this standard, we expect operating revenue to increase 12.8% for the first half and 13.3% for the full year.

* Notes

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

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

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

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

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

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(Note) For more information, see 2. *Quarterly Consolidated Financial Statements and Notes* (4) *Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)* on P.18

(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, 2022	227,548,939	Year ended February 28, 2022	227,548,939
[2] Treasury stock at period-end	Three months ended May 31, 2022	4,017	Year ended February 28, 2022	3,997
[3] Average number of shares during the period (quarterly cumulative)	Three months ended May 31, 2022	227,544,939	Three months ended May 31, 2021	227,542,950

* 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 July 6, 2022. The materials handed out at this briefing will be posted on the Company's website on July 5, 2022, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

1) Explanation of consolidated results of operations

AEON MALL Co., Ltd. is a *Life Design Developer* (Note), creating the future of community living as we pursue our basic principle that the customer comes first. Under this management philosophy, we defined our corporate activities as Heartful Sustainable. In this way, we contribute to the development and revitalization of communities and society as a corporate citizen, striving to achieve sustainable societies through various initiatives.

We develop malls localized to the characteristics of each community we serve in Japan and around the world, contributing to better individual lifestyles and community growth. Through efforts in co-creation with customers, communities, partner companies, shareholders, and investors, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be central facilities for local communities.

(Note) Our definition of Life Design extends beyond the framework of the shopping mall. Life Design addresses functions associated with different customer life stages, including not only shopping, but also interaction with other people, cultural development, and other features contributing to future lifestyles.

We recorded higher revenue and profit for the three months ended May 31, 2022 compared to the same period in the previous consolidated fiscal year. Operating revenue amounted to ¥96,167 million (+26.2% year on year), while operating income amounted to ¥13,092 million (+21.0%), ordinary income amounted to ¥10,845 million (+22.0%), and quarterly net income attributable to owners of parent amounted to ¥6,226 million (-29.9% year on year). Beginning with the consolidated first quarter, we adopted *Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)*, which has had the effect of increasing operating revenue by ¥10,711 million. We estimate operating revenue results for the three months ended May 31, 2022 would have been ¥85,455 million (+12.1%) before the adoption of this standard. Fixed costs for the fiscal year amounted to ¥747 million stemming from shortened business hours and temporary closures caused by COVID-19 (¥1,561 million in the previous consolidated fiscal year).

Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were +19.2%, -13.5%, -15.7%, and -22.1% compared to the results recorded during the first quarter of the consolidated fiscal year ended February 28, 2020, which was not impacted by COVID-19 (“FY2019” below).

◆ Consolidated Earnings

(Million yen)

	FY2021 Q1	FY2022 Q1	Change [YoY]
Operating revenue	76,207	96,167	+19,959 [+26.2%]
Operating income	10,822	13,092	+2,269 [+21.0%]
Ordinary income	8,888	10,845	+1,957 [+22.0%]
Net income attributable to owners of parent	8,879	6,226	(2,652) [-29.9%]

(Reference) Results vs. three months ended May 31, 2019

(Million yen)

	FY2019 Q1	FY2022 Q1	Change (Vs. FY2019)
Operating revenue	80,690	96,167	+15,476 [+19.2%]
Operating income	15,137	13,092	(2,045) [-13.5%]
Ordinary income	12,862	10,845	(2,017) [-15.7%]
Net income attributable to owners of parent	7,991	6,226	(1,764) [-22.1%]

2) Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2021 Q1	FY2022 Q1	Change [YoY]	FY2021 Q1	FY2022 Q1	Change [YoY]
China	10,327	12,820	+2,492 [+24.1%]	2,299	2,426	+126 [+5.5%]
Vietnam	2,200	2,680	+479 [+21.8%]	537	765	+227 [+42.3%]
Cambodia	786	1,104	+318 [+40.4%]	172	250	+78 [+45.8%]
Indonesia	867	1,242	+374 [+43.2%]	(216)	(263)	(46) [—]
Other	—	—	—	(12)	(3)	+8 [—]
Overseas	14,182	17,847	+3,664 [+25.8%]	2,780	3,175	+395 [+14.2%]
Japan	62,024	78,319	+16,295 [+26.3%]	8,035	9,909	+1,874 [+23.3%]
Adjustment	—	—	— [—]	6	6	— [+0.0%]
Total	76,207	96,167	+19,959 [+26.2%]	10,822	13,092	+2,269 [+21.0%]

(Reference) Results vs. three months ended May 31, 2019

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2019 Q1	FY2022 Q1	Change (Vs. FY2019)	FY2019 Q1	FY2022 Q1	Change (Vs. FY2019)
China	8,988	12,820	+3,831 [+42.6%]	1,584	2,426	+842 [+53.2%]
Vietnam	1,206	2,680	+1,473 [+122.2%]	321	765	+443 [+137.7%]
Cambodia	968	1,104	+136 [+14.1%]	283	250	(33) [-11.6%]
Indonesia	951	1,242	+290 [+30.5%]	103	(263)	(366) [—]
Other	—	—	—	—	(3)	(3) [—]
Overseas	12,115	17,847	+5,732 [+47.3%]	2,293	3,175	+882 [+38.5%]
Japan	68,575	78,319	+9,744 [+14.2%]	12,837	9,909	(2,927) [-22.8%]
Adjustment	—	—	— [—]	6	6	— [+0.0%]
Total	80,690	96,167	+15,476 [+19.2%]	15,137	13,092	(2,045) [-13.5%]

a. Overseas

[Three months ended March 31, 2022 (Jan-Mar)]

The company recorded higher revenue and profit overseas. Operating revenue amounted to ¥17,847 million (+25.8% year on year) and operating income in the amount of ¥3,175 million (+14.2%). Operating revenue and operating income were +47.3% and +38.5%, compared to FY2019, which was not affected by COVID-19.

The following describes the impact of COVID-19 and status of sales in each country. The accounting period for companies outside Japan is the year ending December 31; therefore, earnings for FY2022 Q1 reflect results from January through March 2022.

(China)

The company recorded higher revenue and profit in China. Operating revenue amounted to ¥12,820 million (+24.1% year on year) and operating income in the amount of ¥2,426 million (+5.5%). Operating revenue and operating income were +42.6% and +53.2%, compared to FY2019, which was not affected by COVID-19.

In China, local outbreaks of COVID-19 infections since January has caused temporary closures at some malls in Tianjin, Suzhou, Wuhan, and other locations. In mid-March, more outbreaks of COVID-19 infections spread throughout China due to the emergence of the Omicron variant. Local government virus containment measures based on a Zero COVID policy led to severe and ongoing restrictions on activities, with trends toward self-restraint in non-essential travel outside the home becoming stronger, leading to a decline in personal consumption. As a result, specialty store sales at existing malls (21 malls) during the consolidated first quarter were -15.0% compared with the year-ago quarter. Operating income increased, mainly due to the effect of transferring fixed costs incurred during the temporary closures from operating costs to extraordinary losses as *loss due to COVID-19*. Sales were -5.6% compared with FY2019 (19 malls).

(Vietnam)

The company recorded higher revenue and profit in Vietnam. Operating revenue amounted to ¥2,680 million (+21.8% year on year) and operating income in the amount of ¥765 million (+42.3%). Operating revenue and operating income were +122.2% and +137.7%, compared to FY2019, which was not affected by COVID-19.

Despite the spread of COVID-19 infections in Vietnam, the government shifted away from its Zero COVID policy to a with-COVID policy to return to economic growth. Our malls continued to operate normally, with the exception of certain specialty stores in food and beverage, amusement, and other industries. As a result, specialty store sales at existing malls (6 malls) during the consolidated first quarter were +13.8% compared with the year-ago quarter. Sales were +45.2% compared with FY2019 (4 malls).

(Cambodia)

The company recorded higher revenue and profit in Cambodia. Operating revenue amounted to ¥1,104 million (+40.4% year on year) and operating income in the amount of ¥250 million (+45.8%). Operating revenue and operating income were +14.1% and -11.6%, compared to FY2019.

In Cambodia, the number of new cases of COVID-19 infections remained low due to high vaccination rates, and our malls operated normally. As a result, specialty store sales at existing malls (2 malls) during the consolidated first quarter were +35.0% compared with the year-ago quarter. Sales were -12.5% compared with FY2019 (2 malls).

(Indonesia)

The Company recorded higher revenue in Indonesia of ¥1,242 million (+43.2% year on year). However, we recorded an operating loss of ¥263 million (compared with an operating loss of ¥216 million in the year-ago quarter). Operating revenue was higher by +30.5% compared with FY2019, while operating income was ¥366 million lower.

In Indonesia, the number of new cases of COVID-19 infections began rising in late January. In February, the government raised activity restriction levels, causing our malls to operate under restrictions that included reduced operating hours and mall entrance limits. In late February, activity restrictions were lowered due to a decrease in the number of COVID-19 infections, and restrictions on mall operations were eased. As a result, the number of customers visiting existing malls during the consolidated first quarter grew by a significant +36.3% compared to the year-ago quarter (3 malls). However, operating income declined, due

in part to unused space in a new mall opened during the COVID-19 pandemic in the previous consolidated fiscal year. Customer traffic was -28.2% compared with FY2019 (2 malls).

[Consolidated second quarter and beyond (April-)]

In China, the rapid spread of COVID-19 infections since April has led to a two-month lockdown in Shanghai and other severe restrictions on activities by the government, which is pursuing a Zero COVID policy. Restrictions forced some of our malls in Beijing/Tianjin, Suzhou, Wuhan, and other cities to close temporarily and on an intermittent basis. Ongoing self-restraints in non-essential travel outside the home had a cooling effect on consumption activity throughout China, resulting in a severe downturn in specialty store sales at existing malls. April sales were -39.3% year on year (-34.9% compared with FY2019), while May sales were -29.5% (-18.2% compared with FY2019). Since the Shanghai lockdowns were lifted at the end of May, domestic consumption trends in China have been recovering gradually, with sales improving to -5.3% in June compared to the year-ago quarter (-7.6% with FY2019; preliminary results).

In Vietnam, the number of new cases of COVID-19 infections decreased significantly beginning in April, and personal consumption trends remained strong. Existing mall specialty store sales trended significantly above the pre-COVID-19 levels in April and May at +30.8% (+56.4% compared to FY2019) and +152.9% year on year (+59.4% compared to FY2019), respectively, compared to pre-COVID-19 levels.

New cases of COVID-19 infections have been on a downward trend in Cambodia and Indonesia since April. Existing mall specialty store sales in Cambodia were +192.1% (+3.6% compared to FY2019) for the month of May compared to the year-ago quarter, exceeding pre-COVID-19 levels. The number of customers visiting existing malls in Indonesia improved to +3.9% compared to the year-ago quarter (-4.3% compared with FY2019).

We plan to open one new mall in Cambodia during the current consolidated fiscal year. For existing malls, we conducted renovations at AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province) in April and AEON MALL Guangzhou Panyu Square (Guangzhou, Guangdong Province) in May.

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

Country	Name	Location	Opening Date	Tenants	Lease Area (m ²)
Cambodia	AEON MALL Meanchey	Phnom Penh City	FY2022	250	98,000

(Note) The fiscal year of the opening date is the fiscal year used in Japan. The accounting period for companies outside Japan is the year ending December 31.

b. Japan

[Three months ended May 31, 2022 (March to May)]

The company recorded higher revenue and profit in Japan. Operating revenue amounted to ¥78,319 million (+26.3% year on year) and operating income in the amount of ¥9,909 million (+23.3%). Operating revenue and operating income were +14.2% and -22.8%, compared to FY2019, which was not affected by COVID-19.

We closed certain malls temporarily in the Tohoku region due to the Fukushima Prefecture earthquake that occurred on March 16, 2022. During the first quarter of the previous consolidated fiscal year, we closed a certain number of malls due to the declaration of a state of emergency following the spread of COVID-19 infections in Japan. However, infections declined gradually in the first quarter of the current consolidated fiscal year, and our malls have remained open for normal operations. As a result, specialty store sales at existing malls (85 malls) during the consolidated first quarter rose significantly at +12.9% compared with the year-ago quarter. Sales were -12.0% compared with FY2019 (83 malls).

We plan to open two new malls during the current consolidated fiscal year, one being THE OUTLETS KITAKYUSHU (Fukuoka Prefecture) which we opened in April. We completed renovations of nine existing malls.

New Japanese Malls Opened During the Three Months Ended May 31, 2022

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

[Consolidated second quarter and beyond (June-)]

New malls scheduled to open in the cumulative consolidated second quarter and beyond include AEON MALL Toki (Gifu Prefecture) in the fall.

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

Name	Location	Opening Date	Tenants	Lease Area (m ²)
AEON MALL Toki	Gifu Prefecture	FY2022	150	TBA

3) Growth Measures and New Initiatives

The Company has defined a long-term vision through the fiscal year ending February 28, 2026 (FY2025) by which we will pursue our management philosophy and achieve further business growth. We are working together with local communities to achieve sustainable growth by creating social, environmental, and economic value.

Vision for 2025
(1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation. (2) Make AEON MALL a leading global commercial developer with consolidated operating income of ¥90,000 million. (3) Conduct floor space expansions and renovations in Japan to become the overwhelmingly dominant mall in each region. (4) Secure overseas growth markets, aiming for an overseas business mall network of 50 malls and operating income of ¥27,000 million (operating margin of 25%).

Under our Long-Term Vision, the current medium-term management plan (FY2020-FY2022) which we launched in fiscal 2020 outlines four growth policies: (1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Pursue a financing mix and strengthen governance structures to support growth; and (4) Pursue ESG-based management. We identified the following management issues and vision related to our growth initiatives. Through these efforts, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be a central facility for the local community.

Management Issues and Future Vision
a. Achieve Profitable Growth in our Overseas Business and Accelerate New Mall Openings Aim for high profit growth in our overseas business, accelerating the opening of new malls in the growing markets of China and ASEAN, and expanding floor space at existing malls.
b. Maximize the Appeal of Brick-and-Mortar Malls Through Customer Experience (CX) Maximize the attraction of brick-and-mortar malls in our business in Japan by offering community solutions, creating new initiatives in collaboration with tenant companies, striving for the rapid resolution of vacant floor space and other priority issues, and creating a customer experience (CX).
c. Build Next-Generation Malls and Pursue the Urban Shopping Center Business Create environments responding to the era of the new normal, pursuing an urban shopping center business (urban development) through next-general malls, office complexes, and the revitalization of the OPA business.
d. Pursue Digital Transformation (DX) Leverage digital and data technologies to pursue digital transformation (DX), including the creation of new business models, business development that creates new customer lifestyles, operating systems for a new era, and improved employee satisfaction.
e. Pursue Medium-Term Strategies, Accelerate Reforms Based on ESG Perspectives Create economic, social, and environmental value for stakeholders by accelerating reforms based on ESG perspectives, with a focus on addressing materialities (key issues) using clearly defined performance indicators.

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

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

In Vietnam, our most important area for new mall openings, we are pursuing area-dominant mall openings in the south of the country, focused on Ho Chi Minh City, and in the north of the country, focused on Hanoi. We signed new comprehensive memoranda of understanding to implement investment decisions for shopping mall development with the Ho Chi Minh City Huyện Hóc Môn Province and the Dong Nai Province neighboring Ho Chi Minh City in April and May 2022, respectively. In addition to accelerating area-dominant mall openings in the north and south, we will also accelerate our efforts in the central part of the country. In May 2022, we decided to open the first AEON MALL in the central part of Vietnam, AEON MALL Huế (Huế City), located in Thừa Thiên Huế Province, and in June 2022, we signed a comprehensive memorandum of understanding to implement the investment decision for shopping mall development with Da Nang City. 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.

We are pursuing area-dominant mall openings in four areas of China: (1) Beijing, Tianjin, and Shandong, (2) Jiangsu and Zhejiang, (3) Hubei, and (4) Guangdong. Moving forward, we have identified high-growth inland areas in China as key areas for opening new malls. In addition to Hubei Province, we are looking to Hunan Province as a new area for expansion. We will work to grow the number of malls in both provinces, working from these areas as the core of our businesses inland as we aim to achieve 29 malls in China by the end of fiscal 2025. We plan to open seven malls by the end of fiscal 2025, including AEON MALL Wuhan Jiangxia (tentative name; Wuhan City, Hubei Province) in fiscal 2023, and AEON MALL Hangzhou Qiantang Xinqu (tentative name; Hangzhou City, Zhejiang Province) and AEON MALL Changsha Tiantang (tentative name; Changsha City, Hunan Province) in fiscal 2024.

We will continue to evolve our existing malls in both physical and intangible ways through renovations and localization programs. In this way and more, we will meet the rapidly changing lifestyles of our customers, evolving in both hard and soft aspects of our business. We plan to renovate the third floor of AEON MALL Tianjin Zhongbei (Tianjin City), which had been used as a parking lot, to increase floor space for specialty retailers, working toward a fall 2022 opening for the space.

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

In Indonesia, we began construction of the fifth mall, AEON MALL Delta Mas (tentative name, Bekasi Province), with a view to opening in fiscal 2024. The planned Delta Mas City is one of the world's largest urban development projects by Sinar Mas Land, the largest real estate company in Indonesia, and Sojitz Corporation of Japan. The project aims to create a smart city representing Asia, and AEON MALL is playing an active role, contributing a central facility to the area. In May 2022, we held the grand opening of a fourth mall, AEON MALL Tanjung Barat (South Jakarta), which we opened partially in November 2021.

(New Business Development to Solve Local Issues)

We established AEON MALL (CAMBODIA) LOGI PLUS CO. LTD. in Cambodia to develop the country's first multi-function logistics center business, which will serve as a platform for overseas logistics. In May 2022, we held a groundbreaking ceremony for the Sihanoukville Logistics Center, which will serve as a new base of operations. Through this project, we will contribute to the further development of the country, improving convenience for customers and providing business opportunities and services to a wide variety of businesses.

b. Maximize the Appeal of Brick-and-Mortar Malls Through Customer Experience (CX)
(Initiatives to Improve CX Only Available at Brick-and-Mortar Malls)

As consumer behavior and purchasing habits change at an accelerating pace, AEON MALL, which is in the business of operating brick-and-mortar malls, strives to improve our ability to attract customers by creating new customer experiences (customer

experiential value) and maximizing the appeal of brick-and-mortar malls.

As customer needs for open and comfortable outside zones increase, we incorporate mechanisms to appeal to the five senses for comfort and ease, striving to create facility environments that will become a place of relaxation for our customers.

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

As a new use for grounds surrounding existing malls, we intend to create environments tailored to new lifestyles in collaboration with local governments and partner companies, etc. This lively atmosphere will encourage interaction among people, offering new value for customers that cannot be found in conventional malls, as well as providing opportunities for increased revenue.

AEON MALL Hanyu (Saitama Prefecture), renovated in March 2022, now features three interior and exterior parks, as well as an outdoor terrace for kitchen cars and other vendors to set up stores. In this space, visitors can enjoy a variety of meals outdoors.

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

AEON MALL launched a proof-of-concept test related to marketing data, utilizing digital technology and data to create sales areas and improve services to customers. Beginning March 2022, we built a pop-up femtech specialty store at AEON Lake Town Kaze (Saitama Prefecture). Here, non-identifying data on customer behavior and attributes are accumulated and reflected in the creation of sales areas that correspond to the business characteristics of the shop in question, as well as to diversifying consumption channels. This proof-of-concept test combines customer behavior, market data, and various other data stored by AEON MALL to create effective marketing data, which will be utilized for solutions tailored the life stages of each individual customer.

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

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

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

As the second regional innovative commercial facility of THE OUTLETS business model, the facility will offer not only an outlet shopping experience, but also provide edutainment that combines fun with learning to meet domestic and international tourism demand in cooperation with the local community and surrounding tourist facilities.

To solve structural issues in Japanese society such as aging population, worker shortage, “shopping refugees,” childcare support, and disaster-response measures, we intend to open Hachioji Interchange North (tentative name; Tokyo), a next-generation commercial facility with a Customer Fulfillment Center (CFC) developed by AEON Next Preparatory Corporation.

d. Pursue Digital Transformation (DX)

We believe in the importance of the sensibilities of the individual and individual personalities. Our vision for DX is to achieve DX centered on individual sensibilities. In our pursuit of digital transformation (DX), we will continue to develop businesses that create new value according to the life stages of our customers, create new business models via co-creation with local communities and partners using digital technology and data, and establish operating systems for the next generation.

To generate business ideas for a new future of living, we held a first *Business Ideathon* (Note) in May 2022 for the purpose of co-creating ideas with individuals active outside the company. This initiative is designed to generate business ideas that combine social issues and new technologies with AEON MALL management resources. We invited participants from the general public, including people in new business development and start-up companies, as well as students studying business related fields, to leverage their diverse perspectives and experiences for generating new ideas that go beyond the framework of commercial

facilities.

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

e. Pursue Medium-Term Strategies, Accelerate Reforms Based on ESG Perspectives

AEON MALL selected 10 materialities from five areas deemed important from an ESG perspective: (1) Develop community and social infrastructure; (2) Build community relationships; (3) the environment; (4) diversity and work-style reform; and (5) accountability in business. To reach this decision, we conducted a materiality analysis in consideration of the SDGs and social issues in Japan and overseas, evaluating the level of importance to our stakeholders and the Company. We are engaged in measures toward ESG-based management, working to raise employee awareness. Such measures include incorporating matters related to materialities in the personal goals of our employees, as well as co-creation with customers, local communities, partners, and other stakeholders.

(AEON MALL Decarbonization Vision)

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

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

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

(Procurement of Renewable Energy Through Low-Pressure, Distributed Solar Power Generation Facilities via Self-Directed Transmission)

In May 2022, AEON MALL reached a basic agreement for the procurement of renewable energy through low-pressure, distributed solar power generation facilities via self-directed transmission (the “Project”) with Mizuho Bank, Ltd., Mizuho Securities Co., Ltd., Mizuho Leasing Company, Ltd., and Eco Style Co., Ltd. This Project will be the largest of its type in Japan.

This Project is expected to be Japan's largest off-site corporate PPA (Note 1), which will be fully operational in the fall of 2022. The Project is also expected to be the first off-site corporate PPA of this scale in Japan to utilize full self-consignment (Note 2) and to transmit power to multiple points of demand in multiple power areas at the same time. The Project will supply approximately 65MW of electricity (equivalent to the electricity consumption of four AEON MALL facilities) generated from approximately 740 low-voltage solar power plants nationwide to approximately 30 AEON Mall facilities. The system will use a power transmission and distribution network managed and operated by a general power transmission and distribution company.

- (Notes) 1. The power producer and electricity customer conclude a contract for the purchase and sale of renewable energy at a price and period agreed upon in advance. The renewable energy generated off-site is supplied to the electricity customer using the transmission and distribution facilities of a power transmission and distribution company.
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.

(Establishing a Resource Recycling System in Conjunction With Construction Work)

AEON MALL pursues the development of malls adopting the circular economy concept (Note). Our facilities engage in initiatives such as de-plasticization, food recycling, and clothing collection as part of our efforts to cycle resources arising from mall operations. In the future, we will look into mechanisms for resource recycling throughout the entire supply chain, including facility operations, construction, and renovations. In this way, we will strive to eliminate resource waste to the greatest extent possible.

(Note) In addition to conventional 3Rs (Reduce, Reuse, Recycle), these are economic activities that generate added value through

a shift to services, making effective use of stock, while also limiting resource investment and consumption. The aim here is to maximize the value of resources and products, minimize resource consumption, and prevent the generation of waste.

(Creating a Human Resources and Organizational Vision)

AEON MALL is a *Life Design Developer* of community living. We believe that the mission of our business is to create connections among stakeholders, including customers, local communities, and partner companies, as well as to solve local issues. We also believe that human resources are the greatest management resource for achieving sustainable growth. Based on these beliefs, we developed a new vision in May 2022 for human resources and our organization that will drive innovation to achieve our management philosophy.

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

(Conducting Responsible Business)

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

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

In August 2021, we established our own Guidelines for Sustainable Trade based on the AEON Human Rights Policy and AEON Supplier Transaction Code of Conduct in order to prevent the occurrence of incidents that could constitute human rights violations and to build a sustainable value chain. In December 2021, we held a briefing session for construction-related suppliers to communicate and promote an understanding of the guidelines. We held a similar session in June 2022 for specialty store companies.

(Sustainability Finance Initiatives)

In April 2022, we issued ¥40,000 million of Sustainability-Linked Bonds (“Bonds,” see Note 1) to individual investors for the purpose of solving social issues and for environmental considerations. We issued these Bonds as a sustainability finance initiative toward the creation of decarbonized societies, issued on terms that vary according to whether we achieve predetermined sustainability targets.

Name	AEON MALL Co., Ltd. Unsecured Bond Series 30 (with inter-bond pari passu clause) (Sustainability-Linked Bonds)
Term	5 years
Amount	¥40,000 million
Coupon Rate	0.490%
Condition Determination Date	April 15, 2022
Date of Issuance	April 28, 2022
Redemption Date	April 28, 2027
Rating	A- (Rating and Investment Information, Inc.)
SPT (Note 2)	CO ₂ -free electricity used at all AEON MALL locations in Japan by the end of fiscal 2025

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

- (Notes) 1. Refers to bonds whose terms and conditions vary depending on whether the issuer achieve predetermined sustainability goals. The bond proceeds do not have to be used for specific purposes necessarily, but the bonds are evaluated based on key performance indicators (KPIs) and SPTs determined beforehand by the issuer. SPTs are target values to be achieved with respect to the KPI. The terms of the bond change depending on whether the KPI has achieved the SPT, thereby motivating the issuer to achieve the SPT.
2. Sustainability performance target. A goal based on the issuer's business strategy that determines the terms and conditions of the sustainability-linked bond issue.
3. The AEON Environmental Foundation (<https://www.aeon.info/ef/>) is engaged in public service activities focusing on grants, support, tree planting, awards, and environmental education. Established in December 1990 with donations from Mr. Takuya Okada (honorary chairman and advisor of AEON Co., Ltd. and chairman of AEON Environmental Foundation) and two others, based on the AEON basic principle of pursuing peace, respecting humanity, and contributing to local communities. After receiving approval as a designated public interest corporation in 1991, the foundation became a public interest incorporated foundation in 2009.
4. Entities that provide support for the implementation of sustainability finance through advice on the design of sustainability-linked bond products and on obtaining external third-party evaluations such as second opinions.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,557,471 million, up ¥94,215 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in deposits paid to affiliates (included in other current assets) of ¥36,000 million, an increase in cash and deposits of ¥14,664 million, an increase in property, plant and equipment of ¥32,157 million stemming from investments of ¥26,447 million in new businesses and existing mall revitalization, and a significant increase due to the impact of foreign currency translation.

Liabilities

Total liabilities stood at ¥1,112,007 million, up ¥75,682 million from the end of the prior consolidated fiscal year. This result was mainly due to an increase in bonds of ¥40,000 million (including current portion), an increase of ¥18,285 million in deposits received from specialty stores, an increase of ¥10,838 million in accounts payable-other related to equipment (included in other current liabilities), an increase in lease obligations of ¥4,060 million (included in other current liabilities) stemming from foreign currency translation adjustments, and an increase of ¥2,204 million in long-term debt (including current portion).

Net assets

Net assets totaled ¥445,464 million, up ¥18,532 million compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in retained earnings of ¥630 million stemming from the recording of ¥6,226 million in net income attributable to parent company shareholders, payment of ¥5,688 million in dividends, and a decrease of ¥1,167 million in retained earnings due to the application of *Accounting Standard for Revenue Recognition*. At the same time, the Company recorded an increase of ¥18,650 million in foreign currency translation adjustments.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of first three months of the consolidated first quarter amounted to ¥130,178 million, up ¥47,205 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 ¥29,442 million, compared to net cash used of ¥9,951 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥10,029 million (¥7,007 million in the year-ago period), depreciation and amortization of ¥16,794 million (¥15,277 million in the year-ago period), and an increase in deposits received from specialty stores of ¥18,045 million (decrease of ¥19,689 in the year-ago period). These amounts were offset in part by income taxes paid of ¥6,080 million (¥6,523 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥19,375 million, compared to ¥12,891 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 ¥16,210 million (¥11,856 million in the year-ago period) for equipment at malls newly opened in the prior consolidated fiscal year (AEON MALL Kawaguchi) and malls expanded in the prior consolidated fiscal year (THE OUTLETS HIROSHIMA).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥28,640 million, compared to net cash provided of ¥20,273 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 ¥40,000 million (¥30,000 million in the year-ago period) and proceeds from long-term debt of ¥23,026 million (¥4,000 million in the year-ago period). During the same period, the company made cash outlays for repayments of long-term debt of ¥23,638 million (¥6,863 million in the year-ago period), dividend payments of ¥5,688 million (¥4,550 million in the year-ago period), and repayments of lease obligations of ¥4,796 million (¥3,609 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

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

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	87,148	101,812
Notes and accounts receivable-trade	8,308	13,187
Other	55,627	97,117
Allowance for doubtful receivables	(373)	(342)
Total current assets	150,711	211,775
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	647,844	667,217
Land	341,296	343,857
Right-of-use assets (net)	159,276	164,282
Other	42,811	48,029
Total property, plant and equipment	1,191,229	1,223,386
Intangible assets	3,456	3,571
Investments and other assets		
Lease deposits paid	51,922	52,122
Other	65,954	66,634
Allowance for doubtful receivables	(18)	(18)
Total investments and other assets	117,859	118,738
Total fixed assets	1,312,544	1,345,696
Total assets	1,463,256	1,557,471

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,919	11,049
Bonds due within one year	40,000	70,000
Current portion of long-term debt	46,093	37,561
Lease obligations	19,555	21,352
Income taxes payable	6,830	3,409
Deposits received from specialty stores	38,732	57,017
Allowance for employee bonus	1,714	1,009
Allowance for director and corporate auditor performance-based remuneration	78	15
Provision for loss on store closing	733	733
Other	49,076	61,511
Total current liabilities	212,734	263,661
Long-term liabilities		
Straight bonds	355,000	365,000
Long-term debt	178,704	189,441
Lease obligations	118,239	120,503
Accrued retirement benefits to employees	647	583
Asset retirement obligations	19,843	20,274
Lease deposits from lessees	146,198	147,488
Other	4,957	5,056
Total long-term liabilities	823,590	848,346
Total liabilities	1,036,325	1,112,007
Net assets		
Shareholders' equity		
Common stock	42,374	42,374
Capital surplus	40,693	40,693
Retained earnings	316,829	316,199
Treasury stock, at cost	(7)	(7)
Total shareholders' equity	399,890	399,260
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,059	1,060
Foreign currency translation adjustment	16,158	34,809
Remeasurements of defined benefit plans	(652)	(619)
Total accumulated other comprehensive income	16,565	35,251
Stock acquisition rights	33	42
Non-controlling interests	10,441	10,910
Total net assets	426,931	445,464
Total liabilities and net assets	1,463,256	1,557,471

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

(Million yen)

	FY2021 Q1 March 1 - May 31, 2021	FY2022 Q1 March 1 - May 31, 2022
Operating revenue	76,207	96,167
Operating costs	58,456	75,979
Gross profit	17,750	20,188
Selling, general and administrative expenses	6,928	7,096
Operating income	10,822	13,092
Non-operating profits		
Interest income	318	368
Compensation paid by departing tenants	609	332
Gain on valuation of derivatives	433	632
Compensation income	165	248
Other	137	137
Total non-operating profits	1,664	1,719
Non-operating expenses		
Interest expenses	2,719	2,815
Foreign exchange losses	593	834
Other	285	316
Total non-operating expenses	3,598	3,966
Ordinary income	8,888	10,845
Extraordinary gains		
Gain on sale of fixed assets	1	—
Compensation income	6	—
Insurance income	—	225
Total extraordinary gains	8	225
Extraordinary losses		
Loss on sale of fixed assets	—	0
Loss on retirement of fixed assets	241	143
Loss due to COVID-19	1,561	747
Other	85	151
Total extraordinary losses	1,889	1,042
Income before income taxes	7,007	10,029
Income tax – current	1,546	2,922
Income tax – deferred	(3,422)	871
Total income taxes	(1,876)	3,793
Net income	8,884	6,235
Net income attribute to non-controlling interests	4	9
Net income attributable to owners of parent	8,879	6,226

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

(Million yen)

	FY2021 Q1 March 1 - May 31, 2021	FY2022 Q1 March 1 - May 31, 2022
Net income	8,884	6,235
Other comprehensive income		
Net unrealized gain on available-for-sale securities	60	1
Foreign currency translation adjustment	14,743	19,154
Remeasurements of defined benefit plans	31	33
Total other comprehensive income	14,835	19,189
Comprehensive income	23,719	25,425
Comprehensive income (loss) attributable to:		
Owners of parent	23,861	24,912
Non-controlling interests	(142)	513

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2021 Q1 March 1 - May 31, 2021	FY2022 Q1 March 1 - May 31, 2022
Cash flows from operating activities		
Income before income taxes	7,007	10,029
Depreciation and amortization	15,277	16,794
Interest and dividend income	(330)	(383)
Interest expenses	2,719	2,815
Decrease (increase) in receivables-trade accounts	(0)	(4,269)
Increase (decrease) in payables-trade accounts	1,005	993
Increase (decrease) in deposits received from specialty stores	(19,689)	18,045
Other	(6,873)	(5,982)
Subtotal	(883)	38,043
Interest and dividends received	428	529
Interest paid	(2,974)	(3,050)
Income taxes paid	(6,523)	(6,080)
Net cash provided by (used in) operating activities	(9,951)	29,442
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,856)	(16,210)
Proceeds from sales of property, plant and equipment	1	1
Payment of lease deposits to lessors	(933)	(131)
Reimbursement of lease deposits to lessors	680	195
Repayment of lease deposits from lessees	(2,828)	(2,990)
Proceeds from lease deposits from lessees	5,273	3,387
Other payments	(4,234)	(7,318)
Other proceeds	1,006	3,691
Net cash provided by (used in) investing activities	(12,891)	(19,375)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	1,500	—
Repayment of lease obligations	(3,609)	(4,796)
Proceeds from long-term debt	4,000	23,026
Repayment of long-term debt	(6,863)	(23,638)
Proceeds from issuance of bonds	30,000	40,000
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,550)	(5,688)
Dividends paid to non-controlling interests	(6)	(6)
Other	(196)	(256)
Net cash provided by (used in) financing activities	20,273	28,640
Foreign currency translation adjustments on cash and cash equivalents	4,899	8,497
Net increase (decrease) in cash and cash equivalents	2,330	47,205
Cash and cash equivalents at beginning of the period	124,080	82,973
Cash and cash equivalents at end of the period	126,410	130,178

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

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

Changes in major consolidated subsidiaries during the period under review

Not applicable

Changes in accounting policies

Adoption of Accounting Standard for Revenue Recognition

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

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

As a result, operating revenue, operating costs, and selling, general and administrative expenses for the first quarter of the current consolidated fiscal year rose ¥10,711 million, ¥10,654 million, and ¥9 million, respectively. The impact on profit and loss was immaterial. In addition, the balance of retained earnings at the beginning of the period decreased ¥1,167 million.

Adoption of Accounting Standard for Fair Value Measurement

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

Supplementary Information

Accounting estimates related to the impact of COVID-19

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

Segment and Other Information

Segment information

I. Three Months Ended May 31, 2021

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

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount to quarterly consolidated statements of income (Note 3)
Operating revenue									
Operating revenue from external customers	62,024	10,327	2,200	786	867	—	76,207	—	76,207
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	62,024	10,327	2,200	786	867	—	76,207	—	76,207
Segment profit (loss)	8,035	2,299	537	172	(216)	(12)	10,815	6	10,822

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

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

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

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

Not applicable

II. Three Months Ended May 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	78,319	12,820	2,680	1,104	1,242	—	96,167	—	96,167
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	78,319	12,820	2,680	1,104	1,242	—	96,167	—	96,167
Segment profit (loss)	9,909	2,426	765	250	(263)	(3)	13,085	6	13,092

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

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

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

2. Matters related to changes in reportable segments

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

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

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

3. Information related to impairment of fixed assets, goodwill, etc. by reportable segment
Not applicable

Significant subsequent events
Not applicable