



# Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2021 (Japanese GAAP)

October 6, 2020

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

Inquiries: Masahiko Okamoto, Director and General Manager of the Administration Division

Telephone: +81-43-212-6733

Scheduled date of filing of quarterly report: October 14, 2020

Starting date of dividend payment: October 23, 2020

Preparation of supplementary materials for quarterly financial results: Yes

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

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

## 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 2021 (March 1, 2020 – August 31, 2020)

### (1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended August 31, 2020	126,050	(21.7)	11,760	(59.7)	8,983	(64.3)	(10,865)	—
Six months ended August 31, 2019	161,070	4.2	29,212	18.3	25,157	5.3	17,043	9.0

(Note) Comprehensive income: Six months ended August 31, 2020: (¥16,557) million (-%)

Six months ended August 31, 2019: ¥11,895 million (141.1%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six months ended August 31, 2020	(47.75)	—
Six months ended August 31, 2019	74.91	74.90

(Note) Diluted net income per share for the six months ended August 31, 2020, is not provided, 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	%
August 31, 2020	1,318,485	383,372	28.3
February 29, 2020	1,381,217	404,522	28.5

(Reference) Equity: August 31, 2020: ¥373,579 million

February 29, 2020: ¥393,849 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 29, 2020	—	20.00	—	20.00	40.00
Year ending February 28, 2021	—	20.00			
Year ending February 28, 2021 (projection)			—	20.00	40.00

(Note) Revisions to dividend forecast announced recently: None

### 3. Consolidated Earnings Projections for the Year Ending February 28, 2021 (March 1, 2020 - February 28, 2021)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	280,000	(13.6)	30,000	(50.7)	22,000	(60.8)	(4,000)	—	(17.58)

(Notes) Revisions to earnings forecast announced recently: None

#### \* Notes

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

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

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

[1] Changes in accounting policies due to changes in accounting standards, etc.: None

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

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

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

[1] Number of shares outstanding at period-end (including treasury stock)	Six months ended August 31, 2020	227,538,039	Year ended February 29, 2020	227,515,009
[2] Treasury stock at period-end	Six months ended August 31, 2020	3,000	Year ended February 29, 2020	2,697
[3] Average number of shares during the period (quarterly cumulative)	Six months ended August 31, 2020	227,529,209	Six months ended August 31, 2019	227,492,638

\* 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.7 of the accompanying materials for assumptions used in earnings projections and matters to note when using earnings projections.

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on October 7, 2020. The materials handed out at this briefing will be posted on the Company's website on October 6, 2020, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

## Accompanying Materials — Contents

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	6
(3) Explanation of Consolidated Earnings Projections and Other Projections	7
2. Quarterly Consolidated Financial Statements and Notes	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	10
Quarterly Consolidated Statements of Income	
(For the six months ended August 31, 2019 and August 31, 2020)	10
Quarterly Consolidated Statements of Comprehensive Income	
(For the six months ended August 31, 2019 and August 31, 2020)	11
(3) Quarterly Consolidated Statements of Cash Flows	12
(4) Notes to the Quarterly Consolidated Financial Statements	13
Notes on the going concern assumption	13
Notes on significant changes in shareholders' equity	13
Changes in major consolidated subsidiaries during the period under review	13
Supplementary information	13
Segment and other information	13
Significant subsequent events	15

## 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) Build a financing mix and governance structures supporting growth; and (4) Pursue ESG-based management.

During the six months ended August 31, 2020, AEON MALL implemented shortened business hours and temporary mall closures in Japan and abroad in response to the global spread of COVID-19. Upon reopening our malls, we implemented measures to prevent the spread of infection and ensure safety and security, placing the highest priority on the safety of our customers, tenant staff, and mall employees. At the same time, we have engaged in mall management and operations in response to changes in consumer behavior in the new normal of the with-COVID-19 era.

Operating revenue for the six months ended August 31, 2020 amounted to ¥126,050 million (-21.7% year on year). Operating income amounted to ¥11,760 million (-59.7%), ordinary income amounted to ¥8,983 million (-64.3%), and quarterly net loss attributable to owners of parent amounted to ¥10,865 million (compared to net income of ¥17,043 million in the year-ago period).

Fixed costs for the six months ended August 31, 2020, amounted to ¥16,475 million stemming from temporary closures and other factors. We posted these costs as extraordinary losses due to COVID-19.

#### ◆ Consolidated Earnings

(Million yen)

	FY2019 Q2	FY2020 Q2	Change [YoY]
Operating revenue	161,070	126,050	(35,020) [-21.7%]
Operating income	29,212	11,760	(17,452) [-59.7%]
Ordinary income	25,157	8,983	(16,174) [-64.3%]
Net income (loss) attributable to owners of parent	17,043	(10,865)	(27,908) [-]

## b. Explanation of business performance by segment

### ◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (loss)		
	FY2019 Q2	FY2020 Q2	Change [YoY]	FY2019 Q2	FY2020 Q2	Change [YoY]
Japan	136,911	107,414	(29,496) [-21.5%]	24,847	11,115	(13,731) [-55.3%]
China	17,801	12,721	(5,080) [-28.5%]	3,006	(491)	(3,498) [-]
ASEAN	6,357	5,914	(443) [-7.0%]	1,346	1,123	(222) [-16.5%]
Overseas	24,159	18,635	(5,523) [-22.9%]	4,352	632	(3,720) [-85.5%]
Adjustment	—	—	— [-]	12	12	— [0%]
Total	161,070	126,050	(35,020) [-21.7%]	29,212	11,760	(17,452) [-59.7%]

### 1. Overseas

The company recorded operating revenue in Japan in the amount of ¥18,635 million, a decrease of 22.9% year on year. Operating income amounted to ¥632 million, down 85.5%. Consumption in China and ASEAN has declined temporarily due to the spread of COVID-19. Although there are differences among countries and areas in which we operate malls, activity has been in a general recovery since we resumed operations, and we aim to continue delivering high growth in these regions. Toward our goal of having 70 malls in operation overseas by 2025, we continue to search for and secure new properties in high-growth areas of China and ASEAN.

The accounting period for companies outside Japan is the year ending December 31; therefore, earnings for the six months ended August 31, 2020, reflect results from January through June 2020.

#### (China)

The company recorded overseas operating revenue of ¥12,721 million (-28.5% year on year) and an operating loss of ¥491 million (compared to operating income of ¥3,006 million in the year-ago quarter).

We are continuing our area-dominant mall openings in China, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei and Guangdong.

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 more 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.

During the six months ended August 31, 2020, COVID-19 spread throughout China. In response, we closed as many as 11 of our 21 malls in China temporarily between January and mid-February. We resumed operations in stages, having reopened all 21 malls for specialty store business by April 1. Prioritizing safety and security above all else, we took the lead in launching a live e-commerce platform at AEON MALL properties, allowing our tenants to conduct live e-commerce. We also sponsored delivery promotions for restaurant tenants and held night markets using our large mall parking areas. In this way and more, we responded to changes in consumer behavior and government economic stimulus programs.

In June, we renovated the food zone in AEON MALL Wuhan Jinqiao (Wuhan City, Hubei Province). In July, we converted the fourth floor of the main building of AEON MALL Wuhan Jinyintan (Wuhan City, Hubei

Province) multi-story car park to retail space, expanding the floor space of the mall. The floor space expansion and renovation at AEON MALL Wuhan Jinyintan included a restaurant zone bringing together restaurants from around the world, as well as a new food court, amusement area, and 48 additional retail locations. At the same time, we rezoned the existing area to offer lifestyle suggestions through food, household items, cosmetics, pet stores, and more. Beginning in August, we updated a total of 119 specialty stores in stages at four Tianjin area malls (AEON MALL Tianjin TEDA, AEON MALL Tianjin Zhongbei, AEON MALL Tianjin Meijiang, and AEON MALL Tianjin Jinnan), introducing retailers who best reflect the latest consumer trends. On July 20, we began reopening movie theaters, which had been closed due to government orders. By early August, theaters were once again open at all malls.

As a result of these initiatives, specialty store sales at our existing 19 malls in China recovered steadily throughout the six months ended August 31, 2020 beginning with reopenings in April. August 2020 sales recovered to nearly the same level as the previous fiscal year at 99.6%.

#### (ASEAN)

The Company recorded operating revenue in ASEAN in the amount of ¥5,914 million, a decrease of 7.0% year on year. Operating income amounted to ¥1,123, down 16.5%.

We closed four malls temporarily in Vietnam beginning March 28 due to government regulations. By April 24, all five malls in Vietnam had resumed specialty store operations. As a result of the government's strict containment measures, customer traffic returned quickly. July specialty store sales at four existing malls recovered to the same level as July 2019, while August customer traffic and sales decreased due to a rise in COVID-19 cases in late July. However, in September, specialty store sales recovered to a level outperforming the year-ago period.

In Cambodia, we shorted mall operating hours at our two existing malls for a time until returning to normal in June. In August, we reopened mall movie theaters and specialty store sales at our two existing malls have been in line with the previous year on a like-for-like basis.

In Indonesia, we reopened specialty store operations on June 15 for two existing malls that had been closed temporarily since March 31 due to large-scale government social restrictions. However, as the number of COVID-19 patients continued to grow in that country, the large-scale social restrictions remained in place. Although customer traffic declined 50% like-for-like at our two existing malls, we introduced food delivery discount promotions in collaboration with local companies and engaged in other measures to secure sales at our malls.

This consolidated fiscal year, we plan to open one new mall in Vietnam and one new mall in Indonesia for a total of two new malls in ASEAN. In addition, we plan to open our first-ever mall in the suburbs of Yangon, Myanmar (Dagon Seikan Township, Yangon District) in 2023. AEON MALL has established a joint venture with SHWETAUNG REAL ESTATE CO., LTD., the largest real estate developer in Myanmar. In the future, this joint venture will pursue multi-store property development in Myanmar. The AEON Group has implemented school construction support, tree-planting activities, and other social contribution activities in Myanmar, creating deeper interchange with the people the country. We welcome the opportunity to contribute to new lifestyles and economic revitalization through our mall businesses in Myanmar.

#### New Overseas Business Malls Scheduled to Open During the Third Quarter of Fiscal 2020

	Name	Location	Opening Date	No. of Tenants	Lease Area
Vietnam	AEON MALL Hai Phong Le Chan	Hai Phong City	FY2020	200	74,000m <sup>2</sup>
Indonesia	AEON MALL Sentul City	West Java	FY2020	250	71,000m <sup>2</sup>

(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. The scheduled opening for AEON MALL Tanjung Barat (South Jakarta, Indonesia) has been shifted to FY2021 due to changes in construction schedule.

## 2. Japan

The company recorded operating revenue in Japan in the amount of ¥107,414 million, a decrease of 21.5% year on year. Operating income amounted to ¥11,115 million, down 55.3%.

In response to the declaration of emergency in Japan on April 7, we temporarily suspended the management and operations of AEON MALL specialty stores and urban shopping centers beginning April 8. On April 18, we temporarily closed all 165 malls across Japan. Subsequently, Japan phased out its state of emergency and we began reopening our businesses on May 13. By May 28, all of our facilities were open for business.

Upon reopening, 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, vinyl curtains. 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.

We held drive-in movies and drive-in public viewings in outdoor parking lots at 70 malls throughout Japan to offer entertainment tailored to the new normal lifestyle. Here, customers enjoyed watching movies without having to exit their vehicles. We also completely redesigned the AEON MALL app to improve usability and offer a more stress-free shopping environment. The app supports the businesses of our specialty store tenants by issuing coupons, point rewards, and other services tailored to changes in customer behavior. The app encourages consumers to space out store visits to avoid peak crowding, to use restaurants during slower times, etc.

This consolidated fiscal year, we plan to open AEON MALL Ageo (Saitama Pref.), expand floor space at two existing malls, and renovate eight malls. During the six months ended August 31, 2020, AEON MALL renovated seven existing malls and conducted a floor space expansion and renovation of AEON MALL Takasaki (Gunma Pref.).

At AEON MALL Takasaki, we renovated 106 stores, representing approximately 50% of the total number of stores in the mall. The newly expanded wing hosts a number of lifestyle specialty retailers, including a large-scale fast fashion retailer, a book store, a home appliance retailer, a pet supply shop, and more. We expanded the third-floor food court into two zones. One is a family zone specializing in food and beverages for kids, while the other zone is an adult zone designed with a chic wood interior. The expanded food court features a total of 16 restaurants and approximately 1,000 seats. In September, four new shops were added as a food sales zone on the first floor adjacent to the GMS anchor store.

### Malls Renovated During the Second Quarter of Fiscal 2020

Name	Location	Date Reopened	No. of Tenants	No. of Renovated Specialty Stores
AEON MALL Zama (Note 1)	Kanagawa Pref.	March 6	160	1
AEON MALL Sanko (Note 1)	Oita Prefecture	March 7	70	1
AEON MALL Shijonawate	Osaka Prefecture	March 13	200	6
AEON MALL Kawaguchi Maekawa	Saitama Prefecture	March 19	170	14
AEON MALL Hinode	Tokyo Prefecture	March 20	160	21
AEON MALL Toin	Mie Prefecture	March 20	155	21
AEON MALL Makuhari Shintoshin	Chiba Prefecture	April 24	360	33
AEON MALL Takasaki (Note 2)	Gunma Prefecture	June 26	210	106

(Notes) 1. We expanded the cinemas at AEON MALL Zama and AEON MALL Sanko.

2. AEON MALL Takasaki underwent a floor space expansion and renovation. The mall was expanded to 210 specialty stores (+40 stores) and a lease area of 76,000m<sup>2</sup> (+17,000m<sup>2</sup>).

After the lifting of the state of emergency declaration, specialty store sales at the 83 existing malls in Japan for the second quarter of the consolidated fiscal year (three months) amounted to 83.2% of previous-year levels. June sales were 88.0% of the year-ago result due to rush demand leading up to the end of special stimulus package and cashless redemption campaign. However, customer traffic declined temporarily due to signs of a second wave of COVID-19 infections beginning in mid-July. As a result, July and August like-for-like sales were 83.1% and 78.6% of their respective year-ago figures. Preliminary September sales figures showed a slight recovery to 80.6% compared to September 2019, partly in reaction to the prior-year rush demand ahead of the consumption tax increase. Food, amusement, and theater sales improved considerably as the number of COVID-19 infections decreased.

#### New Japanese Business Malls Scheduled to Open During the Third Quarter of Fiscal 2020

Name	Location	Opening Date	No. of Tenants	Lease Area
AEON MALL Ageo	Saitama Prefecture	Winter 2020	130	34,000m <sup>2</sup>

(Note) The scheduled opening for AEON MALL Shinrifu South Wing (Miyagi Pref.) has been shifted to spring 2021 due to changes in construction schedule.

Based on the standards provided in the AEON COVID-19 Prevention Protocol (AEON Group disease prevention standards), AEON MALL is engaged in improving mall environments and operations, developing new mall concepts and service functions, for the new normal. We view this as an opportunity to reinvent our business models and create malls that respond to social change in Japan and overseas.

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

#### Assets

Total assets amounted to ¥1,318,485 million, down ¥62,732 million compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease of ¥51,400 million in deposits paid to affiliates (included in other current assets) and a decrease in fixed assets of ¥28,959 million due to depreciation. These decreases were offset partially by increases of ¥10,522 million in cash and deposits and ¥15,687 million in property, plant and equipment for activating existing malls and advanced purchases of land for development.

#### Liabilities

Total liabilities stood at ¥935,112 million, down ¥41,582 million from the end of the prior consolidated fiscal year. This decrease was mainly due to decreases of ¥19,432 million in deposits received from specialty stores, ¥15,580 million in payable-other (included in other current liabilities), ¥10,660 million in income taxes payable, ¥8,326 million in lease obligations (included in lease obligations under current liabilities), and ¥4,518 million in income taxes payable (included in other current liabilities). These decreases were partially offset by an increase of ¥15,000 in bonds (including current portion).

#### Net assets

Net assets totaled ¥383,372 million, down ¥21,149 million compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in retained earnings of ¥10,865 million in quarterly net loss attributable to owners of parent and ¥4,550 million in dividend payments, as well as a decrease of ¥5,008 million in foreign currency translation adjustments.

### 2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the cumulative consolidated second quarter amounted to ¥74,382 million, down ¥39,986 million from the end of the prior consolidated fiscal year.

The following text describes cash flows for the period under review:

#### Cash flows from operating activities

Net cash used in operating activities amounted to ¥12,301 million compared to cash provided by operating



activities of ¥95,582 million for the same period in the prior fiscal year. This result was mainly due to a loss before income taxes and other adjustments of ¥11,630 million (compared to income before income taxes and other adjustments of ¥25,524 million in the year-ago period), a decrease in deposits received from specialty stores of ¥19,324 million (compared to an increase of ¥46,178 million in the year-ago period), and income taxes paid in the amount of ¥10,859 million (¥7,647 million in the year-ago period). These decreases were offset in part by depreciation and amortization of ¥28,959 million (¥28,373 million in the year-ago period).

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

Net cash used in investing activities amounted to ¥34,414 million compared to ¥63,049 million in the year-ago period. This result was mainly due to purchases of property, plant and equipment in the amount of ¥32,369 million (¥60,253 million in the year-ago period) for equipment at AEON Fujiidera Shopping Center (Osaka Pref.; opened in the prior consolidated fiscal year) and AEON MALL Takaoka (Toyama Pref.; expanded during the prior consolidated fiscal year). We also used cash for up-front payments to acquire land for development during the six months ended August 31, 2020.

#### **Cash flows from financing activities**

Net cash provided by financing activities amounted to ¥8,534 million, compared to net cash provided of ¥44,284 million in the year-ago period. This result was mainly due to proceeds from issuance of bonds in the amount of ¥30,000 million (¥80,000 million in the year-ago period) and proceeds from long-term debt of ¥8,000 million (¥2,500 million in the year-ago period). During the same period, the company made cash outlays for redemptions of bonds of ¥15,000 million (¥15,000 in the year-ago period), repayments of lease obligations of ¥5,356 million (¥5,501 in the year-ago period), ¥4,550 million in dividend payments (¥4,321 million in the year-ago period), and repayments of long-term debt of ¥4,330 million (¥6,959 million in the year-ago period).

### **(3) Explanation of Consolidated Earnings Projections and Other Projections**

Although consolidated earnings for the six months ended August 31, 2020 outperformed initial projections, the Company has made no changes to the consolidated earnings projections announced July 7, 2020.

For more details, see *Notice Concerning Revision of Consolidated Earnings Projections*, published September 30, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2020	As of August 31, 2020
<b>Assets</b>		
Current assets:		
Cash and deposits	58,283	68,805
Notes and accounts receivable–trade	7,755	7,618
Other	103,382	53,465
Allowance for doubtful receivables	(66)	(84)
Total current assets	169,354	129,805
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	630,602	613,487
Land	305,383	306,034
Right-of-use assets (net)	123,798	114,420
Other, net	31,670	35,578
Total property, plant and equipment	1,091,455	1,069,521
Intangible assets	3,807	3,707
Investments and other assets		
Lease deposits paid	49,919	51,104
Other	66,694	64,360
Allowance for doubtful receivables	(13)	(13)
Total investments and other assets	116,600	115,451
Total fixed assets	1,211,863	1,188,680
Total assets	1,381,217	1,318,485

(Million yen)

	As of February 29, 2020	As of August 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,530	10,422
Bonds due within one year	15,000	15,000
Current portion of long-term debt	35,774	48,124
Lease obligations	12,107	13,070
Income taxes payable	11,388	727
Deposits received from specialty stores	65,426	45,993
Allowance for employee bonus	1,661	978
Allowance for director and corporate auditor performance-based remuneration	114	48
Provision for loss on store closing	572	572
Other current liabilities	61,341	39,772
Total current liabilities	211,916	174,710
Long-term liabilities		
Straight bonds	300,000	315,000
Long-term debt	199,322	189,630
Lease obligations	103,872	94,582
Accrued retirement benefits to employees	1,278	1,148
Asset retirement obligations	16,575	16,674
Lease deposits from lessees	140,375	139,767
Other long-term liabilities	3,355	3,598
Total long-term liabilities	764,779	760,402
Total liabilities	976,695	935,112
<b>Net assets</b>		
Shareholders' equity		
Common stock	42,347	42,364
Capital surplus	40,666	40,683
Retained earnings	318,755	303,339
Treasury stock, at cost	(5)	(5)
Total shareholders' equity	401,765	386,382
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	920	988
Foreign currency translation adjustment	(7,832)	(12,841)
Remeasurements of defined benefit plans	(1,003)	(949)
Total accumulated other comprehensive income	(7,916)	(12,802)
Stock acquisition rights	47	39
Non-controlling interests	10,625	9,753
Total net assets	404,522	383,372
<b>Total liabilities and net assets</b>	<b>1,381,217</b>	<b>1,318,485</b>

**(2) Quarterly consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**(Quarterly Consolidated Statements of Income)**  
**(For the six months ended August 31, 2019 and August 31, 2020)**

(Million yen)

	FY2019 Q2 March 1 - August 31, 2019	FY2020 Q2 March 1 - August 31, 2020
Operating revenue	161,070	126,050
Operating costs	117,618	100,964
Gross profit	43,451	25,086
Selling, general and administrative expenses	14,238	13,325
Operating income	29,212	11,760
Non-operating profits		
Interest income	439	607
Compensation paid by departing tenants	781	838
Foreign exchange gains	269	377
Compensation income	85	304
Other non-operating profits	511	235
Total non-operating profits	2,088	2,363
Non-operating expenses		
Interest expenses	4,978	4,728
Loss on valuation of derivatives	213	11
Other non-operating expenses	951	400
Total non-operating expenses	6,143	5,140
Ordinary income	25,157	8,983
Extraordinary gains		
Gain on sale of fixed assets	2	1
Gain on sale of investment securities	—	5
Compensation income	—	83
Gain on negative goodwill	1,239	—
Gain on step acquisitions	706	—
Total extraordinary gains	1,948	90
Extraordinary losses		
Loss on sale of fixed assets	0	0
Loss on retirement of fixed assets	665	238
Impairment loss	904	3,545
Loss due to COVID-19	—	16,475
Other extraordinary losses	11	444
Total extraordinary losses	1,582	20,704
Income (loss) before income taxes	25,524	(11,630)
Income tax – current	8,114	597
Income tax – deferred	211	(1,192)
Total income taxes	8,325	(595)
Net income (loss)	17,198	(11,034)
Net income (loss) attributable to non-controlling interests	155	(168)
Net income (loss) attributable to owners of parent	17,043	(10,865)

**(Quarterly Consolidated Statements of Comprehensive Income)**  
**(For the six months ended August 31, 2019 and August 31, 2020)**

(Million yen)

	FY2019 Q2 March 1 - August 31, 2019	FY2020 Q2 March 1 - August 31, 2020
Net income (loss)	17,198	(11,034)
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(110)	68
Foreign currency translation adjustment	(5,254)	(5,645)
Remeasurements of defined benefit plans	61	54
Total other comprehensive income	(5,303)	(5,523)
Comprehensive income	11,895	(16,557)
Comprehensive income (loss) attributable to:		
Owners of parent	12,263	(15,752)
Non-controlling interests	(368)	(805)

### (3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2019 Q2 March 1 - August 31, 2019	FY2020 Q2 March 1 - August 31, 2020
Cash flows from operating activities:		
Income (loss) before income taxes	25,524	(11,630)
Depreciation and amortization	28,373	28,959
Impairment loss	904	3,545
Gain on negative goodwill	(1,239)	—
(Gain) loss on step acquisitions	(706)	—
Increase (decrease) in provision for loss on store closing	(40)	—
Interest and dividend income	(473)	(626)
Interest expenses	4,978	4,728
Decrease (increase) in receivables—trade accounts	(657)	(69)
Increase (decrease) in payables—trade accounts	1,975	1,938
Increase (decrease) in deposits received from specialty stores	46,178	(19,324)
Other	2,978	(4,887)
Subtotal	107,796	2,634
Interest and dividends received	383	633
Interest paid	(4,950)	(4,708)
Income taxes paid	(7,647)	(10,859)
Net cash provided by (used in) operating activities	95,582	(12,301)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(60,253)	(32,369)
Proceeds from sales of property, plant and equipment	30	5
Investments in subsidiaries resulting in a change in scope of consolidation	(1,229)	—
Payment of lease deposits to lessors	(456)	(1,380)
Reimbursement of lease deposits to lessors	1,051	155
Repayment of lease deposits from lessees	(4,666)	(4,050)
Proceeds from lease deposits from lessees	5,863	3,797
Other payments	(4,395)	(2,976)
Other proceeds	1,006	2,404
Net cash provided by (used in) investing activities	(63,049)	(34,414)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	(6,000)	—
Repayment of lease obligations	(5,501)	(5,356)
Proceeds from long-term debt	2,500	8,000
Repayment of long-term debt	(6,959)	(4,330)
Proceeds from issuance of bonds	80,000	30,000
Redemption of bonds	(15,000)	(15,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,321)	(4,550)
Dividends paid to non-controlling interests	(6)	(66)
Other	(425)	(162)
Net cash provided by (used in) financing activities	44,284	8,534
Foreign currency translation adjustments on cash and cash equivalents	(1,773)	(1,805)
Net increase (decrease) in cash and cash equivalents	75,044	(39,986)
Cash and cash equivalents at beginning of the period	55,414	114,368
Cash and cash equivalents at end of the period	130,458	74,382

#### (4) Notes to the Quarterly Consolidated Financial Statements

##### Notes on the going concern assumption

Not applicable.

##### Notes on significant changes in shareholders' equity

Not applicable.

##### Changes in major consolidated subsidiaries during the period under review

Not applicable.

##### Supplementary Information

Accounting estimates related to the impact of COVID-19

Although we appear to have passed the peak of the COVID-19 pandemic, AEON MALL Group estimates related to fixed asset impairment accounting assume that the impact of COVID-19 on operating revenue will continue throughout the fiscal year ending February 2021 at levels that contract over time. This assumption is based on the information available at the time we prepared these financial statements.

#### Segment and other information

##### Segment information

##### I. Six Months Ended August 31, 2019

##### 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	136,911	17,801	6,357	161,070	—	161,070
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	136,911	17,801	6,357	161,070	—	161,070
Segment profit (Note 3)	24,847	3,006	1,346	29,200	12	29,212

(Notes) 1. Adjustment to segment profit is adjustment to unrealized gains in intersegment transactions.

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

3. As noted under Changes in accounting policies, the company applied IFRS 16 in the consolidated first quarter.

As a result, profits for the China and ASEAN segments increased ¥2,377 million and ¥238 million, respectively, for the cumulative consolidated second quarter.

##### 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 ¥904 million in impairment loss for the cumulative consolidated second quarter of the current fiscal year.

##### Material gains on negative goodwill

The Company recognized ¥1,239 million in gains on negative goodwill during the first six months of the current consolidated fiscal year. These gains were associated with adding Yokohama Importmart Inc. as a new subsidiary during the period in question.

## II. Six Months Ended August 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	107,414	12,721	5,914	126,050	—	126,050
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	107,414	12,721	5,914	126,050	—	126,050
Segment profit (loss)	11,115	(491)	1,123	11,747	12	11,760

(Notes) 1. Adjustments to segment income (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 and asset groups which the company does not deem recoverable. The Company recorded ¥3,545 million in impairment loss for the cumulative consolidated second quarter of the current fiscal year.

Goodwill did not change materially during the period under review.



### Significant subsequent events

The Company issued the 25th and 26th series of unsecured bonds on September 24, 2020, based on a resolution of the board of directors dated August 18, 2020. The details are outlined below.

Name of bonds	AEON MALL Co., Ltd. Unsecured Bond Series 25 (with inter-bond pari passu clause) (sustainability bonds)
Total value of bonds	¥20,000 million
Value of each bond	¥100 million
Coupon rate	0.220%
Issue price	¥100 per face value of ¥100
Date of issuance	September 24, 2020
Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 24, 2025
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of Proceeds	The Company intends to use proceeds for measures to prevent the spread of COVID-19 infection, support for recovery from the Great East Japan Earthquake, construction for overseas malls, and construction for domestic malls.

Name of bonds	AEON MALL Co., Ltd. Unsecured Bond Series 26 (with inter-bond pari passu clause) (sustainability bonds)
Total value of bonds	¥10,000 million
Value of each bond	¥100 million
Coupon rate	0.470%
Issue price	¥100 per face value of ¥100
Date of issuance	September 24, 2020
Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of September 24, 2027
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of Proceeds	The Company intends to use proceeds for measures to prevent the spread of COVID-19 infection, support for recovery from the Great East Japan Earthquake, construction for overseas malls, and construction for domestic malls.