



# Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2020 (Japanese GAAP)

January 9, 2020

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

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

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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 Third Quarter of the Fiscal Year Ending February 2020 (March 1, 2019 – November 30, 2019)

### (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	%
Nine months ended November 30, 2019	240,573	4.1	42,265	19.1	36,783	6.0	23,503	4.0
Nine months ended November 30, 2018	231,126	9.1	35,488	6.7	34,690	5.2	22,604	14.9

(Note) Comprehensive income: Nine months ended November 30, 2019: ¥15,803 million (41.9%)  
Nine months ended November 30, 2018: ¥11,139 million (-36.0%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Nine months ended November 30, 2019	103.31	103.29
Nine months ended November 30, 2018	99.38	99.35

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
November 30, 2019	1,394,735	388,056	27.1
February 28, 2019	1,203,211	394,059	31.9

(Reference) Equity: November 30, 2019: ¥377,768 million  
February 28, 2019: ¥383,393 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, 2019	—	19.00	—	19.00	38.00
Year ending February 29, 2020	—	20.00	—		
Year ending February 29, 2020 (projection)				20.00	40.00

(Note) Revisions to dividend forecast announced recently: None

## 3. Consolidated Earnings Projections for the Year Ending February 29, 2020 (March 1, 2019 - February 29, 2020)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	326,000	4.2	62,000	17.0	54,000	3.4	33,700	0.5	148.15

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

(Notes) 2. Consolidated financial statements for the fiscal year ending February 29, 2020 will reflect the adoption of IFRS 16 *Leases*. Accordingly, the Company's consolidated earnings projections for the fiscal year ending February 29, 2020 incorporate the impact of this accounting standard.

\* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): Yes

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

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

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

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

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

Note: For details, see 2. *Quarterly Consolidated Financial Statements* (4) *Notes to the Quarterly Consolidated Financial Statements, Changes in accounting policies* on P.15 of the accompanying materials.

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

[1] Number of shares outstanding at period-end (including treasury stock)	Nine months ended November 30, 2019	227,512,809	Year ended February 28, 2019	227,472,789
[2] Treasury stock at period-end	Nine months ended November 30, 2019	2,581	Year ended February 28, 2019	2,279
[3] Average number of shares during the period (quarterly cumulative)	Nine months ended November 30, 2019	227,498,487	Nine months ended November 30, 2018	227,449,534

\* 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.9 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 January 10, 2020. The materials handed out at this briefing will be posted on the Company's website on January 9, 2020, 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

AEON MALL (the Company) formulated a medium-term management plan covering fiscal 2017 (FYE February 28, 2018) through fiscal 2019. Under this plan, we are revising existing business models and securing new growth models. More specifically, we are striving to reach sustainable growth and profit improvements through five growth strategies: (1) Capture growth opportunities in Asia; (2) Develop latent sources of domestic demand; (3) Become the overwhelmingly dominant mall in each region; (4) Capture urban growth opportunities; and (5) Implement an optimal financing mix and build organizational structures that support growth.

Operating revenue for the nine months ended November 30, 2019 was ¥240,573 million, up 4.1% year on year.

Operating costs rose 1.0% to ¥177,137 million, while gross profit rose 13.8% to ¥63,435 million. Selling, general and administrative expenses increased 4.5% to ¥21,169 million. Operating income amounted to ¥42,265 million, which was an increase of 19.1%.

The Company recorded ordinary income of ¥36,783 million, up 6.0% year on year and net income attributable to owners of parent of ¥23,503 million, which was an increase of 4.0%.

Consolidated earnings and earnings by segment in the period under review were as described below.

Our consolidated financial statements for the fiscal year ending February 2020 will reflect the adoption of International Financial Reporting Standard (IFRS) 16 *Leases* with respect to our overseas consolidated subsidiaries. For details on the impact of IFRS 16 adoption, see 2. *Quarterly Consolidated Financial Statements (4) Notes to the Quarterly Consolidated Financial Statements, Changes in accounting policies* on P.15 of the accompanying materials

### ◆ Consolidated Earnings (Million yen)

	FY2018 Q3	FY2019 Q3	Change [YoY]
Operating revenue	231,126	240,573	+9,446 [4.1%]
Operating income	35,488	42,265	+6,777 [19.1%]
Ordinary income	34,690	36,783	+2,092 [6.0%]
Net Income Attributable to Owners of Parent	22,604	23,503	+899 [4.0%]

### ◆ Earnings by Segment (Million yen)

	Operating Revenue			Segment Income (loss)		
	FY2018 Q3	FY2019 Q3	Change [YoY]	FY2018 Q3	FY2019 Q3	Change [YoY]
Japan	198,421	204,538	+6,116 [3.1%]	35,148	36,120	+972 [2.8%]
China	24,602	26,489	+1,887 [7.7%]	(469)	4,107	+4,577 [-]
ASEAN	8,102	9,545	+1,442 [17.8%]	791	2,019	+1,227 [155.2%]
Overseas	32,704	36,034	+3,329 [10.2%]	321	6,126	+5,804 [1,806.5%]
Adjustment	—	—	— [-]	18	18	— [0%]
Total	231,126	240,573	+9,446 [4.1%]	35,488	42,265	+6,777 [19.1%]

AEON MALL applied IFRS 16 as of the beginning of the current consolidated fiscal year. As a result, profits for the China and ASEAN segments increased ¥3,585 million and ¥358 million, respectively, for the cumulative consolidated third quarter.

#### **a. Overseas (China, ASEAN)**

The Company continues to secure improving branding advantages through area-dominant store openings in China and ASEAN. As a result, operating revenue grew to ¥36,034 million, representing a 10.2% increase year on year. Operating income amounted to ¥6,126 million, which was a 1,806.5% increase. The Company's overseas business operated 29 malls as of the end of the cumulative consolidated third quarter, and is experiencing high growth rates in operating revenue and operating income in step with high revenue growth. In addition to new mall openings, AEON MALL is moving forward with renovations for new tenants in existing malls and strategic floor space expansions. These measures combined with initiatives to leverage Japanese-quality mall operations for competitive advantage and increased customer traffic lead us to expect continued high profit growth in the future.

#### **◆ Capture Growth Opportunities in Asia (China)**

The Company recorded operating revenue in China in the amount of ¥26,489 million, an increase of 7.7% year on year. Operating income amounted to ¥4,577 million, an improvement of ¥4,107 million compared to an operating loss of ¥469 million for the same period in the prior fiscal year.

In China, the Company continues area-dominant store openings, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei, and Guangdong. The impact of these store openings has increased the company's brand power to attract more customers. This type of brand advantage attracts quality tenants and leads to lease contracts under more favorable terms.

In June, we opened our first mall in Changshu City (fifth in Jiangsu Province), AEON MALL Changshu Xinqu. This mall provides a brand-new shopping experience for customers, who can use a smartphone app to access digital floor guides, virtual fitting rooms, parking space search, and more through the latest in digital technologies.

In November, we opened our second mall in Shandong Province and first in Qingdao City, AEON MALL Qingdao Xihai Xinqu. This mall is located in the ninth Chinese new national district established in the international resort city of Qingdao City (Shandong Province). Outstanding features include convenient, leading-edge electronic-based services such as face-recognition cash registers at specialty retailers.

On December 6, we signed a memorandum for strategic alliance with the Qingdao City Municipal Government. Under this memorandum, the city will cooperate in the opening of major shopping centers, while AEON MALL will contribute actively to the prosperity and revitalization of the Qingdao City consumer market.

Despite somewhat slowing growth in the country, AEON MALL leverages operational expertise developed in Japan to drive consumer demand 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 tenants, to generate customer traffic.

The number of malls are increasing that have passed the three- to four-year mark after opening, reaching the point of lease renewals, lease renegotiations, and renovations timed to the entry of new, more popular tenants. Through the first nine months of FY 2019, we renovated five malls.

In August, AEON MALL Guanzhou Panyu Square (Guangzhou City, Guangdong) hosted the Fourth Annual AEON MALL National Customer Service Role-Play Contest. The contest is growing every year. This year, nearly 50,000 employees participated, representing 3,700 specialty stores and 19 malls across China. This contest not only improves individual customer service levels, but also leads to improved skills of mall employees as a whole.

These and other measures are driving double-digit growth in specialty store sales at the 17 existing malls. The Company plans to further evolve our malls in China, generating greater customer traffic and growing profits by leveraging the expertise learned in Japan and Japanese-quality mall operations to keep AEON MALL shopping centers feeling fresh and exciting.

**(ASEAN)**

AEON MALL recorded operating revenue in ASEAN in the amount of ¥9,545 million, an increase of 17.8% year on year. Operating income amounted to ¥2,019 million (+155.2%), an increase of ¥1,227 million compared to the year-ago period.

In Vietnam, we responded to market needs accompanying a rapidly growing economy, expanding and renovating existing malls.

In June, we expanded and reopened AEON MALL Tan Phu Celadon (Ho Chi Minh City), our first mall in the country. We increased total lease area for the facility by 1.8 times to 84,000m<sup>2</sup> (37,000m<sup>2</sup> increase). We also raised parking lot capacity to 2,000 cars and 10,000 motorcycles, increases of 1,500 and 6,000, respectively. The diverse range of new tenants includes fashion retailers, sporting goods stores, cosmetics outlets, pet shops, and entertainment. A newly expanded food court now offers seating for 1,000 customers in addition to a beverage zone (food market) on each floor. AEON MALL Tan Phu Celadon now boasts 200 shops and retailers (an increase of 80), many of whom have made their first entry into the Vietnamese market.

In November, we celebrated the grand reopening of AEON MALL Binh Tan (Ho Chi Minh City), our fourth mall in the country. This marked the first major renovation of the mall since first opening in July 2016. In all, 71 tenant spaces were renovated, representing nearly half of the total mall tenants. The mall now features specialty food and other retailers offering daily necessities, accessories, cosmetics, household goods, and other lifestyle suggestion specialty retailers.

After the end of the cumulative consolidated third quarter, we opened the new AEON MALL Ha Dong in December, becoming our fifth in Vietnam and second in Hanoi City. Nearly 40 percent of the 220 tenants and brands are firsts for Vietnam, Hanoi, or any shopping mall. The mall includes global fashion brands and fashion brands popular locally, as well as a zone featuring the latest experimental brands produced by young fashion designers, helping foster domestic brands in Vietnam. Visitors can choose from nearly 80 different restaurants (representing more than one-third of total tenants) or dine in the food court, which offers 21 outlets for Vietnamese or worldwide cuisine.

We are preparing for a fiscal 2020 grand opening of a sixth mall in Vietnam, AEON MALL Hai Phong Le Chan (Hai Phong City).

In Indonesia, we are preparing for fiscal 2020 grand openings of our third and fourth malls, AEON MALL Sentul City (West Java) and AEON MALL Tanjung Barat (South Jakarta).

In Cambodia, we held the Fourth Annual AEON MALL Cambodia Customer Service Role-Play Contest in November. This contest, also held in Vietnam (October) and Indonesia (November) not only improves individual customer service levels, but also leads to improved skills of mall employees as a whole.

## Malls Renovated During the First Nine Months of Fiscal 2019

	Name	Location	Date Reopened	No. of Tenants	No. of New Specialty Stores (A)	Relocated/ Renovated (B)	No. of Renovated Specialty Stores (A) + (B)
China	AEON MALL Suzhou Xinqu	Suzhou City, Jiangsu	April 30	280	35	77	112
	AEON MALL Wuhan Jingkai	Wuhan City, Hubei	May 1	300	78	23	101
	AEON MALL Guangzhou Panyu Square	Guangzhou City, Guangdong	May 1	170	33	14	47
	AEON MALL Hangzhou Liangzhu Xingcheng	Hangzhou City, Zhejiang	May 24	180	23	23	46
	AEON MALL Suzhou Wuzhong	Suzhou City, Jiangsu	September 28	200	26	21	47
Vietnam	AEON MALL Tan Phu Celadon (Note 1)	Ho Chi Minh City	April 25	200	77	46	123
			June 28		45	16	61
	AEON MALL Binh Tan	Ho Chi Minh City	November 22	150	38	33	71

(Notes) 1. AEON MALL Tan Phu Celadon was a floor space expansion and renovation.

## New Business Locations (Malls) Overseas during the First Nine Months of Fiscal 2019

	Name	Location	Opening Date	No. of Tenants	Lease Area (m <sup>2</sup> )
China	AEON MALL Changshu Xinqu	Changshu City, Jiangsu	June 2019	180	63,000
	AEON MALL Qingdao Xihai'an Xinqu	Qingdao City, Shandong	November 2019	240	70,000

## New Overseas Business Locations (Malls) Scheduled to Open During the Fourth Quarter of Fiscal 2019

	Name	Location	Opening Date	No. of Tenants	Lease Area (m <sup>2</sup> )
Vietnam	AEON MALL Ha dong	Hanoi City	December 2019	220	74,000

(Note) The scheduled opening for AEON MALL Sentul City has been shifted to FY2020 due to changes in construction schedule.

The accounting period for companies outside Japan is the year ending December 31. Accordingly, figures presented herein reflect results for January through September.

## b. Japan

The Company recorded operating revenue in Japan in the amount of ¥204,538 million, an increase of 3.1% year on year. Operating income amounted to ¥36,120, up 2.8%.

Our Mall Business expanded sales floor space in four malls and renovated eleven existing malls during the period. Along with expansions and mall renovations, the Company implemented measures to increase new customer segment drawing power (Happiness Mall Initiative, etc.), while executing sales policies to promote localization.

## ◆ Develop Latent Sources of Domestic Demand

To encourage consumer demand in Japan post-consumption tax increase, we launched a Restaurant/Food Court/Cafe WAON POINT x5 Campaign between October 1 and October 31. This campaign was designed to attract families and customers of all ages.

Over the five-day period between November 22 and November 26 (Note), we held a nation-wide AEON MALL Black Friday campaign. As our fourth consecutive Black Friday campaign to attract more customers, we offered limited availability pricing for popular fashion and food items, as well as original novelty items and a five-times point reward when using the AEON Card for payments. Results were favorable, as customer traffic was up 8.5 percent year on year during the promotional period, while specialty store sales were up 6.9

percent (both figures adjusted for equivalent days).

In response to changes in the consumer environment and the transition toward digitalization, we have started initiatives toward creating Smart Malls to create traffic among a wide range of customer segments and improve the shopping environment. In China and ASEAN, we are developing and testing digital equipment with domestic and international partners who have unique technologies, reflecting tests of advanced digital technologies and the opinions of our customers. Using AEON MALL Makuhari Shintoshin as a pilot location, AEON MALL plans to conduct proof-of-concept tests related to five topics: (1) stress-free, (2) convenience, (3) information and communications, (4) inbound tourism, and (5) labor and energy savings. We will conduct a horizontal rollout of these initiatives across other malls throughout Japan after verifying results.

The AEON Group has been strengthening Health and Wellness initiatives that contribute to rich and varied lifestyles for customers through physical and mental health. AEON MALL aspires to be a space for customers to find happiness. We are rolling out Happiness Mall initiatives built on four pillars: Health, Wellness, Community, and Opportunity. We continue to create local communities through a variety of projects that include weather-independent, comfortable AEON MALL Walking, Opera de AEON MALL concerts held in collaboration with the Japan Opera Foundation, and other ultimate localization activities in collaboration with industry, academia, government, private groups, cultural organizations, and merchants.

(Note) Three-day period from November 23 to November 25 in the previous year. Comparative figures used represent November 22 through November 26.

### **◆ Become the Overwhelmingly Dominant Mall in Each Region**

As more retail facilities become victims of natural selection, AEON MALL is increasing its share of dominant regional malls that enjoy the highest rates of customer support. Becoming the dominant No.1 mall in one region raises competitive advantage throughout the Japanese shopping mall market.

During the period under review, the Company expanded floor space at four malls (AEON MALL Higashiura (Aichi Pref.), AEON MALL Natori (Miyagi Pref.), AEON MALL Okinawa Rycom (Okinawa Pref.), and AEON MALL Takaoka (Toyama Pref.)) and renovated 11 malls.

AEON MALL Takaoka underwent a floor expansion in September, adding 70 tenant spaces and raising the total number to 200. We expanded the lease area by 19,000m<sup>2</sup> to 82,000m<sup>2</sup>, while renovating nearly half the facility, creating one of the largest shopping malls in the Hokuriku region. The expanded space hosts a collection of major fashion retailers, the latest in experiential amusement facilities, and a new, nearly 900-seat food court, resulting in a total of almost 1,400 seats between the new and existing food courts. The mall is truly in a unique class among shopping centers in the Hokuriku region.

Since undergoing a renovation in October 2018, AEON MALL Fukuoka (Fukuoka Pref.) received a second upgrade in October 2019, introducing 100 new lifestyle retailers, major fashion retailers, and other tenants. We installed digital signage in 16 locations throughout the facility, as well as touch-panel floor maps that provide information in Japanese, English, Chinese, and Korean. In these and other ways, we have introduced the latest in digital technologies to improve customer convenience.

Our tenants enjoyed solid sales performance in the 22 malls with expanded floor space or renovations conducted in the previous year and third quarter of the current fiscal year. Sales grew a strong 6.6% compared to the same period in the prior fiscal year.

New mall openings included the September grand opening of AEON Fujiidera Shopping Center (Osaka Pref.). This mall was opened originally in 1973 and closed temporarily in 2014 for the rebuild and rebrand into AEON Fujiidera. In addition, a gourmet food zone with a food court and stores selling the three major fresh foods, confections, and side dishes, the shopping center also hosts 65 retailers specializing in daily-use goods. The facility also offers a book-return box for the library, a city information desk, and other initiatives tied to the

local community.

We have also started construction on AEON MALL Ageo (Saitama Pref.; tentative name) and the new wing of AEON MALL Rifu (Miyagi Pref.; tentative name) looking ahead to fiscal 2020 grand openings.

#### Malls Renovated During the First Nine Months of Fiscal 2019

Name	Location	Date Reopened	No. of Tenants	No. of New Specialty Stores (A) (Note 1)	Relocated/ Renovated (B)	No. of Renovated Specialty Stores (A) + (B)
AEON MALL Musashi Murayama	Tokyo Pref.	March 20	180	27 (4)	56	83
		July 12		16 (3)	5	21
AEON MALL Mito Uchihara	Ibaraki Pref.	March 21	200	18 (5)	11	29
AEON MALL Higashiura (Note 2)	Aichi Pref.	April 19	170	69 (11)	53	122
		July 30		14 (—)	—	14
AEON MALL Natori (Note 2)	Miyagi Pref.	April 19	240	67 (29)	54	121
AEON MALL Hiroshima Fuchu	Hiroshima Pref.	April 19	280	10 (1)	2	12
AEON MALL Narita	Chiba Pref.	April 20	170	30 (9)	58	88
		July 12		7 (1)	6	13
AEON MALL Kasukabe	Saitama Pref.	April 20	160	19 (—)	7	26
AEON MALL Okinawa Rycom (Note 2)	Okinawa Pref.	April 26	240	14 (8)	4	18
AEON MALL Kobe Kita	Hyogo Pref.	April 26	160	12 (1)	11	23
AEON MALL Tsukuba	Ibaraki Pref.	April 26	200	21 (7)	11	32
AEON MALL Sakai Teppochō	Osaka Pref.	April 27	160	18 (—)	3	21
Kobe Harborland umie	Hyogo Pref.	July 12	230	12 (—)	14	26
		September 12		13 (—)	3	16
AEON MALL Takaoka (Note 2)	Toyama Pref.	September 14	200	77 (32)	27	104
AEON MALL Fukuoka	Fukuoka Pref.	October 25	220	20 (3)	80	100
AEON MALL Hanyu	Saitama Pref.	November 1	210	18 (1)	2	20

(Notes) 1. Numbers in parentheses indicate the number of new specialty stores opening their first shop in that prefecture.

2. AEON MALL Higashiura, AEON MALL Natori, AEON MALL Okinawa Rycom, and AEON MALL Takaoka underwent floor space expansions and renovations.

#### New Japanese Business Locations (Malls) Opened During the Third Quarter of Fiscal 2019

Name	Location	Opening Date	No. of Tenants	Lease Area (m <sup>2</sup> )
AEON Fujiidera Shopping Center	Osaka Pref.	September 2019	65	15,000

#### ◆ Capture Urban Growth Opportunities

OPA Co., Ltd. is renovating locations to transition away from apparel-heavy sales, working to attract trendy specialty stores that will generate more customer traffic at existing facilities.

During the first nine months of the current consolidated fiscal year, OPA relocated the Nagoya Wonder City VIVRE facility (opened originally in April 2009), reopening the shopping center in October as Nagoya mozo OPA (Aichi Pref.). Including a fully stocked bookstore, cafe, interior accessories, and child education, Nagoya mozo OPA offers a wide diversity of retailers in a convenient culture zone. In November, Canal City OPA (Fukuoka Pref.) converted its second-floor ladies' floor to unisex floor that includes the latest men's fashion trends. The location also offers an increased ratio of cosmetics and daily-use goods for inbound tourists.

As a result of these activities and reactivations of existing tenants, like-for-like sales rose 3.7%.

The Company acquired shares of Yokohama Importmart Inc., operator of Yokohama World Porters, from

Yokohama City. OPA Co., Ltd. had operated certain sections of World Porters Vivre (Kanagawa Pref.) in Yokohama World Porters. Moving forward, AEON MALL will centrally manage and operate the entire facility, conducting renovations to attract traffic more effectively, to operate more efficiently, and to grow profits.

We plan to close Tenjin Vivre (Fukuoka Pref.) temporarily beginning Feb. 11, 2020 in conjunction with the Tenjin Big Bang Project (redevelopment of the Tenjin/Hakata district in Fukuoka City). Store closing sales will be held in conjunction with the final days of this location, operated for 44 years since starting in 1976 as Nichii Tenjin. The redevelopment project includes plans to develop a large-scale multi-use building and engage in major revitalization efforts, after which we intend to relaunch our location.

#### New Japanese Business Locations (Urban Shopping Centers) Opened Through the Third Quarter of Fiscal 2019

Name	Location	Opening Date	No. of Tenants	Lease Area(m <sup>2</sup> )
Oita OPA	Oita Pref.	June 2019	47	3,800

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

#### Assets

Total assets amounted to ¥1,394,735 million, up ¥191,523 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to the recognition of ¥135,633 million in right-of-use assets stemming from the application of IFRS 16 (including transfers of land-use rights under other within investments and other assets in prior years). The Company acquired property, plant and equipment of ¥72,124 million in connection with the assets of new subsidiary Yokohama Importmart Inc., the activation of existing malls, and the advance acquisition of land for development in the future. At the same time, cash and deposits increased ¥4,159 million, deposits paid to affiliates (included in *other* under *current assets*) increased ¥56,600 million, and fixed assets decreased ¥42,654 million due to depreciation.

#### Liabilities

Total liabilities stood at ¥1,006,678 million, up ¥197,526 million compared to the end of the prior consolidated fiscal year. This result was mainly due to ¥114,659 million in lease obligations stemming from the application of IFRS 16 (including *lease* obligations under *current liabilities*), an increase in deposits received from specialty stores of ¥43,309 million, and an increase in bonds of ¥65,000 million (including current portion). These amounts were offset in part by decreases in notes and accounts payable-trade of ¥10,500 million, commercial paper of ¥6,000 million, accounts payable-other related to facilities for new mall openings, etc; included under *other* in *current liabilities*) of ¥5,849 million, and long-term debt (including *current portion*) of ¥4,884 million.

#### Net assets

Net assets totaled ¥388,056 million, down ¥6,002 million compared to the end of the prior consolidated fiscal year. Despite recording an increase in retained earnings of ¥23,503 million in connection with net income attributable to owners of parent, the Company posted a decrease of ¥12,985 million in connection with application of IFRS 16, made dividend payments of ¥8,872 million, and recorded a decrease in foreign currency translation adjustment of ¥7,425 million.

### 2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the cumulative consolidated third quarter amounted to ¥109,771 million, up ¥54,357 million compared to 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 ¥106,426 million, compared to cash flows of ¥70,689

million for the same period in the prior fiscal year. This result was due to several factors, including income before income taxes and other adjustments of ¥36,164 million (¥34,382 million in the year-ago period), depreciation and amortization of ¥42,654 million (¥31,998 million in the year-ago period), and the fact that the end of the consolidated quarter was a bank holiday, resulting in an increase of deposits received from specialty stores of ¥42,984 million (¥21,720 million in the year-ago period). At the same time, income taxes paid amounted to ¥15,165 million, compared to ¥16,774 million in the year-ago period.

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

Net cash used in investing activities amounted to ¥85,002 million, compared to ¥128,568 million used through the third quarter of the prior fiscal year. Principal factors were the purchase of property, plant and equipment of ¥78,095 million (¥144,625 million through the third quarter of the previous fiscal year) due to payments for equipment at malls opened in the prior (THE OUTLETS HIROSHIMA, AEON MALL Iwaki Onahama, AEON MALL Tsu-Minami) and expanded in the current (AEON MALL Higashiura, AEON MALL Natori ) fiscal years, as well as payments in advance for land for development.

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

Net cash provided by financing activities amounted to ¥36,674 million, compared to net cash provided of ¥87,654 million through the third quarter of the prior fiscal year. This result was mainly due to proceeds from issuance of bonds in the amount of ¥80,000 million (¥80,000 million in the year-ago period) and proceeds from long-term debt of ¥4,500 million (¥53,235 million in the year-ago period). During the same period, the Company made cash outlays for redemptions of bonds of ¥15,000 million (no outlays during the year-ago period), repayments of long-term debt of ¥9,048 million (¥25,384 million in the year-ago period), ¥8,872 million in dividend payments (¥8,642 million in the year-ago period), and ¥6,000 million in repayments of short-term loans and commercial paper (¥11,000 million in the year-ago period).

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

The Company has made no changes to the consolidated earnings projections announced April 9, 2019.

Consolidated financial statements for the current consolidated fiscal year will reflect the adoption of IFRS 16. The Company's consolidated earnings projections for the current fiscal year incorporate the impact of this accounting standard.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2019	As of November 30, 2019
<b>Assets</b>		
Current assets:		
Cash and deposits	56,823	60,983
Notes and accounts receivable–trade	7,426	6,935
Other	38,376	108,107
Allowance for doubtful receivables	(34)	(66)
Total current assets	102,592	175,959
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	612,656	632,349
Land	297,196	304,327
Right-of-use assets (net)	—	124,737
Other, net	30,740	37,889
Total property, plant and equipment	940,593	1,099,303
Intangible assets	3,638	3,527
Investments and other assets		
Lease deposits paid	52,061	50,162
Other	104,340	65,795
Allowance for doubtful receivables	(15)	(13)
Total investments and other assets	156,387	115,944
Total fixed assets	1,100,618	1,218,775
Total assets	1,203,211	1,394,735

(Million yen)

	As of February 28, 2019	As of November 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	19,977	9,476
Commercial paper	6,000	—
Bonds due within one year	15,000	15,000
Current portion of long-term debt	24,015	31,486
Lease obligations	21	11,355
Income taxes payable	7,879	4,888
Deposits received from specialty stores	41,931	85,241
Allowance for employee bonus	1,525	2,015
Allowance for director and corporate auditor performance-based remuneration	110	84
Provision for loss on store closing	612	572
Other current liabilities	69,850	65,120
Total current liabilities	186,923	225,240
Long-term liabilities		
Straight bonds	235,000	300,000
Long-term debt	226,960	214,604
Lease obligations	106	103,432
Accrued retirement benefits to employees	1,133	1,055
Asset retirement obligations	16,226	17,509
Lease deposits from lessees	138,842	141,472
Other long-term liabilities	3,959	3,363
Total long-term liabilities	622,228	781,437
Total liabilities	809,151	1,006,678
<b>Net assets</b>		
Shareholders' equity		
Common stock	42,313	42,346
Capital surplus	40,597	40,665
Retained earnings	306,373	308,020
Treasury stock, at cost	(4)	(4)
Total shareholders' equity	389,280	391,027
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,312	1,273
Foreign currency translation adjustment	(6,247)	(13,672)
Remeasurements of defined benefit plans	(951)	(859)
Total accumulated other comprehensive income	(5,887)	(13,259)
Stock acquisition rights	91	50
Non-controlling interests	10,574	10,237
Total net assets	394,059	388,056
Total liabilities and net assets	1,203,211	1,394,735

**(2) Quarterly consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(For the nine months ended November 30, 2018 and November 30, 2019)**

(Million yen)

	FY2018 Q3 March 1 - November 30, 2018	FY2019 Q3 March 1 - November 30, 2019
Operating revenue	231,126	240,573
Operating costs	175,372	177,137
Gross profit	55,754	63,435
Selling, general and administrative expenses	20,265	21,169
Operating income	35,488	42,265
Non-operating profits		
Interest income	592	704
Compensation paid by departing tenants	1,088	1,340
Foreign exchange gains	—	401
Gain on valuation of derivatives	372	—
Compensation income	443	179
Other non-operating profits	490	698
Total non-operating profits	2,987	3,324
Non-operating expenses		
Interest expenses	2,487	7,368
Loss on valuation of derivatives	—	266
Foreign exchange losses	182	—
Other non-operating expenses	1,116	1,171
Total non-operating expenses	3,785	8,806
Ordinary income	34,690	36,783
Extraordinary gains		
Gain on sale of fixed assets	1,518	4
Gain on negative goodwill	—	1,239
Gain on step acquisitions	—	706
Total extraordinary gains	1,518	1,950
Extraordinary losses		
Loss on sale of fixed assets	1	1
Loss on retirement of fixed assets	845	1,562
Impairment loss	818	993
Other extraordinary losses	160	11
Total extraordinary losses	1,826	2,568
Income before income taxes and other adjustments	34,382	36,164
Income tax – current	12,810	12,444
Income tax – deferred	(399)	65
Total income taxes	12,411	12,510
Net income	21,970	23,654
Net income (loss) attributable to non-controlling interests	(633)	150
Net income attributable to owners of parent	22,604	23,503

**(Quarterly Consolidated Statements of Comprehensive Income)**  
**(For the nine months ended November 30, 2018 and November 30, 2019)**

(Million yen)

	FY2018 Q3 March 1 - November 30, 2018	FY2019 Q3 March 1 - November 30, 2019
Net income	21,970	23,654
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(37)	(38)
Foreign currency translation adjustment	(10,875)	(7,905)
Remeasurements of defined benefit plans	82	92
Total other comprehensive income	(10,831)	(7,851)
Comprehensive income	11,139	15,803
Comprehensive income (loss) attributable to:		
Owners of parent	12,490	16,131
Non-controlling interests	(1,350)	(328)

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

(Million yen)

	FY2018 Q3 March 1 - November 30, 2018	FY2019 Q3 March 1 - November 30, 2019
Cash flows from operating activities:		
Income before income taxes and other adjustments	34,382	36,164
Depreciation and amortization	31,998	42,654
Impairment loss	818	993
Gain on negative goodwill	—	(1,239)
(Gain) loss on step acquisitions	—	(706)
Increase (decrease) in provision for loss on store closing	(137)	(40)
Interest and dividend income	(626)	(748)
Interest expenses	2,487	7,368
Decrease (increase) in receivables—trade accounts	(353)	119
Increase (decrease) in payables—trade accounts	4,472	1,345
Increase (decrease) in deposits received from specialty stores	21,720	42,984
Other	(5,378)	(328)
Subtotal	89,383	128,567
Interest and dividends received	529	551
Interest paid	(2,449)	(7,526)
Income taxes paid	(16,774)	(15,165)
Net cash provided by (used in) operating activities	70,689	106,426
Cash flows from investing activities:		
Purchase of property, plant and equipment	(144,625)	(78,095)
Proceeds from sales of property, plant and equipment	12,197	34
Investments in subsidiaries resulting in a change in scope of consolidation	—	(1,229)
Payment of lease deposits to lessors	(2,809)	(1,118)
Reimbursement of lease deposits to lessors	4,618	2,231
Repayment of lease deposits from lessees	(7,928)	(7,341)
Proceeds from lease deposits from lessees	12,857	9,741
Other payments	(4,514)	(11,941)
Other proceeds	1,636	2,716
Net cash provided by (used in) investing activities	(128,568)	(85,002)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	(11,000)	(6,000)
Repayment of lease obligations	(19)	(8,311)
Proceeds from long-term debt	53,235	4,500
Repayment of long-term debt	(25,384)	(9,048)
Proceeds from issuance of bonds	80,000	80,000
Redemption of bonds	—	(15,000)
Purchase of treasury stock	(1)	(0)
Dividends paid	(8,642)	(8,872)
Dividends paid to non-controlling interests	(6)	(6)
Investments in subsidiaries not resulting in a change in scope of consolidation	—	(161)
Other	(527)	(425)
Net cash provided by (used in) financing activities	87,654	36,674
Foreign currency translation adjustments on cash and cash equivalents	(2,860)	(3,741)
Net increase (decrease) in cash and cash equivalents	26,914	54,357
Cash and cash equivalents at beginning of the period	54,223	55,414
Cash and cash equivalents at end of the period	81,137	109,771

#### **(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 has applied IFRS 16 (Leases) at overseas consolidated subsidiaries beginning with the first quarter of the fiscal year ending February 2020. See Notes to the Quarterly Consolidated Financial Statements, Changes in accounting policies for more.

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

During the first six months of current consolidated fiscal year, AEON MALL acquired shares and converted Yokohama Importmart Inc. to a subsidiary, adding this entity to the scope of consolidation. Further, Yokohama Importmart Inc. qualifies as a special subsidiary.

##### **Changes in accounting policies**

The Company has applied IFRS 16 (Leases) at overseas consolidated subsidiaries beginning with the first quarter of the fiscal year ending February 2020. Accordingly, lessees recognize assets and liabilities for all leases as a rule.

In accordance with transitional treatment, the Company has recognized the impact of this accounting standard cumulatively as of the date of adoption for balances at the beginning of the first quarter of the current consolidated fiscal year.

As a result, right-of-use assets (net), lease obligations under current liabilities, and lease obligations under long-term liabilities have increased ¥124,737 million, ¥11,334 million, and ¥103,341 million, respectively, on the Company's consolidated balance sheets as of the third quarter of the consolidated fiscal year. Retained earnings decreased ¥12,985 million. Land-use rights of ¥35,707 million included under other within investments and other assets in prior years is now included in right-of-use assets (net) as of the first quarter of the consolidated fiscal year.

On the company's consolidated statements of income for the third quarter of the cumulative consolidated fiscal year, operating income rose ¥3,943 million, while ordinary income and income before taxes and other adjustments decreased ¥869 million.

The impact of these changes on per-share data for the first quarter of the consolidated fiscal year is minor.

##### **Supplementary Information**

###### **Application of Partial Amendment to Accounting Standard for Tax-Effect Accounting**

The Company adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) in the first quarter of the current consolidated fiscal year. Under this standard, the Company presents deferred tax assets under investments and other assets and deferred tax liabilities under long-term liabilities.

## Segment and other information

### Segment information

#### I. Nine Months Ended November 30, 2018

##### 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	198,421	24,602	8,102	231,126	—	231,126
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	198,421	24,602	8,102	231,126	—	231,126
Segment profit (loss)	35,148	(469)	791	35,469	18	35,488

(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. The Company recorded ¥818 million in impairment loss for the cumulative consolidated third quarter.

Goodwill did not change materially during the period under review.

#### II. Nine Months Ended November 30, 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 to external customers	204,538	26,489	9,545	240,573	—	240,573
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	204,538	26,489	9,545	240,573	—	240,573
Segment profit	36,120	4,107	2,019	42,247	18	42,265

(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 has applied IFRS 16 as of the first quarter of the current consolidated fiscal year.

As a result, profits for the China and ASEAN segments increased ¥3,585 million and ¥358 million, respectively.

##### 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 related to store closings

and asset groups which have experienced a significant decline in profitability. The Company recorded ¥993 million in impairment loss for the cumulative consolidated third quarter.

Material gains on negative goodwill

In the Japan segment, the Company recognized ¥1,239 million in gains on negative goodwill during the first nine 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.

**Significant subsequent events**

Not applicable.