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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2025 (Japanese GAAP)

July 11, 2024

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

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

Representative: Keiji Ohno, President and CEO

Scheduled date of filing of quarterly report: July 12, 2024

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 2025 (March 1, 2024 – May 31, 2024)

(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, 2024	109,432	3.7	15,472	11.4	12,367	7.8	6,871	7.8
Three months ended May 31, 2023	105,529	9.7	13,883	6.0	11,471	5.8	6,372	2.3

(Note) Comprehensive income: Three months ended May 31, 2024: ¥26,988 million (78.4%)

Three months ended May 31, 2023: ¥15,124 million (-40.5%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Three months ended May 31, 2024	30.19	30.19
Three months ended May 31, 2023	28.00	28.00

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
May 31, 2024	1,676,982	497,326	28.9
February 29, 2024	1,655,253	476,226	28.0

(Reference) Equity: May 31, 2024: ¥485,002 million

February 29, 2024: ¥464,291 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, 2024	—	25.00	—	25.00	50.00
Year ending February 28, 2025	—				
Year ending February 28, 2025 (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, 2025 (March 1, 2024 - February 28, 2025)

(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, FY2024	221,000	4.8	26,000	6.4	19,700	0.1	5,400	(48.6)	23.72
Full-year	453,500	7.2	55,000	18.5	42,000	13.3	16,500	(19.1)	72.50

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

* Notes

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

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

[1] Number of shares outstanding at period-end (including treasury stock)	Three months ended May 31, 2024	227,560,939	Year ended February 29, 2024	227,560,939
[2] Treasury stock at period-end	Three months ended May 31, 2024	4,796	Year ended February 29, 2024	4,796
[3] Average number of shares during the period (quarterly cumulative)	Three months ended May 31, 2024	227,556,143	Three months ended May 31, 2023	227,555,062

* 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.8 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 12, 2024. The materials handed out at this briefing will be posted on the Company's website on July 11, 2024, 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

We recorded higher revenue for the consolidated first quarter of the current fiscal year compared to the same period in the previous consolidated fiscal year, with operating revenue amounting to ¥109,432 million (+3.7% year on year). Operating income experienced a double-digit increase, amounting to ¥15,472 million (+11.4%). As a result, ordinary income amounted to ¥12,367 million (+7.8%), and net income attributable to owners of parent increased to ¥6,871 million (+7.8%), with each profit measure increasing year on year. We posted record highs for operating revenue and operating income.

By segment, our Domestic Business (Japan) engaged in aggressive activation and customer attraction measures, fostered inbound travel consumption, and improved costs, resulting in a recovery in profitability among existing malls. These efforts contributed to operating revenue in the amount of ¥84,724 million (+0.7% year on year), and operating income of ¥11,757 million (+14.2%). In overseas business, China and Cambodia posted lower profits year on year, while Vietnam and Indonesia posted higher profits, helping overall performance recover. As a result, operating revenue amounted to ¥24,799 million (+16.0%) and operating income rose to ¥3,708 million (+3.5%).

◆ Consolidated Earnings

(Million yen)

	FY2023 Q1	FY2024 Q1	Change [YoY]
Operating revenue	105,529	109,432	+3,902 [+3.7%]
Operating income	13,883	15,472	+1,588 [+11.4%]
Ordinary income	11,471	12,367	+896 [+7.8%]
Net income attributable to owners of parent	6,372	6,871	+499 [+7.8%]

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2023 Q1	FY2024 Q1	Change [YoY]	FY2023 Q1	FY2024 Q1	Change [YoY]
Japan	84,150	84,724	+573 [+0.7%]	10,294	11,757	+1,462 [+14.2%]
China	14,391	16,430	+2,038 [+14.2%]	2,501	2,255	(245) [-9.8%]
Vietnam	3,528	4,013	+485 [+13.8%]	1,093	1,332	+239 [+21.9%]
Cambodia	1,899	2,238	+339 [+17.9%]	97	56	(40) [-41.5%]
Indonesia	1,559	2,115	+556 [+35.7%]	(105)	66	+172 [—]
Other	—	—	— [—]	(3)	(3)	(0) [—]
Overseas	21,378	24,799	+3,420 [+16.0%]	3,582	3,708	+125 [+3.5%]
Adjustment	—	(90)	(90) [—]	6	6	— [+0.0%]
Total	105,529	109,432	+3,902 [+3.7%]	13,883	15,472	+1,588 [+11.4%]

The following describes the status of sales and the impact of initiatives in each country, based on our medium-term management plan. The accounting period for companies outside Japan is the year ending December 31; therefore, earnings for the consolidated first quarter reflect results from January through March.

(Japan)

The Company recorded higher revenue and profit in Japan. Operating revenue amounted to ¥84,724 million (+0.7% year on year) and operating income experienced double-digit growth, amounting to ¥11,757 million (+14.2%).

Specialty store sales at existing malls (92 malls) during the consolidated first quarter were +3.1% compared with the year-ago quarter. We renovated 10 existing malls during the consolidated first quarter of the current fiscal year. These renovations, part of efforts to strengthen profitability, included Lake Town OUTLET at AEON Lake Town (Saitama Prefecture) on March 29 and AEON MALL Ota (Gunma Prefecture) on April 19.

At AEON LAKETOWN OUTLET, we introduced a new two-story building expansion to incorporate international and lifestyle brand stores, resulting in 68 stores total combined with the existing building. As a result, the mall now has a total lease area of 30,000m² (increase of 7,000m²) and 140 specialty stores (increase of 20 stores).

We conducted a large-scale renovation for AEON MALL Ota, increasing floor space by approximately 54% by constructing a new two-story building. The renovated mall has a total leased area of 76,000m² (increase of 14,000m²) and 185 specialty stores (increase of 35 stores).

We conducted a second phase of renovations for Yokohama World Porters (Kanagawa Prefecture) on July 11, adding 35 stores following a first phase of renovations in April. The renovation created the largest food and entertainment space in the area.

To attract customers in greater numbers, we held more than 1,500 events at AEON MALL locations throughout Japan between April 26 and May 6 during Golden Week. Our objective was to help families enjoy time together in comfort indoors, regardless of weather conditions outside. The number of foreign visitors to Japan and inbound consumption is on the rise, supported by the ongoing depreciation of the yen. Sales at our malls continued to increase, particularly for malls located near tourist attractions.

To create new incentives to visit our malls, we concluded a business co-creation partnership agreement with Japan Rugby League One and other sports teams and organizations under the concept *SPORTS to FUTURE: Bringing the Joy of Sports to Our Communities and the Future*. Under this concept, we will sponsor sports events at AEON MALL facilities nationwide in cooperation with sports teams and organizations.

We are also collaborating with the Ministry of the Environment to be designated as a Cooling Shelter—heat evacuation facilities available in the event of a special alert issued related to heat stroke. Our aim here is to reduce the number of heat stroke victims by encouraging customers in the community to use our buildings. At the same time, we will introduce measures for Cool Share at all AEON MALL locations in Japan to reduce energy consumption—a social issue—as well as reduce the burden on household budgets due to soaring fuel costs.

While we have no plans to open new properties in the current consolidated fiscal year, we began construction on AEON MALL Suzaka (Nagano Prefecture) and AEON MALL Sendai Amamiya (tentative name; Miyagi Prefecture), preparing for fiscal 2025 openings. We intend to renovate existing malls proactively, tailoring renovations to local market characteristics. In addition to offering diverse value to our customers, our plans include building more comfortable spaces in common areas and making upgrades to the environment of the facility in question, which will create new incentives for customers to visit malls and increase the frequency of mall visits. Through these efforts, we will strengthen the ability of our malls to attract customers in Japan and improve profitability, leading to sustainable growth in our domestic business.

(China)

In China, the Company recorded operating revenue of ¥16,430 million (+14.2% year on year) and operating income of ¥2,255 million (-9.8%), as profits were impacted negatively by the mall closures in the previous fiscal year.

During the consolidated first quarter of the current fiscal year, consumers exhibited more thrifty behavior in response to the economic slowdown caused by the sluggish real estate market. During the same period in the previous consolidated fiscal year,

we saw the emergence of pent-up demand following the relaxation of the long-standing Zero-COVID policy, which resulted in strong sales of jewelry and other high-priced items. The negative rebound in this period, along with the aforementioned thriftiness, resulted in lower average customer spend year on year. At the same time, customer traffic to existing malls (21 malls) rose by a significant 16.0%. This increase was in response to measures to attract customers during the February Chinese New Year and Women's Day in March, as well as the impact of renovations via tenant replacements at each mall. As a result, specialty store sales at existing malls (21 malls) rose +6.7% year on year.

Customer traffic continued to grow in the double digits in the consolidated second quarter, with positive specialty store sales trends, despite the ongoing conservative consumer sentiment. We intend to develop other measures drive higher customer traffic, at the same time conducting sales initiatives leading to higher purchase rates and improved average spend.

We plan to open two new malls in China. On June 1, we opened a second mall in Zhejiang Province, AEON MALL Hangzhou Qiantang (Hangzhou City, Zhejiang Province). The mall features several plazas and parks of different characteristics inside and out, creating community interaction spaces. Meanwhile, a large-scale entertainment area offers an indoor amusement park, the latest experience-based amusements, and other attractions. In addition, we are preparing to open our first mall in Hunan Province, AEON MALL Changsha Xingsha (Changsha City, Hunan Province), in the second half of the fiscal year.

(Vietnam)

The Company recorded higher revenue and profit in Vietnam, continuing high profit growth. Operating revenue amounted to ¥4,013 million (+13.8% year on year) and operating income amounted to ¥1,332 million (+21.9%).

During the consolidated first quarter of the current fiscal year, certain areas in the south were still affected by the slowdown in economic growth caused by last year's bankruptcies of export product factories. However, we conducted sales campaigns centered on February Tet (Chinese New Year) and March International Women's Day, driving strong sales of jewelry, cosmetics, food, and other gifts and anniversary-related items in particular. As a result, specialty store sales at existing malls (6 malls) rose +8.8% year on year.

In the consolidated second quarter, we will continue striving to increase customer traffic, raise average spend, and increase purchasing. To this end, we plan to hold events in parking lots and outside spaces, offer coupons to use at specialty stores, and implement other measures that encourage customers to shop.

In the second half of the year, we plan to open AEON MALL Hue (Thua Thien Hue Province), our first store in the central area of the country.

(Cambodia)

The Company recorded operating revenue in Cambodia in the amount of ¥2,238 million (+17.9% year on year) and operating income of ¥56 million (-41.5%).

During the consolidated first quarter of the current fiscal year, customer traffic showed signs of improvement, due in part to the renovation and expansion of our first mall in Cambodia, AEON MALL Phnom Penh (Phnom Penh Metropolitan City), in November last year. As a result, specialty store sales at existing malls (3 malls) for the consolidated first quarter were +0.6% year on year. However, the country recorded lower operating income, partly due to the impact of vacant floor space at the third mall in the country, AEON MALL Meanchey (Phnom Penh).

Throughout the consolidated second quarter, the traffic congestion caused by the construction on the road in front of AEON MALL Meanchey continued to have an impact on attracting customers. The construction of the main road in front of the building was completed in April, and improvements in the surrounding area are expected to be completed in July. With the completion of said construction, transportation access from the center of Phnom Penh should improve. We plan to step up sales promotion activities to recover the mall traffic. The leasing environment should improve, and we plan to strengthen efforts to attract specialty stores to the area, improving mall vacancy rates and profitability.

(Indonesia)

The Company recorded higher operating revenue in Indonesia at ¥2,115 million (+35.7% year on year). Performance swung to a net profit, with operating income amounting to ¥66 million (compared with an operating loss of ¥105 million for the three months

ended March 31, 2023), representing an improvement of ¥172 million year on year.

During the consolidated first quarter of the current fiscal year, vacancy rates at existing malls, especially at the fourth mall in the country, AEON MALL Tanjung Barat (South Jakarta District), improved. Both revenues and customer numbers showed positive trends compared to the year-ago period. On March 22, the fifth mall in the country, AEON MALL Delta Mas (Bekasi Province) celebrated its grand opening. In conjunction with the opening, we conducted sales promotions in collaboration with existing malls to drive mutual customer traffic. As a result, the number of customers visiting existing malls (4 malls) during the consolidated first quarter of the current fiscal year, grew 14.9% compared to the year-ago period.

Looking at the consolidated second quarter and beyond, we plan to open a large-scale indoor sports entertainment facility in AEON MALL Delta Mas in June. We also plan to attract more customers through various media, including social media and communications inside and outside the building.

◆ New Properties Opened During the Three Months Ended March 31, 2024

Country	Name	Location	Opening Date	Tenants	Lease Area (m ²)
Features					
Indonesia	AEON MALL Delta Mas	Bekasi Province	March 22, 2024	300	86,000
Located in the eastern part of the capital metropolitan (Jabodetabek) area, the mall is in the center of Delta Mas City, home to Sinar Mas Land. Sinar Mas Land is the world's largest urban development project, currently being built by Sojitz Corporation and the largest real estate company in Indonesia. As one of the largest flagship malls in Indonesia, this AEON MALL Delta Mas will play a role in the area's lifestyle function, providing new value and community-building opportunities.					

◆ New Properties Scheduled to Open in the Second Quarter of Fiscal 2024 and Later

Country	Name	Location	Opening Date	Tenants	Lease Area (m ²)
China	AEON MALL Hangzhou Qiantang	Hangzhou City, Zhejiang Province	June 1, 2024	170	70,000
	AEON MALL Changsha Xingsha	Changsha City, Hunan Province	FY2024	TBA	84,000
Vietnam	AEON MALL Hue	Thua Thien Hue Province	FY2024	TBA	51,000

Management Policy and Medium- to Long-Term Management Strategy

1) Management Policy

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. In this way, we contribute through corporate activities we call Heartful Sustainable to the development and revitalization of communities and society as a corporate citizen, striving to achieve sustainable societies through various initiatives.

(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.

2) Medium- to Long-term Management Strategy

2030 Vision

In May 2023, we formulated a new vision for 2030, AEON MALL, Co-Creating With Our Communities. Our goal here is to create sustainable societies and build a resilient organization in an era of increasing uncertainty. Together with our customers, local communities, partners, shareholders, investors, and other like-minded stakeholders, we strive to create, expand, and foster deeper connections, co-creating through activities that lead to sustainable futures for our communities.



Medium-Term Management Plan (FY2023-FY2025)

The Company formulated our medium-term management plan (FY2023-FY2025) beginning with the fiscal year ended February 2024 (FY2023) as a step toward achieving our 2030 Vision. Under this plan, we engage in ESG management as a lever for growth. To evolve ESG management further, we (1) pursue regional shifts in Japan and overseas and (2) create a Health and Wellness platform, aiming for sustainable growth through truly integrated ESG management that creates economic, social, and environmental value for our stakeholders. Specifically, we develop growth measures to discover and commercialize business opportunities in overseas growth markets, pursue business model innovation in Japan, and create business models that break from existing business frameworks. We also strive to build strong financial foundations and resilient organizations from the perspective of sustainability.



■ Initiatives

(Pursue Regional Shift in Japan and Overseas)

In today's societies, issues faced by each country and region are becoming more diverse and complex, including issues related to demographic changes. We pursue business development in co-creation with local stakeholders to address the issues and needs of each region through detailed market analysis and surveys focusing on local living areas, rather than uniformly across the country in question. Providing central facilities in the AEON Lifestyle Zone (Note), we strengthen cooperation with AEON Group companies to provide products, services, and lifestyle infrastructure seamlessly, working from the perspective of local consumers.

(Note) One of the growth strategies of the Aeon Group, which enriches lives by providing community-based products, services, and lifestyle infrastructure seamlessly by combining the comprehensive strengths of Aeon Group companies.

(Create a Platform for Health and Wellness)

We are creating community-based health and wellness platforms that support not only the physical and mental health of our customers, but also the health of local communities and the environment. To this end, we continue to foster well-being in our communities by deepening the value we provide to local residents through the discovery of wellness-related tenants based in comfortable and pleasant facilities, the formation of new curated zones, and initiatives to create new wellness-related businesses.

■ Growth Initiatives

(Discover and Commercialize Business Opportunities in Overseas Growth Markets)

We continue to search for and secure properties in high-growth areas, accelerating new mall openings. In Vietnam, our most important area for new mall openings, we are pursuing area-dominant mall openings focused on Ho Chi Minh City in the south, Hanoi in the north, and cities in the central area of the country. In China, we plan to accelerate the opening of malls in the high-growth inland Hubei and Hunan Provinces, treating these provinces as priority areas.

We intend to move away from a single mall format to a new value creation model tailored to the characteristics of each region, exploring new business opportunities outside the framework of commercial facilities through deeper research into the issues facing each country and region.

(Pursue Business Model Innovation in Japan)

The external environment in Japan can be characterized by a declining population, labor shortages due to falling birthrates and an aging population, high construction unit prices due to soaring materials costs, and a declining willingness of specialty store operators, particularly in the apparel industry, to open new stores. Major issues in the internal environment include stagnation in specialty store sales, particularly in the apparel industry, and the decline in investment efficiency due to soaring construction costs. Taking advantage of dramatic and seemingly daily changes in the business environment, we strive to strengthen our ability to attract customers and improve profitability in Japan by introducing reforms into existing business models to respond to developing regional issues, customer values, and latent needs. In this context, we intend to diversify our value offerings to the market, improve profitability through the effective use of existing assets, improve operational efficiencies and convenience through digital technologies, and implement fundamental business structure reforms.

(Create New Business Models That Break From Existing Business Frameworks)

In an era of rapid and uncertain change, we not only develop existing businesses, but also focus on creating new businesses for new value and new initiatives to expand our business domains.

■ Foundation Building

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

Amid a rapidly and dramatically changing business environment, we build strong financial foundations and resilient organizations from the perspective of sustainability, supporting our pursuit of regional shift in Japan and overseas and the creation of a Health and Wellness platform as we exercise truly integrated ESG management. In this way, we structure a strong management foundation capable of sustainable growth by pursuing a finance mix and asset portfolio optimization, strengthening our management supervision function and establish a nimble business execution system, and leveraging human capital, which is our most important management resource.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,676,982 million, up ¥21,729 million compared to the end of the prior consolidated fiscal year. This result was due to an increase in property, plant and equipment of ¥19,427 million as a result of investments of ¥12,696 million for the opening of new malls and the revitalization of existing malls, etc., and effect of foreign currency translation, which exceeded depreciation and amortization of ¥18,661 million. In addition, deposits received from affiliates (included in other current assets) increased ¥5,000 million.

Liabilities

Total liabilities stood at ¥1,179,656 million, up ¥629 million from the end of the previous consolidated fiscal year. This result was mainly due an increase of ¥6,769 million in deposits received from specialty stores and a ¥5,845 million increase in long-term debt (including current portion), offset in part by decreases of ¥6,495 million in accounts payable-other related to facilities (included in other current liabilities) and ¥5,975 million in income taxes payable.

Net Assets

Net assets totaled ¥497,326 million, up ¥21,099 million compared to the end of the previous consolidated fiscal year. This result was mainly due to an increase of ¥1,182 million in retained earnings stemming from the recording of ¥6,871 million in net income attributable to owners of parent and ¥5,688 million in dividend payments, as well as an increase in foreign currency translation adjustment of ¥19,486 million.

2) Cash Flows

Cash and cash equivalents ("cash") at the end of the consolidated first quarter of the current fiscal year amounted to ¥100,903 million, a decrease of ¥11,450 million from the end of the previous 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 ¥22,964 million, compared to net cash provided of ¥33,462 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥11,980 million (¥10,462 million in the year-ago period), depreciation and amortization of ¥18,661 million (¥18,039 million in the year-ago period), and an increase in deposits received from specialty stores of ¥6,494 million (¥13,979 million in the year-ago period). These amounts were offset in part by income taxes paid of ¥9,364 million (¥5,435 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥32,559 million, compared to cash flows of ¥38,713 million in same period in the previous consolidated fiscal year. This result was mainly due to purchases of property, plant and equipment in the amount of ¥20,821 million (¥32,431 million in the year-ago period) for equipment at malls scheduled to open in the current consolidated fiscal year (AEON MALL Changsha Xingsha) and at expanded malls (AEON LakeTown OUTLET and AEON MALL Ota).

Cash flows from financing activities

Net cash used in financing activities amounted to ¥7,964 million, compared to net cash used of ¥2,219 million in the same period of the previous consolidated fiscal year. This result was mainly due to proceeds from the issuance of bonds in the amount of ¥50,000 million (¥40,000 million in the year-ago period) and proceeds from long-term debt of ¥25,000 million (¥14,483 million in the year-ago period). During the same period, the Company made cash outlays for redemptions of bonds of ¥50,000 million (¥30,000 million in the year-ago period), repayments of long-term debt of ¥20,738 million (¥15,236 million in the year-ago period), ¥6,233 million in repayments of lease obligations (¥5,520 million in the year-ago period), and ¥5,688 million in dividend payments (¥5,688 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

We have made no changes to the full-year consolidated earnings projections as announced April 9, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	89,915	86,049
Notes and accounts receivable–trade	12,766	14,100
Other	98,781	105,497
Allowance for doubtful receivables	(685)	(717)
Total current assets	200,778	204,930
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	663,998	687,856
Land	376,823	379,877
Right-of-use assets (net)	196,649	199,712
Other, net	86,200	75,653
Total property, plant and equipment	1,323,673	1,343,100
Intangible assets	3,559	3,381
Investments and other assets		
Lease deposits paid	53,310	53,660
Retirement benefit asset	444	513
Other	73,542	71,451
Allowance for doubtful receivables	(55)	(55)
Total investments and other assets	127,243	125,570
Total fixed assets	1,454,475	1,472,051
Total assets	1,655,253	1,676,982

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable–trade	11,771	13,094
Bonds due within one year	50,000	30,000
Current portion of long-term debt	59,069	43,111
Lease obligations	25,327	27,258
Income taxes payable	10,315	4,339
Deposits received from specialty stores	54,810	61,580
Allowance for employee bonus	1,774	1,283
Allowance for director and corporate auditor performance-based remuneration	48	15
Provision for loss on store closing	1,572	919
Other	62,214	52,582
Total current liabilities	276,904	234,185
Long-term liabilities		
Straight bonds	405,000	425,000
Long-term debt	181,129	202,932
Lease obligations	136,691	135,943
Accrued retirement benefits to employees	118	127
Asset retirement obligations	18,910	18,961
Lease deposits from lessees	152,827	154,535
Provision for loss on store closing	1,095	1,095
Other	6,351	6,875
Total long-term liabilities	902,123	945,471
Total liabilities	1,179,027	1,179,656
Net assets		
Shareholders' equity		
Common stock	42,383	42,383
Capital surplus	40,701	40,701
Retained earnings	326,301	327,484
Treasury stock, at cost	(8)	(8)
Total shareholders' equity	409,377	410,560
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	763	777
Foreign currency translation adjustment	54,193	73,680
Remeasurements of defined benefit plans	(42)	(15)
Total accumulated other comprehensive income	54,914	74,442
Stock acquisition rights	35	51
Non-controlling interests	11,898	12,271
Total net assets	476,226	497,326
Total liabilities and net assets	1,655,253	1,676,982

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the three months ended May 31, 2023 and May 31, 2024)

(Million yen)

	FY2023 Q1 March 1 - May 31, 2023	FY2024 Q1 March 1 - May 31, 2024
Operating revenue	105,529	109,432
Operating costs	83,592	85,526
Gross profit	21,937	23,906
Selling, general and administrative expenses	8,054	8,434
Operating income	13,883	15,472
Non-operating profits		
Interest income	526	543
Compensation paid by departing tenants	345	351
Gain on valuation of derivatives	177	648
Compensation income	72	162
Other	166	144
Total non-operating profits	1,287	1,851
Non-operating expenses		
Interest expenses	3,059	3,624
Share of loss of entities accounted for using equity method	—	73
Foreign exchange losses	264	644
Other	375	612
Total non-operating expenses	3,699	4,955
Ordinary income	11,471	12,367
Extraordinary gains		
Gain on sale of fixed assets	0	—
Total extraordinary gains	0	—
Extraordinary losses		
Loss on sale of fixed assets	0	30
Loss on retirement of fixed assets	359	329
Provision for loss on store closings	650	—
Other	—	27
Total extraordinary losses	1,009	387
Income before income taxes	10,462	11,980
Income tax – current	3,471	3,739
Income tax – deferred	576	1,302
Total income taxes	4,047	5,042
Net income	6,414	6,938
Net income attribute to non-controlling interests	42	66
Net income attributable to owners of parent	6,372	6,871

(Quarterly Consolidated Statements of Comprehensive Income)
(For the three months ended May 31, 2023 and May 31, 2024)

(Million yen)

	FY2023 Q1 March 1 - May 31, 2023	FY2024 Q1 March 1 - May 31, 2024
Net income	6,414	6,938
Other comprehensive income		
Net unrealized gain on available-for-sale securities	176	13
Foreign currency translation adjustment	8,500	20,008
Remeasurements of defined benefit plans	33	27
Total other comprehensive income	8,710	20,049
Comprehensive income	15,124	26,988
Comprehensive income (loss) attributable to:		
Owners of parent	14,712	26,399
Non-controlling interests	412	588

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2023 Q1 March 1 - May 31, 2023	FY2024 Q1 March 1 - May 31, 2024
Cash flows from operating activities		
Income before income taxes	10,462	11,980
Depreciation and amortization	18,039	18,661
Increase (decrease) in provision for loss on store closing	650	(653)
Share of loss (profit) of entities accounted for using equity method	—	73
Interest and dividend income	(541)	(556)
Interest expenses	3,059	3,624
Decrease (increase) in receivables—trade accounts	140	(905)
Increase (decrease) in payables—trade accounts	240	1,145
Increase (decrease) in deposits received from specialty stores	13,979	6,494
Other	(4,350)	(4,732)
Subtotal	41,680	35,133
Interest and dividends received	476	936
Interest paid	(3,258)	(3,741)
Income taxes paid	(5,435)	(9,364)
Net cash provided by (used in) operating activities	33,462	22,964
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,431)	(20,821)
Proceeds from sales of property, plant and equipment	0	2
Payment of lease deposits to lessors	(1,331)	(238)
Reimbursement of lease deposits to lessors	320	49
Repayment of lease deposits from lessees	(3,279)	(2,922)
Proceeds from lease deposits from lessees	4,916	3,686
Other payments	(11,752)	(23,937)
Other proceeds	4,845	11,620
Net cash provided by (used in) investing activities	(38,713)	(32,559)
Cash flows from financing activities		
Repayment of lease obligations	(5,520)	(6,233)
Proceeds from long-term debt	14,483	25,000
Repayment of long-term debt	(15,236)	(20,738)
Proceeds from issuance of bonds	40,000	50,000
Redemption of bonds	(30,000)	(50,000)
Proceeds from share issuance to non-controlling shareholders	—	2
Purchase of treasury stock	(0)	—
Dividends paid	(5,688)	(5,688)
Dividends paid to non-controlling interests	(6)	(6)
Other	(250)	(299)
Net cash provided by (used in) financing activities	(2,219)	(7,964)
Foreign currency translation adjustments on cash and cash equivalents	2,728	6,108
Net increase (decrease) in cash and cash equivalents	(4,742)	(11,450)
Cash and cash equivalents at beginning of the period	101,101	112,354
Cash and cash equivalents at end of the period	96,358	100,903

(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

Segment and Other Information

Segment information

I. Three Months Ended May 31, 2023

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

(Million yen)

	Japan	China	Vietnam	Cambodia	Indonesia	Other (Overseas) (Note 1)	Total	Adjustments (Note 2)	Amount to quarterly consolidated statements of income (Note 3)
Operating revenue									
Operating revenue from external customers	84,150	14,391	3,528	1,899	1,559	—	105,529	—	105,529
Intersegment operating revenue or transfers	—	—	—	—	—	—	—	—	—
Total	84,150	14,391	3,528	1,899	1,559	—	105,529	—	105,529
Segment profit (loss)	10,294	2,501	1,093	97	(105)	(3)	13,877	6	13,883

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

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

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

2. Matters related to changes in reportable segments

Not applicable

II. Three Months Ended May 31, 2024

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	84,633	16,430	4,013	2,238	2,115	—	109,432	—	109,432
Intersegment operating revenue or transfers	90	—	—	—	—	—	90	(90)	—
Total	84,724	16,430	4,013	2,238	2,115	—	109,523	(90)	109,432
Segment profit (loss)	11,757	2,255	1,332	56	66	(3)	15,465	6	15,472

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

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

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

2. Matters related to changes in reportable segments

Not applicable

Significant subsequent events

Not applicable