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

January 12, 2021

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

URL

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

Representative: Yasutsugu Iwamura, President and CEO

Scheduled date of filing of quarterly report: January 14, 2021

Starting date of dividend payment: —

Preparation of supplementary materials for quarterly financial results: Yes

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

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 2021 (March 1, 2020 – November 30, 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	%
Nine months ended November 30, 2020	202,683	(15.7)	23,034	(45.5)	18,909	(48.6)	(4,599)	—
Nine months ended November 30, 2019	240,573	4.1	42,265	19.1	36,783	6.0	23,503	4.0

(Note) Comprehensive income: Nine months ended November 30, 2020: (¥13,438) million (-%)
Nine months ended November 30, 2019: ¥15,803 million (41.9%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Nine months ended November 30, 2020	(20.21)	—
Nine months ended November 30, 2019	103.31	103.29

(Note) Diluted net income per share for the nine months ended November 30, 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	%
November 30, 2020	1,371,040	381,941	27.2
February 29, 2020	1,381,217	404,522	28.5

(Reference) Equity: November 30, 2020: ¥372,595 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	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 and 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)	Nine months ended November 30, 2020	227,538,039	Year ended February 29, 2020	227,515,009
[2] Treasury stock at period-end	Nine months ended November 30, 2020	3,139	Year ended February 29, 2020	2,697
[3] Average number of shares during the period (quarterly cumulative)	Nine months ended November 30, 2020	227,531,112	Nine months ended November 30, 2019	227,498,487

* 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 13, 2021. The materials handed out at this briefing will be posted on the Company's website on January 12, 2021, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

a. Explanation of consolidated results of operations

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

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

During the nine months ended November 30, 2020, the global spread of COVID-19 forced malls in Japan and overseas to shorten operating hours and implement temporary closures. Once business resumed, we endeavored to protect the health and lifestyles of our customers and employees, working with customers to protect the safety and security of communities and societies to adopt the standards provided in the AEON COVID-19 Prevention Protocol (disease prevention standards established by the AEON Group) to fundamentally improve mall environments and operations, as well as develop new mall concepts and service functions, for the new normal. We have viewed this as an opportunity to reinvent our business models and create malls that respond to social change in Japan and overseas.

Operating revenue for the nine months ended November 30, 2020, amounted to ¥202,683 million (-15.7% year on year). Operating income amounted to ¥23,034 million (-45.5%), ordinary income amounted to ¥18,909 million (-48.6%), and quarterly net loss attributable to owners of parent amounted to ¥4,599 million (compared to net income of ¥23,503 million in the year-ago period).

Fixed costs for the nine months ended November 30, 2020, amounted to ¥16,486 million stemming from temporary closures and other factors. We posted these costs as extraordinary losses due to COVID-19.

◆ Consolidated Earnings

(Million yen)

	FY2019 Q3	FY2020 Q3	Change [YoY]
Operating revenue	240,573	202,683	(37,890) [-15.7%]
Operating income	42,265	23,034	(19,231) [-45.5%]
Ordinary income	36,783	18,909	(17,873) [-48.6%]
Net income (loss) attributable to owners of parent	23,503	(4,599)	(28,103) [-]

(Reference) Three months ended November 30, 2020

	FY2019 Q3	FY2020 Q3	Change [YoY]
Operating revenue	79,502	76,632	(2,869) [-3.6%]
Operating income	13,053	11,273	(1,779) [-13.6%]
Ordinary income	11,625	9,926	(1,698) [-14.6%]
Net income (loss) attributable to owners of parent	6,460	6,266	(194) [-3.0%]

b. Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income		
	FY2019 Q3	FY2020 Q3	Change [YoY]	FY2019 Q3	FY2020 Q3	Change [YoY]
Japan	204,538	172,345	(32,192) [-15.7%]	36,120	21,012	(15,107) [-41.8%]
China	26,489	21,621	(4,868) [-18.4%]	4,107	715	(3,392) [-82.6%]
ASEAN	9,545	8,716	(829) [-8.7%]	2,019	1,287	(731) [-36.2%]
Overseas	36,034	30,337	(5,697) [-15.8%]	6,126	2,002	(4,124) [-67.3%]
Adjustments	—	—	— [-]	18	18	— [0%]
Total	240,573	202,683	(37,890) [-15.7%]	42,265	23,034	(19,231) [-45.5%]

(Reference) Three months ended November 30, 2020

	Operating Revenue			Segment Income		
	FY2019 Q3	FY2020 Q3	Change [YoY]	FY2019 Q3	FY2020 Q3	Change [YoY]
Japan	67,627	64,931	(2,696) [-4.0%]	11,273	9,897	(1,376) [-12.2%]
China	8,687	8,900	+212 [2.4%]	1,101	1,206	+105 [9.6%]
ASEAN	3,187	2,801	(386) [-12.1%]	672	163	(509) [-75.7%]
Overseas	11,875	11,701	(173) [-1.5%]	1,773	1,370	(403) [-22.7%]
Adjustments	—	—	— [-]	6	6	— [0%]
Total	79,502	76,632	(2,869) [-3.6%]	13,053	11,273	(1,779) [-13.6%]

1.Overseas (China, ASEAN)

The company recorded overseas operating revenue of ¥30,337 million, a decrease of 15.8% year on year and operating income amounted to ¥2,002 million, down 67.3%. Revenue has been improving on a quarterly basis, and operating revenue for the three months ended November 30, 2020, amounted to ¥11,701 million (-1.5%) and operating income amounted to ¥1,370 million (-22.7%).

Consumption in China and ASEAN has declined temporarily due to the spread of COVID-19. Although there were degrees of difference among countries and areas in which we operate malls, activity has been in a general recovery overseas 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. Accordingly, figures presented herein for the cumulative consolidated third quarter reflect overseas results for January through September.

(China)

(Nine months ended September 30, 2020)

Our operations in China recorded operating revenue of ¥21,621 million, a decrease of 18.4% year on year, while operating income amounted to ¥715 million, down 82.6%. Showing improvement, operating revenue for the three months ended November 30, 2020, amounted to ¥8,900 million (+2.4%) and operating income amounted to ¥1,206 million (+9.6%).

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.

In response to the spread of COVID-19 throughout China, we closed as many as 11 of our 21 malls in China temporarily between January and mid-February. As business resumed, specialty retail tenants opened for business at all 21 malls 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. 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.

Specialty store sales at the existing 19 malls in China for the first nine months of the fiscal year were only 71.5% of the year-ago period. However, our first-half initiatives led to a recovery in stand-alone third-quarter results, which rose to 94.0% of the same period in the prior fiscal year.

(Initiatives for the Consolidated Fourth Quarter and Later)

In November, we leveraged *Double 11* (China's largest e-commerce event, held every November 11) to launch a special ALIVE WINTER PLAN campaign through the year end and New Year holidays. In addition to various events and sales discounts, we also rolled out the latest in digital promotions through our e-commerce site, including a Double 11 sale, digital coupons, and live commerce hosted by nearly 30 of China's most popular retailers.

(ASEAN)

(Nine months ended September 30, 2020)

Our operations in ASEAN recorded operating revenue of ¥8,716 million, a decrease of 8.7% year on year, while operating income amounted to ¥1,287 million, down 36.2%. Operating revenue for the three months ended November 30, 2020, amounted to ¥2,801 million (-12.1%) and operating income amounted to ¥163 million (-75.7%), as performance was impacted negatively by the spread of COVID-19.

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. Customer traffic and sales at each mall fell temporarily due to the spread of COVID-19 in late July. During the stand-alone third quarter, specialty store sales at our existing four malls amounted to 86.7% of the prior-year period. Strict virus containment measures in Vietnam led to a quick recovery in customer traffic. October performance was 106.9% of prior year, while November was 106.7%.

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. Although COVID-19 had a minimal impact on operations, many foreign nationals living in Cambodia returned to their home countries, which limited specialty store sales performance for the third quarter to 85.4% of the same period in the prior fiscal year at our existing two malls.

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 increase in 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.

(Initiatives for the Consolidated Fourth Quarter and Later)

We planned to open two new malls during the current consolidated fiscal year, one in Vietnam and one in Indonesia. In October we opened AEON Mall Sentul City (West Java), our third mall in Indonesia. In December, we opened AEON MALL Hai Phong Le Chan (Hai Phong City), our sixth mall in Vietnam.

In Vietnam (October), we signed a comprehensive memorandum of understanding (MOU) with the Ho Chi Minh City government regarding investment and business promotion in the development of shopping malls in Ho Chi Minh City. Based on this memorandum, we plan to strengthen the structure for cooperation toward further developments of our large-scale shopping mall business in Ho Chi Minh City, striving to revitalize the region and create new services for customers.

In Cambodia, AEON MALL Phnom Penh (Phnom Penh City) welcomed a COACH store in October. This marked the first luxury brand retail store in the country. We are planning a major renovation of this mall in 2021. Transforming this facility into a luxury shopping center, we expect to offer new perspectives on more sophisticated lifestyles.

In November, AEON MALL Jakarta Garden City (Jakarta) introduced SAMSAT facilities. SAMSAT is a one-stop, integrated administrative system offering government administrative functions for the Special Capital Region of Jakarta. Our goal here is to attract more customers by offering convenient access to administrative procedures, including vehicle registration for cars and motorcycles, vehicle tax payments, and more. The mall is also scheduled to open a driver's license renewal office in the future.

We also signed an agreement for cooperation on regional revitalization between AEON MALL Sentul City and Bogor Province. The purpose of this agreement is to create a more convenient facility for Bogor residents, a hub for community information, and a centerpiece for the region. In so doing, we believe we can use the resources of each party with greater efficiency, collaborating for regional revitalization.

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. To date, 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 Fourth Quarter of Fiscal 2020

	Name	Location	Opening Date	No. of Tenants	Lease Area
Indonesia	AEON MALL Sentul City	West Java	October 28, 2020	270	70,000m ²
Vietnam	AEON MALL Hai Phong Le Chan	Hai Phong City	December 14, 2020	190	70,000m ²

(Notes) 1. We conducted a partial opening of AEON MALL Sentul City. The grand opening for the mall is scheduled for the first half of 2021.

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 of ¥172,345 million, a decrease of 15.7% year on year, while operating income amounted to ¥21,012 million, down 41.8%. Revenue has been improving on a quarterly basis, and operating revenue for the three months ended November 30, 2020, amounted to ¥64,931 million (-4.0%) and operating income amounted to ¥9,897 million (-12.2%).

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 164 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. 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 introduced drive-in theaters, drive-in public viewings, and other entertainment meeting the needs of the new normal. In addition, we completely redesigned our AEON MALL app in June. The app encourages customers to time store visits to avoid peak crowding, use restaurants during slower times, and take advantage of other services tailored to changes in customer behavior.

In November, AEON MALL shopping centers nationwide held AEON MALL Black Friday campaigns. We expanded the duration of the campaign to 10 days from five in the previous year to disperse customer visits and avoid the Three Cs (closed spaces, crowds, close contact settings). In addition to regular sales campaigns, we also implemented new plans for customers to enjoy, even in the midst of the COVID-19 pandemic. These campaigns included live commerce, drawings for in which customers could participate through the AEON MALL app, and more, leveraging both off-line and online channels.

In collaboration with Mizuno Corporation, we have been sponsoring projects using real and digital means to provide sports experiences that encourage more people to participate in sports. This project has been responsible for sports experience events at six malls across Japan between November and December. In our mutual aim to increase desire to participate in sports, increase the number of sports activities, and support health through sports, we also offered sports-related digital content via websites, apps, and other channels. This project was selected as a *2020 Sport in Life Project* by the Japan Sports Agency.

In efforts to revitalize existing malls, we renovated eight malls in Japan, and conducted floor space expansions and renovations at AEON MALL Takasaki (Gunma Prefecture) and AEON MALL Kochi (Kochi Prefecture).

In June, we renovated 106 specialty stores in combination with our existing wing. The renovations represented nearly half of all mall tenants. The newly expanded wing hosts a number of lifestyle specialty retailers, including a large-scale fast fashion retailer, a bookstore, a home appliance retailer, a pet supply shop, and more. We expanded the third-floor food court from 12 restaurants and 700 seats to 16 restaurants and 1,000 seats.

In September, we added a new wing at AEON MALL Kochi. Combined with the existing wing, the mall now offers 92 specialty stores, which is an increase of 58%. The floor expansion included new major domestic and international fast fashion specialty store on the second floor, as well as a new food court on the third floor, moved from the existing wing. The newly expanded food court on the third floor boasts 14 restaurants and 1,000 seats, up from 10 restaurants and 650 seats. We implemented stronger anti-infection measures, adding more fans in general and installing new air purifiers with high-function filters in the food court.

AEON MALL Okazaki (Aichi Prefecture) underwent a Phase 1 renovation of 60 stores in October. In the second and third phases, we plan to renovate about 50 stores in stages, mainly spaces formerly occupied by department stores that closed at the end of August. Our goal here is to expand one-stop shopping functions for the mall.

For the nine months ended November 30, 2020, specialty store sales at our existing 83 malls in Japan amounted to 72.6% of the same period in the prior fiscal year. However, performance for the stand-alone third quarter showed signs of improvement, reaching 91.8% of the same period in the prior fiscal year. This recovery was due in part to the mega-hit movie, *Demon Slayer: Kimetsu no Yaiba the Movie: Mugen Train*, which attracted customers to our cinemas.

OPA Co., Ltd. has been engaged in the urban shopping center business. On December 1, 2020, we decided to conduct a company split for OPA Effective March 1, 2021, with the newly formed company (“New OPA”) acting as the surviving company. OPA will merge with AEON MALL Co., Ltd. in an absorption-type merger, subject to a condition precedent that the company split in question takes effect.

New OPA will specialize in the management and operations of urban facilities, mainly located in transportation terminals, creating new value through a concentration of management resources. AEON MALL will absorb certain community-based facilities and urban shopping centers owned by OPA, transforming these assets into facilities that meet daily needs and engaging in the redevelopment of certain properties to increase property values.

Malls Renovated Through the Third Quarter of Fiscal 2020

Name	Location	Date Reopened	No. of Tenants	No. of Renovated Specialty Stores
AEON MALL Zama (Note 1)	Kanagawa Prefecture	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
		September 18		5
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
AEON MALL Kochi (Note 3)	Kochi Prefecture	September 17	160	92
AEON MALL Okazaki	Aichi Prefecture	October 16	170	60

(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 76,000m² (+17,000m²).

3. AEON MALL Kochi underwent a floor space expansion and renovation. The mall was expanded to 160 specialty stores (+20 stores) and a lease area of 69,000m² (+12,000m²).

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

Name	Location	Opening Date	No. of Tenants	Lease Area
AEON MALL Ageo	Saitama Prefecture	December 4, 2020	120	34,000m ²

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

In September, we issued sustainability bonds, raising ¥30 billion in new capital. sustainability bonds are designed to solve social issues and consider the environment, and provide a means of raising funds from diverse sources to achieve our growth initiatives. In issuing these sustainability bonds, we created a Sustainability Bond Framework providing policies related to the four elements (1. Use of proceeds; 2. Process for project evaluation and selection; 3. Management of proceeds; and 4. Reporting) provided in common for Social Bond Principles and Green Bond Principles, referenced in the Sustainability Bond Guidelines of the International Capital Market Association (ICMA).

The framework received an external evaluation (second opinion) from Rating and Investment Information, Inc. related to conformity with the principles of the Sustainability Bond Guidelines and other guidelines. The funds acquired through this procurement will be used as social bonds for measures against COVID-19, for reconstruction assistance in the wake of the Great East Japan Earthquake, and as green bonds for the construction of four malls in Japan and overseas.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,371,040 million, down ¥10,177 million compared to the end of the prior consolidated fiscal year. This result was mainly due decreases of ¥43,572 million in fixed assets due to depreciation and amortization and ¥8,400 million in deposits paid to affiliates (included in other current assets). These decreases were offset partially by an increase of ¥6,272 million in cash and deposits and an increase of ¥40,154 million in purchases of property, plant and equipment related to new mall openings and mall revitalizations.

Liabilities

Total liabilities stood at ¥989,099 million, up ¥12,403 million from the end of the prior consolidated fiscal year. This result was mainly due to an increase of ¥45,000 million in bonds (including current portion). This increase was offset in part by decreases of ¥10,540 million in deposits received from specialty stores, lease obligations of ¥8,448 million (included in lease obligations under current liabilities), ¥7,948 million in income taxes payable, ¥5,113 million in consumption tax payable (included in other under current liabilities), and ¥3,046 million in accounts payable - construction (included in other under current liabilities).

Net assets

Net assets totaled ¥381,941million, down ¥22,581 million compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in retained earnings of ¥4,599 million in quarterly net loss attributable to owners of parent, a decrease in retained earnings of ¥9,100 million due to dividend payments, and a decrease of ¥7,774 million in foreign currency translation adjustments.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the cumulative consolidated third quarter amounted to ¥113,838 million, down ¥530 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 ¥18,029 million, compared to cash flows of ¥106,426 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 ¥1,687 million (compared to income before income taxes and other adjustments of ¥36,164 million in the year-ago period), a decrease in deposits received from specialty stores of ¥10,461 million (compared to an increase of ¥42,984 million in the year-ago period), and income taxes paid in the amount of ¥11,150 million (¥15,165 million in the year-ago period). These decreases were offset in part by depreciation and amortization of ¥43,572million (¥42,654 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥47,881 million, compared to ¥85,002 million for the same period in the prior fiscal year. This result was mainly due to purchases of property, plant and equipment in the amount of ¥44,344 million (¥78,095 million in the year-ago period) for equipment at AEON Fujiidera Shopping Center (Osaka Prefecture; opened in the prior consolidated fiscal year) and AEON MALL Takaoka (Toyama Prefecture; expanded during the prior consolidated fiscal year).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥30,341 million, compared to net cash provided of ¥36,674 million for the same period in the prior fiscal year. This result was mainly due to proceeds from the issuance of bonds in the amount of ¥60,000 million (¥80,000 in the year-ago period), and proceeds from long-term debt of ¥20,022 million (¥4,500 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), repayment of long-term debt in the amount of ¥16,507 million (¥9,048 million in the year-ago period), ¥8,451 million in repayment of lease obligations (¥8,311 million in the year-ago period), and ¥9,100 million in dividend payments (¥8,872 million in the year ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

Although our consolidated results for the first half of the fiscal year exceeded our initial forecast announced on July 7, 2020, we have left the full-year consolidated earnings forecast unchanged to reflect the uncertain impact of COVID-19. Despite the spread of COVID-19 in Japan and overseas, third quarter operating revenue was essentially in line with plan. Operating income, ordinary income, and net income attributable to owners of parent increased year on year as we continued cost reductions from the first half of the fiscal year.

However, in the fourth quarter, COVID-19 began to spread significantly in Japan, with a declaration of emergency implemented for certain regions. These developments have had an impact on customer traffic and sales. At this point, we do not assume business closures will be required for our malls, although the future impact of COVID-19 is uncertain. Given these conditions, we have decided to leave the full-year consolidated earnings forecast announced on July 7, 2020, unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets:		
Cash and deposits	58,283	64,555
Notes and accounts receivable–trade	7,755	7,918
Other	103,382	101,818
Allowance for doubtful receivables	(66)	(88)
Total current assets	169,354	174,204
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	630,602	620,337
Land	305,383	304,726
Right-of-use assets (net)	123,798	113,291
Other, net	31,670	39,234
Total property, plant and equipment	1,091,455	1,077,590
Intangible assets	3,807	3,671
Investments and other assets		
Lease deposits paid	49,919	51,224
Other	66,694	64,361
Allowance for doubtful receivables	(13)	(13)
Total investments and other assets	116,600	115,573
Total fixed assets	1,211,863	1,196,835
Total assets	1,381,217	1,371,040

(Million yen)

	As of February 29, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	8,530	9,204
Bonds due within one year	15,000	30,000
Current portion of long-term debt	35,774	39,585
Lease obligations	12,107	14,067
Income taxes payable	11,388	3,439
Deposits received from specialty stores	65,426	54,886
Allowance for employee bonus	1,661	2,079
Allowance for director and corporate auditor performance-based remuneration	114	76
Provision for loss on store closing	572	572
Other current liabilities	61,341	52,613
Total current liabilities	211,916	206,523
Long-term liabilities		
Straight bonds	300,000	330,000
Long-term debt	199,322	198,058
Lease obligations	103,872	93,464
Accrued retirement benefits to employees	1,278	1,098
Asset retirement obligations	16,575	17,355
Lease deposits from lessees	140,375	138,725
Other long-term liabilities	3,355	3,872
Total long-term liabilities	764,779	782,575
Total liabilities	976,695	989,099
Net assets		
Shareholders' equity		
Common stock	42,347	42,364
Capital surplus	40,666	40,683
Retained earnings	318,755	305,055
Treasury stock, at cost	(5)	(5)
Total shareholders' equity	401,765	388,097
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	920	1,000
Foreign currency translation adjustment	(7,832)	(15,607)
Remeasurements of defined benefit plans	(1,003)	(896)
Total accumulated other comprehensive income	(7,916)	(15,502)
Stock acquisition rights	47	39
Non-controlling interests	10,625	9,306
Total net assets	404,522	381,941
Total liabilities and net assets	1,381,217	1,371,040

**(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the nine months ended November 30, 2019 and November 30, 2020)**

(Million yen)

	FY2019 Q3 March 1 - November 30, 2019	FY2020 Q3 March 1 - November 30, 2020
Operating revenue	240,573	202,683
Operating costs	177,137	159,736
Gross profit	63,435	42,947
Selling, general and administrative expenses	21,169	19,913
Operating income	42,265	23,034
Non-operating profits		
Interest income	704	964
Compensation paid by departing tenants	1,340	1,521
Foreign exchange gains	401	206
Gain on valuation of derivatives	—	88
Compensation income	179	377
Other non-operating profits	698	683
Total non-operating profits	3,324	3,842
Non-operating expenses		
Interest expenses	7,368	7,057
Loss on valuation of derivatives	266	—
Other non-operating expenses	1,171	909
Total non-operating expenses	8,806	7,967
Ordinary income	36,783	18,909
Extraordinary gains		
Gain on sale of fixed assets	4	2
Gain on sale of investment securities	—	5
Compensation income	—	304
Gain on negative goodwill	1,239	—
Gain on step acquisitions	706	—
Total extraordinary gains	1,950	312
Extraordinary losses		
Loss on sale of fixed assets	1	1
Loss on retirement of fixed assets	1,562	431
Impairment loss	993	3,545
Loss due to COVID-19	—	16,486
Other extraordinary losses	11	445
Total extraordinary losses	2,568	20,909
Income (loss) before income taxes	36,164	(1,687)
Income tax – current	12,444	3,581
Income tax – deferred	65	(499)
Total income taxes	12,510	3,081
Net income (loss)	23,654	(4,769)
Net income (loss) attributable to non-controlling interests	150	(169)
Net income (loss) attributable to owners of parent	23,503	(4,599)

(Quarterly Consolidated Statements of Comprehensive Income)
(For the nine months ended November 30, 2019 and November 30, 2020)

(Million yen)

	FY2019 Q3 March 1 - November 30, 2019	FY2020 Q3 March 1 - November 30, 2020
Net income (loss)	23,654	(4,769)
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(38)	80
Foreign currency translation adjustment	(7,905)	(8,857)
Remeasurements of defined benefit plans	92	107
Total other comprehensive income	(7,851)	(8,669)
Comprehensive income	15,803	(13,438)
Comprehensive income (loss) attributable to:		
Owners of parent	16,131	(12,185)
Non-controlling interests	(328)	(1,252)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2019 Q3 March 1 - November 30, 2019	FY2020 Q3 March 1 - November 30, 2020
Cash flows from operating activities:		
Income (loss) before income taxes	36,164	(1,687)
Depreciation and amortization	42,654	43,572
Impairment loss	993	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	(748)	(989)
Interest expenses	7,368	7,057
Decrease (increase) in receivables—trade accounts	119	(287)
Increase (decrease) in payables—trade accounts	1,345	722
Increase (decrease) in deposits received from specialty stores	42,984	(10,461)
Other	(328)	(5,958)
Subtotal	128,567	35,512
Interest and dividends received	551	882
Interest paid	(7,526)	(7,214)
Income taxes paid	(15,165)	(11,150)
Net cash provided by (used in) operating activities	106,426	18,029
Cash flows from investing activities:		
Purchase of property, plant and equipment	(78,095)	(44,344)
Proceeds from sales of property, plant and equipment	34	11
Investments in subsidiaries resulting in a change in scope of consolidation	(1,229)	—
Payment of lease deposits to lessors	(1,118)	(1,449)
Reimbursement of lease deposits to lessors	2,231	228
Repayment of lease deposits from lessees	(7,341)	(8,275)
Proceeds from lease deposits from lessees	9,741	6,934
Other payments	(11,941)	(4,990)
Other proceeds	2,716	4,004
Net cash provided by (used in) investing activities	(85,002)	(47,881)
Cash flows from financing activities:		
Increase (decrease) in short-term debt and commercial paper	(6,000)	—
Repayment of lease obligations	(8,311)	(8,451)
Proceeds from long-term debt	4,500	20,022
Repayment of long-term debt	(9,048)	(16,507)
Proceeds from issuance of bonds	80,000	60,000
Redemption of bonds	(15,000)	(15,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(8,872)	(9,100)
Dividends paid to non-controlling interests	(6)	(66)
Investments in subsidiaries not resulting in a change in scope of consolidation	(161)	—
Other	(425)	(554)
Net cash provided by (used in) financing activities	36,674	30,341
Foreign currency translation adjustments on cash and cash equivalents	(3,741)	(1,020)
Net increase (decrease) in cash and cash equivalents	54,357	(530)
Cash and cash equivalents at beginning of the period	55,414	114,368
Cash and cash equivalents at end of the period	109,771	113,838

(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.

During the cumulative consolidated third quarter, AEON MALL Co., Ltd. established AEON MALL SINGAPORE PTE., LTD., AEON MALL MYANMAR CO., LTD., and AEON MALL SHWE TAUNG CO., LTD., including these entities in the scope of consolidation. These transactions are not considered a change in specified subsidiaries.

Supplementary information

Accounting estimates related to the impact of COVID-19

With the declaration of a state of emergency in Japan, the spread of COVID-19 appears to have expanded for the time being in Japan and other countries. The AEON MALL Group is striving to establish quarantine systems in the malls we operate. We have made no significant changes to the assumptions underlying our accounting estimates, including impairment accounting for fixed assets. At the same time, we recognize that COVID-19 will continue to impact operating revenue, albeit at reduced levels, through fiscal 2020. Although we continue mall operations in Indonesia, we have revised our assumptions regarding the impact of the repeated extensions of large-scale social restrictions on operating revenue, expecting restrictions to impact performance through fiscal 2021.

Segment and other information

Segment information

I. 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 from 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 (Note 3)	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 applied IFRS 16 in the consolidated first quarter.

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.

II. Nine Months Ended November 30, 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	172,345	21,621	8,716	202,683	—	202,683
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	172,345	21,621	8,716	202,683	—	202,683
Segment profit	21,012	715	1,287	23,015	18	23,034

(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.

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 third quarter.

Goodwill did not change materially during the period under review.

Significant subsequent events

Business combinations involving entities under common control

At meetings held on December 1, 2020, the board of directors of AEON MALL Co., Ltd. and wholly owned/specified subsidiary OPA (“OPA”) as constituted at the time resolved to split off (via incorporation-type company split) a wholly owned subsidiary (“New OPA”) to be established by OPA, with New OPA becoming the successor company. The boards also resolved to merge with the split company (OPA) in an absorption-type merger, subject to a condition precedent that the company split in question take effect.

1. Transaction overview

A. Split company

- i. Company name and business lines at the time of combination
Name of company subject to combination: OPA Co., Ltd.
Business lines: Management, operations, and development of commercial facilities
- ii. Date of combination
March 1, 2021 (tentative)
- iii. Legal form of business combination
OPA will become the split company with newly formed New OPA established via incorporation-type company split.
- iv. Name of company after combination
OPA Co., Ltd.

B. Absorption-type merger

- i. Company name and business lines at the time of combination
Name of company subject to combination: OPA Co., Ltd.
Business lines: Management, operations, and development of commercial facilities
- ii. Date of combination
March 1, 2021 (tentative)
- iii. Legal form of business combination
The merger will be an absorption-type merger, with AEON MALL as the surviving company and OPA as the absorbed company.
- iv. Name of company after combination
AEON Co., Ltd.

2. Other matters related to the transaction

On March 1, 2016, AEON MALL made fashion building business operator OPA a wholly owned subsidiary, entering the urban shopping center business. AEON MALL has reorganized its Urban Shopping Center business for the purpose of strengthening initiatives to respond to changes in consumer behavior in the with-COVID-19 era of the new normal.

New OPA will specialize in the management and operations of urban facilities, mainly located in transportation terminals, creating new value through a concentration of management resources. AEON MALL will absorb certain community-based facilities and urban shopping centers owned by OPA, transforming these assets into facilities that meet daily needs and engaging in the redevelopment of certain properties to increase property values.

By pivoting to the business structure as described, AEON MALL intends to pursue initiatives tailored to the characteristics of each location and to improve the profitability and efficiency of the facilities in question.

3. Overview of accounting treatment

We intend to adopt an accounting treatment reflecting a transaction under common control based on *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, issued January 16, 2019) and *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, issued January 16, 2019).