ÆON Mall Co., Ltd. and Subsidiaries

Financial Information 2021

Consolidated Financial Statements as of and for the
Year Ended February 28, 2021,
and Independent Auditor's Report

INDEX

Consolidated Balance Sheet
February 28, 2021

ASSETS	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 124,080	¥ 114,368	$ 1,167,927
Time deposits (Note 13)	7,362	7,314	69,298
Receivables:			
Trade accounts (Note 13)	7,661	7,755	72,118
Other	32,024	32,795	301,437
Allowance for doubtful receivables (Note 13)	(133)	(66)	(1,256)
Prepaid expenses and other	8,431	7,186	79,363
Total current assets	179,427	169,354	1,688,889
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 5 and 6)	310,198	305,383	2,919,787
Buildings and structures (Notes 4, 5, 6, and 8)	964,301	933,962	9,076,630
Machinery and equipment (Notes 4 and 5)	5,826	5,617	54,842
Furniture and fixtures (Notes 4 and 5)	43,591	41,998	410,315
Right-of-use assets (Notes 4, 5, and 20)	167,879	141,671	1,580,194
Construction in progress (Note 5)	16,685	16,670	157,057
Other (Note 4)	188	536	1,772
Total	1,508,671	1,445,840	14,200,599
Accumulated depreciation	(408,586)	(354,385)	(3,845,883)
Net property, plant, and equipment	1,100,085	1,091,455	10,354,715
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	1,948	1,793	18,335
Lease deposits to lessors (Note 13)	50,926	49,919	479,350
Long-term prepaid expenses (Notes 4 and 5)	42,533	50,428	400,352
Deferred tax assets (Note 11)	14,940	13,902	140,630
Other	4,338	4,364	40,835
Total investments and other assets	114,686	120,408	1,079,504
TOTAL	¥ 1,394,199	¥ 1,381,217	$ 13,123,109

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 13)	¥ 33,629	¥ 35,774	$ 316,545
Current portion of corporate bonds (Notes 6 and 13)	30,000	15,000	282,379
Current portion of long-term lease obligations (Notes 13 and 20)	14,955	12,107	140,770
Payables:			
Trade accounts (Note 13)	8,606	8,530	81,006
Construction (Note 13)	29,369	32,859	276,441
Other	5,204	5,300	48,992
Deposits received (Note 13)	68,518	70,310	644,938
Income taxes payable (Note 13)	7,024	11,388	66,114
Accrued expenses	4,932	4,653	46,428
Provision for store closing expenses	733	572	6,905
Current portion of lease deposits from lessees (Notes 6 and 13)	7	133	75
Other	10,956	15,286	103,129
Total current liabilities	213,938	211,916	2,013,728
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	188,794	199,322	1,777,059
Corporate bonds (Notes 6 and 13)	330,000	300,000	3,106,174
Long-term lease obligations (Notes 13 and 20)	112,279	103,872	1,056,846
Liability for retirement benefits (Note 7)	837	1,278	7,881
Lease deposits from lessees (Notes 6 and 13)	137,778	140,375	1,296,861
Asset retirement obligations (Note 8)	18,679	16,575	175,827
Deferred tax liabilities (Note 11)	594	344	5,594
Other	3,809	3,011	35,861
Total long-term liabilities	792,774	764,779	7,462,107
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 9, 10 and 17):			
Common stock — authorized, 320,000,000 shares; issued, 227,545,839 shares in 2021 and 227,515,009 shares in 2020	42,372	42,347	398,835
Capital surplus	40,691	40,666	383,012
Stock acquisition rights	23	47	225
Retained earnings	307,790	318,755	2,897,127
Treasury stock — at cost, 3,265 shares in 2021 and 2,697 shares in 2020	(6)	(5)	(56)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,029	920	9,691
Foreign currency translation adjustments	(13,868)	(7,832)	(130,543)
Defined retirement benefit plans	(690)	(1,003)	(6,495)
Total	377,342	393,896	3,551,795
Noncontrolling interests	10,143	10,625	95,479
Total equity	387,486	404,522	3,647,274
TOTAL	¥1,394,199	¥1,381,217	$ 13,123,109

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Income
Year Ended February 28, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING REVENUE (Note 22)	¥ 280,688	¥324,138	$ 2,642,019
OPERATING COSTS (Notes 7 and 12)	218,926	234,813	2,060,677
Gross profit	61,761	89,324	581,342
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 7 and 12)	27,367	28,530	257,599
Operating income	34,394	60,794	323,742
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,300	1,172	12,243
Foreign exchange gain	66	332	622
Interest expense	(9,762)	(9,795)	(91,889)
Insurance income	95	243	898
Gain (loss) on valuation of derivatives (Note 14)	323	(46)	3,046
Gain on sales of property, plant, and equipment (Note 15)	749	2,508	7,056
Loss on sales of property, plant, and equipment	(1)	(1)	(12)
Loss on impairment of long-lived assets (Note 4)	(7,288)	(5,034)	(68,603)
Gain on bargain purchase (Note 19)		1,239	
Gain on step acquisitions		706	
Subsidy income	709	771	6,677
Compensation income		688	
Lease deposit collection income		1,340	
Gain on sales of investment securities	5		55
Loss due to COVID-19 (Note 16)	(16,572)		(155,994)
Other — net	248	(899)	2,335
Other expenses — net	(30,125)	(6,775)	(283,564)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	4,268	54,019	40,177
INCOME TAXES (Note 11):			
Current	(7,223)	(19,060)	(67,989)
Deferred	922	(436)	8,679
Total income taxes	(6,301)	(19,496)	(59,309)
NET (LOSS) INCOME	(2,032)	34,522	(19,132)
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	168	(282)	1,585
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (1,864)	¥ 34,239	$ (17,546)
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.v and 18):			
Basic net income	¥ (8.19)	¥ 150.50	$(0.08)
Diluted net income	-	150.47	-
Cash dividends applicable to the year	40.00	39.00	0.38

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended February 28, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET (LOSS) INCOME	¥ (2,032)	¥ 34,522	$ (19,132)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	109	(391)	1,029
Foreign currency translation adjustments	(7,002)	(1,809)	(65,908)
Defined retirement benefit plans	313	(51)	2,952
Total other comprehensive loss	(6,578)	(2,252)	(61,925)
COMPREHENSIVE (LOSS) INCOME	¥ (8,611)	¥ 32,269	$ (81,057)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (7,477)	¥ 32,210	$ (70,379)
Noncontrolling interests	(1,134)	59	(10,678)

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended February 28, 2021

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income (Loss)					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Losses)	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, FEBRUARY 28, 2019 (MARCH 1, 2019, as previously reported)	227,470	¥ 42,313	¥ 40,597	¥ 91	¥ 306,373	¥ (4)	¥ 1,312	¥ (6,247)	¥ (951)	¥ 383,484	¥ 10,574	¥ 394,059
Cumulative effect of changes in accounting policies					(12,985)					(12,985)		(12,985)
BALANCE, MARCH 1, 2019 (as restated)	227,470	42,313	40,597	91	293,388	(4)	1,312	(6,247)	(951)	370,499	10,574	381,074
Net income attributable to owners of the parent					34,239					34,239		34,239
Exercise of stock options	42	34	34							68		68
Cash dividends, ¥39 per share					(8,872)					(8,872)		(8,872)
Purchase of treasury stock	(0)					(0)				(0)		(0)
Change in ownership interest of parent due to transactions with noncontrolling interests			34							34		34
Net change in the year				(43)			(391)	(1,585)	(51)	(2,070)	50	(2,022)
BALANCE, FEBRUARY 29, 2020	227,512	¥ 42,347	¥ 40,666	¥ 47	¥ 318,755	¥ (5)	¥ 920	¥ (7,832)	¥ (1,003)	¥ 393,896	¥ 10,625	¥ 404,522
Net income attributable to owners of the parent					(1,864)					(1,864)		(1,864)
Exercise of stock options	30	24	24							48		48
Cash dividends, ¥40 per share					(9,100)					(9,100)		(9,100)
Purchase of treasury stock	(0)					(0)				(0)		(0)
Change in ownership interest of parent due to transactions with noncontrolling interests												
Net change in the year				(23)			109	(6,036)	313	(5,636)	(481)	(6,118)
BALANCE, FEBRUARY 28, 2021	227,542	¥ 42,372	¥ 40,691	¥ 23	¥ 307,790	¥ (6)	¥ 1,029	¥ (13,868)	¥ (690)	¥ 377,342	¥ 10,143	¥ 387,486

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Losses)	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, FEBRUARY 29, 2020	$ 398,606	$ 382,783	$ 448	$ 3,000,337	$ (48)	$ 8,661	$ (73,728)	$ (9,448)	$ 3,707,612	$ 100,015	$ 3,807,627
Net income attributable to owners of the parent				(17,546)					(17,546)		(17,546)
Exercise of stock options	228	228							457		457
Cash dividends, $0.38 per share				(85,664)					(85,664)		(85,664)
Purchase of treasury stock					(8)				(8)		(8)
Change in ownership interest of parent due to transactions with noncontrolling interests											
Net change in the year			(223)			1,029	(56,815)	2,952	(53,056)	(4,535)	(57,592)
BALANCE, FEBRUARY 28, 2021	$ 398,835	$ 383,012	$ 225	$ 2,897,127	$ (56)	$ 9,691	$ (130,543)	$ (6,495)	$ 3,551,795	$ 95,479	$ 3,647,274

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended February 28, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes and noncontrolling interests	¥ 4,268	¥ 54,019	$ 40,177
Adjustments for:			
Income taxes – paid	(11,528)	(15,701)	(108,516)
Gain on sales of property, plant, and equipment	(749)	(2,508)	(7,056)
Loss on sales of property, plant, and equipment	1	1	12
Depreciation and amortization	58,586	56,858	551,457
Loss on impairment of long-lived assets	7,288	5,034	68,603
Gain on bargain purchase (Note 19)		(1,239)	
Changes in assets and liabilities:			
Decrease (Increase) in receivables – trade accounts	97	(447)	917
Increase in payables – trade accounts	113	413	1,070
Increase (decrease) in deposits received	(5,548)	22,710	(52,228)
Increase in allowance for doubtful accounts	81	30	762
Increase in liability for retirement benefits	31	29	293
Other – net	8,980	14,444	84,530
Total adjustments	57,353	79,626	539,846
Net cash provided by operating activities	61,621	133,645	580,024
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(57,535)	(97,192)	(541,564)
Proceeds from sales of property, plant, and equipment	760	8,220	7,153
Purchases of long-term prepaid expenses	(2,202)	(2,441)	(20,733)
Investments in subsidiaries resulting in a change in scope of consolidation (Note 20)		(1,229)	
Payments of lease deposits to lessors	(1,762)	(2,382)	(16,594)
Reimbursement of lease deposits to lessors	308	5,338	2,901
Repayments of lease deposits from lessees	(11,170)	(10,279)	(105,146)
Proceeds from lease deposits from lessees	8,618	11,313	81,124
Other	(1,459)	(7,131)	(13,733)
Net cash used in investing activities	(64,444)	(95,783)	(606,592)
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans		(6,000)	
Repayment of lease obligations	(11,727)	(11,210)	(110,383)
Proceeds from long-term debt	23,734	8,500	223,403
Repayment of long-term debt	(35,774)	(24,015)	(336,731)
Proceeds from issuance of corporate bonds	60,000	80,000	564,759
Repayment of corporate bonds	(15,000)	(15,000)	(141,189)
Dividends paid	(9,100)	(8,872)	(85,664)
Proceeds from share issuance to noncontrolling shareholders	718		(6,765)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Note 20)		(161)	
Other	(606)	(432)	(5,707)
Net cash provided by financing activities	12,244	22,808	115,250

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended February 28, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	290	(1,715)	2,730
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,711	58,954	91,412
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,368	55,414	1,076,514
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 124,080	¥ 114,368	$ 1,167,927

See Note 20 to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ÆON Mall Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to $1, the approximate rate of exchange at February 28, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures of less than one million yen are rounded down to the nearest million yen, and U.S. dollar figures of less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation -*** The consolidated financial statements as of February 28, 2021, include the accounts of the Company and its 47 (43 in 2020) subsidiaries (collectively, the "Group"). The statements include the operating results of the international business for January through December. The following companies have been included in the consolidated financial statements as of and for the year ended February 28, 2021:

AEON MALL SINGAPORE PTE. LTD.
AEON MALL MYANMAR CO., LTD.
AEON MALL SHWE TAUNG CO., LTD.
Hangzhou Qiantang New Area Mall Investment Limited

OPA Co., Ltd. was restructured on March 1, 2021, through a company split and absorption-type merger. For details, refer to Note 23 to consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements -*** Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or accounting principles generally accepted in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties, and incorporation of the cost model of accounting; (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Cash Equivalents -*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and deposits kept in the cash pool account of the Company, the parent company, both of which mature or are due within three months of the date of acquisition.

d. ***Investment Securities -*** Investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Allowance for Doubtful Accounts -*** The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. ***Property, Plant, and Equipment -*** Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Group is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 2 to 39 years for buildings and structures, from 3 to 17 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

g. ***Intangible Assets -*** Depreciation of software is computed by the straight-line method based on 5 years of estimated useful life.

h. ***Right-of-use Assets -*** Depreciation of right-of-use assets is computed by the straight-line method.

i. ***Long-Lived Assets -*** The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Long-Term Prepaid Expenses*** - Depreciation of long-term prepaid expenses is computed by the straight-line method over the life of the contract, which is principally from 2 to 50 years based on the contract terms.

k. ***Provision for Store Closing Expenses*** - A provision for store closing expenses, including rental agreement cancellation penalties, is recognized when a decision to close a store is made by management and such expenses may be reasonably estimated.

l. ***Bond Issue Costs -*** Bond issue costs are expensed as incurred.

m. ***Retirement and Pension Plans -*** The Company and its certain domestic subsidiaries have a defined benefit pension plan, defined contribution pension plans, and advance payment plans. Liability for employees' retirement benefits is accounted for based on the projected benefit obligations and plan assets at the consolidated balance sheet date. Other domestic subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. In addition, certain foreign subsidiaries have lump-sum payment plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis.

Actuarial gains and losses are amortized in the years following the year in which the gain or loss occurs by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees.

n. ***Asset Retirement Obligations -*** An asset retirement obligation is recorded for a legal obligation imposed by either law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Stock Options –*** Compensation expense for employee stock options that were granted on or after May 1, 2006, based on the fair value at the date of grant and over the vesting period is considered for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment". Stock options are granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights and as a separate component of equity until exercised. The accounting standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

p. ***Leases -*** In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee’s financial statements.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables and

that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

All other leases are accounted for as operating leases.

The Company applied the revised accounting standard effective February 20, 2009.

q. ***Bonuses to Directors and Employees -*** Bonuses to directors and employees are accrued at the year-end to which such bonuses are attributable.

r. ***Income Taxes -*** The provision for income taxes is computed based on pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

s. ***Foreign Currency Transactions -*** All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. ***Derivatives and Hedging Activities -*** The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate swaps and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

v. ***Per Share Information -*** Basic net income per share (EPS) is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period and retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if warrants were exercised. Diluted EPS of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends that were approved and paid after the end of the year.

x. ***New Accounting Pronouncements***

1 . On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or

services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after the fiscal year ended February 28, 2023 and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

２． Accounting Standard for Fair Value Measurement

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

To improve comparability with other GAAPs, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" have been developed, and they define the guideline of how to measure fair value. The standard and guidance are adopted to the items below.

- Financial instruments which are defined in Accounting Standard for Financial Instruments
- Inventories for trading which are defined in Accounting Standard for Measurement of Inventories

Also, "Guidance on Disclosures about Fair Value of Financial Instruments" has been modified and several notes have been added to the guidance. For example, it is required to explain the fair value calculation of financial instruments by input information level for the calculation.

(2) Scheduled date of adoption
To be adopted at the beginning of the fiscal year ended February 28, 2023.

(3) Impact of the adoption of this accounting standard
The Company is assessing the impact of adoption of this accounting standard and guidance as of the time of preparation of these consolidated financial statements.

３． Accounting Standard for Disclosure of Accounting Estimates

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Overview
This accounting standard is designed to disclose value-added information for users, especially about the accounting estimates in the current fiscal year which could have huge impact for the financial statements in the following fiscal year.

Scheduled date of adoption
To be adopted at the end of the fiscal year ended February 28, 2022.

４． Accounting Standard for Accounting Changes and Error Corrections

- Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Overview
The accounting standard is designed for disclosing the applied the accounting principles and procedure overview if related accounting standard is not clear.

(2) Scheduled date of adoption
To be adopted at the end of the fiscal year ended February 28, 2022.

x. Additional information

(Accounting estimates related to the impact of COVID-19)

A state of emergency was declared again in some prefectures in Japan. However, vaccination has been started inJapan and in some other countries The Group is striving to establish epidemic prevention systems in the shopping malls it operates. It is expected that the impact of COVID-19 on operating revenue would be settled in the fiscal year ended February 28, 2021. Thus, the Group makes accounting estimates for the fixed assets impairment by using the assumptions that operating revenue of the fiscal year ended February 28, 2022 would be recovered to the level of operating revenue of the fiscal year ended February 28, 2020. However, although the Group continues its mall operations in Indonesia, because of ongoing restrictions on small-scale community activities, it assumes that the impact of COVID-19 will have negative effects on operating revenue in fiscal year ended February 28, 2022 as well.

3. INVESTMENT SECURITIES

Investment securities as of February 28, 2021, and February 29, 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investment securities:			
Marketable equity securities	¥ 1,942	¥ 1,787	$ 18,279
Other	6	6	56
Total	¥ 1,948	¥ 1,793	$ 18,335

The costs and aggregate fair values of investment securities as of February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	¥ 460	¥ 1,486	¥ (4)	¥ 1,942

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	¥ 463	¥ 1,328	¥ (4)	¥ 1,787

	Thousands of U.S. Dollars			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	$ 4,335	$13,989	$ (45)	$ 18,279

Proceeds and realized gains and losses on sales of available-for sale securities for the fiscal year ended February 28, 2021 were as follows.

	Millions of Yen		
	2021		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 9	¥ 5	—

	Thousands of U.S. Dollars		
	2021		
	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 87	$ 55	—

Available-for-sale securities whose fair values are not readily determinable as of February 28, 2021, and February 29, 2020, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Available for sale:			
Equity securities	¥ 6	¥ 6	$ 55

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 28, 2021, and February 29, 2020. The Group recognized impairment losses on the following long-lived assets on February 28, 2021:

Use	Type of Assets	Location	Millions of Yen 2021	Thousands of U.S. Dollars 2021
Shopping mall	Land, buildings and structures, and others	Aomori	¥ 1,254	$ 11,804
Shopping mall	Buildings and structures, and others	Akita	240	2,261
Shopping mall	Buildings and structures, and others	Ibaraki	29	279
Shopping mall	Buildings and structures, and others	Gunma	102	966
Shopping mall	Buildings and structures, and others	Chiba	558	5,253
Shopping mall	Intangible fixed assets (goodwill)	Chiba	340	3,200
Corporate assets	Furniture and fixtures, and others	Chiba	61	576
Shopping mall	Buildings and structures, and others	Tokyo	138	1,303
Shopping mall	Buildings and structures, and others	Kanagawa	53	506
Shopping mall	Construction in progress	Mie	5	51
Shopping mall	Buildings and structures, and others	Kyoto	200	1,886
Shopping mall	Buildings and structures, and others	Osaka	761	7,165
Development property	Construction in progress	Okayama	1	14
Development property	Construction in progress	Nagasaki	50	470
Shopping mall	Land, buildings and structures, and others	Oita	1,321	12,441
Shopping mall	Buildings and structures, and others	Okinawa	13	128
Shopping mall	Right-of-use assets, and others	Overseas (China)	2,155	20,292
Total			¥ 7,288	$ 68,603

The Group considers a shopping mall as the minimum asset group, and also considers an idle asset as an asset group. The book value of the above mentioned asset groups have been devaluated to the recoverable amount, resulting in an impairment loss under other expenses because of significant decline of profitability and the changes causing significant decline of recoverable amount. The recoverable amount is measured by value in use and net realizable value. The value in use of shopping malls in Japan is calculated by the future cash flows with discounted by 3.55%, and the value of the malls in overseas (China) is calculated with 8.84% discount rate.

Furthermore, regarding some stores, the Group evaluated the value in use as zero as no future cash flow is expected. In such cases, the Group evaluated net realizable value by real estate appraisal value.

The Group reduced the entire amount of goodwill of a certain domestic subsidiary as it is no longer expected to earn the revenue planned at the time of acquisition. The Group recorded the amount of the reduction as an impairment loss under other expenses.

The Group recognized impairment losses on the following long-lived assets on February 29, 2020:

Use	Type of Assets	Location	Millions of Yen 2020
Shopping mall	Buildings and structures, and others	Akita	¥ 28
Shopping mall	Buildings and structures, and others	Ibaraki	32
Shopping mall	Buildings and structures, and others	Gunma	602
Corporate assets	Furniture and fixtures, and others	Chiba	227
Shopping mall	Buildings and structures, and others	Tokyo	820
Shopping mall	Buildings and structures, and others	Kanagawa	195
Shopping mall	Buildings and structures, and others	Kyoto	37
Shopping mall	Buildings and structures, and others	Osaka	1,152
Shopping mall	Buildings and structures, and others	Fukuoka	153
Shopping mall	Buildings and structures, and others	Okinawa	869
Shopping mall	Right-of-use assets and others	Overseas (China)	913
Total			¥ 5,034

The book values of the shopping malls which incurred continuous operation losses were reduced to their recoverable amounts, and such reductions in the carrying values were recorded as loss on impairment of long-lived assets in other expenses. Common-use and shared assets are grouped in larger units that include groups contributing to the generation of future cash flows. The recoverable amounts were measured at their value in use or net realizable value. The Group used a discount rate of 8.48% to calculate the future cash flows of value in use for overseas (China).

Furthermore, regarding some stores, the Group evaluated the value in use as zero as no future cash flow is expected. In such cases, the Group evaluated net realizable value by real estate appraisal value.

As certain malls in Kyoto Prefecture and Fukuoka Prefecture have been closed, the entire book values in question have been written off by recognizing impairment losses under other expenses.

The Group mainly categorizes a shopping mall as the standard unit that generates cash flows and an idle asset as an individual independent unit.

5. INVESTMENT PROPERTY

The Group holds some rental properties, such as shopping malls, throughout Japan, in China, and in the Association of Southeast Asian Nations (ASEAN) area. The net of rental income and operating expenses for those rental properties was ¥34,247 million ($322,358 thousand) for the fiscal year ended February 28, 2021, and ¥48,394 million for the fiscal year ended February 29, 2020. Gain on sales of property, plant, and equipment was ¥746 million ($7,028 thousand) for the fiscal year ended February 28, 2021, and ¥2,501 million for the fiscal year ended February 29, 2020. Loss on disposal of fixed assets amounted to ¥674 million ($6,352 thousand) for the fiscal year ended February 28, 2021, and ¥1,635 million for the fiscal year ended February 29, 2020. Impairment loss was ¥4,162 million ($39,180 thousand) for the fiscal year ended February 28, 2021, and ¥1,089 million for the fiscal year ended February 29, 2020.

In addition, the carrying amounts, changes in such balances, and fair values of such properties were as follows:

Millions of Yen			
Carrying Amount			Fair Value
March 1, 2020	Decrease	February 28, 2021	February 28, 2021
¥1,090,837	¥ (8,246)	¥ 1,082,591	¥ 1,333,547

Millions of Yen			
Carrying Amount			Fair Value
March 1, 2019	Increase	February 29, 2020	February 29, 2020
¥1,067,163	¥ 23,674	¥ 1,090,837	¥ 1,317,200

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
March 1, 2020	Decrease	February 28, 2021	February 28, 2021
$ 10,267,674	$ (77,617)	$ 10,190,056	$ 12,552,215

Notes:
1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Increase during the fiscal year ended February 29, 2020, is primarily attributable to newly acquired properties of ¥94,563 million, and decrease primarily represents the recognition of selling and disposal properties of ¥6,916 million, impairment losses of ¥1,089 million, depreciation expense of ¥56,422 million, and foreign currency translation difference of ¥(4,400) million.
Increase during the fiscal year ended February 28, 2021, primarily represents the acquisition of certain properties of ¥61,199 million ($576,047 thousand), and decrease primarily represents the recognition of selling and disposal properties of ¥522 million ($4,922 thousand), impairment losses of ¥4,162 million ($39,180 thousand), depreciation expense of ¥58,586 million ($551,458 thousand), and foreign currency translation difference of ¥(6,299) million ($(59,294) thousand).
3) Fair value of properties is mainly measured based on real estate appraisal values.

6. LONG-TERM DEBT AND CORPORATE BONDS

Long-term debt as of February 28, 2021, and February 29, 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loans from banks and insurance companies, due through 2030 with interest rates ranging from 0.07% to 4.17% (2021) and 0.07% to 4.17% (2020):			
Collateralized	¥ 25,761	¥ 26,478	$ 242,487
Unsecured	196,662	208,617	1,851,117
Total	222,424	235,096	2,093,605
Less current portion	(33,629)	(35,774)	(316,545)
Long-term debt, less current portion	¥188,794	¥199,322	$ 1,777,059

Annual maturities of long-term debt as of February 28, 2021, were as follows:

Years Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 33,629	$ 316,545
2023	45,860	431,665
2024	36,415	342,768
2025	55,065	518,315
2026	26,504	249,474
2027 and thereafter	24,948	234,835
Total	¥222,424	$2,093,605

Corporate bonds as of February 28, 2021, and February 29, 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Issued by the Company:			
Unsecured 0.90% yen corporate bond, due 2024	¥ 20,000	¥ 20,000	$ 188,253
Unsecured 0.44% yen corporate bond, due 2021	15,000	15,000	141,189
Unsecured 0.95% yen corporate bond, due 2026	5,000	5,000	47,063
Unsecured 0.57% yen corporate bond, due 2022	30,000	30,000	282,379
Unsecured 0.48% yen corporate bond, due 2023	25,000	25,000	235,316
Unsecured 1.10% yen corporate bond, due 2036	10,000	10,000	94,126
Unsecured 0.10% yen corporate bond, due 2020	—	15,000	—
Unsecured 0.36% yen corporate bond, due 2023	15,000	15,000	141,189
Unsecured 0.60% yen corporate bond, due 2027	20,000	20,000	188,253
Unsecured 0.39% yen corporate bond, due 2023	30,000	30,000	282,379
Unsecured 0.03% yen corporate bond, due 2021	15,000	15,000	141,189
Unsecured 0.37% yen corporate bond, due 2025	10,000	10,000	94,126
Unsecured 0.50% yen corporate bond, due 2028	20,000	20,000	188,253
Unsecured 1.05% yen corporate bond, due 2038	5,000	5,000	47,063
Unsecured 0.30% yen corporate bond, due 2024	30,000	30,000	282,379
Unsecured 0.05% yen corporate bond, due 2022	10,000	10,000	94,126
Unsecured 0.29% yen corporate bond, due 2026	10,000	10,000	94,126
Unsecured 0.40% yen corporate bond, due 2029	20,000	20,000	188,253

Unsecured 0.90% yen corporate bond, due 2039	10,000	10,000	94,126
Unsecured 0.33% yen corporate bond, due 2025	30,000	—	282,379
Unsecured 0.22% yen corporate bond, due 2025	20,000	—	188,253
Unsecured 0.47% yen corporate bond, due 2027	10,000	—	94,126
Total	360,000	315,000	3,388,554
Less current portion	(30,000)	(15,000)	(282,379)
Corporate bonds, less current portion	¥ 330,000	¥ 300,000	$ 3,106,174

Annual maturities of corporate bonds as of February 28, 2021, were as follows:

Years Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 30,000	$ 282,379
2023	40,000	376,506
2024	70,000	658,885
2025	50,000	470,632
2026	60,000	564,759
2027 and thereafter	110,000	1,035,391
Total	¥360,000	$ 3,388,554

Collateralized long-term debt and other as of February 28, 2021, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt	¥ 1,976	$ 18,601
Long-term debt	23,785	223,886
Total	¥ 25,761	$ 242,487

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other as of February 28, 2021, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 2,456	$ 23,121
Buildings and structures – net of accumulated depreciation	28,171	265,166
Total	¥ 30,627	$ 288,287

7. RETIREMENT AND PENSION PLANS

The Company and its certain subsidiaries have severance payment plans for employees. The Company and its certain domestic subsidiaries have a defined benefit pension plan, advance payment plans, and defined contribution pension plans covering substantially all employees. Other domestic subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. In addition, certain foreign subsidiaries have lump-sum payment plans.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) The changes in defined benefit obligation for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Balance at beginning of year (as restated)	¥ 5,097	¥ 4,757	$ 47,983
Increase from new consolidation	—	22	—
Current service cost	266	246	2,511
Interest cost	23	31	221
Actuarial losses	(54)	(227)	(517)
Benefits paid	(209)	(187)	(1,968)
Balance at end of year	¥ 5,124	¥ 5,097	$ 48,231

(2) The changes in plan assets for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Balance at beginning of year	¥ 3,819	¥ 3,624	$ 35,954
Expected return on plan assets	137	113	1,294
Actuarial losses	190	(38)	1,792
Contributions from the employer	339	305	3,194
Benefits paid	(200)	(185)	(1,886)
Balance at end of year	¥ 4,286	¥ 3,819	$ 40,349

(3) A reconciliation between the balances of defined benefit obligation and plan assets and the liability recorded in the consolidated balance sheet is as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Funded defined benefit obligation	¥ 5,041	¥ 5,024	$ 47,457
Plan assets	(4,286)	(3,819)	(40,349)
Total	755	1,205	7,108
Unfunded defined benefit obligation	¥ 82	¥ 72	$ 773
Net liability arising from defined benefit obligation	¥ 837	¥ 1,278	$ 7,881

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Liability for retirement benefits/ Asset for retirement benefits	¥ 837	¥ 1,278	$ 7,881

(4) The components of net periodic benefit costs for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Service cost	¥ 266	¥ 246	$ 2,511
Interest cost	23	31	221
Expected return on plan assets	(137)	(113)	(1,294)
Recognized actuarial losses	209	177	1,973

Net periodic benefit costs	¥ 362	¥ 342	$ 3,412

(5) Amounts recognized in other comprehensive income (before income tax effects) in respect of defined retirement benefit plans for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial losses	¥ (455)	¥ 88	$ (4,283)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial losses	¥ 1,018	¥ 1,473	$ 9,590

(7) Plan assets

(1) Components of plan assets

Plan assets as of February 28, 2021, and February 29, 2020, consisted of the following:

	2021	2020
Debt investments	40.7%	41.8%
Equity investments	29.9	26.0
General account of life insurance	11.6	12.4
Others*	17.8	19.8
Total	100.0%	100.0%

*Mainly includes cash and alternative investments

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from various components of the plan assets. In addition, salary increase rate by age calculated as at the base date of March 31, 2016, was used as an assumption.

(8) Assumptions used for the fiscal years ended February 28, 2021, and February 29, 2020, are set forth as follows:

	2021	2020
Discount rate	0.8%	0.4%
Expected rate of return on plan assets	3.6%	3.1

Defined contribution plan:
Contributions for defined contribution plan for the fiscal years ended February 28, 2021, and February 29, 2020, were ¥364 million ($3,429 thousand) and ¥355 million, respectively.

Advance payment plan:
Payments to the advance payment plan for the fiscal years ended February 28, 2021, and February 29, 2020, were ¥59 million ($563 thousand) and ¥60 million, respectively.

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the fiscal years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 16,713	¥ 16,389	$ 157,317
Increase due to change in the scope of consolidation	—	873	—
Additional provisions associated with the acquisitions of property, buildings, and equipment	632	459	5,952
Decrease associated with the sales of property, buildings, and equipment	—	(1,091)	—
Reconciliation associated with passage of time	197	205	1,854
Reduction due to performance	(137)	(99)	(1,296)
Increase due to changes in estimates	1,274	—	11,998
Other increase and decrease	—	(24)	—
Balance at end of year	¥ 18,679	¥ 16,713	$ 175,827

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. The Company meets all of the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTIONS

The stock options outstanding as of February 28, 2021, were as follows:

Stock Option	Persons Granted	Number of Options Granted*	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	11 directors	20,790 shares	2011.4.21	¥1 ($0.01)	From May 21, 2011, to May 20, 2026
2013 Stock Option	12 directors	22,330 shares	2012.4.21	¥1 ($0.01)	From May 21, 2012, to May 20, 2027
2016 Stock Option	10 directors	20,400 shares	2015.5.10	¥1 ($0.01)	From June 10, 2015, to June 9, 2030
2018 Stock Option	9 directors	18,800 shares	2017.5.10	¥1 ($0.01)	From June 10, 2017, to June 9, 2032
2019 Stock Option	9 directors	17,700 shares	2018.5.10	¥1 ($0.01)	From June 10, 2018, to June 9, 2033
2020 Stock Option	10 directors	17,800 shares	2019.5.10	¥1 ($0.01)	From June 10, 2019, to June 9, 2034
2021 Stock Option	11 directors	21,500 shares	2020.5.10	¥1 ($0.01)	From June 10, 2020, to June 9, 2035

*The number of options granted has been restated, as appropriate, to reflect a 1.1-for-1 stock split effected on August 1, 2013.

The stock option activity is as follows:

	2012 Stock Option (Shares)	2013 Stock Option (Shares)	2016 Stock Option (Shares)	2018 Stock Option (Shares)	2019 Stock Option (Shares)	2020 Stock Option (Shares)	2021 Stock Option (Shares)
Year Ended February 29, 2020							
Nonvested:							
February 28, 2019 – outstanding							
Granted						17,800	
Canceled							
Vested						(17,800)	
February 29, 2020 – outstanding							
Vested:							
February 28, 2019 – outstanding	5,170	2,860	2,600	10,800	10,800		
Vested						17,800	
Exercised				(7,100)	(3,300)	(11,800)	
Canceled							
February 29, 2020 – outstanding	5,170	2,860	2,600	3,700	7,500	6,000	
Year Ended February 28, 2021							
Nonvested:							
February 29, 2020 – outstanding							
Granted							21,500
Canceled							
Vested							(21,500)
February 28, 2021 – outstanding							
Vested:							
February 29, 2020 – outstanding	5,170	2,860	2,600	3,700	7,500	6,000	
Vested							21,500
Exercised	(5,170)	(2,860)	(2,600)	(2,600)	(6,400)	(2,200)	(9,000)
Canceled							
February 28, 2021 – outstanding	—	—	—	1,100	1,100	3,800	12,500
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	1,509 ($14)	1,509 ($14)	1,692 ($15)	¥1,692 ($15)	¥1,552 ($14)	¥1,569 ($14)	¥1,507 ($14)
Fair value price at grant date	¥1,609 ($15)	¥1,473 ($13)	¥2,116 ($19)	¥1,848 ($17)	¥1,912 ($17)	¥1,408 ($13)	¥1,154 ($10)

The Company made a stock split by way of a free share distribution at the rate of 1.1 for 1 for each outstanding share on August 1, 2013. The number of shares is retroactively adjusted for the stock split.

The Assumptions Used to Measure Fair Value of 2020 Stock Options:

Estimation method:	Black-Scholes option-pricing model
Volatility of stock price:	33.36%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥40 per share
Risk-free interest rate:	-0.12%

11. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Accrued enterprise tax	¥ 428	¥ 538	$ 4,030
Lease obligations	28,638	28,518	269,567
Property, plant, and equipment	12,591	11,354	118,516
Long-term prepaid expenses	1,640	1,666	15,444
Liability for retirement benefits	239	465	2,252
Asset retirement obligation	5,728	5,087	53,916
Long-term deferred revenue	874	960	8,228
Tax loss carryforwards of subsidiaries *2)	4,210	2,268	39,636
Write-down of assets under the reorganization proceedings	322	322	3,035
Property revaluation	436	461	4,109
Other	3,994	2,498	37,594
Total of tax loss carryforwards and temporary differences	59,104	54,141	556,333
Valuation allowance for tax loss carryforwards*2)	(4,170)	(2,222)	(39,251)
Valuation allowance for total deductible temporary differences	(13,112)	(10,750)	(123,422)
Less valuation allowance *1)	(17,282)	(12,973)	(162,673)
Total deferred tax assets	41,822	41,167	393,659
Deferred tax liabilities:			
Right-of-use assets	(21,239)	(21,784)	(199,923)
Property revaluation	(100)	(103)	(949)
Lease deposits to lessors and long-term prepaid expenses	(44)	(74)	(419)
Deferred capital gains on property	(181)	(194)	(1,705)
Special depreciation on property	―	(9)	―
Asset retirement obligation removal expense	(3,691)	(3,576)	(34,746)
Unrealized gain on available-for-sale securities	(451)	(403)	(4,252)
Other	(1,766)	(1,463)	(16,627)
Total deferred tax liabilities	(27,476)	(27,610)	(258,624)
Net deferred tax assets	¥14,346	¥13,557	$135,035

Net deferred tax assets included in the consolidated balance sheets as of February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
INVESTMENT AND OTHER ASSETS – deferred tax assets	14,940	13,902	140,630
LONG-TERM LIABILITIES – deferred tax liabilities	(594)	(344)	(5,594)
Net deferred tax assets	¥ 14,346	¥ 13,557	$135,035

*1) The valuation allowance increased by ¥4,309 million ($40,559 thousand). The main reason for the increase is reversal of the deferred tax assets as a result of the assessment of recoverability of deferred tax assets.

*2) Tax loss carryforwards and their deferred tax assets by expiration period

Current fiscal year (February 28, 2021)

	Due within 1 year	Due after more than 1 year Due within 2 years	Due after more than 2 years Due within 3 years	Due after more than 3 years Due within 4 years	Due after more than 4 years Due within 5 years	Due after more than 5 years	Total
Tax loss carryforwards	548	405	348	405	945	1,556	¥ 4,210 million
Valuation allowance	(548)	(405)	(327)	(405)	(945)	(1,536)	(4,170)
Deferred tax assets	―	―	20	―	―	19	40

Previous fiscal year (February 29, 2020)

	Due within 1 year	Due after more than 1 year Due within 2 years	Due after more than 2 years Due within 3 years	Due after more than 3 years Due within 4 years	Due after more than 4 years Due within 5 years	Due after more than 5 years	Total
Tax loss carryforwards	155	554	494	382	436	244	¥ 2,268 million
Valuation allowance	(155)	(554)	(483)	(347)	(436)	(244)	(2,222)
Deferred tax assets	―	―	11	34	―	―	45

Current fiscal year (February 28, 2021)

	Due within 1 year	Due after more than 1 year Due within 2 years	Due after more than 2 years Due within 3 years	Due after more than 3 years Due within 4 years	Due after more than 4 years Due within 5 years	Due after more than 5 years	Total
Tax loss carryforwards	5,167	3,817	3,283	3,820	8,896	14,650	$ 39,636 thousand
Valuation allowance	(5,167)	(3,817)	(3,086)	(3,820)	(8,896)	(14,462)	(39,251)
Deferred tax assets	―	―	197	―	―	188	385

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 28, 2021, and February 29, 2020, was as follows:

	2021	2020
Normal effective statutory tax rate	30.5%	30.5%
Expenses not deductible for income tax purposes	5.3	0.3
Per capita portion of inhabitant tax	3.1	0.3
Tax benefits not recognized on operating losses of subsidiaries	48.5	0.4
Change in valuation allowance	37.2	4.0
Tax effect related to consolidated adjustment	12.4	(0.3)
Lower income tax rates applicable to income in certain foreign countries	8.9	0.5
Past year corporate taxes	(0.1)	1.0
Special corporation tax credits	(0.5)	(0.2)
Other – net	2.3	(0.4)
Actual effective tax rate	147.6	36.1

12. LEASES

a. Lessee

The minimum rental commitments under noncancelable operating leases as of February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 55,692	¥ 46,736	$ 524,212
Due after one year	324,050	295,384	3,050,175
Total	¥ 379,742	¥ 342,121	$ 3,574,388

b. Lessor

The Group leases certain store space to the tenants and other assets.

Future rental revenues from subleases under finance leases for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥ 5,264	¥ 6,376	$ 49,549
Due after one year	16,097	20,628	151,521
Total	¥ 21,361	¥ 27,004	$ 201,071

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group policy for financial instruments*

The Group operates shopping mall businesses as its core business. The Group rents retail facilities in shopping malls to tenants, ÆON Retail Co., Ltd. (the “parent’s subsidiary”), operating general merchandise stores, and other ÆON group companies. The Group uses financial instruments, mainly long-term debt, including bank loans and corporate bonds, commercial paper, and securitization of receivables, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets, such as deposits in banks and the parent company. Derivatives are used not for speculative purposes, but to manage exposure to financial risk.

(2) *Nature and extent of risks arising from financial instruments*

Receivables, such as trade accounts receivables, are exposed to customer credit risk.

Investment securities are business-related equities and are exposed to market price fluctuation risk and credit risk.

Lease deposits to lessors are exposed to the lessors’ credit risk.

Payment terms of payables, such as trade accounts payable, are less than one year.

Short-term bank loans, commercial papers, long-term debt, and bonds are used for financing, mainly for operating transactions and property investments. Liquidity risk, which comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates, is managed by dispersal of due dates or maturity dates. Although certain bank loans are exposed to market risks from changes in variable interest rates, those risks of new bank loans are mitigated by using interest rate swaps.

Please refer to Note 14 for more details about derivatives.

(3) *Risk management for financial instruments*

Credit risk management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Regarding investment securities, the Group assesses the fair values of equity securities quarterly and regularly monitors the issuer’s financial position for equity securities without market values.

Certain parts of lease deposits from lessees are covered by mortgages and right of pledges.

Because the counterparties to the derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Market risk management (interest rate risk and foreign exchange risk)

Interest rate swaps and currency swaps are used to manage exposure to fluctuations in interest rates and foreign exchange of loan payables.

Basic principles of derivative transactions have been approved by management based on internal guidelines, set by the Corporate Treasury Department, which prescribe the authority and the limit for each transaction. Reconciliations of transactions and balances with customers are performed, and transaction data is reported to the chief financial officer.

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Liquidity risk management

The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the Corporate Treasury Department.

(4) *Fair values of financial instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

Fair values of financial instruments were as follows:

	Millions of Yen		
	2021		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 124,080	¥ 124,080	
Time deposits	7,362	7,362	
Receivables—Trade accounts	7,661		
Allowance for doubtful receivables*	(133)		
	7,528	7,528	
Investment securities	1,942	1,942	
Lease deposits to lessors, including current portion	51,055	49,219	¥ (1,835)
Total	¥ 191,968	¥ 190,132	¥ (1,835)
Short-term borrowings			
Payables—Trade accounts	¥ (8,606)	¥ (8,606)	
Payables—Construction	(29,369)	(29,369)	
Deposits received	(68,518)	(68,518)	
Income taxes payable	(7,024)	(7,024)	
Long-term debt, including current portion	(222,424)	(221,825)	¥ (599)
Corporate bonds, including current portion	(360,000)	(358,024)	(1,975)
Lease obligations, including current portion	(127,234)	(127,576)	341
Lease deposits from lessees, including current portion	(137,786)	(137,540)	(246)
Total	¥(960,963)	¥(958,484)	¥ (2,479)

	Millions of Yen		
	2020		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 114,368	¥ 114,368	
Time deposits	7,314	7,314	
Receivables—Trade accounts	7,755		
Allowance for doubtful receivables*	(66)		
	7,689	7,689	
Investment securities	1,787	1,787	
Lease deposits to lessors, including current portion	50,059	49,182	¥ (877)
Total	¥ 181,219	¥ 180,342	¥ (877)
Short-term borrowings	¥ 8,530	¥ 8,530	
Payables—Trade accounts	32,859	32,859	
Payables—Construction	70,310	70,310	
Deposits received	11,388	11,388	
Income taxes payable	235,096	236,430	¥ 1,334
Long-term debt, including current portion	315,000	317,296	2,296
Corporate bonds, including current portion	115,980	115,942	(37)
Lease deposits from lessees, including current portion	140,508	140,762	254
Total	¥ 929,674	¥ 933,522	¥ 3,847

	Thousands of U.S. Dollars		
	2021		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 1,167,927	$ 1,167,927	
Time deposits	69,298	69,298	
Receivables—Trade accounts	72,118		
Allowance for doubtful receivables *	(1,256)		
	70,862	70,862	
Investment securities	18,279	18,279	
Lease deposits to lessors, including current portion	480,565	463,287	$ (17,278)
Total	$ 1,806,933	$ 1,789,655	$ (17,278)
Short-term borrowings			
Payables—Trade accounts	$ 81,006	$ 81,006	
Payables—Construction	276,441	276,441	
Deposits received	644,938	644,938	
Income taxes payable	66,114	66,114	
Long-term debt, including current portion	2,093,605	2,087,963	$ 5,642
Corporate bonds, including current portion	3,388,554	3,369,959	18,594
Lease obligations, including current portion	1,197,616	1,200,830	(3,213)

Lease deposits from lessees, including current portion	1,296,936	1,294,620	2,316
Total	$ 9,045,214	$ 9,021,875	$ 23,339

*Allowance for doubtful receivables taken for receivables is deducted.

(a) The methods and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents, Time deposits, and Receivables—Trade accounts

The carrying values of cash and cash equivalents, time deposits, and receivables— trade accounts approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments.

Lease deposits to lessors, including the current portion

The fair values of lease deposits to lessors, including the current portion, are measured by discounting the total amount to be received based on the contract period at the risk-free rate.

Short-term borrowings, Payables—Trade accounts, Payables —Construction, Deposits received, and Income taxes payable

The fair values of payables—trade accounts, payables—construction, deposits received, and income taxes payable approximate fair value because of their short maturities.

Corporate bonds, including the current portion

The fair values of corporate bonds issued by the Company are based on the quoted market price.

Long-term debt, including the current portion

The fair values of long-term debt, including the current portion, are determined by discounting the cash flows related to the loans at the Group's assumed borrowing rate.

Lease deposits from lessees, including the current portion

The fair values of lease deposits from lessees, including the current portion, are determined by discounting the cash flows related to the deposits at the Group's assumed borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity instruments that do not have a quoted market price in an active market	¥ 8	¥ 9	$ 83

(c) Maturity analysis for financial assets and interest-bearing liabilities with contractual maturities

	Millions of Yen 2021			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 124,080	—	—	—
Time deposits	7,362	—	—	—
Receivables—Trade accounts	7,661	—	—	—
Lease deposits to lessors *	129	¥ 183	—	¥ 184
Long-term debt	33,629	163,845	¥ 24,948	—
Corporate bonds	30,000	220,000	85,000	25,000
Lease obligations	14,955	66,907	45,312	59
Lease deposits from lessees	7	—	—	—

	Thousands of U.S. Dollars 2021			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 1,167,927	—	—	—
Time deposits	69,298	—	—	—
Receivables—Trade accounts	72,118	—	—	—
Lease deposits to lessors *	1,215	$ 1,729	—	$ 1,736
Long-term debt	316,545	1,542,223	$ 234,835	—
Corporate bonds	282,379	2,070,783	800,075	235,316
Lease obligations	140,770	629,773	426,509	563
Lease deposits from lessees	75	—	—	—

* Lease deposits to lessors with no defined redemption schedule of ¥50,558 million ($475,885 thousand) are not included in the above table.

14. DERIVATIVES

The Group enters into interest rate swap and currency swap contracts to manage its interest rate exposure and foreign exchange risk on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk for these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies that regulate authorization and credit limit amounts.

Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
February 28, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt Chinese Yuan /Payment Yen	¥ 8,267	¥ 8,267	¥ (91)	¥ (91)
Foreign currency forward contracts				
Receipt Chinese Yuan /Payment Yen	¥ 2,897	—	¥ 179	¥ 179

	Millions of Yen			
February 29, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt Chinese Yuan /Payment Yen	¥ 4,567	¥ 4,267	¥ (297)	¥ (297)
Foreign currency forward contracts				
Receipt Chinese Yuan /Payment Yen	¥ 2,897	¥ 807	¥ 55	¥ 55

	Thousands of U.S. Dollars			
February 28, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt Yen/Payment Chinese Yuan	$ 77,814	$ 77,814	$ (865)	$ (865)
Foreign currency forward contracts				
Receipt Yen/Payment Chinese Yuan	$ 27,270	$ —	$ 1,685	$ 1,685

*The fair values of currency swaps are measured at the quoted price obtained from the financial institutions.

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting is applied

		Millions of Yen		
February 28, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 31,468	¥ 31,468	*

		Millions of Yen		
February 29, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 34,897	¥ 27,330	*

		Thousands of U.S. Dollars		
February 28, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	$ 296,197	$ 296,197	*

*The above interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt).

15. GAIN ON SALES OF PROPERTY, PLANT, AND EQUIPMENT

The figure for the year ended February 28, 2021, mainly includes a gain of ¥746 million ($7,028 thousand) on the sale of one commercial facility to an external company.
The figure for the year ended February 29, 2020, mainly includes a gain of ¥2,501 million on the sale of one commercial facility to a leasing company.

16. LOSS DUE TO COVID-19

Loss due to COVID-19 mainly includes fixed cost of rent expense, depreciation and amortization during the closing period of shopping malls and support for the tenants by rent reduction.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gains(loss) arising during the year	¥ 163	¥ (563)	$ 1,536
Reclassification adjustments to profit or loss	(5)		(54)
Amount before income tax effect	157	(563)	1,481
Income tax effect	(48)	171	(451)
Total	¥ 109	¥ (391)	$ 1,029
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (7,002)	¥ (1,809)	$ (65,908)
Reclassification adjustments to profit or loss			
Amount before income tax effect	¥ (7,002)	¥ (1,809)	$ (65,908)
Income tax effect			
Total	¥ (7,002)	¥ (1,809)	$ (65,908)
Defined retirement benefit plans			
Adjustments arising during the year	¥ 245	¥ (265)	$ 2,309
Reclassification adjustments to profit or loss	209	177	1,973
Amount before income tax effect	455	(88)	4,283
Income tax effect	(141)	36	(1,330)
Total	¥ 313	¥ (51)	$ 2,952
Total other comprehensive loss	¥ (6,578)	¥ (2,252)	$ (61,925)

18. EPS

A reconciliation of the differences between basic and diluted EPS for the years ended February 28, 2021, and February 29, 2020, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 28, 2021	Net Income	Weighted-Average Shares	EPS*	
Basic EPS — Net income available to common shareholders	¥ (1,864)	227,533	¥ (8.19)	$(0.08)
Effect of dilutive securities — Warrants	-	-	-	-
Diluted EPS — Net income for computation	¥ -	-	¥ -	$ -

Diluted EPS for the current consolidated fiscal year is not shown, despite the existence of dilutive shares, as the Company posted a net loss per share.

	Millions of Yen	Thousands of Shares	Yen
Year Ended February 29, 2020	Net Income	Weighted-Average Shares	EPS*
Basic EPS — Net income available to common shareholders	¥ 34,239	227,501	¥ 150.50
Effect of dilutive securities — Warrants		35	
Diluted EPS — Net income for computation	¥ 34,239	227,536	¥ 150.47

19. BUSINESS COMBINATIONS

Year Ended February 29, 2020 (March 1, 2019, to February 29, 2020)

Business Combination through Acquisition

a. Overview of Business Combination

(1) Name and business overview of acquired company

Name	Yokohama Importmart Inc.
Business Overview	Management and Operation of Yokohama World Porters

(2) Reason of Business Combination
OPA co., ltd, our consolidated subsidiary, partially operated and managed World Porters Vivre in Yokohama World Porters. As a part of "Capturing of growth opportunities in urban areas," one of our important measurements, our company will manage and operate the whole facility to drive profit expansion by increasing customer attraction by renewing and enhancing the operational efficiency.

(3) Acquisition Date August 29 ,2019

(4) Legal form of Business Combination
Stock Acquisition by cash

(5) Name of the company after Acquisition
Acquired Company Name would not be changed

(6) Acquired Voting Rights Ratio

Voting Rights Ratio before the Business Combination	9.86% (Indirect holdings 9.86%)
Acquired Voting Rights Ratio	87.89% (Indirect holdings －%)
Voting Rights Ratio after the Business Combination	97.75% (Indirect holdings －%)

(7) The Reason to Decide to Acquire the Company
Our company acquired their stock by cash

b. Operation Period of Acquired Company Described in Consolidated Financial Report
From September 1,2019, to February 29 ,2020

c. Acquisition Cost and Detail by Consideration

Market Value of the holding stock as of acquisition date	¥ 706 million
Cash used for this acquisition	¥ 6,297 million
Acquisition Cost	¥ 7,003 million

d. Expenses for this Acquisition
Advisory Expenses ¥8 million

e. Amount and Causes of Gain on bargain purchase

(1) Amount of Gain on bargain purchase ¥ 1,239 million

(2) Causes
Since the market value of Net Assets exceeds the acquisition cost at the date of acquisition, the excess amount has been recognized as gain on bargain purchase.

f. Amount of Assets and Liabilities at the Date of Acquisition Date and Details

Current Assets	¥ 5,326 million
Fixed Assets	¥ 5,682 million
Total Assets	¥ 11,009 million
Current Liabilities	¥ 894 million
Long-term Liabilities	¥ 1,677 million
Total Liabilities	¥ 2,572 million

Transactions under Common Controls Additional Purchases of Subsidiaries' Equities

a. Transaction Overview

(1) Name and Business Overview of Acquired Company
Name Yokohama Importmart Inc. (The consolidated subsidiary)
Business Overview Management and Operation of Yokohama World Porters

(2) Acquisition Date
November 30,2019 (deemed acquisition date)

(3) Legal Form of Business Combination
Purchase of stocks from noncontrolling shareholders

(4) Name of the Company after Acquisition
Acquired Company Name would not be changed

(5) Other Transactions
The ratio of voting rights acquired through the additional stock purchase is 2.25%. Through the purchase, Yokohama Importmart Inc. became a consolidated subsidiary of the Company. Our company purchased stock from the noncontrolling shareholders to enhance management system and increase management efficiency of the Group.

b. Accounting Treatment
Based on Accounting Standard for Business Combinations (ASBJ Accounting Standard No. 21, September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013) the stock purchase was treated as a transaction under common control with noncontrolling stockholder.

c. Additional Purchase of Subsidiaries' Equity
Cost of the acquisition of the acquired company and the details

Acquisition by Cash	¥161 million
Acquisition Cost	¥161 million

d. Equity Changes Related to Transaction with Noncontrolling Shareholders

(1) Main Factor of the change in capital surplus
Additional Purchases of Subsidiaries' Equities

(2) Decrease of capital surplus amount due to the transaction with the noncontrolling shareholders
¥34 million

Year Ended February 28, 2021 (March 1, 2020, to February 28, 2021)
Not applicable.

20. SUPPLEMENTAL CASH FLOW INFORMATION

a. The amount of assets and liabilities for lease transactions as a result of the adoption of IFRS 16 was as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Right-of-use assets	¥ 27,161	¥ 141,671	$ 255,661
Lease obligations	22,041	126,926	207,465

Note: Right-of-use asset of ¥ 92,007 million and Lease obligations of ¥ 115,939 million were recognized due to adoption of IFRS 16 effective March 1, 2019

b. Asset retirement obligations recorded in the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Asset retirement obligations	¥ 1,907	¥ 459	$ 17,951

c. Details of major corporate assets and liabilities for a subsidiary newly consolidated through acquisition of shares in the fiscal year ended February 2020 (March 1, 2019, to February 29, 2020)

Details of assets and liabilities of newly consolidated Yokohama Importmart Inc. at the commencement of consolidation through acquisition of shares, valuation of stock, and costs (net) of acquisition are as follows:

	Millions of Yen
Current assets:	¥ 5,326
Fixed assets	5,682
Current liabilities	(894)
Long-term liabilities	(1,677)
Noncontrolling interests	(194)
Gain on bargain purchase	(1,239)
Subtotal	7,003
Gain on step acquisitions	(706)
Consolidated subsidiary acquisition cost	6,297
Cash and cash equivalents at consolidated subsidiary	(5,067)
Investments in subsidiaries resulting in a change in scope of consolidation	1,229

Year Ended February 28, 2021 (March 1, 2020, to February 28, 2021)
Not applicable.

21. RELATED-PARTY DISCLOSURES

Transactions with the parent company and its subsidiaries for the years ended February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deposits kept in the cash pool account of ÆON CO., LTD. (the parent company)	¥ 26,731	¥ 37,712	$ 251,614
Interest income from ÆON CO., LTD. (the parent company)	19	25	184
Revenues from leases of shopping malls to the parent's subsidiary	32,649	33,061	307,314
Credit fee paid to ÆON CREDIT SERVICE CO., LTD. (the parent company's subsidiary)	4,630	5,790	43,580

Note: These transactions were made on an arm's-length basis in the normal course of business.

The balances due to/from the parent company and its subsidiaries at February 28, 2021, and February 29, 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash equivalents—deposits kept in the cash pool account of ÆON CO., LTD. (the parent company)	¥ —	¥ 63,400	$ —
Receivables—other from ÆON CO., LTD. (the parent company)	9	8	85
Receivables—trade accounts from the parent's subsidiary	697	665	6,562
Lease deposits received from the parent's subsidiary	11,597	12,031	109,167
Receivables—other from ÆON CREDIT SERVICE CO., LTD. (the parent company's subsidiary)	10,581	10,228	99,600

Note: Lease deposits received are at stated amounts. Lease deposits include the current portion of lease deposits from lessees and long-term deferred revenue in the long-term liabilities "Other."

22. SEGMENT INFORMATION

(1) *Description of Reportable Segments*

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated within the Group.

The Group has been operating shopping mall businesses in Japan and overseas. The Group develops comprehensive strategies in accordance with the characteristics of different regions and develops operations accordingly.
The Group therefore consists of three geographical reporting segments: Japan, China, and ASEAN.

(2) *Methods of Measurement for the Amounts of Revenues, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) *Information about Revenues, Profit (Loss), Assets, Liabilities, and Other Items*

	Millions of Yen					
	2021					
	Reportable Segments			Total	Reconciliations	Consolidated
	Japan	China	ASEAN			
Revenues:						
Revenues to external customers	¥ 237,093	¥ 31,353	¥ 12,241	¥ 280,688		¥ 280,688
Intersegment revenues or transfers						
Total	¥ 237,093	¥ 31,353	¥ 12,241	¥ 280,688		¥ 280,688
Segment profit	¥ 30,597	¥ 2,296	¥ 1,474	¥ 34,369	¥ 25	¥ 34,394
Segment assets	923,327	219,777	188,828	1,331,932	62,266	1,394,199
Other:						
Depreciation	37,459	18,406	4,870	60,736	(25)	60,711
Impairment losses on assets	5,132	2,155		7,288		7,288
Increase in property, plant, and equipment and intangible assets	41,691	12,777	30,827	85,296		85,296

	Millions of Yen					
	2020					
	Reportable Segment			Total	Reconciliations	Consolidated
	Japan	China	ASEAN			
Revenues:						
Revenues to external customers	¥ 274,999	¥ 35,850	¥ 13,288	¥ 324,138		¥ 324,138
Intersegment revenues or transfers						
Total	¥ 274,999	¥ 35,850	¥ 13,288	¥ 324,138		¥ 324,138
Segment profit	¥ 52,460	¥ 5,622	¥ 2,686	¥ 60,769	¥ 25	¥ 60,794
Segment assets	918,027	221,428	176,520	1,315,976	65,241	1,381,217
Other:						
Depreciation	40,124	18,698	5,112	63,936	(25)	63,910
Impairment losses on assets	4,121	913		5,034		5,034
Increase in property, plant, and equipment and intangible assets	66,763	15,384	12,052	94,199		94,199

	Thousands of U.S. Dollars					
	2021					
	Reportable Segment			Total	Reconciliations	Consolidated
	Japan	China	ASEAN			
Revenues:						
Revenues to external customers	$ 2,231,675	$ 295,122	$ 115,221	$ 2,642,019		$ 2,642,019
Intersegment revenues or transfers						
Total	$ 2,231,675	$ 295,122	$ 115,221	$ 2,642,019		$ 2,642,019
Segment profit	$ 288,007	$ 21,617	$ 13,879	$ 323,504	$ 237	$ 323,742

Segment assets	8,690,958	2,068,686	1,777,374	12,537,019	586,090	13,123,109
Other:						
Depreciation	352,597	173,250	45,843	571,691	(237)	571,453
Impairment losses on assets	48,310	20,292	―	68,603		68,603
Increase in property, plant, and equipment and intangible assets	392,426	120,267	290,168	802,862		802,862

Notes for the year ended February 28, 2021:
1. Adjustments are as follows:
(1) The reconciliation of segment profit or loss is the reconciliation of unrealized gains on intersegment trades.
(2) The reconciliation of segment assets of ¥62,266 million ($586,090 thousand) is the reconciliation of the Group's assets of ¥62,154 million ($585,042 thousand), which are not included in the reportable segment and are the result of the elimination of intersegment trades.
(3) The reconciliation of depreciation is the reconciliation of unrealized gain on fixed assets.
2. The calculation of segment profit or loss is based on the operating income in the consolidated statement of income.
3. The depreciation and the increase in property, plant, and equipment and intangible assets include long-term prepaid expense and its depreciation.

Notes for the year ended February 29, 2020:
1. Adjustments are as follows:
(1) The reconciliation of segment profit or loss is the reconciliation of unrealized gains on intersegment trades.
(2) The reconciliation of segment assets of ¥65,241 million is the reconciliation of the Group's assets of ¥65,776 million, which are not included in the reportable segment and are the result of the elimination of intersegment trades.
(3) The reconciliation of depreciation is the reconciliation of unrealized gain on fixed assets.
2. The calculation of segment profit or loss is based on the operating income in the consolidated statement of income.
3. The depreciation and the increase in property, plant, and equipment and intangible assets include long-term prepaid expense and its depreciation.
4. As described in "Changes in Accounting Policy" section, the Company has applied IFRS 16 from this consolidated fiscal year. As a result of this change, segment profit increased by ¥4,859 million in China and ¥480 million in ASEAN in this consolidated fiscal year. Also, in addition to increase in Property, plant, and equipment and intangible asset by investment, Segment assets were increased by ¥84,067 million in China, and by ¥7,939 million in ASEAN at the beginning of this consolidated fiscal year.

(4) *Information about Products and Services*

Information about products and services for the years ended February 28, 2021, and February 29, 2020, has been omitted because revenues in the shopping mall business accounted for more than 90% of consolidated net revenues of the Group.

(5) *Information about Geographical Areas*

(a) Revenues

Information about geographical areas for the year ended February 28, 2021, and February 29, 2020, has been omitted because the same information has been disclosed in segment information.

(b) Property, plant, and equipment

Millions of Yen			
2021			
Japan	China	ASEAN	Total
¥ 800,711	¥ 144,608	¥ 154,764	¥ 1,100,085

Millions of Yen			
2020			
Japan	China	ASEAN	Total
¥ 802,227	¥ 149,220	¥ 140,007	¥ 1,091,455

Thousands of U.S. Dollars			
2021			
Japan	China	ASEAN	Total
$ 7,536,820	$ 1,361,147	$ 1,456,747	$ 10,354,715

(6) Information about major customers

	2021	
	Millions of Yen	
Name of customers	Revenues	Related segment name
ÆON RETAIL CO., LTD.	¥ 32,734	Japan

	2020	
	Millions of Yen	
Name of customers	Revenues	Related segment name
ÆON RETAIL CO., LTD.	¥ 33,671	Japan

	2021	
	Thousands of U.S. Dollars	
Name of customers	Revenues	Related segment name
ÆON RETAIL CO., LTD.	$ 308,115	Japan

23. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings
The following appropriation of retained earnings at February 28, 2021, was approved at the Company's Board of Directors' meeting held on April 8, 2021:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20.00 ($0.18) per share	¥4,550	$ 42,827

(b) Bond Issuance
The Company issued bonds on March 31, 2021, based on the approval of the Board of Directors on February 18, 2021.
(1) Name of bonds: ÆON Mall Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds) Series 27.
(2) Total amount of bonds: ¥30,000 million ($282,379 thousand).
(3) Issue price ¥100 (US$0.94) per face value of ¥100(US$0.94).
(4) Interest rate: 0.39%.
(5) Date of issuance: March 31, 2021.
(6) Date of maturity: March 31, 2026.
(7) Collateral: The bonds are not secured or guaranteed. No assets are reserved for the bonds.
(8) Use of funds: Repayment of Commercial paper and borrowings.

(c) Business combinations involving entities under common control
At meetings held on December 1, 2020, the board of directors of the Company and wholly owned subsidiary OPA Co., Ltd. as then constituted ("OPA") 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. The transaction in question took place on March 1, 2021.

1. Transaction overview
a. Split company

(1) 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

(2) Date of combination : March 1, 2021

(3) Legal form of business combination
OPA will become the split company with newly formed New OPA established via incorporation-type company split.

(4) Name of company after combination : OPA Co., Ltd.

b. Absorption-type merger

(1) 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

(2) Date of combination : March 1, 2021

(3) Legal form of business combination
The merger will be an absorption-type merger, with the Company as the surviving company and OPA as the absorbed company.

(4) Name of company after combination : AEON Mall Co., Ltd.

2. Other matters related to the transaction
On March 1, 2016, the Company made fashion building business operator OPA a wholly owned subsidiary, entering the urban shopping center business. The Company has reorganized its urban shopping center business for the purpose of strengthening initiatives to respond to changes in consumer behavior in the 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. The Company 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, the Company 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
The company intends 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).

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ÆON Mall Co., Ltd.:

Opinion

We have audited the consolidated financial statements of ÆON Mall Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of February 28, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of February 28, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

May 20, 2021

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