

# ÆON Mall Co., Ltd. and Subsidiaries

## Financial Information 2024

Consolidated Financial Statements as of and for the  
Year Ended February 29, 2024

### INDEX

- 1 Consolidated Balance Sheet
- 3 Consolidated Statement of Income
- 4 Consolidated Statement of Comprehensive Income
- 5 Consolidated Statement of Changes in Equity
- 9 Consolidated Statement of Cash Flows
- 11 Notes to Consolidated Financial Statements

**ÆON Mall Co., Ltd. and Subsidiaries**

**Consolidated Balance Sheet**  
**February 29, 2024**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 112,354	¥101,101	\$ 745,399
Time deposits (Note 14)	17,561	16,582	116,511
Receivables:			
Trade accounts (Note 14)	12,766	14,689	84,695
Other	44,723	40,082	296,714
Allowance for doubtful receivables (Note 14)	(685)	(760)	(4,549)
Prepaid expenses and other	14,058	12,764	93,267
Total current assets	200,778	184,459	1,332,038
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 6 and 7)	376,823	364,533	2,499,992
Buildings and structures (Notes 5, 6, 7, and 9)	1,128,374	1,110,611	7,486,061
Machinery and equipment (Notes 5 and 6)	6,408	6,175	42,514
Furniture and fixtures (Notes 5 and 6)	52,734	49,624	349,862
Right-of-use assets (Notes 5, 6, and 19)	303,568	234,070	2,013,986
Construction in progress (Note 6)	71,599	41,788	475,016
Other (Note 5)	72	115	478
Total	1,939,580	1,806,919	12,867,911
Accumulated depreciation	(615,907)	(550,156)	(4,086,162)
Net property, plant, and equipment (Note 3)	1,323,673	1,256,763	8,781,749
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	8,685	2,129	57,626
Lease deposits to lessors (Note 14)	53,310	51,095	353,683
Long-term prepaid expenses (Notes 3, 5 and 6)	47,979	41,260	318,314
Deferred tax assets (Note 12)	16,661	19,927	110,540
Intangible assets (Note 3)	3,559	3,456	23,613
Retirement benefit asset	444	—	2,951
Other	160	501	1,063
Total investments and other assets	130,802	118,369	867,793
TOTAL	¥ 1,655,253	¥ 1,559,592	\$ 10,981,581

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES AND EQUITY</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7 and 14)	¥ 59,069	¥ 39,365	\$ 391,892
Current portion of corporate bonds (Notes 7 and 14)	50,000	70,000	331,718
Current portion of long-term lease obligations (Notes 14 and 19)	25,327	22,406	168,030
Payables:			
Trade accounts (Note 14)	11,771	12,655	78,093
Construction (Note 14)	27,125	41,259	179,962
Other	5,597	4,449	37,136
Deposits received (Note 14)	62,279	56,093	413,188
Income taxes payable (Note 14)	10,315	5,787	68,437
Accrued expenses	5,048	4,768	33,493
Provision for store closing expenses	1,572	—	10,435
Current portion of lease deposits from lessees (Notes 7 and 14)	6	7	44
Other	18,788	13,452	124,653
Total current liabilities	276,904	270,246	1,837,086
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	181,129	194,463	1,201,681
Corporate bonds (Notes 7 and 14)	405,000	365,000	2,686,923
Long-term lease obligations (Notes 14 and 19)	136,691	102,963	906,864
Liability for retirement benefits (Note 8)	118	305	782
Lease deposits from lessees (Notes 7 and 14)	152,827	148,267	1,013,915
Asset retirement obligations (Note 9)	18,910	20,038	125,456
Deferred tax liabilities (Note 12)	790	545	5,246
Provision for loss on store closing	1,095	2,017	7,264
Other	5,560	4,032	36,892
Total long-term liabilities	902,123	837,634	5,985,028
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 10, 11 and 17):			
Common stock — authorized, 320,000,000 shares; issued, 227,559,339 shares in 2024 and 227,556,143 shares in 2023	42,383	42,381	281,185
Capital surplus	40,701	40,700	270,032
Stock acquisition rights	35	27	238
Retained earnings	326,301	317,279	2,164,806
Treasury stock — at cost, 4,796 shares in 2024 and 4,270 shares in 2023	(8)	(7)	(57)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	763	1,120	5,066
Foreign currency translation adjustments	54,193	39,474	359,540
Defined retirement benefit plans	(42)	(453)	(284)
Total	464,327	440,523	3,080,526
Noncontrolling interests	11,898	11,187	78,939
Total equity	476,226	451,711	3,159,466
TOTAL	¥1,655,253	¥1,559,592	\$ 10,981,581

ÆON Mall Co., Ltd. and Subsidiaries

**Consolidated Statement of Income**  
**Year Ended February 29, 2024**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING REVENUE (Note 22)	¥ 423,168	¥398,244	\$ 2,807,460
OPERATING COSTS (Notes 8 and 13)	341,992	322,829	2,268,910
Gross profit	81,175	75,414	538,549
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 8 and 13)	34,763	31,434	230,635
Operating income	46,411	43,979	307,913
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,213	1,928	14,686
Foreign exchange (loss) gain	90	(723)	601
Interest expense	(13,331)	(11,684)	(88,448)
Insurance income	305	1,472	2,028
Gain on valuation of derivatives (Note 15)	530	993	3,522
Gain on sales of property, plant, and equipment (Note 16)	2,009	3	13,333
Loss on sales of property, plant, and equipment	(4)	(1)	(31)
Loss on impairment of long-lived assets (Note 3 and 5)	(1,960)	(4,461)	(13,009)
Subsidy income	164	639	1,088
Provision for loss on store closings	(650)	(2,017)	(4,312)
Loss due to COVID-19	—	(3,037)	—
Loss on disaster	—	(1,189)	—
Share of profit of entities accounted for using equity method	242	—	1,608
Gain on sales of investment securities	938	—	6,226
Other – net	(585)	(1,309)	(3,887)
Other expenses – net	(10,037)	(19,387)	(66,592)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTERESTS	36,374	24,592	241,321
INCOME TAXES (Note 12):			
Current	(17,054)	(11,421)	(113,144)
Deferred	1,220	(88)	8,095
Total income taxes	(15,834)	(11,510)	(105,048)
NET INCOME (LOSS)	20,540	13,081	136,272
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(140)	(86)	(930)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 20,399	¥ 12,994	\$ 135,341
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 18):			
Basic net income	¥ 89.64	¥ 57.10	\$ 0.59
Diluted net income	89.63	57.10	0.59
Cash dividends applicable to the year	50.00	50.00	0.33

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

**Consolidated Statement of Comprehensive Income**  
**Year Ended February 29, 2024**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME (LOSS)	¥ 20,540	¥ 13,081	\$ 136,272
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain on available-for-sale securities	(356)	61	(2,368)
Foreign currency translation adjustments	15,432	24,019	102,385
Defined retirement benefit plans	410	198	2,724
Total other comprehensive income (loss)	15,486	24,279	102,741
COMPREHENSIVE INCOME (LOSS)	¥ 36,026	¥ 37,361	\$ 239,013
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ 35,172	¥ 36,570	\$ 233,348
Noncontrolling interests	853	790	5,665

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity  
Year Ended February 29, 2024

	Thousands	Millions of Yen											
	Outstanding Number of Shares of Common Stock	Accumulated Other Comprehensive Income (Loss)											
		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	Non- controlling Interests	Total Equity	
BALANCE, FEBRUARY 28, 2022	227,544	¥ 42,374	¥ 40,693	¥ 33	¥316,829	¥ (7)	¥ 1,059	¥ 16,158	¥ (652)	¥ 416,489	¥ 10,441	¥ 426,931	
Cumulative effect of change in accounting policy					(1,167)					(1,167)		(1,167)	
BALANCE, FEBRUARY 28, 2022 (as restated)	227,544	42,374	40,693	33	315,661	(7)	1,059	16,158	(652)	415,321	10,441	425,763	
Net income attributable to owners of the parent					12,994					12,994		12,994	
Exercise of stock options	10	7	7							14		14	
Cash dividends, ¥45 per share					(11,377)					(11,377)		(11,377)	
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				(6)			61	23,316	198	23,570	746	24,316	
BALANCE, FEBRUARY 28, 2023	227,555	¥ 42,381	¥ 40,700	¥ 27	¥ 317,279	¥ (7)	¥ 1,120	¥ 39,474	¥ (453)	¥ 440,523	¥ 11,187	¥ 451,711	
Net income attributable to owners of the parent					20,399					20,399		20,399	
Exercise of stock options	1	1	1							2		2	
Cash dividends, ¥50 per share					(11,377)					(11,377)		(11,377)	
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				8			(356)	14,718	410	14,780	710	15,491	
BALANCE, FEBRUARY 29, 2024	227,556	¥ 42,383	¥ 40,701	¥ 35	¥ 326,301	¥ (8)	¥ 763	¥ 54,193	¥ (42)	¥ 464,328	¥ 11,898	¥ 476,226	

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Losses)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Non- controlling Interests	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, FEBRUARY 28, 2023	\$ 281,177	\$ 270,024	\$ 183	\$ 2,104,949	\$ (51)	\$ 7,434	\$ 261,889	\$ (3,009 )	\$ 2,922,597	\$ 74,225	\$ 2,996,822
Net income attributable to owners of the parent				135,341					135,341		135,341
Exercise of stock options	8	8							16		16
Cash dividends, \$0.33 per share				(75,482)					(75,482)		(75,482)
Purchase of treasury stock					(6)				(6)		(6)
Change in ownership interest of parent due to transactions with noncontrolling interests											
Net change in the year			55			(2,368)	97,650	2,724	98,062	4,714	102,777
BALANCE, FEBRUARY 29, 2024	<u>\$ 281,185</u>	<u>\$ 270,032</u>	<u>\$ 238</u>	<u>\$ 2,164,808</u>	<u>\$ (57)</u>	<u>\$ 5,066</u>	<u>\$ 359,540</u>	<u>\$ (284)</u>	<u>\$ 3,080,528</u>	<u>\$ 78,939</u>	<u>\$ 3,159,468</u>

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows  
Year Ended February 29, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Income before income taxes and noncontrolling interests	¥ 36,374	¥ 24,592	\$ 241,321
Adjustments for:			
Income taxes – paid	(12,752)	(12,456)	(84,605)
Share of loss (profit) of entities accounted for using equity method	(242 )	—	(1,608 )
Gain on sales of property, plant, and equipment	(2,009)	(3)	(13,333)
Loss on sales of property, plant, and equipment	4	1	31
Depreciation and amortization	73,257	70,422	486,017
Loss on impairment of long-lived assets	1,960	4,461	13,009
Gain on sale of investment securities	(938)	—	(6,226 )
Changes in assets and liabilities:			
Decrease (increase) in receivables – trade accounts	2,410	(5,806)	15,994
Increase (decrease) in payables – trade accounts	(1,030)	2,524	(6,839)
Increase (decrease) in deposits received	7,333	8,010	48,652
Increase (decrease) in allowance for doubtful accounts	(108)	410	(721)
Increase in liability for retirement benefits	48	46	321
Decrease (increase) in retirement benefit assets	(117 )	—	(778)
Increase in provision for loss on store closing	650	1,284	4,312
Other – net	21,465	8,002	142,410
Total adjustments	89,930	76,897	596,635
Net cash provided by operating activities	126,305	101,490	837,956
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(104,136)	(99,670)	(690,883)
Proceeds from sales of property, plant, and equipment	14,232	5	94,420
Purchases of long-term prepaid expenses	(2,547)	(2,627)	(16,904)
Payments of lease deposits to lessors	(2,769)	(874)	(18,375)
Reimbursement of lease deposits to lessors	431	2,062	2,865
Repayments of lease deposits from lessees	(10,073)	(9,496)	(66,832)
Proceeds from lease deposits from lessees	13,983	10,297	92,769
Purchase of investment securities	(199)	(49)	(1,324)
Proceeds from sale of investment securities	1,078	—	7,155
Purchase of shares of subsidiaries and associates	(7,077)	—	(46,954)
Other	(4,663)	(2,922)	(30,939)
Net cash used in investing activities	(101,743)	(103,276)	(675,002)
FINANCING ACTIVITIES:			
Repayment of lease obligations	(23,154)	(18,925)	(153,614)
Proceeds from long-term debt	42,068	51,053	279,096
Repayment of long-term debt	(39,512)	(46,670)	(262,138)
Proceeds from issuance of corporate bonds	90,000	80,000	597,094
Repayment of corporate bonds	(70,000)	(40,000)	(464,406)
Dividends paid	(11,377)	(11,377)	(75,484)
Other	(872)	(564)	(5,790)
Net cash provided by financing activities	(12,848)	13,515	85,243

ÆON Mall Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows  
Year Ended February 29, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(460)	6,397	(3,053)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,253	18,127	74,656
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	101,101	82,973	670,743
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 112,354	¥ 101,101	\$ 745,399

See Note 19 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 2023 consolidated financial statements to conform to the classifications used in 2024.

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 amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150.73 to \$1, the approximate rate of exchange on February 29, 2024. 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 29, 2024, include the accounts of the Company and its 57 (53 in 2023) 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 29, 2024:

AEON MALL (CHANGSHA) BUSINESS MANAGEMENT CO., LTD.  
Changsha Wangcheng Mall Investment Limited  
Life Design Fund Investment Limited Partnership  
Changsha Mall Xiangjiang New Area Commercial Development Co., Ltd.

Under the control and influence concept, the Company fully consolidates those companies in which the Company exercises control, directly or indirectly, over operations.

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.

The Company acquired shares of Marimo Co., Ltd. during the current consolidated fiscal year using the equity method. While the fiscal year of the company in question differs from the consolidated fiscal year, the Company applies the equity method based on the financial statements for the fiscal year of the company in question.

- 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) may be used provisionally 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 such items are immaterial: (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 (f) recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument for which a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in said 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 through 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 five 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 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. An impairment loss is 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 certain domestic subsidiaries offer a defined benefit pension plan, defined contribution pension plans, and advance payment plans. Liability for employee 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 offer 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 is 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 granted on or after May 1, 2006, is based on the fair value at the date of grant and over the vesting period and reflects the receipt of 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. Bonuses to Directors and Employees** - Bonuses to directors and employees are accrued at the year-end to which such bonuses are attributable.

**q. 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.

**r. 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.

**s. 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.

**t. Derivatives and Hedging Activities** - The Company uses derivative financial instruments to manage exposure 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) when derivatives are used for hedging purposes and such derivatives qualify for hedge accounting due to the 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.

**u. 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.

**v. Basis for recognition of significant revenues and expenses** - The following is a description of the major performance obligations in AEON MALL Group principal businesses related to revenues arising from contracts with customers and the usual timing at which such performance is satisfied (usual timing for revenue recognition). For major Group transactions involving performance obligations related to real estate lease transactions based on mall-opening contracts with customers, the Group recognizes revenue in accordance with "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007)

Common area expense income based on store-opening contracts, etc.

As the manager of commercial facilities operated by the AEON MALL Group and based on store-opening contracts with customers, we are obligated to provide security, cleaning, greenery management and other facilities management services, and maintenance and management services related to electricity, water, and other facilities. We are also obligated to provide effective sales promotion activities for the benefit of tenants. As these services are provided to tenants in satisfaction of these performance obligations, the Company recognizes revenues over the contract period with tenants, primarily based on the passage of time.

In addition, a variable income component is included for maintenance and management obligations related to facilities such as electricity and water on a pay-as-incurred basis. The terms of this variable income are related to the actual use of electricity, water, etc., by tenants, and the variable income is allocated to the performance obligation related to the variable income in its entirety after considering the performance obligation and payment terms in the contract.

Payments from tenants are usually received prior to the satisfaction of performance obligations or are generally collected within approximately one month from the time the performance obligations are satisfied and does not include a significant financial component.

Property Management Contract Fees

Under management contract agreements with customers, the AEON MALL Group is obligated to perform all services related to the operation of commercial facilities, including the creation of operating policies, facility management services such as security and cleaning, and tenant leasing services. As these services are provided to customers in satisfaction of performance obligations, the Company recognizes revenues over the contract period with tenants, primarily based on the passage of time.



In addition, management contract agreements include a variable income component based on the operating performance of the commercial facilities in question as an incentive fee. The terms of this variable income are related to the actual commercial facilities management results, and the variable income is allocated to the performance obligation related to the variable income in its entirety after considering the entirety of the performance obligation and payment terms in the contract.

Payments from customers are usually received within one month of the satisfaction of the performance obligation and do not include a significant financial component. If multiple performance obligations are included in a single contract agreement, the AEON MALL Group estimates the sales price.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

#### *Impairment loss on long-lived assets*

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended February 29, 2024.

	Millions of Yen	Thousands of U.S. Dollars
	2024	2024
Property, plant, and equipment	¥1,323,673	\$8,781,749
Intangible assets	3,559	23,613
Long-term prepaid expenses	47,979	318,314
Loss on impairment of long-lived assets	1,960	13,009

(2) Information on significant accounting estimates

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended February 29, 2024

The Group principally identifies each shopping mall as an individual cash generating unit ("CGU"). As for the long-lived assets in Japan, the Group recognizes impairment loss by following Japanese accounting standards (Accounting Standard for Impairment of Fixed Assets). If there is any indication of impairment for the long-lived assets and the total undiscounted future cash flows from the CGU is less than its carrying amount, the Group recognizes impairment loss and reduces the carrying amount to the recoverable amount. The recoverable amount of the CGU is higher of CGU's net disposal value and its value in use.

As for long-lived assets in foreign countries, the Group recognizes impairment loss in accordance with IFRS as described in NOTE 2.b. If there is any indication of impairment in long-lived assets and the total discounted future cash flows from the CGU are less than its carrying amount, the Group recognizes impairment loss and reduces the carrying amount to the recoverable amount. The recoverable amount of the CGU is the higher of the CGU fair value less costs of disposal and its value in use.

In order to recognize and measure impairment loss, the Group estimates future cash flows based on the most recent individual shopping mall's business plans approved by management and future cash flows over the period of the business plan based on market growth rates. Operating revenue is composed of fixed leasing fees, non-fixed leasing fees, and other revenues from tenants, and is constantly updated to business plans in consideration of possible fluctuations in the future. The discount rate used to calculate an estimation of the value in use is based on available external data and, if necessary, supported by specialists in corporate valuation. The discount rates used for each segment are described in Note 5. The net disposal price for domestic CGU and the fair value less costs of disposal for the overseas CGU are calculated based on the real estate appraisal values, among others.

2) Assumptions for calculating the amount recorded in the consolidated financial statements for the fiscal year ended February 29, 2024

The key assumptions for estimating future cash flows from CGU are projections of market growth rates, changes in the progress of urban development around shopping malls, the effect of shopping mall renovations, new tenants, promotion activities, and fluctuations in customer traffic and leasing fees from tenants. The projections of market growth rates and changes in progress of urban development are estimated based on external data and public information. The effect of shopping mall renovations, new

tenants, and promotion activities is estimated based on management decisions or contracts with the tenants. The fluctuations of customer traffic and leasing fees from the tenants are estimated based on the historical performance of other comparable shopping malls. Utility costs are estimated based on the latest utility cost rates.

3) Impact on the consolidated financial statements in the following fiscal year

Recognition and measurements of impairment loss on long-lived assets are estimated based on the assumptions above. If the deterioration in income or the cost increase in each shopping mall due to tenant withdrawals, weakening consumer spending, price fluctuations, or interest rate fluctuations that increase discount rates, the Company may need to recognize impairment loss in the following consolidated fiscal year.

### 4. INVESTMENT SECURITIES

Investment securities as of February 29, 2024, and February 28, 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investment securities:			
Marketable equity securities	¥ 1,419	¥ 2,073	\$ 9,417
Other	7,266	55	48,209
Total	¥ 8,685	¥ 2,129	\$ 57,626

The costs and aggregate fair values of investment securities as of February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen			
	2024			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	¥ 320	¥ 1,098	¥ (0)	¥ 1,419

  

	Millions of Yen			
	2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	¥ 460	¥ 1,613	¥ (1)	¥ 2,073

  

	Thousands of U.S. Dollars			
	2024			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale equity securities	\$ 2,127	\$7,290	\$ (0)	\$ 9,417

Available-for-sale securities whose fair values were not readily determinable as of February 29, 2024, and February 28, 2023, were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2024	2023
Available-for-sale equity securities	¥ 7,266	¥ 55
		\$48,209

## 5. LONG-LIVED ASSETS

The Group reviewed long-lived assets for impairment as of February 29, 2024, and February 28, 2023. The Group recognized impairment losses on the following long-lived assets on February 29, 2024:

Use	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
			2024	2024
Shopping mall	Right-of-use assets, and others	Overseas (China)	¥ 1,960	\$ 13,009
Total			¥ 1,960	\$ 13,009

The Group principally identifies each shopping mall as an individual cash generating unit ("CGU"). The Group also considers an idle asset as an individual CGU. The book value of the above-mentioned CGUs has been written down to recoverable amounts, resulting in an impairment loss under other expenses due to a significant decline in profitability and the changes causing significant decline of recoverable amount. The recoverable amount of the CGU in Japan is the higher of CGU's net disposal value or its value in use. In contrast, the recoverable amount of the CGU in foreign countries is the higher of CGU fair value less costs of disposal or its value in use. We used a discount rate of 9.94% to calculate the future cash flows of value in use for overseas (China) locations. The net disposal price for domestic CGU and the fair value less costs of disposal for the overseas CGU are calculated based on the real estate appraisal values and other factors.

The Group recognized impairment losses on the following long-lived assets on February 28, 2023:

Use	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
			2023	2023
Shopping mall	Buildings and structures, and others	Fukushima	1,731	12,702
Shopping mall	Right-of-use assets, and others	Overseas (China)	2,729	20,021
Total			¥ 4,461	\$ 32,723

The Group principally identifies each shopping mall as an individual cash generating unit ("CGU"). The Group also considers an idle asset as an individual CGU. The book value of the above-mentioned CGUs has been written down to recoverable amounts, resulting in an impairment loss under other expenses due to a significant decline in profitability and the changes causing significant decline of recoverable amount. The recoverable amount of the CGU in Japan is the higher of the CGU net disposal value or its value in use. In contrast, the recoverable amount of the CGU in foreign countries is the higher of the CGU fair value less costs of disposal or its value in use. We used a discount rate of 4.02% to calculate the future cash flows of value in use for locations in Japan and 12.72% to calculate the future cash flows of value in use for overseas (China) locations. The net disposal price for domestic CGU and the fair value less costs of disposal for the overseas CGU is calculated based on the real estate appraisal values and other factors.

## 6. INVESTMENT PROPERTY

The Group owns certain rental properties, such as shopping malls, throughout Japan, in China, and in the Association of Southeast Asian Nations (ASEAN). The net of rental income and operating expenses for those rental properties was ¥51,993 million (\$344,943 thousand) for the fiscal year ended February 29, 2024, and ¥47,886 million for the fiscal year ended February 28, 2023. Loss on disposal of fixed assets amounted to ¥ 684 million (\$4,539 thousand) for the fiscal year ended February 29, 2024, and ¥2,389 million for the fiscal year ended February 28, 2023. Impairment loss was ¥1,960 million (\$13,009 thousand) for the fiscal year ended February 29, 2024, and ¥4,122 million for the fiscal year ended February 28, 2023.

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

Millions of Yen			
March 1, 2023	Carrying Amount	February 29, 2024	Fair Value
	Increase		February 29, 2024
¥ 1,238,911	¥ 62,320	¥ 1,301,231	¥ 1,688,554

Millions of Yen			
March 1, 2022	Carrying Amount	February 28, 2023	Fair Value
	Increase		February 28, 2023
¥ 1,175,882	¥ 63,028	¥ 1,238,911	¥ 1,564,362

Thousands of U.S. Dollars			
March 1, 2023	Carrying Amount	February 29, 2024	Fair Value
	Increase		February 29, 2024
\$ 8,219,408	\$ 413,454	\$ 8,632,863	\$ 11,202,513

Notes:

1) The carrying amount recognized in the consolidated balance sheet is the net of accumulated depreciation and accumulated impairment losses, if any.

2) The increase during the fiscal year ended February 28, 2023, primarily represents the acquisition of certain properties of ¥108,611 million and foreign currency translation difference of ¥(31,292) million. The decrease primarily represents the recognition of selling and disposal properties of ¥763 million, impairment losses of ¥4,122 million, and depreciation expenses of ¥70,099 million.

Increase during the fiscal year ended February 29, 2024, primarily represents the acquisition of certain properties of ¥124,426 million (\$825,494 thousand) and foreign currency translation difference of ¥(24,949) million (\$165,523) thousand. The decrease primarily represents the recognition of selling and disposal properties of ¥12,914 million (\$85,681 thousand), impairment losses of ¥1,960 million (\$13,009 thousand), depreciation expense of ¥72,358 million (\$480,054 thousand).

3) Fair value of properties is mainly measured based on real estate appraisal values.

## 7. LONG-TERM DEBT AND CORPORATE BONDS

Long-term debt as of February 29, 2024, and February 28, 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Loans from banks and insurance companies, due through 2032 with interest rates ranging from 0.25% to 5.75% (2024) and 0.02% to 5.71% (2023):			
Collateralized	¥ 19,833	¥ 21,809	\$ 131,581
Unsecured	220,365	212,019	1,461,991
Total	240,199	233,828	1,593,573
Less current portion	(59,069 )	(39,365 )	(391,892)
Long-term debt, less current portion	¥ 181,129	¥ 194,463	\$ 1,201,681

Annual maturities of long-term debt as of February 29, 2024, were as follows:

Years Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 59,069	\$ 391,892
2026	31,518	209,107
2027	32,504	215,645
2028	30,001	199,042
2029	40,652	269,703
2030 and thereafter	46,452	308,182
Total	¥240,199	\$1,593,573

Corporate bonds as of February 29, 2024, and February 28, 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Issued by the Company:			
Unsecured 0.90% yen corporate bond, due 2024	¥ 20,000	¥ 20,000	\$ 132,687
Unsecured 0.95% yen corporate bond, due 2026	5,000	5,000	33,171
Unsecured 0.48% yen corporate bond, due 2023	—	25,000	—
Unsecured 1.10% yen corporate bond, due 2036	10,000	10,000	66,343
Unsecured 0.36% yen corporate bond, due 2023	—	15,000	—
Unsecured 0.60% yen corporate bond, due 2027	20,000	20,000	132,687
Unsecured 0.39% yen corporate bond, due 2023	—	30,000	—
Unsecured 0.37% yen corporate bond, due 2025	10,000	10,000	66,343
Unsecured 0.50% yen corporate bond, due 2028	20,000	20,000	132,687
Unsecured 1.05% yen corporate bond, due 2038	5,000	5,000	33,171
Unsecured 0.30% yen corporate bond, due 2024	30,000	30,000	199,031
Unsecured 0.29% yen corporate bond, due 2026	10,000	10,000	66,343
Unsecured 0.40% yen corporate bond, due 2029	20,000	20,000	132,687
Unsecured 0.90% yen corporate bond, due 2039	10,000	10,000	66,343
Unsecured 0.33% yen corporate bond, due 2025	30,000	30,000	199,031
Unsecured 0.22% yen corporate bond, due 2025	20,000	20,000	132,687
Unsecured 0.47% yen corporate bond, due 2027	10,000	10,000	66,343
Unsecured 0.39% yen corporate bond, due 2026	30,000	30,000	199,031
Unsecured 0.16% yen corporate bond, due 2026	20,000	20,000	132,687
Unsecured 0.47% yen corporate bond, due 2031	15,000	15,000	99,515

Unsecured 0.49% yen corporate bond, due 2027	40,000	40,000	265,375
Unsecured 0.34% yen corporate bond, due 2025	3,000	3,000	19,903
Unsecured 0.58% yen corporate bond, due 2027	23,000	23,000	152,590
Unsecured 0.72% yen corporate bond, due 2029	6,000	6,000	39,806
Unsecured 0.92% yen corporate bond, due 2032	8,000	8,000	53,075
Unsecured 0.76% yen corporate bond, due 2028	40,000	—	265,375
Unsecured 0.48% yen corporate bond, due 2026	10,500	—	69,660
Unsecured 1.11% yen corporate bond, due 2028	25,000	—	165,859
Unsecured 1.43% yen corporate bond, due 2030	5,500	—	36,489
Unsecured 1.86% yen corporate bond, due 2033	9,000	—	59,709
Total	455,000	435,000	3,018,642
Less current portion	(50,000)	(70,000)	(331,718)
Corporate bonds, less current portion	¥ 405,000	¥ 365,000	\$ 2,686,923

Annual maturities of corporate bonds as of February 29, 2024, were as follows:

Years Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 50,000	\$ 331,718
2026	63,000	417,965
2027	75,500	500,895
2028	93,000	616,997
2029	85,000	563,922
2030 and thereafter	88,500	587,142
Total	¥455,000	\$ 3,018,642

Collateralized long-term debt and other as of February 29, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt	¥ 16,976	\$ 112,626
Long-term debt	2,857	18,955
Total	¥ 19,833	\$ 131,581

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other as of February 29, 2024, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 2,456	\$ 16,296
Buildings and structures – net of accumulated depreciation	23,583	156,463
Total	¥ 26,040	\$ 172,760

## 8. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries offer severance payment plans for employees. The Company and certain domestic subsidiaries offer 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 offer lump-sum payment plans.

Under most circumstances, employees terminating their employment are entitled to retirement benefits 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, due to retirement at the mandatory retirement age, death, or voluntary retirement at certain specific ages prior to the mandatory retirement age.

- (1) The changes in defined benefit obligation for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year (as restated)	¥ 4,962	¥ 5,245	\$ 32,921
Current service cost	263	275	1,744
Interest cost	72	44	479
Actuarial losses	(262)	(370)	(1,741)
Benefits paid	(231)	(223)	(1,538)
Other	4	-	32
Balance at end of year	¥ 4,808	¥ 4,962	\$ 31,898

- (2) The changes in plan assets for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥ 4,656	¥ 4,597	\$ 30,892
Expected return on plan assets	246	231	1,634
Actuarial losses	111	(290)	739
Contributions from the employer	342	345	2,273
Benefits paid	(222)	(228)	(1,473)
Balance at end of year	¥ 5,134	¥ 4,656	\$ 34,067

- (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		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥ 4,690	¥ 4,864	\$ 31,115
Plan assets	(5,134)	(4,656)	(34,067)
Total	(444)	208	(2,951)
Unfunded defined benefit obligation	¥ 118	¥ 97	\$ 782
Net liability arising from defined benefit obligation	¥ (326)	¥ 305	\$ (2,168)

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥ 118	¥ 305	\$ 782
Asset for retirement benefits	(444)	-	(2,951)
	¥ (326)	¥ 305	\$ (2,168)

- (4) The components of net periodic benefit costs for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥ 263	¥ 275	\$ 1,744
Interest cost	72	44	479
Expected return on plan assets	(246)	(231)	(1,634)
Recognized actuarial losses	161	166	1,068
Net periodic benefit costs	¥ 250	¥ 254	\$ 1,659

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Actuarial losses	¥ (537)	¥ (245)	\$ (3,566)

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized actuarial losses	¥ 41	¥ 609	\$ 274

- (7) Plan assets

### (1) Components of plan assets

Plan assets as of February 29, 2024, and February 28, 2023, consisted of the following:

	2024	2023
Debt investments	36.9%	39.6%
Equity investments	38.4	32.7
General account of life insurance	7.7	9.3
Others*	17.0	18.4
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 projected, currently and in the future based on various components of the plan assets. We also assumed salary increase rates by age calculated on a base date of March 31, 2021.

- (8) Assumptions used for the fiscal years ended February 29, 2024, and February 28, 2023, are set forth as follows:

	2024	2023
Discount rate	1.6%	1.4%
Expected rate of return on plan assets	5.3%	5.0%

Defined contribution pension plan:

Contributions to the defined contribution plan for the fiscal years ended February 29, 2024, and February 28, 2023, were ¥374 million (\$2,483 thousand) and ¥376 million, respectively.

Advance payment plan:

Payments to the advance payment plan for the fiscal years ended February 29, 2024, and February 28, 2023, were ¥47 million (\$313 thousand) and ¥51 million, respectively.

## 9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the fiscal years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥ 20,038	¥ 19,843	\$ 132,942
Additional provisions associated with the acquisitions of property, buildings, and equipment	—	378	—
Reconciliation associated with passage of time	202	210	1,345
Reduction due to performance	(510)	—	(3,386)
Increase due to changes in estimates	(820)	(179)	(5,445)
Others	—	(214)	—
Balance at end of year	<u>¥ 18,910</u>	<u>¥ 20,038</u>	<u>\$ 125,456</u>

## 10. 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 a resolution of 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 a resolution of 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; however, the amount of net assets after dividends must remain 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 aggregate amount of legal reserve or additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital or 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 a 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 a resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders as 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.

## 11. STOCK OPTIONS

The stock options outstanding as of February 29, 2024, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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
2022 Stock Option	10 directors	9,500 shares	2021.5.10	¥1 (\$0.01)	From June 10, 2021, to June 9, 2036
2023 Stock Option	7 directors	7,100 shares	2022.5.10	¥1 (\$0.01)	From June 10, 2022, to June 9, 2037
2024 Stock Option	7 directors	7,100 shares	2023.5.10	¥1 (\$0.01)	From June 10, 2023, to June 9, 2038

The stock option activity is as follows:

	2020 Stock Option (Shares)	2021 Stock Option (Shares)	2022 Stock Option (Shares)	2023 Stock Option (Shares)	2024 Stock Option (Shares)
<u>Year Ended February 28, 2023</u>					
Nonvested:					
February 28, 2022 – outstanding					
Granted				7,100	
Canceled					
Vested				(7,100)	
February 28, 2023 – outstanding					
Vested:					
February 28, 2022 – outstanding	3,800	11,400	7,500		
Vested				7,100	
Exercised	(1,100)	(1,600)	(2,200)	(3,300)	
Canceled					
February 28, 2023 – outstanding	2,700	9,800	5,300	3,800	
<u>Year Ended February 29, 2024</u>					
Nonvested:					
February 28, 2023 – outstanding					
Granted					7,100
Canceled					
Vested					(7,100)
February 29, 2024 – outstanding					
Vested:					
February 28, 2023 – outstanding	2,700	9,800	5,300	3,800	
Vested					7,100
Exercised					(1,600)
Canceled					
February 29, 2024 – outstanding	2,700	9,800	5,300	3,800	5,500
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	-	-	-	-	¥1,797 (\$11)
Fair value price at grant date	¥1,408 (\$9)	¥1,154 (\$7)	¥1,476 (\$9)	¥1,227 (\$8)	¥1,515 (\$10)

The Assumptions Used to Measure Fair Value of 2024 Stock Options:

Estimation method:	Black-Scholes option-pricing model
Volatility of stock price:	28.29%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥50 per share
Risk-free interest rate:	0.26%

## 12. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities as of February 29, 2024 and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise tax	¥ 535	¥ 344	\$ 3,555
Lease obligations	38,323	29,364	254,255
Property, plant, and equipment	14,064	13,836	93,311
Long-term prepaid expenses	1,770	1,723	11,743
Liability for retirement benefits	11	64	78
Asset retirement obligation	5,811	6,155	38,558
Long-term deferred revenue	1,147	805	7,609
Tax loss carryforwards of subsidiaries *1	7,116	5,008	47,212
Write-down of assets under the reorganization proceedings	355	355	2,356
Property revaluation	361	386	2,400
Capital reduction with compensation of shares of subsidiaries and associates	2,110	—	14,000
Other	6,735	5,723	44,683
Total of tax loss carryforwards and temporary differences	78,344	63,769	519,766
Valuation allowance for tax loss carryforwards *1	(7,112)	(5,008)	(47,186)
Valuation allowance for total deductible temporary differences	(14,113)	(13,043)	(93,635)
Less valuation allowance *2	(21,226)	(18,051)	(140,822)
Total deferred tax assets	57,118	45,717	378,944
Deferred tax liabilities:			
Right-of-use assets	(28,072)	(19,544)	(186,243)
Lease deposits to lessors and long-term prepaid expenses	(1)	(2)	(8)
Deferred capital gains on property	(171)	(174)	(1,137)
Asset retirement obligation removal expense	(3,378)	(3,699)	(22,416)
Unrealized gain on available-for-sale securities	(335)	(491)	(2,223)
Retirement benefit asset	(116)	—	(773)
Foreign currency translation adjustments	(4,941)	—	(32,786)
Other	(4,229)	(2,422)	(28,059)
Total deferred tax liabilities	(41,247)	(26,335)	(273,649)
Net deferred tax assets	¥15,871	¥19,381	\$105,294

Net deferred tax assets included in the consolidated balance sheets as of February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
INVESTMENT AND OTHER ASSETS – deferred tax assets	¥ 16,661	¥19,927	\$110,540
LONG-TERM LIABILITIES – deferred tax liabilities	(790)	(545)	(5,246)
Net deferred tax assets	¥ 15,871	¥ 19,381	\$105,294

\*1) Tax loss carryforwards and related deferred tax assets by expiration period

\*2) The valuation allowance increased by ¥3,174 million (\$21,059 thousand). This increase is mainly due to fixed asset impairment and the recognition of valuation allowances for tax loss carryforwards.

### Current fiscal year (February 29, 2024)

	Due in One Year or Less	Due after One Year through Two Years		Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Tax loss carryforwards	494	1,116	1,036	1,988	2,217	263	¥ 7,116 million
Valuation allowance	(494)	(1,116)	(1,036)	(1,988)	(2,217)	(259)	(7,112)
Deferred tax assets	—	—	—	—	—	3	3

### Previous fiscal year (February 28, 2023)

	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Tax loss carryforwards	387	567	1,077	1,116	1,643	216	¥ 5,008 million
Valuation allowance	(387)	(567)	(1,007)	(1,116)	(1,643)	(216)	(5,008)
Deferred tax assets	—	—	—	—	—	—	—

Current fiscal year (February 29, 2024)

	Due in One Year or Less	Due after One year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
Tax loss carryforwards	3,277	7,407	6,876	13,191	14,713	1,745	\$ 47,212 thousand
Valuation allowance	(3,277)	(7,407)	(6,876)	(13,191)	(14,713)	(1,720)	(47,186)
Deferred tax assets	—	—	—	—	—	25	25

The following provides 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 29, 2024, and February 28, 2023:

	2024	2023
Normal effective statutory tax rate	30.5%	30.5%
Expenses not deductible for income tax purposes	1.2	1.5
Per capita portion of inhabitant tax	0.3	0.5
Tax benefits not recognized on operating losses of subsidiaries	4.9	3.8
Change in valuation allowance	3.8	7.3
Tax effect related to consolidated adjustment	5.1	3.4
Lower income tax rates applicable to income in certain foreign countries	1.9	3.3
Special corporation tax credits	(0.5)	(1.2)
Dividends received deduction	(2.4)	(2.2)
Other—net	(1.4)	(0.1)
Actual effective tax rate	43.5	46.8

#### Corporate Income Tax Rate Changes after Closing Date

The Japanese government passed a partial revision to local tax laws (Law No.4 of 2024) on March 28, 2024, to expand targets of the size-based business tax from the fiscal year beginning April 1, 2026. This law will decrease the effective tax rate from 34.0% to 30.5%, affecting certain Company subsidiaries. The effects of these changes are minimal, even if the Group were to apply the new effective tax rate to the current fiscal year. Differences are estimated to be resolved during the fiscal year beginning March 1, 2027.

### 13. LEASES

#### a. Lessee

The minimum rental commitments under noncancelable operating leases as of February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 59,948	¥ 55,602	\$ 397,719
Due after one year	304,054	267,803	2,017,210
Total	¥ 364,002	¥ 323,405	\$ 2,414,930

#### 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 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 5,515	¥ 4,259	\$ 36,591
Due after one year	25,041	12,020	166,132
Total	¥ 30,556	¥ 16,279	\$ 202,724



14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group operates shopping mall businesses as a core business. The Group rents retail facilities in shopping malls to tenants, AEON Retail Co., Ltd. (the “parent’s subsidiary”), which operates general merchandise stores, and other AEON group companies. The Group uses financial instruments, mainly long-term debt, including bank loans and corporate bonds, commercial paper, and the securitization of receivables, based on a capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets, such as deposits in banks and with 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 paper, long-term debt, and bonds are used for financing, mainly for operating transactions and property investments. Liquidity risk, which consists of the risk that the Group cannot meet its contractual obligations in full on their maturity dates, is managed by staggering due dates or maturity dates. Although certain bank loans are exposed to market risks from changes in variable interest rates, we mitigate the risks of new bank loans through interest rate swaps.

Please refer to Note 15 for more details about derivatives.

(3) Risk management for financial instruments

Credit risk management

The Group manages 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 portions 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 related to loans payable.

The 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 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

Amounts on the consolidated balance sheet, fair values, and the differences are as presented below. Stocks with no market values are not included in the table\*1. Also, the accounts listed below are not included in the table, as said accounts can be categorized as cash, and the fair values of said accounts approximate book value due to the short-term nature of settlement.

Account titles in question:  
Cash and deposits; operating accounts receivable; deposit paid in subsidiaries and affiliates; accounts payable; accrued corporate tax; deposits from specialty stores; deposits; equipment-related notes payable; equipment-related electronically recorded obligations; equipment-related accounts payable

(a) Fair values of financial instruments were as follows:

	Millions of Yen		
	2024		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 1,419	¥ 1,419	-
Lease deposits to lessors, including current portion	53,337	47,728	¥ (5,609)
Total	¥ 54,756	¥ 49,147	¥ (5,609)
Long-term debt, including current portion	¥ (240,199)	¥ (241,250)	¥ (1,051)
Corporate bonds, including current portion	(455,000)	(445,328)	9,671
Lease obligations, including current portion	(162,018)	(160,306)	1,712
Lease deposits from lessees, including current portion	(152,834)	(150,770)	2,063
Total	¥ (1,010,052)	¥ (997,656)	¥ 12,396

	Millions of Yen		
	2023		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 2,073	¥ 2,073	-
Lease deposits to lessors, including current portion	51,161	46,502	¥ (4,658)
Total	¥ 53,234	¥ 48,576	¥ (4,658)
Long-term debt, including current portion	¥ (233,828)	¥ (232,311)	¥ 1,517
Corporate bonds, including current portion	(435,000)	(420,424)	14,575
Lease obligations, including current portion	(125,370)	(122,249)	3,120
Lease deposits from lessees, including current portion	(148,275)	(146,858)	1,417
Total	¥ (942,475)	¥ (921,844)	¥ 20,630
	Thousands of U.S. Dollars		
	2024		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	\$ 9,417	\$ 9,417	-
Lease deposits to lessors, including current portion	353,858	316,645	\$ (37,212)
Total	\$ 363,275	\$ 326,063	\$ (37,212)
Long-term debt, including current portion	\$ (1,593,573)	\$ (1,600,549)	\$ (6,976)
Corporate bonds, including current portion	(3,018,642)	(2,954,478)	64,164
Lease obligations, including current portion	(1,074,894)	(1,063,535)	11,359
Lease deposits from lessees, including current portion	(1,013,960)	(1,000,267)	13,692
Total	\$ (6,701,070)	\$ (6,618,829)	\$ 82,241

\*Allowance for doubtful receivables taken for receivables is deducted.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investments in equity instruments that do not have a quoted market price in an active market	¥ 7,269	¥ 58	\$ 48,228

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

	Millions of Yen			
	2024			
	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	¥ 112,354	—	—	—
Time deposits	17,561	—	—	—
Receivables – Trade accounts	12,766	—	—	—
Lease deposits to lessors *	26	¥ 25	—	¥ 186
Long-term debt	59,069	134,677	¥ 46,452	—
Corporate bonds	50,000	316,500	63,500	25,000
Lease obligations	25,327	86,075	49,717	898
Lease deposits from lessees	0	—	—	—
	Thousands of U.S. Dollars			
	2024			
	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	\$ 745,399	—	—	—
Time deposits	116,511	—	—	—
Receivables – Trade accounts	84,695	—	—	—
Lease deposits to lessors *	175	\$ 170	—	\$ 1,238
Long-term debt	391,892	893,498	\$308,182	—
Corporate bonds	331,718	2,099,781	421,283	165,859
Lease obligations	168,030	571,057	329,846	5,960
Lease deposits from lessees	4	—	—	—

\* Lease deposits to lessors with no defined redemption schedule of ¥53,098 million (\$352,273 thousand) are not included in the above table.

(d) The detail of the fair value of financial instruments by level

The fair value of financial instruments is categorized to three levels by observability and materiality of inputs used to calculate fair value.  
Level 1 fair value: Fair value measured using observable inputs, of which quoted market prices in active markets for assets or liabilities that are the subject of the measurement.  
Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.  
Level 3 fair value: Fair value measured using unobservable inputs.  
If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in the level of the lowest level input among the level to which each of the inputs belongs.

a. Financial instruments measured at fair value on the consolidated balance sheet

February 29, 2024	Market Value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	¥ 1,419	—	—	¥ 1,419
Derivatives trading				
Currency-related	—	¥ 2,029	—	2,029
Total assets	¥ 1,419	¥ 2,029	—	¥ 3,448
	Thousands of U.S. Dollars			
February 29, 2024	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	\$ 9,417	—	—	\$ 9,417
Derivatives trading				
Currency-related	—	\$ 13,462	—	13,462
Total assets	\$ 9,417	\$ 13,462	—	\$ 22,879

b. Financial instruments other than those measured at fair value on the consolidated balance sheet

February 29, 2024	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Lease deposits to lessors, including current portion	—	¥ 47,728	—	¥ 47,728
Total assets	—	¥ 47,728	—	¥ 47,728
Corporate bonds, including current portion	—	¥ 445,328	—	¥ 445,328
Long-term debt, including current portion	—	241,250	—	241,250
Lease obligations, including current portion	—	160,306	—	160,306
Lease deposits from lessees, including current portion	—	150,770	—	150,770
Total debts	—	¥ 997,656	—	¥ 997,656

Thousands of U.S. Dollars

February 29, 2024	Level 1	Level 2	Level 3	Total
Lease deposits to lessors, including current portion	—	\$ 316,645	—	\$ 316,645
Total assets	—	\$ 316,645	—	\$ 316,645
Corporate bonds, including current portion	—	\$2,954,478	—	\$2,954,478
Long-term debt, including current portion	—	1,600,549	—	1,600,549
Lease obligations, including current portion	—	1,063,535	—	1,063,535
Lease deposits from lessees, including current portion	—	1,000,267	—	1,000,267
Total debts	—	\$6,618,829	—	\$6,618,829

Explanation of evaluation methods and inputs to calculate fair value

Assets

Investment securities

Listed stocks traded in active markets are calculated as level 1 fair value.

Deposit compensation

Future cash flow based on reasonably estimated maturity date is calculated by discounting at the risk-free rate and categorized as level 2 fair value.

Derivatives trading

No published market price exists. The fair value of derivatives is calculated based on the offer price from the financial institution. Therefore, derivatives are categorized as level 2 fair value.

Liabilities

Corporate bonds, including current portion

The fair value of bonds payable the Group issues are calculated based on market value. The fair value is categorized as level 2 fair value as these bonds have market value, but the market is not active.

Long-term debt, including current portion and lease obligations, including current portion

The fair value of borrowings and lease obligations are measured using the discounted cash flow method based on the sum of principal and interest, remaining period, and an interest rate reflecting credit risk. These items are classified as level 2 fair value.

Lease deposits from lessees, including current portion

Future cash flows based on reasonably estimated maturity date are calculated by discount at the risk-free rate and categorized as level 2 fair value.

## 15. DERIVATIVES

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

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

February 29, 2024	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt in Chinese yuan/payment in yen	¥ 5,867	—	¥ 1,252	¥ 1,252
Foreign currency forward contracts				
Receipt in yen/payment in Chinese yuan	¥ 11,970	—	¥ 776	¥ 776
February 28, 2023	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt in Chinese yuan/payment in yen	¥ 8,267	¥ 5,867	¥ 1,430	¥ 1,430
Foreign currency forward contracts				
Receipt in Chinese yuan/payment in yen	¥ 19,606	—	¥ 463	¥ 463

February 29, 2024	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value *	Unrealized (Loss) Gain
Currency swaps				
Receipt in Chinese yuan/payment in yen	\$ 38,923	—	\$ 8,310	\$ 8,310
Foreign currency forward contracts				
Receipt in yen/payment in Chinese yuan	\$79,417	—	\$ 5,152	\$ 5,152

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.

February 29, 2024	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 30,043	¥ 11,014	*
February 28, 2023	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 33,043	¥ 27,817	*
February 29, 2024	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	\$ 199,321	\$ 73,075	*

\*The above interest rate swaps that qualify for hedge accounting, meet specific matching criteria, and 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 the hedged item (i.e., long-term debt)

# 16. GAIN ON SALES OF PROPERTY, PLANT, AND EQUIPMENT

The figure for the year ended February 29, 2024, mainly includes a gain of ¥2,009 million (\$13,333 thousand) on the sale of buildings and accompanying facilities to an external company.

The figure for the year ended February 28, 2023, mainly includes a gain of ¥3 million on the sale of machinery and equipment to an external company.

# 17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 424	¥ 87	\$ 2,818
Reclassification adjustments to profit or loss	(938)	—	(6,226)
Amount before income tax effect	(513)	87	(3,407)
Income tax effect	156	(26)	1,039
Total	¥ (356)	¥ 61	\$ (2,368)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 20,374	¥ 24,019	\$ 135,171
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	20,374	24,019	135,171
Income tax effect	(4,941)	—	(32,786)
Total	¥ 15,432	¥ 24,019	\$ 102,385
Defined retirement benefit plans			
Adjustments arising during the year	¥ 376	¥ 79	\$ 2,497
Reclassification adjustments to profit or loss	161	166	1,068
Amount before income tax effect	537	245	3,566
Income tax effect	(126)	(47)	(841)
Total	¥ 410	¥ 198	\$ 2,724
Total other comprehensive income (loss)	¥ 15,486	¥ 24,279	\$ 102,741

# 18. EPS

A reconciliation of the differences between basic and diluted EPS for the years ended February 29, 2024, and February 28, 2023, is as follows:

	Millions of Yen Net Income	Thousands of Shares Weighted-Average Shares	Yen	U.S. Dollars
Year Ended February 29, 2024				EPS
Basic EPS – Net income available to common shareholders	¥ 20,399	227,555	¥ 89.64	\$ 0.59
Effect of dilutive securities – Warrants	—	—	—	—
Diluted EPS – Net income for computation	—	—	¥ 89.63	\$ 0.59
Year Ended February 28, 2023				
Basic EPS – Net income available to common shareholders	¥ 12,994	227,551	¥ 57.10	
Effect of dilutive securities – Warrants	—	—	—	
Diluted EPS – Net income for computation	—	—	¥ 57.10	

Diluted EPS for the previous consolidated fiscal year is omitted, despite the existence of dilutive shares, as the Company posted a net loss per share.

## 19. 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
	2024	2023	2024
Right-of-use assets	¥ 52,426	¥ 84	\$ 347,815
Lease obligations	54,126	1,238	359,094

- b. Asset retirement obligations recorded in the consolidated balance sheet.

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Asset retirement obligations	—	¥ 378	—

## 20. RELATED-PARTY DISCLOSURES

Transactions with the parent company and its subsidiaries for the years ended February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deposits kept in the cash pool account of AEON CO., LTD. (the parent company)	¥ 3,934	¥ 23,115	\$ 26,102
Interest income from AEON CO., LTD. (the parent company)	2	15	18
Revenues from leases of shopping malls to the parent's subsidiary	38,251	37,723	253,777
Credit fee paid to AEON FINANCIAL SERVICE CO., LTD. (parent's subsidiary)*1	5,184	6,167	34,397
*1) AEON FINANCIAL SERVICE CO., LTD. merged with AEON CREDIT SERVICE CO., LTD. on June 1, 2023.			

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 on February 29, 2024, and February 28, 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash equivalents - deposits kept in the cash pool account of AEON CO., LTD. (the parent company)	¥ 40,000	¥ 25,000	\$ 265,375

Receivables - other from AEON CO., LTD. (the parent company)	1	1	11
Receivables - trade accounts from the parent's subsidiary	971	1,218	6,442
Lease deposits received from the parent's subsidiary	10,135	10,127	67,242
Receivables - other from AEON FINANCIAL SERVICE CO., LTD. (parent's subsidiary)	13,982	12,698	92,765

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 other long-term liabilities.

## 21. REVENUE RECOGNITION

- (1) Detail of revenue from the contracts with customers

	Millions of Yen					
	2024					
	Japan	China	Vietnam	Cambodia	Indonesia	Others *1
Incidental income *2	¥ 110,478	¥ 20,912	¥ 4,330	¥ 2,459	¥ 2,980	—
Other income *3	7,453	—	459	16	—	—
Revenue from contracts with customers	117,931	20,912	4,790	2,475	2,980	—
Other income *4	215,227	38,072	10,473	6,024	4,280	—
Operating revenue from external customers	333,158	58,985	15,263	8,499	7,260	—

	Millions of Yen					
	2023					
	Japan	China	Vietnam	Cambodia	Indonesia	Others *1
Incidental income *2	¥ 107,779	¥ 18,630	¥ 3,740	¥ 1,544	¥ 2,400	—
Other income *3	7,066	—	372	—	—	—
Revenue from contracts with customers	114,845	18,630	4,112	1,544	2,400	—
Other income *4	206,006	33,908	9,171	4,128	3,497	—
Operating revenue from external customers	320,852	52,538	13,283	5,672	5,897	—

	Thousands of U.S. Dollars						
	2024						
	Japan	China	Vietnam	Cambodia	Indonesia	Others *1	Total
Incidental income *2	\$ 732,953	\$138,743	\$ 28,728	\$ 16,316	\$ 19,773	—	\$ 936,515
Other income *3	49,449	—	3,051	108	—	—	52,609
Revenue from contracts with customers	782,402	138,743	31,780	16,425	19,773	—	989,124
Other income *4	1,427,900	252,590	69,483	39,965	28,395	—	1,818,335
Operating revenue from external customers	2,210,302	391,333	101,263	56,390	48,168	—	2,807,460

\*1) Others includes Myanmar

\*2) The majority of incidental income is income by common service fee based branching contract with tenants

\*3) The majority of other income is property management consignment fee

\*4) The majority of other income is real estate rental income based on the branching contract with tenants, accounted for following *Accounting Standard for Lease Transactions* (ASBJ Statement No. 13, March 30, 2007)

## (2) Basic information to understand company revenue

Basic information to understand company revenue is described in SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (2.v Basis for recognition of significant revenues and expenses)

## (3) Information to understand company earnings in this the current consolidated fiscal year and the next consolidated fiscal year

### (1) Ending balance of contract assets and contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Accounts receivable obtained from contracts with customers	¥ 9,679	¥ 11,784	\$ 64,220
Contract assets	—	—	—
Contract liabilities	5,172	5,082	34,319

The contract liabilities are advance payment received from customers, and the payment is a part of the common service fee based on the contracts with the tenants. The liabilities will be reversed upon recognition of revenue.

We recognized 4,217 million (\$27,981 thousand) yen as revenue in this consolidated fiscal year, which is included in the contract liabilities balance at the beginning of this year. Also, contract liabilities increased this fiscal year by ¥4,307 million (\$28,579 thousand) related to the opening of Aeon Mall

Toyokawa, THE OUTLETS SHONAN HIRATSUKA, and Aeon Mall Wuhan Jiangxia. No revenue has been recognized this fiscal year related to contract obligations fulfilled in the previous fiscal year.

## (2) Transaction price allocated to remaining contract obligation

Contract obligations are income from common service fees based on the store branching contract with tenants. The total transaction price allocated to the remaining contract obligation and the revenue expected period are as below.

Contract Obligation	Millions of Yen 2024	Thousands of U.S. Dollars 2024	Expected Obligation Fulfillment Period
Income from common service fees based on the store branching contract	¥ 159,023	\$ 1,055,023	Revenue to be recognized evenly from fiscal year 2024 to 2026.

The group adopts practical expedient to the notes for transaction price allocated to the remaining contract obligation. The variable consideration allocated to the contracts shorter than one year and the unfulfilled obligations at all are not included in the notes.

Variable consideration not included in the notes are as below.

The maintenance obligation related to utilities is classified as pay-per-use variable consideration as it is based on the actual utility use by tenants. The variability is concluded the utility statement is finalized. Also, the incentive fee based on management consignment contracts with customers is applicable to variable consideration as is relates to the mall revenues. The variability is concluded when mall revenue is finalized. The obligations of these variable considerations are recognized as revenue within three years.

## 22. SEGMENT INFORMATION

### (1) Description of Reportable Segments

The Group's reportable segments are units of the Group whose financial information is available separately and are reviewed regularly for determining the distribution of management resources and the evaluation of business performance.

The Group operates solely in the shopping mall business in Japan and overseas. The Group develops comprehensive strategies and conducts operations according to the characteristics of different regions.

Accordingly, the Group consists of six reportable segments by region: Japan, China, Vietnam, Cambodia, Indonesia, and Other (Overseas).

### (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								
	2024								
	Reportable Segments						Total	Reconcilia- tions	Consoli- dated
	Japan	China	Vietnam	Cambodia	Indonesia	Others			
	Revenues: Revenues from external customers	¥ 333,158	¥ 58,985	¥ 15,263	¥ 8,499	¥ 7,260	—	¥ 423,168	¥ —
Intersegment revenues or transfers	563	—	—	—	—	—	563	(563)	—
Total	¥ 333,722	¥ 58,985	¥ 15,263	¥ 8,499	¥ 7,260	—	¥ 423,732	¥ (563)	¥ 423,168
Segment profit	¥ 35,821	¥ 6,537	¥ 3,901	¥ 411	¥ (269)	¥ (14)	¥ 46,386	¥ 25	¥ 46,411
Segment assets	942,127	335,095	100,191	108,606	103,778	3,807	1,593,605	61,647	1,655,253
Other:									
Depreciation	43,002	27,617	4,972	4,074	3,436	0	83,103	(25)	83,078
Loss on impairment of long-lived assets	—	1,960	—	—	—	—	1,960	—	1,960
Increase in property, plant, and equipment and intangible assets	35,152	89,717	9,594	4,752	8,793	—	148,010	—	148,010
	Millions of Yen								
	2023								
	Reportable Segments						Total	Reconcilia- tions	Consoli- dated
	Japan	China	Vietnam	Cambodia	Indonesia	Others			
	Revenues: Revenues to external customers	¥ 320,853	¥ 52,538	¥ 13,283	¥ 5,672	¥ 5,897	—	¥ 398,244	¥ —
Intersegment revenues or transfers	848	—	—	—	—	—	848	(848)	—
Total	¥ 321,700	¥ 52,538	¥ 13,283	¥ 5,672	¥ 5,897	—	¥ 399,092	¥ (848)	¥ 398,244
Segment profit	¥ 34,114	¥ 6,634	¥3,063	¥ 1,145	¥ (987)	¥ (15)	¥ 43,954	¥ 25	¥ 43,979

Segment assets	978,102	254,683	90,162	100,660	86,997	3,562	1,514,168	45,423	1,559,592
Other:									
Depreciation	43,078	24,195	4,656	2,138	3,262	0	77,330	(25)	77,305
Loss on impairment of long-lived assets	1,731	2,729	—	—	—	—	4,461	—	4,461
Increase in property, plant, and equipment and intangible assets	68,836	14,296	8,789	19,429	6,095	4	117,452	—	117,452
	Thousands of U.S. Dollars								
	2024								
	Reportable Segments						Total	Reconcilia- tions	Consoli- dated
	Japan	China	Vietnam	Cambodia	Indonesia	Others			
Revenues:									
Revenues to external customers	\$2,210,302	\$ 391,333	\$ 101,263	\$ 56,390	\$ 48,168	—	\$2,807,460	—	\$ 2,807,460
Intersegment revenues or transfers	3,739	—	—	—	—	—	3,739	\$ (3,739)	—
Total	\$2,214,042	\$ 391,333	\$ 101,263	\$ 56,390	\$ 48,168	—	\$2,811,199	\$ (3,739)	\$ 2,807,460
Segment profit	\$ 237,650	\$ 43,371	\$ 25,881	\$ 2,727	\$ (1,788)	\$ (96)	\$307,746	\$ 167	\$ 307,913
Segment assets	6,250,429	2,223,149	664,710	720,533	688,502	25,259	10,572,586	408,995	10,981,581
Other:									
Depreciation	285,294	183,221	32,992	27,033	22,799	1	551,342	(167)	551,174
Loss on impairment of long-lived assets	—	13,009	—	—	—	—	13,009	—	13,009
Increase in property, plant, and equipment and intangible assets	233,214	595,218	63,652	31,530	58,342	—	981,958	—	981,958

Notes for the year ended February 29, 2024:

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 ¥61,647 million (\$408,995 thousand) is the reconciliation of Group assets of ¥60,050 million (\$398,394 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 gains on fixed assets.

2. The calculation of segment profit or loss is based on the operating income in the consolidated statement



of income.

3. Depreciation and the increase in property, plant, and equipment and intangible assets include long-term prepaid expense and related depreciation.

Notes for the year ended February 28, 2023:

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 ¥45,423 million is the reconciliation of Group assets of ¥45,413 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 gains on fixed assets.
2. The calculation of segment profit or loss is based on the operating income in the consolidated statement of income.
3. Depreciation and the increase in property, plant, and equipment and intangible assets include long-term prepaid expense and related depreciation.

**(4) Information about Products and Services**

Information about products and services for the years ended February 29, 2024 and February 28, 2023, has been omitted as revenues in the shopping mall business accounted for more than 90% of consolidated net revenues for the Group.

**(5) Information about Geographical Areas**

(a) Revenues

Information about geographical areas for the year ended February 29, 2024 and February 28, 2023, has been omitted as the same information is disclosed in segment information.

(b) Property, plant, and equipment

Millions of Yen						
2024						
Japan	China	Vietnam	Cambodia	Indonesia	Others	Total
¥ 826,420	¥ 243,564	¥ 72,268	¥ 92,139	¥ 85,731	¥ 3,548	¥ 1,323,673
Millions of Yen						
2023						
Japan	China	Vietnam	Cambodia	Indonesia	Others	Total
¥ 850,143	¥ 177,264	¥ 65,556	¥ 85,436	¥ 75,041	¥ 3,320	¥ 1,256,763
Thousands of U.S. Dollars						
2024						
Japan	China	Vietnam	Cambodia	Indonesia	Others	Total
\$ 5,482,784	\$ 1,615,902	\$ 479,453	\$ 611,291	\$ 568,772	\$ 23,543	\$ 8,781,749

**(6) Information about Major Customers**

2024		
Name	Millions of Yen	Related segment name
	Revenues	
ÆON RETAIL CO., LTD.	¥ 38,551	Japan
2023		
Name	Millions of Yen	Related segment name
	Revenues	
ÆON RETAIL CO., LTD.	¥ 38,007	Japan
2024		
Name	Thousands of U.S. Dollars	Related segment name
	Revenues	
ÆON RETAIL CO., LTD.	\$ 255,498	Japan

**23. SUBSEQUENT EVENTS**

**(a) Appropriation of Retained Earnings**

The following appropriation of retained earnings on February 29, 2024, was approved at the Company's Board of Directors meeting held on April 9, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 (\$0.18) per share	¥ 5,688	\$ 37,736

**(b) Bond Issuance**

The Company issued bonds on April 26, 2024, based on the approval of the Board of Directors on April 15, 2024.

(1) Name of bonds: ÆON Mall Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds) Series 40

(2) Total amount of bonds: ¥50,000 million (\$331,718 thousand)

(3) Issue price: ¥100 (US\$0.66) per face value of ¥100 (US\$0.66)

(4) Interest rate: 1.1%

(5) Date of issuance: April 26, 2024

(6) Date of maturity: April 26, 2029

(7) Collateral: The bonds are not secured or guaranteed. No assets are reserved for the bonds

(8) Use of funds: The funds obtained by issuance of corporate bonds will be appropriated to the part of commercial paper and loan repayment

***ÆON Mall Co., Ltd.  
and Subsidiaries***

*Consolidated Financial Statements as of and for the  
Year Ended February 29, 2024,*