Note:	This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Internet Disclosure for Notice of the 110th Ordinary General Meeting of Shareholders

Notes to "Consolidated Financial Statements" and "Nonconsolidated Financial Statements"

Business year (110th term) (March 1, 2020 – February 28, 2021)

AEON MALL Co., Ltd.

Of the documents provided in the Notice of the 110th Ordinary General Meeting of Shareholders, notes to "Consolidated Financial Statements" and "Nonconsolidated Financial Statements" are provided to shareholders on the Company's website, pursuant to laws and regulations and provisions of Article 15 of the Articles of Incorporation of the Company.

Notes to significant matters for preparation of consolidated financial statements

1. Matters concerning scope of consolidation

   Number of consolidated subsidiaries: 47

   Names of major consolidated subsidiaries

   AEON MALL (China) Business Management Co., Ltd., AEON MALL (Cambodia) Co., Ltd., PT. AEON MALL Indonesia, AEON MALL (Guangdong) Business Management Co., Ltd., PT. AMSL Indonesia, AEON MALL HIMLAM Company Limited, AEON MALL Vietnam Co., Ltd., PT. AMSL DELTA MAS, AEON MALL (China) Co., Ltd., OPA Co., Ltd.

   AEON MALL SINGAPORE PTE. LTD., AEON MALL MYANMAR CO., LTD., AEON MALL SHWE TAUNG CO., LTD., and Hangzhou Qiantang New Area Mall Investment Limited were established during the current fiscal year. Accordingly, these entities have been included in the scope of consolidation.

   OPA Co., Ltd. was restructured on March 1, 2021, through a company split and absorption-type merger. For details, please refer to the Notes to significant subsequent events (Business combinations involving entities under common control) in the Consolidated Financial Statements.

2. Matters concerning fiscal years, etc. of consolidated subsidiary

   Of consolidated subsidiaries, the 39 overseas subsidiaries end their fiscal years on December 31.

   In preparation of the consolidated financial statements, the financial statements as of the said balance sheet date are used. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

   In addition, AEON MALL MYANMAR CO., LTD and one other company end their fiscal years on September 30. We prepare our consolidated financial statements using the December 31 respective balance sheet dates of our consolidated subsidiaries. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

3. Matters concerning accounting policies

   (1) Measurement policy and method of significant assets

      (i) Securities

         Available-for-sale securities with market value

         Stated at market value determined by the market price, etc. as of the balance sheet date (all valuation gains and losses are treated as a component of net assets and the cost of securities sold is determined by the moving-average method.)

         Available-for-sale securities without market value

         Stated at cost determined by the moving-average method

      (ii) Derivatives

         Stated at market value

   (2) Method for depreciating and amortizing significant depreciable and amortizable assets

      (i) Property, plant and equipment (excluding right-of-use assets)

         Depreciated using the straight-line method based on the economic useful life

         The Company has adopted the following ranges of economic useful life for each asset category:

Buildings and structures	2 to 39 years
Machinery and transportation equipment	3 to 17 years

Furniture and fixtures 2 to 20 years

(ii) Intangible assets

Amortized using the straight-line method

Software used in-house is amortized using the straight-line method over an estimated useful life of five years for internal use.

(iii) Right-of-use assets

Amortized using the straight-line method

(iv) Long-term prepaid expenses

Amortized in equal installments based on contract periods and other factors (period of amortization: 2 to 50 years)

(3) Accounting policy for deferred assets

Bond issuance costs are treated as expenses when paid.

(4) Accounting policy for significant allowances and provisions

(i) Allowance for doubtful receivables

The Company has recorded the estimated unrecoverable amount as the provision for losses arising from bad debt of receivables such as notes and accounts receivable – trade after reviewing the recoverability of ordinary receivables based on the historical bad debt ratio, and the recoverability of certain receivables such as doubtful account receivables on an individual basis.

(ii) Allowance for employee bonus

The Company has recorded the estimated amount of payment incurring during the current fiscal year as allowance for bonuses to be paid to employees, including part-time employees.

(iii) Allowance for director and corporate auditor performance-based remuneration

The Company has recorded the estimated amount of payment incurring during the current fiscal year as allowance for performance-based remuneration for director and corporate auditor.

(iv) Provision for loss on store closing

The Company has recorded estimated losses on store closing, including early cancellation penalty charges, which are reasonably expected to incur due to store closures.

(5) Accounting policy for translating significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary claims and obligations are translated into yen amounts at the rates of exchange in effect as of the consolidated balance sheet date. Differences are treated as a gain or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect as of the balance sheet dates of each subsidiary in question. Revenues and expenses are translated into yen amounts at the average exchange rate during the period. Translation differences of overseas subsidiaries are included in foreign currency translation adjustment and non-controlling interests under net assets.

(6) Significant accounting policy for hedging

(i) Accounting policy for hedging

Deferred hedge accounting is used in principle. Special hedge accounting is applied to interest rate swaps that meet the criteria for the special hedge accounting.

(ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Debts

(iii) Hedging policy

Interest rate swaps are conducted for the purpose of hedging against the risk of fluctuations in interest rates.

(iv) Evaluation of hedging effectiveness

The Company compares fluctuations in market prices or cash flows between hedged items and hedging instruments over their respective periods from the start of hedging to the time of the measurement of effectiveness. The fluctuations in these parameters are used as a benchmark for evaluating hedging effectiveness. However, the evaluation of hedging effectiveness for interest rate swaps accounted for under special hedge accounting is omitted.

(7) Other significant matters concerning the preparation of consolidated financial statements

(i) Accounting method for retirement benefits

The Company has recorded retirement benefit obligations less pension assets at the end of the current fiscal year for the provision of retirement benefits for employees. In the calculation of retirement benefit obligations, the method of attributing estimated retirement benefits to terms up to the current fiscal year is in line with benefits calculation formula rules.

Actuarial differences are expensed from the following fiscal year using the straight-line method over a period not exceeding a certain period (10 years) of average remaining service period of employees when the actuarial differences are incurred.

Unrecognized actuarial gains and losses are recorded in remeasurements of defined benefit plans as part of total other comprehensive income under net assets after adjusting for tax effects.

(ii) Accounting policy of consumption taxes

Financial statements are prepared exclusive of consumption taxes.

Supplementary information

Accounting estimates related to the impact of COVID-19

In January 2021, the declaration of a state of emergency in Japan was lifted and vaccine distribution began in Japan and numerous other countries. The Group is striving to establish quarantine systems in the malls we operate. We expect the impact of COVID-19 on operating revenue to be largely contained in the fiscal year ended February 28, 2021, and, having incorporated accounting estimates for impairment accounting related to fixed assets, we assume that fiscal 2021 earnings will recover to a level on a par with fiscal 2019. Although we continue mall operations in Indonesia, we have assumed that ongoing restrictions on small-scale community activities will have a negative impact on operating revenue for through fiscal 2021.

Notes to consolidated balance sheet

1. Assets pledged as collateral

	(Millions of yen)
Buildings and structures	28,171
Land	2,456
Total	30,627

Obligations backed by above collateral

	(Millions of yen)
Current portion of long-term debt	1,976
Long-term debt	23,785
Total	25,761

2. Accumulated depreciation of property, plant and equipment ¥375,579 million

Notes to consolidated statement of income

1. Gains on sale of fixed assets consist of the following items.

	(Millions of yen)
Former Tenjin Vivre	746
Other	2
Total	749

2. Losses on sale of fixed assets consist of the following items.

	(Millions of yen)
Other	1
Total	1

3. Losses on retirement of fixed assets consist of the following items.

	(Millions of yen)
Buildings and structures	396
Furniture and fixtures	7
Demolition and removal expenses	455
Other	7
Total	867

4. Impairment losses consist of the following items.

The Group recorded impairment losses on the following asset groups during the current fiscal year (March 1, 2020 to February 28, 2021).

(Millions of yen)

Location	Use	Type	Amount
Aomori Prefecture	Store	Land and buildings, etc.	1,254
Akita Prefecture	Store	Buildings, etc.	240
Ibaraki Prefecture	Store	Buildings, etc.	29
Gunma Prefecture	Store	Buildings, etc.	102
Chiba Prefecture	Store	Buildings, etc.	558
Chiba Prefecture	Store	Intangible assets (goodwill)	340
Chiba Prefecture	Common-use assets	Furniture and fixtures, etc.	61
Tokyo Prefecture	Store	Buildings, etc.	138
Kanagawa Prefecture	Store	Buildings, etc.	53
Mie Prefecture	Store	Construction in progress	5
Kyoto Prefecture	Store	Buildings, etc.	200
Osaka Prefecture	Store	Buildings, etc.	761
Okayama Prefecture	Development property	Construction in progress	1
Nagasaki Prefecture	Development property	Construction in progress	50
Oita Prefecture	Store	Land and buildings, etc.	1,321
Okinawa Prefecture	Store	Buildings, etc.	13
Overseas (China)	Store	Right-of-use assets, etc.	2,155

The Group has defined individual stores in the Mall Business as the smallest unit for asset grouping. Idle assets are grouped in the unit of the respective assets. Common-use assets are grouped in larger units that include groups contributing to the generation of future cash flows.

The carrying amounts of asset groups above were reduced to their respective recoverable amount due to a significant decline in their profitability and a change causing a substantial decrease in the recoverable amount. The write-down was posted as impairment loss under extraordinary losses. The recoverable amount is measured based on value in use or net realizable value. The value in use for locations in Japan is calculated by discounting future cash flows at 3.55% and the value in use for overseas (China) locations is calculated by discounting future cash flows at 8.84%. No future cash flows are expected for certain facilities and common-use assets; therefore, the value in use has been measured as zero. Net realizable value is measured at the appraised value of the real estate in question. The Company reduced the entire amount of goodwill of certain domestic subsidiaries as they are no longer expected to earn the revenue planned at the time of acquisition. The amount of the reduction is recognized as an impairment loss under extraordinary losses.

The impairment losses above consist of losses of ¥414 million in land, ¥3,446 million in building and structures, ¥186 million in furniture and fixtures, ¥1,122 million in long-term prepaid expenses, ¥340 million in goodwill, ¥1,627 million in right-of-use assets, and ¥151 million in other.

5. These costs stemming from loss due to COVID-19 consist mainly of rent, fixed costs of depreciation and amortization, and tenant support in the form of rent reductions during the temporary closures.

Notes to consolidated statement of changes in shareholders' equity

1. Matters concerning the type and total number of shares issued

	Type of shares	Number of shares at the beginning of the current fiscal year (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the current fiscal year (shares)	Remarks
Shares issued	Common stock	227,515,009	30,830	—	227,545,839	(Note 1)
Treasury stock	Common stock	2,697	568	—	3,265	(Note 2)

(Notes)
1. An increase of 30,830 shares issued and outstanding is due to the exercise of stock acquisition rights.
2. An increase in treasury stock is due to the Company's purchase of 568 shares constituting less than one unit.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 9, 2020	Common stock	4,550	20.00	February 29, 2020	May 1, 2020
Board of Directors meeting on October 6, 2020	Common stock	4,550	20.00	August 31, 2020	October 23, 2020

(2) Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year

The following resolutions are scheduled at the Board of Directors meeting to be held on April 8, 2021.

Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Common stock	4,550	Retained earnings	20.00	February 28, 2021	April 30, 2021

3. Matters concerning stock acquisition rights

Type and the number of shares underlying the stock acquisition rights at the end of the current fiscal year (excluding those for which the first date of exercise period has not come).

Common stock 18,500 shares

Notes to financial instruments

1. Matters concerning the status of financial instruments

(1) Policy on financial instruments

The Group operates the Mall Business while assuming the central role of Shopping Center Development Business for AEON and leases mall store spaces to general tenants, as well as general merchandise store operators, AEON Retail Co., Ltd. and the companies of the AEON Group. In conducting the respective businesses, funds are managed mainly through specific financial assets such as highly secured time deposits, and financing is procured by means of indirect financing, including bank borrowings, as well as direct financing through the issuance of corporate bonds and commercial papers, and liquidation of receivables. Derivatives are not intended to be traded for speculative purposes under a policy with the aim of avoiding risks of interest or exchange rate fluctuations arising from fund procurement as well as financing loans to overseas consolidated subsidiaries.

(2) Contents and risks of financial instruments

Notes and accounts receivable – trade, which are trade receivables, are exposed to the credit risk of customers.

Investment securities mainly consist of stocks of companies that have business relationships with the Group and are exposed to market price fluctuation risk and credit risk.

Lease deposits paid, which are mostly related to leases of stores, are exposed to credit risk of lessees.

Notes and accounts payable – trade, which are trade payables, are mainly due within one year.

Short-term debt, commercial paper, lease obligations, long-term debt and straight bonds are mainly for financing for business transactions and capital investment, etc. Although there involve liquidity risks that prevent the payment from being made on the payment due date, the liquidity risks are systematically mitigated through diversification of the timings of repayment or redemption. In addition, some of the aforementioned financial instruments are exposed to the risk of fluctuations in interest rates that are variable; however, for new loans, interest rate swaps are used for hedging purposes.

Lease deposits from lessees are the deposits and security deposits made under tenant lease agreements, etc.

Derivative transactions involve interest rate swap transactions to mitigate interest rate fluctuation risks in long-term obligations, as well as currency swap transactions to mitigate exchange rate fluctuation risks. In addition, matters concerning hedge accounting such as hedging instruments, hedging policies, and methods for evaluating the hedging effectiveness are described under "(6) Significant accounting policy for hedging, 3. Matters concerning accounting policies under Notes to significant matters for preparation of consolidated financial statements."

(3) Risk management systems relating to financial instruments

(i) Management of credit risks

As for trade receivables such as notes and accounts receivable – trade, the Sales Division and the Finance & Accounting Division in accordance with the policies of the Group, regularly monitor the status of business partners, manage the payment term and the outstanding balance of each business partner, and work to quickly grasp concerns over the recovery of the trade receivables and to lower the risk of bad debts arising from deterioration in financial positions.

Among investment securities, the market value for shares with market value are determined on a quarterly basis, and the financial position of the issuer of shares without market value are grasped regularly.

Part of lease deposits paid is backed by collaterals, such as by establishing mortgages and right of pledges.

For the use of derivatives, credit risk is recognized to be minimal because all contracting parties are highly-credited domestic financial institutions.

(ii) Management of market risks

The Group uses interest rate swaps or currency swap transactions to mitigate the risk of fluctuations in interest rates on borrowings and the risk of fluctuations in foreign exchange for loans to overseas consolidated subsidiaries. The derivative transactions are authorized on an individual basis following the internal settlement procedures for the executions of borrowings and loans to subsidiaries. The Finance Division executes and manages the transactions.

For investment securities, etc., market trends, market value, and financial position of the issuer (trade party) are regularly monitored and reported to management, and also the holding status of the investment securities is continuously reviewed.

(iii) Management of liquidity risk relating to financing

The Group manages liquidity risk by having the Finance & Accounting Division timely develop and update the funding plan based on reports from each of the departments and by maintaining short-term liquidity.

(4) Supplemental explanation regarding matters concerning market value of financial instruments

The market value of financial instruments is based on market prices, but if no market prices are available, their market value includes prices reasonably calculated. In calculating the relevant amount, certain premises and assumptions are adopted, and the use of different premises and assumptions may lead to changes in market value.

2. Matters concerning market value of financial instruments

The consolidated balance sheet amounts recorded on February 28, 2021, the market values, and the difference between these amounts are as follows. Also, the following table does not include items for which market values are extremely difficult to determine. (Please refer to Note 2.)

(Millions of yen)

	Consolidated balance sheet amount (*2)	Market value	Difference
(1) Cash and deposits	131,442	131,442	–
(2) Notes and accounts receivable – trade	7,661	7,661	
Allowance for doubtful receivables (*1)	(133)	(133)	
	7,528	7,528	–
(3) Investment securities	1,942	1,942	–
(4) Lease deposits paid (including lease deposits paid recoverable within one year, reported in "Other" under current assets)	51,055	49,219	(1,835)
Total assets	191,968	190,132	(1,835)
(1) Notes and accounts payable – trade	(8,606)	(8,606)	–
(2) Income taxes payable	(7,024)	(7,024)	–
(3) Deposits received from specialty stores	(60,223)	(60,223)	–
(4) Deposits received	(8,295)	(8,295)	–
(5) Notes payable – construction	(778)	(778)	–
(6) Electronically recorded obligations – construction	(20,876)	(20,876)	–
(7) Accounts payable – construction	(7,713)	(7,713)	–
(8) Straight bonds (including current portion)	(360,000)	(358,024)	1,975
(9) Long-term debt (including current portion)	(222,424)	(221,825)	599
(10) Lease obligations (current liabilities and long-term liabilities)	(127,234)	(127,576)	(341)
(11) Lease deposits from lessees (included under "other" under current liabilities)	(137,786)	(137,540)	246
Total liabilities	(960,963)	(958,484)	2,479
Derivative transactions Hedge accounting is not applied	87	87	–

(*1) The amount of allowance for doubtful receivables, which is recorded individually for notes and accounts receivable – trade, is excluded.

(*2) The liability items are in brackets ( ). Derivative assets and derivative liabilities arising from derivative transactions are shown in net amount, and the derivative liabilities are shown in blankets ( ).

(Note 1) Method for calculating market value of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits and (2) notes and accounts receivable – trade

Cash and deposits and notes and accounts receivable – trade are stated at the respective carrying amount as their market value approximates to the carrying amount due to their nature of the short-time settlement.

(3) Investment securities

The market values of investment securities are based on the prices on stock exchanges.

(4) Lease deposits paid

The market value of lease deposits paid is calculated by discounting it at the risk-free rate based on the reasonably estimated redemption period.

Liabilities

(1) Notes and accounts payable – trade, (2) income taxes payable, (3) deposits received from specialty stores, (4) deposits received, (5) notes payable – construction, (6) electronically recorded obligations – construction, (7) accounts payable – construction

Accounts above are stated at the respective carrying amount as their market value approximate to the carrying amount due to their nature of short time settlement.

(8) Straight bonds

The market value of straight bonds issued by the Company is calculated based on market prices.

(9) Long-term debt

The market value of long-term debt is calculated by discounting the aggregate amount of principal and interest at the interest rate calculated by adding credit spread to the risk-free rate.

(10) Lease obligations

The market value of lease obligations is recorded at a present value derived by discounting the aggregate amount of principal and interests using the interest rate that would apply to similar lease transactions.

(11) Lease deposits from lessees

The market value of lease deposit from lessees is calculated by discounting it at a risk-free rate over the reasonably estimated redemption period.

Derivative transactions

The market value of derivative transactions is based on the prices presented by financial institutions with which we have transactions. The market value of derivatives subject to special treatment of interest rate swap are included in the market value of the respective long-term debt whereby the derivative transactions of the interest rate swap are processed together with long-term debt, which is the hedged item.

(Note 2) Financial instruments whose market values are extremely difficult to determine

(Millions of yen)

Classification	Consolidated balance sheet amount
Investment securities (including “other” under investments and other assets)	8
Total	8

The market value of the financial instruments in the above table is not disclosed because their market value is extremely difficult to determine due to a lack of market prices and difficulties in estimating future cash flows.

(Note 3) Amount of monetary claims and securities with maturities that are to be collected after the consolidated balance sheet date

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	131,442	–	–	–
Notes and accounts receivable – trade	7,661	–	–	–
Lease deposits paid (*)	129	183	–	184

* Lease deposits paid represents only those whose redemption schedule is certain, excluding those with the recovery date definitively indeterminable (¥50,558 million).

(Note 4) Repayment schedules after consolidated balance sheet dates for straight bonds, long-term debt and other interest-bearing debt

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Straight bonds	30,000	220,000	85,000	25,000
Long-term debt	33,629	163,845	24,948	–
Lease obligations	14,955	66,907	45,312	59
Lease deposits from lessees	7	–	–	–

Notes to asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet

1. Outline of the asset retirement obligations

   Asset retirement obligations pertain to an obligation to restore to the original state, etc. in accordance with the real estate lease agreement on land for the malls.

2. Method for calculating asset retirement obligations

   Asset retirement obligations are estimated using the estimated usage period of 10 to 39 years and the discount rate of 0.0% to 2.2%.

3. Changes in asset retirement obligations during the current fiscal year

	(Millions of yen)
Balance at the beginning of the period	16,713
Increase due to the acquisition of property, plant and equipment	632
Adjustments due to the elapse of time	197
Decrease due to the fulfillment	(137)
Increase (decrease) due to the change in estimates	1,274
Balance at the end of the fiscal year (including the current portion to be fulfilled)	18,679

Notes to rental and other investment property

The Company and certain consolidated subsidiaries own commercial leasing buildings in various regions nationwide as well as overseas (China and ASEAN region) for the purpose of generating profits from property leasing. Leasing profit related to rental properties, etc. (properties for lease owned by the Company and overseas master lease properties; malls under master lease in Japan and property management agreements are not included; the same applies hereinafter) amounted to ¥34,247 million for the current fiscal year (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses). Gain on sale of fixed assets amounted to ¥746 million (posted under extraordinary gains). Loss on retirement of fixed assets amounted to ¥674 million (posted under extraordinary losses) and impairment losses amounted to ¥4,162 million (posted under extraordinary losses).

The consolidated balance sheet amounts, changes during the period, and the market value related to property leasing are as follows.

(Millions of yen)

Use	Consolidated balance sheet amount			Market value at the end of the current fiscal year
	Balance at the beginning of the period	Change during the period	Balance at the end of the period	
Commercial leasing buildings	1,090,837	(8,246)	1,082,591	1,333,547

(Notes)
1. The balance sheet amount is stated at the acquisition price less the accumulated depreciation.
2. The major increase during the current consolidated fiscal year was property acquisitions (¥61,199 million), while major decreases were disposal and sales of fixed assets (¥522 million), impairment losses (¥4,162 million), depreciation expense (¥58,586 million), and foreign currency translation adjustments (¥6,299 million).
3. The market value at the end of the current fiscal year is calculated based on appraisal reports and other information provided by an appraisal company.

Notes to per-share information

1. Net assets per share ¥1,658.23
2. Net loss per share ¥(8.19)

(Note) Basis for the calculation

Net loss attributable to owners of parent	¥(1,864) million
Amounts not attributable to shareholders of common stock	¥– million
Net loss attributable to shareholders of common stock of parent	¥(1,864) million
Average number of common stock outstanding during the period	227,533,220 shares

Diluted net income per share is not shown, despite the existence of dilutive shares, as the Company posted a net loss per share.

Notes to significant subsequent events

Issuance of bonds

The Company issued unsecured bonds on March 31, 2021 by a resolution of the Board of Directors held on February 18, 2021. The details are as follows.

Name of bonds	AEON MALL Co., Ltd. Unsecured Bond Series 27 (with inter-bond pari passu clause)
Total amount of bonds	¥30,000 million
Amount of each bond	¥1 million
Coupon rate (%)	0.39
Issue price	¥100 per face value of ¥100
Date of issuance	March 31, 2021
Method and date of redemption	Bullet bond, where the entire face value is paid at once on the maturity date of March 31, 2026
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of proceeds	The proceeds will be used for a portion of the repayment of debt.

Business combinations involving entities under common control

At meetings held on December 1, 2020, the Board of Directors of the Company and wholly owned specific subsidiary, OPA Co., Ltd., as then constituted ("OPA") resolved to split off (via incorporation-type company split) a wholly owned subsidiary ("New OPA") to be established by OPA, with New OPA becoming the successor company. The boards also resolved to merge with the split company (OPA) in an absorption-type merger, subject to a condition precedent that the company split in question take effect. The transaction in question took place on March 1, 2021.

1. Transaction overview

(1) Split company

(i) Company name and business lines at the time of combination

Name of company subject to combination: OPA Co., Ltd.

Business lines: Management, operations, and development of commercial facilities

(ii) Date of combination

March 1, 2021

(iii) Legal form of business combination

OPA will become the split company with newly formed New OPA established via incorporation-type company split.

(iv) Name of company after combination

OPA Co., Ltd.

(2) Absorption-type merger

(i) Company name and business lines at the time of combination

Name of company subject to combination: OPA Co., Ltd.

Business lines: Management, operations, and development of commercial facilities

(ii) Date of combination

March 1, 2021

(iii) Legal form of business combination

The merger will be an absorption-type merger, with the Company as the surviving company and OPA as the absorbed company.

(iv) Name of company after combination

AEON MALL Co., Ltd.

2. Other matters related to the transaction

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

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

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

3. Overview of accounting treatment

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

Notes to matters concerning significant accounting policies

1. Measurement policy and method of assets

   (1) Measurement policy and method of securities

   (i) Stock of affiliates, and investment in capital of affiliates

   Stated at cost determined by the moving-average method

   (ii) Available-for-sale securities

   Available-for-sale securities with market value

   Stated at market value using the market price, etc. as of the balance sheet date (all valuation gains and losses are treated as a component of net assets and the cost of securities sold is determined by the moving-average method.)

   Available-for-sale securities without market value

   Stated at cost determined by the moving-average method

   (2) Measurement policy and method of derivatives

   Derivatives Stated at market value

2. Method for depreciating and amortizing fixed assets

   (1) Property, plant and equipment

   Depreciated using the straight-line method over the economic useful life

   The Company has adopted the following ranges of economic useful life for each asset category:

Buildings	2 to 39 years
Structures	2 to 39 years
Machinery and equipment	3 to 17 years
Furniture and fixtures	2 to 20 years

(2) Intangible assets

Amortized using the straight-line method

Software used in-house is amortized using the straight-line method over an estimated useful life of five years for internal use.

(3) Long-term prepaid expenses

Amortized in equal installments based on contract periods and other factors (period of amortization: 2 to 50 years)

3. Accounting policy for deferred assets

Bond issuance costs are treated as expenses when paid.

4. Accounting policy for allowances and provisions

(1) Allowance for doubtful receivables

The Company has recorded the estimated unrecoverable amount as the provision for losses arising from bad debt of receivables such as notes and accounts receivable – trade after reviewing the recoverability of ordinary receivables based on the historical bad debt ratio, and the recoverability of certain receivables such as doubtful account receivables on an individual basis.

(2) Allowance for employee bonus

The Company has recorded the estimated amount of payment incurring during the current fiscal year as allowance for bonuses to be paid to employees, including part-time employees.

(3) Allowance for director and corporate auditor performance-based remuneration

The Company has recorded the estimated amount of payment incurring during the current fiscal year as allowance for performance-based remuneration for director and corporate auditor.

(4) Provision for retirement benefits

The Company has recorded retirement benefit obligations less pension assets at the end of the current fiscal year for the provision of retirement benefits for employees. In the calculation of retirement benefit obligations, the method of attributing estimated retirement benefits to terms up to the current fiscal year is in line with benefits calculation formula rules.

Actuarial differences are expensed from the following fiscal year using the straight-line method over a period not exceeding a certain period (10 years) of average remaining service period of employees when the actuarial differences are incurred.

(5) Provision for loss on store closing

The Company has recorded estimated losses on store closing, including early cancellation penalty charges, which are reasonably expected to incur due to store closures.

5. Accounting policy for translating significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary claims and obligations are translated into yen amounts at the rates of exchange in effect as of the balance sheet date. Differences are treated as a gain or loss.

6. Accounting policy for hedging

(1) Accounting policy for hedging

Deferred hedge accounting is used in principle. Special hedge accounting is applied to interest rate swaps that meet the criteria for the special hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments	Interest rate swaps
Hedged items	Debts

(3) Hedging policy

Interest rate swaps are conducted for the purpose of hedging against the risk of fluctuations in interest rates.

(4) Evaluation of hedging effectiveness

The Company compares fluctuations in market prices or cash flows between hedged items and hedging instruments over their respective periods from the start of hedging to the time of the measurement of effectiveness. The fluctuations in these parameters are used as a benchmark for evaluating hedging effectiveness. However, the evaluation of hedging effectiveness for interest rate swaps accounted for under special hedge accounting is omitted.

7. Other significant matters concerning the preparation of nonconsolidated financial statements

(1) Accounting treatment for retirement benefits

The accounting treatment for unrecognized actuarial gains and losses on retirement benefits is different from that applied in the consolidated financial statements.

(2) Accounting policy of consumption taxes

Financial statements are prepared exclusive of consumption taxes.

Supplementary information

Accounting estimates related to the impact of COVID-19

In January 2021, the declaration of a state of emergency in Japan was lifted and vaccine distribution began. The Company is striving to establish quarantine systems in the malls we operate. We expect the impact of COVID-19 on operating revenue to be largely contained in the fiscal year ended February 28, 2021, and, having incorporated accounting estimates for impairment accounting related to fixed assets, we assume that fiscal 2021 earnings will recover to a level on par with fiscal 2019.

Notes to balance sheet

1. Assets pledged as collateral

	(Millions of yen)
Buildings	28,171
Land	2,456
Total	30,627

Obligations backed by above collateral

	(Millions of yen)
Current portion of long-term debt	1,976
Long-term debt	23,785
Total	25,761

2. Accumulated depreciation of property, plant and equipment ¥306,683 million

3. Loan commitment

The Company has entered into loan commitment agreements with the consolidated subsidiaries, AEON MALL Investment (Cambodia) Co., Ltd., and PT. AEON MALL Indonesia with the aim of making working capital and capital investment. The outstanding undrawn balance of the loan commitment at the end of the current fiscal year is as follows.

Total amount of loan commitment	¥14,561 million	(US$ 130 million, IDR 100,000 million)
Outstanding balance of loan undrawn	¥11,218 million	(US$ 105 million, IDR – million)
Difference	¥3,342 million	(US$ 24 million, IDR 100,000 million)

4. Monetary claims from and monetary obligations to affiliates (excluding those presented separately)

Short-term monetary claims	¥122 million
Long-term monetary claims	¥1,040 million
Short-term monetary obligations	¥6,372 million
Long-term monetary obligations	¥8,830 million

Notes to statement of income

1. Gains on sale of fixed assets consist of the following items.

	(Millions of yen)
Other	2
Total	2

2. Losses on sale of fixed assets consist of the following items.

	(Millions of yen)
Other	1
Total	1

3. Losses on retirement of fixed assets consist of the following items.

	(Millions of yen)
Buildings	45
Structures	2
Furniture and fixtures	7
Demolition and removal expenses	455
Total	510

4. Amount of transactions with subsidiaries and affiliates

Operating transactions	
Rental income	¥539 million
Cost of rental income	¥847 million
Selling, general and administrative expenses	¥3,175 million
Non-operating transactions	¥1,077 million

Notes to statement of changes in shareholders' equity

1. Breakdown of other retained earnings

(Millions of yen)

	Reserve for advanced depreciation of fixed assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	Total
Balance as of March 1, 2020	443	22	28,770	321,874	351,111
Changes during period					
Cash dividends				(9,100)	(9,100)
Net income				2,027	2,027
Provision of reserve for advanced depreciation of fixed assets	–			–	–
Reversal of reserve for advanced depreciation of fixed assets	(30)			30	–
Provision of reserve for special depreciation		–		–	–
Reversal of reserve for special depreciation		(22)		22	–
Total of changes	(30)	(22)	–	(7,020)	(7,073)
Balance as of February 28, 2021	412	–	28,770	314,854	344,037

2. Matters concerning the type and the number of treasury stock

Type of shares	The number of shares at the beginning of the current fiscal year (shares)	Increase in shares (shares)	Decrease in shares (shares)	The number of shares at the end of the current fiscal year (shares)	Remarks
Common stock	2,697	568	–	3,265	(Notes)

(Notes) An increase in treasury stock is due to the Company's purchase of 568 shares constituting less than one unit.

Notes to tax-effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by the cause of its occurrence

(Millions of yen)

Deferred tax assets	
Accrued business office tax	391
Allowance for employee bonus	491
Provision for loss on store closing	223
Property, plant and equipment	8,188
Asset retirement obligations	5,000
Long-term prepaid expenses	1,084
Losses on valuation of stock of and investments in capital of affiliates	3,432
Allowance for doubtful receivables	119
Compensation	228
Other	446
Subtotal	19,606
Valuation allowance	(4,011)
Total	15,594
Deferred tax liabilities	
Construction assistance fund receivables	44
Retirement costs corresponding to asset retirement obligations	3,329
Reserve for advanced depreciation of fixed assets	181
Net unrealized gain on available-for-sale securities	451
Other	20
Total	4,026
Net deferred tax assets	11,567

Notes to fixed assets used as lease

1. Finance leases (as lessee)

   Not applicable.

2. Operating leases

   The unexpired lease payment of the non-cancellable portion of operating lease transaction (as lessee)

	(Millions of yen)
Due within 1 year	51,701
Due after 1 year	293,287
Total	344,989

(As lessor)

	(Millions of yen)
Due within 1 year	2,128
Due after 1 year	7,034
Total	9,163

Notes to related-party transactions

1. Parent company and major corporate shareholders, etc.

Type	Name	Capital or investments (million yen)	Primary business or occupation	Ownership percentage of voting rights (%)	Relationship: The number of Inter-locking directors, etc.	Relationship: Business relations	Transactions		Transaction amount (million yen)	Item	Balance at the end of the period (million yen)
Parent company	Aeon Co., Ltd.	220,007	Pure holding company	Direct 58.21 Indirect 0.59	1	–	Entrust-ment of funds	Manage-ment of entrusted funds	26,731	Deposits paid to affiliates	–
								Interest receipt	19	Other under current assets (accrued income)	9

2. Subsidiaries and affiliates, etc.

Type	Name	Capital or investments	Primary business or occupation	Ownership percentage of voting rights (%)	Relationship: The number of Inter-locking directors, etc.	Relationship: Business relations	Transactions		Transaction amount (million yen)	Item	Balance at the end of the period (million yen)
Subsidiary	AEON MALL Investment (Cambodia) Co., Ltd.	US$ 10 thousand	Mall Business	Direct 49.00 Closer parties or agreed parties 51.00	1	–	Lending of funds	Lending of funds	–	Long-term loans receivable from affiliates	11,218
								Interest receipt	270	Other under current assets (accrued income)	45
Subsidiary	AEON MALL (CAMBODIA) CO., LTD.	US$ 303,084 thousand	Mall Business	100	2	–	Lending of funds	Lending of funds	–	Long-term loans receivable from affiliates	13,280
								Interest receipt	541	Other under current assets (accrued income)	92

3. Companies, etc. under the same parent company and the subsidiaries, etc. of other affiliates

Type	Name	Capital or investments (million yen)	Primary business or occupation	Ownership ratio (%)	Relationship		Transactions	Transaction amount (million yen)	Item	Balance at the end of the period (million yen)
					The number of Interlocking directors, etc.	Business relations				
Subsidiary of the parent company	Aeon Retail Co., Ltd.	100	General merchandise store	–	1	Store leasing and entrusted PM	Profits from property leasing	32,649	Notes and accounts receivable – trade	697
									Lease deposits from lessees	11,597
Subsidiary of the parent company	AEON Credit Service Co., Ltd.	500	Financial services	–	–	Outsourcing of credit operations	Credit charges	4,630	Accounts receivable – other	10,581

(Notes) 1. Of the above amounts, the transaction amount does not include consumption taxes, and the balance at the end of the fiscal year, except for other under current assets, long-term loans, and lease deposits, includes consumption taxes.

2. Transaction conditions and decision policy thereof, etc.

The interest rate on funds entrusted to AEON Co., Ltd. for their management is determined by taking into account the market interest rate. The amount stated is the average balance during the period.

Interest rates on loans to AEON MALL Investment (Cambodia) Co., Ltd. and AEON MALL (Cambodia) Co., Ltd. are determined based on market interest rates.

With regard to store leasing to AEON Retail Co., Ltd., rent is determined by revising each store lease agreement every three years by taking into account changes in economic conditions as well as taxes and public dues, etc. In addition, PM (Property Management) entrusted to the said company are determined by referring to general trading terms and conditions.

Credit operations outsourced to AEON Credit Service Co., Ltd. are determined based on general trading terms and conditions.

3. AEON Financial Service Co., Ltd., a holding company of AEON Credit Service Co., Ltd., holds 0.23% of the voting rights of the Company.

Notes to per-share information

1. Net assets per share	¥1,896.28
2. Net income per share	¥8.90
3. Diluted net income per share	¥8.90
(Note) Basis for the calculation	
Net income	¥2,027 million
Amounts not attributable to shareholders of common stock	¥– million
Net income regarding common stock	¥2,027 million
Average number of common stock outstanding during the period	227,533,220 shares
Increase in the number of common stock used in the calculation of diluted net income per share	23,965 shares

Notes to significant subsequent events

Issuance of bonds

The Company issued unsecured bonds on March 31, 2021 by a resolution of the Board of Directors held on February 18, 2021. The details are as follows.

Name of bonds	AEON MALL Co., Ltd. Unsecured Bond Series 27 (with inter-bond pari passu clause)
Total amount of bonds	¥30,000 million
Amount of each bond	¥1 million
Coupon rate (%)	0.39
Issue price	¥100 per face value of ¥100
Date of issuance	March 31, 2021
Method and date of redemption	Bullet bond, where the entire face value is paid at once on the maturity date of March 31, 2026
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of proceeds	The proceeds will be used for a portion of the repayment of debt.

Business combinations involving entities under common control

The Company was subject to a business combination whereby it absorbed OPA Co., Ltd. through an absorption-type merger on March 1, 2021. For details, please refer to the Notes to significant subsequent events (Business combinations involving entities under common control) in the Consolidated Financial Statements.