Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (Japanese GAAP)

April 11, 2018

Company name	AEON MALL Co., Ltd.	Listings	Tokyo Stock Exchange
Securities code	8905	URL	http://www.aeonmall.com/en/ir/index.html
Representative	Akio Yoshida, President and CEO		
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Scheduled dates:

General shareholder's meeting	May 16, 2018
Commencement of dividend payments	May 1, 2018
Submission of statutory financial report	May 17, 2018
Supplementary documents for financial results	Yes
Financial results briefing	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(1) Consolidated Operating Results (Percentage figures represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
Years ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2018	288,111	6.8	49,211	9.5	49,022	5.6	30,542	7.1
February 28, 2017	269,793	17.4	44,935	2.4	46,420	9.4	28,527	15.8

(Note) Comprehensive income Year ended February 2018 ¥31,000 million (78.2 %)
Year ended February 2017 ¥17,398 million (9.3 %)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ operating revenue
Years ended	Yen	Yen	%	%	%
February 28, 2018	134.29	134.25	8.4	4.6	17.1
February 28, 2017	125.45	125.40	8.3	4.7	16.7

(Note) Investment profit on equity method February 28, 2018: ¥−million
February 28, 2017: (¥97 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
February 28, 2018	1,123,781	385,561	33.2	1,642.59
February 28, 2017	1,012,758	356,203	34.6	1,539.36

(Note) Equity February 28, 2018: ¥373,572 million
February 28, 2017: ¥350,073 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Years ended	Million yen	Million yen	Million yen	Million yen
February 28, 2018	80,616	(142,009)	44,841	54,223
February 28, 2017	73,646	(63,574)	8,312	69,593

2. Dividends

(Record date)	Dividend per share					Total dividend	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Annual			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2017	–	13.50	–	13.50	27.00	6,140	21.5	1.8
February 28, 2018	–	16.00	–	19.00	35.00	7,959	26.1	2.2
Year ending February 28, 2019 (Projection)	–	19.00	–	19.00	38.00		27.0	

3. Consolidated Earnings Projections for the Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(Percentage figures represent changes from the corresponding period of the previous fiscal year)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	157,000	11.3	24,500	8.5	23,000	4.7	14,000	9.7	61.55
Full year	320,000	11.1	53,500	8.7	51,000	4.0	32,000	4.8	140.70

* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): None

(2) Changes to accounting policies, changes of accounting estimates, and revisions and restatements
- [1] Changes in accounting policies in accordance with changes in accounting principles: None
- [2] Changes in accounting policies other than the above: None
- [3] Changes in accounting estimates: None
- [4] Revisions and restatements: None

(3) Number of shares issued and outstanding (common stock)
- [1] Number of shares issued at period-end (including treasury stock)
  February 28, 2018: 227,430,089 shares February 28, 2017: 227,414,699 shares
- [2] Treasury stock at period-end
  February 28, 2018: 1,721shares February 28, 2017: 366 shares
- [3] Average number of shares issued
  February 28, 2018: 227,421,638 shares February 28, 2017: 227,395,408 shares

* This financial results summary is not subject to audit.

* Explanations and other special notes concerning the appropriate use of earnings projections

(Notes concerning statements about the future, etc.)

The earnings projections included in this report and the accompanying materials are based on information available to the Company at the time of publication of this report and certain assumptions considered reasonable. The Company does not guarantee to achieve them. Actual results may vary considerably from these projections due to a range of factors. See "2) Outlook for the fiscal year ending February 28, 2019, (1) Analysis of Operating Results" under "1. Analysis of Operating Results and Financial Position" on page 6 of the Accompanying Materials for matters related to the earnings projections.

(Procedure for obtaining supplementary information on financial results)

AEON MALL is scheduled to hold a financial briefing for institutional investors and analysts on April 12, 2018. The materials handed out at this briefing will be posted on the Company's web page on April 11, 2018, and the audio recording will be made available on the Company's web page as soon as possible after the briefing.

Accompanying Materials — Contents

Accompanying Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of the consolidated fiscal year under review

The Company has drawn up a Medium-Term Management Plan (FY2017 – FY2019), with the fiscal year ending February 28, 2018 (FY2017) as the first year, and is working both to revamp its existing business models and establish new growth business models. The Company will achieve sustained growth and improved profitability through five growth initiatives, specifically (1) capturing Asian growth opportunities, (2) development of latent sources of domestic demand, (3) becoming the overwhelmingly dominant mall in each region, (4) capturing urban growth opportunities, and (5) implementation of the optimal financing mix and organizational structures to support growth.

In the consolidated fiscal year under review, revenue and income increased, with operating, ordinary and net income each setting new records.

Operating revenue was ¥288,111 million (+6.8% year on year). Although operating costs were ¥212,042 million (+6.3% year on year) due to expansion of business scale, gross profit was 76,068 million (+8.1% year on year). Selling, general and administrative expenses were ¥26,857 (+5.7% year on year) and operating income increased to ¥49,211 million (+9.5% year on year).

Non-operating income decreased ¥1,378 million compared with the previous fiscal year, mainly reflecting foreign exchange gains of ¥915 million recorded in the previous fiscal year. As a result, ordinary income was ¥49,022 million (+5.6% year on year).

Extraordinary profits decreased ¥3,140 million compared with the previous fiscal year, mainly because sales of fixed assets in connection with the transfer of assets were ¥7,133 million in the fiscal year under review, and ¥10,680 million in the previous fiscal year. Income before income taxes and non-controlling interests was ¥45,061 million (-0.2% year on year).

Net income attributable to owners of parent increased to ¥30,542 million (+7.1% year on year), due to a lower effective tax rate associated with a corporate tax rate reduction in the fiscal 2016 tax revisions, among other factors.

Consolidated earnings and earnings by segment for the fiscal year under review were as follows:

◆ Consolidated Earnings (Million yen)

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018	Change [Year on year]
Operating revenue	269,793	288,111	+18,317 [+6.8%]
Operating income	44,935	49,211	+4,275 [+9.5%]
Ordinary income	46,420	49,022	+2,602 [+5.6%]
Net income attributable to owners of parent	28,527	30,542	+2,014 [+7.1%]

◆ Earnings by Segment (Million yen)

	Operating Revenue			Segment Profit (Loss)		
	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018	Change [Year on year]	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018	Change [Year on year]
Japan	244,085	255,499	+11,413 [+4.7%]	48,716	50,074	+1,358 [+2.8%]
China	18,918	23,896	+4,977 [+26.3%]	(3,451)	(1,132)	+2,318 [–]
ASEAN	6,788	8,715	+1,926 [+28.4%]	(348)	248	+597 [–]
Overseas	25,707	32,611	+6,904 [+26.9%]	(3,799)	(884)	+2,915 [–]
Reconciliations	–	–	– [–]	18	20	+1 [+8.2%]
Total	269,793	288,111	+18,317 [+6.8%]	44,935	49,211	+4,275 [+9.5%]

a. Overseas (China, ASEAN)

The Company enjoyed increased branding advantages from area-dominant store openings in China and the ASEAN region, resulting in growth in operating revenue to ¥32,611 million (+26.9% year on year), and operating loss totaled ¥884 million (compared with operating loss of ¥3,799 million in the same period of the previous year). Profits from overseas business are improving significantly, with an improvement of ¥2,915 million in operating loss during the fiscal year ended February 28, 2018 (compared with an improvement of ¥1,662 million for the fiscal year ended February 28, 2017).

◆ Capturing Asian Growth Opportunities

(China)

Operating revenue was ¥23,896 million (+26.3% year on year) with an operating loss of ¥1,132 million (compared with operating loss of ¥3,451 million in the same period of the previous year).

During the fiscal year under review, eight of the 13 malls* in China become profitable. Operating loss improved by ¥2,318 million compared with the same period of the previous year.

Under the Medium-Term Management Plan (FY2017 – FY2019), the Company plans to open eight new malls in China. During the fiscal year under review, four new malls opened: AEON MALL Tianjin Jinnan, the fourth mall in Tianjin (opened in October in Jinnan District, Tianjin), AEON MALL Nantong Xinghu, the fourth mall in Jiangsu Province and the first in Nantong City (opened in December in Nantong, Jiangsu Province), AEON MALL Wuhan Jinqiao, the third mall in Wuhan City, Hubei Province (opened in December in Wuhan, Hubei Province), and AEON MALL Foshan Dali, the second mall in Guangdong Province and the first in Foshan City (opened in December in Foshan, Guangdong Province).

The Company is conducting area-dominant store openings in China, mainly in the four areas of Beijing/Tianjin, Jiangsu/Zhejiang, Hubei and Guangdong. The effects of these store openings have increased the brand power of the Company's malls, raising their ability to attract customers. This in turn is allowing the Company to enjoy branding advantages including the ability to attract quality specialty stores and enter into leasing agreements on more favorable terms. At AEON MALL Wuhan Jinqiao, leasing went smoothly, and the store opening rate when the mall opened was 100%. Sales of specialty stores ten days after opening were the highest of the 17 malls the Company manages and operates in China.

In addition, the Company is conducting training of local staff in order to strengthen sales by raising the skills of mall employees in areas such as enhancing the level of customer service. As one initiative, the AEON MALL China Nationwide Customer Service Role-Playing Contest was held at AEON MALL Wuhan Jingkai (Wuhan, Hubei Province) in August.

(ASEAN)

Operating revenue was ¥8,715 million (+28.4% year on year) and operating income was ¥248 million (compared with operating loss of ¥348 million in the previous fiscal year).

During the fiscal year under review, all six malls* in the ASEAN region become profitable. Profit improved by ¥597 million compared with the previous fiscal year.

Under the Medium-Term Management Plan (FY2017 – FY2019), the Company plans to open four new malls in the ASEAN region. In the fiscal year under review, the Company opened AEON MALL Jakarta Garden City (East Jakarta City), its second mall in Indonesia, in September 2017.

In Vietnam, the Hanoi People's Committee and Aeon Co., Ltd. entered into a "Comprehensive Memorandum of Understanding regarding Investment and Business Promotion in Hanoi City" in June 2017 (hereafter, the "Memorandum of Understanding"). In accordance with the Memorandum of Understanding, the Company will conduct development of large-scale shopping malls in Hanoi City, including AEON MALL Ha Dong (Hanoi City), the Company's second mall in Hanoi, on which construction began in March 2018 and which is scheduled to open in 2019, and will also be proactively involved in the development of new properties in Ho Chi Minh City.

In Cambodia, given the strong performance of AEON MALL Phnom Penh (Phnom Penh City), the Company's first mall in the country, which opened in June 2014, the Company plans to open a second mall, AEON MALL Sen Sok City (Phnom Penh City), in fiscal 2018. Preparations for the opening are ongoing, with leasing progressing in line with the plan.

* Malls open as of February 28, 2017.

New Business Locations (Malls) Overseas during the Year Ended February 28, 2018

	Name	Location	Opening date (Note)	Number of tenants	Total rentable area (m^2)
China	AEON MALL Tianjin Jinnan	Jinnan, Tianjin City	October 2017	210	70,000
	AEON MALL Nantong Xinghu	Nantong City, Jiangsu	December 2017	280	77,000
	AEON MALL Wuhan Jinqiao	Wuhan City, Hubei	December 2017	190	54,700
	AEON MALL Foshan Dali	Foshan City, Guangdong	December 2017	240	69,000
Indonesia	AEON MALL Jakarta Garden City	East Jakarta City	September 2017	220	63,000

Note: The fiscal year of the opening date is the fiscal year in Japan. The accounting period for companies outside Japan is the year ending December 31.

b. Japan

Operating revenue was ¥255,499 million (+4.7% year on year) and operating income was ¥50,074 million (+2.8% year on year).

In the mall business, the Company expanded the sales floor area at two existing malls and conducted renewals at 12 existing malls. Due to these proactive expansions and renewals of existing malls, along with implementation of an "Aeon Black Friday" sale throughout the Aeon Group and execution of sales policies to attract new customer groups including senior citizens and to promote localization, customer drawing power increased, leading to year-on-year increases of 0.2% in customer traffic and 2.2% in specialty store sales at the 72 existing malls. In addition, the Company opened seven new malls (including two facilities in the OPA format) to expand its business locations.

◆ Development of Latent Sources of Domestic Demand

To stimulate consumer demand in Japan, the Company held "Aeon Black Friday" at AEON MALLs nationwide for four days from November 23-26, 2017. Continuing from 2016, the Company held a campaign refunding WAON Points used, in addition to offering high-priced brand products, home appliances, fashion items and other deals. Results during the period were favorable, with year-on-year increases of 6.7% in customer traffic and 9.6% in sales.

The Aeon Group has been strengthening its "Health and Wellness" initiatives to contribute to rich and varied lifestyles for its customers with healthy bodies and minds. The Company is rolling out "Happiness Mall" initiatives at each mall with four pillars – "Health," "Wellness," "Community" and "Opportunity" – to establish a place for area residents to meet and interact. From October 2017 to February 2018, the Company presented "Opera de AEON MALL" opera concerts at 10 malls in and around the Kanto area in cooperation with the Japan Opera Foundation. The event attracted capacity crowds and garnered positive reviews. At AEON MALL Tokoname, the Company also presented "Tokoname Comedy Expo 2017 in Chita Peninsula," an initiative of the "CHITA CAT Project" launched jointly by Tokoname City and Chubu Centrair International Airport to revitalize the Chita Peninsula region. Through these and other events, the Company is providing new wellness experiences. In addition, the Company will carry out "Mall Walking," which is held in the safety of indoor mall premises irrespective of weather, genuine cultural events such as variety shows and photography exhibitions, and events organized through collaborative projects among various types of specialty shops. By expanding its "Happiness Mall" initiatives, the Company intends to enhance its customer drawing power by expanding the target age group to include senior citizens in addition to its usual main target group of families.

◆ Becoming the Overwhelmingly Dominant Mall in Each Region

Amid an accelerating weeding out process among retail facilities, the Company will enhance its competitive advantages in the domestic mall market by increasing the number of dominant regional malls that command the highest customer support in any given area.

Under the Medium-Term Management Plan (FY2017 – FY2019), the Company plans to open 10 new malls, expand floor space at eight malls, and conduct renewals at 32 malls. During the fiscal year under review, the Company opened five new malls, expanded floor space at two malls, and conducted renewals at 12 malls.

The Company further strengthened customer drawing power by enhancing entertainment functions at AEON MALL Tokoname (Aichi Prefecture), where a newly expanded cinema complex opened in July.

At AEON MALL Kofu Showa (Yamanashi Prefecture), which reopened with expanded floor space in November 2017, the Company built a new wing that connects with the existing building in a site located on its south side that had been used as a parking lot, and also renewed 146 stores, or approximately 80% of the entire mall, in the existing building. As a result, the mall has a total rentable area of 70,000m^2 (an increase of 22,000m^2) and 180 specialty stores (an increase of 50 stores), and will establish a position as the overwhelmingly dominant mall in its region.

Specialty store sales were firm at the 33 existing malls where floor space expansions or renewals were conducted in the previous fiscal year and during the fiscal year under review, increasing 4.5 % compared with the previous fiscal year.

Together with local communities, the Company is promoting the creation of a new format that will express the appeal of the region to people inside and outside the mall, and contribute to the revitalization of regional economies. THE OUTLETS HIROSHIMA (Hiroshima Prefecture), a regional innovative commercial facility, will open in April 2018 as a new format that is different from conventional malls. Based on the concept of combining full-scale outlet stores with leisure and entertainment and encounters with the local region, it is intended as a facility that can draw customers from a wide area, and will target tourists not only in Hiroshima Prefecture but from other parts of Japan and overseas. Preparations for the opening are under way.

Malls Renewed during the Fiscal Year Ended February 28, 2018

Name	Location	Date reopened	Number of tenants	Number of specialty stores (A) (Note 1)	Relocated/ remodeled (B)	Number of renewal specialty stores (A) + (B)
AEON MALL Kisogawa	Aichi	March 3	170	23 (5)	64	83
		June 9		9 (1)	9	18
AEON MALL Hamamatsu Shitoro	Shizuoka	March 17	160	26 (13)	34	60
AEON MALL Niihama	Ehime	March 17	120	5 (4)	27	32
		July 25		6 (2)	9	15
AEON MALL Yamato	Kanagawa	March 18	90	13 (7)	25	38
AEON MALL Kawaguchi Maekawa	Saitama	March 24	170	5 (1)	10	15
AEON MALL Rinku Sennan	Osaka	April 6	170	57 (14)	75	132
AEON MALL Hinode	Tokyo	April 21	160	18 (4)	39	57
AEON MALL Nogata	Fukuoka	April 28	140	6 (6)	43	49
		July 14		13 (10)	22	35
AEON MALL Tokoname (Note 2)	Aichi	July 12	180	1 (0)	−	1
AEON MALL Omuta	Fukuoka	July 14	130	7 (5)	9	16
AEON MALL Tamadaira Woods	Tokyo	October 19	130	14 (1)	13	27
AEON MALL Kurashiki	Okayama	September 15	240	13 (9)	40	53
		November 17		26 (12)	23	49
AEON MALL Kofu Showa (Note 3)	Yamanashi	November 23	180	82 (55)	64	146
AEON MALL Suzuka	Mie	November 23	180	23 (16)	39	62

Notes:

1. Numbers in parentheses indicate the number of new specialty stores opening a shop in that prefecture for the first time.
2. At AEON MALL Tokoname, the Company expanded the floor space of the cinema complex and opened it as Aeon Cinema Tokoname.
3. AEON MALL Kofu Showa conducted a floor space expansion and renewal.

New Business Locations (Malls) in Japan during Fiscal Year Ended February 28, 2018

Name	Location	Date opened	Number of specialty stores	Total rentable area (m^2)
AEON MALL Shin Komatsu	Ishikawa	March 2017	160	63,000
Aeon SENRITO Specialty Hall	Osaka	April 2017	35	9,100
AEON MALL Tokushima	Tokushima	April 2017	160	50,000
AEON MALL Kobe Minami	Hyogo	September 2017 (Note)	130	39,000
AEON MALL Matsumoto	Nagano	September 2017	170	49,000

Note: Phase 1 opened on June 30

◆ Capturing Urban Growth Opportunities

OPA Co., Ltd., a developer of urban shopping center, opened two new OPAs – Mito OPA (Ibaraki Prefecture) in March 2017 and Takasaki OPA (Gunma Prefecture), the flagship for the reborn OPA, in October 2017.

Takasaki OPA is an urban commercial facility directly connected to the West Exit of JR Takasaki Station, which is a terminal station for northern Kanto region. It offers a sophisticated lifestyle with a collection of prestigious boutiques as well as restaurants and cafés with specialty menus.

At existing malls, Akita OPA was reopened in October 2017 after Akita FORUS, which closed in February 2017, underwent a renewal equivalent to new construction with refining construction (see note). In addition, a renewal is being conducted in stages at seven existing locations, and the Company carried out initiatives for improvement of profitability.

Note: A construction method that substantially improves earthquake resistance while reusing most of the building.

New Business Locations (Urban shopping center) in Japan during the Fiscal Year Ended February 28, 2018

Name	Location	Date opened	Number of specialty stores	Total rentable area (m^2)
Mito OPA	Ibaraki	March 2017	61	12,500
Takasaki OPA	Gunma	October 2017	160	26,000

2) Outlook for the fiscal year ending February 28, 2019

a. Overseas (China and ASEAN)

In the fiscal year ending February 28, 2019 (fiscal 2018), the Company plans to open two malls in China and one mall in Cambodia. In overseas businesses, profit improvement and speed are accelerating, and operating profit was positive in the fourth quarter of the fiscal year ended February 28, 2018 and the first quarter of fiscal 2018 (see note.) Overseas businesses are expected to turn profitable in fiscal 2018, and will then enter a stage in which profits will expand.

Note: The accounting period for companies outside Japan is the year ending December 31.

New Mall Openings Overseas in the Year Ending February 28, 2019

	Name	Location	Opening Date
China	AEON MALL Yantai Jinshatan	Yantai City, Shandong	FY2018
	AEON MALL Guangzhou Jinsha	Guangzhou City, Guangdong	FY2018
Cambodia	AEON MALL Sen Sok City	Phnom Penh	FY2018

Note: The fiscal year of the opening date is the fiscal year in Japan. The accounting period for companies outside Japan is the year ending December 31.

b. Japan

In the fiscal year ending February 28, 2019 (fiscal 2018), the Company plans to open four malls, including AEON MALL Zama (Kanagawa), which opened in March.

At existing malls, the Company is planning the renewal of eight malls and floor area expansions at two malls, and will continue to actively implement floor area expansions and renewals. In March, AEON MALL Miyazaki (Miyazaki Prefecture) reopened with expanded floor area. In addition, at AEON MALL Kumamoto, the sub-anchor store section of the West Mall, which suspended operations following the April 2016 Kumamoto Earthquake, is being rebuilt with expanded floor area, and is scheduled to reopen in summer of 2018.

The Company will also strive to improve its customer drawing power and expand sales through “Happiness Mall” initiatives at each mall and promotion of localization, including sales promotions and events tailored to local characteristics. At the same time, it will leverage economies of scale generated by its more than 150 malls in Japan to improve operational efficiency, and will seek to expand mall revenue by implementing measures for low-cost operations, such as reduction of electricity use with the installation of energy-saving equipment.

New Domestic Malls in the Fiscal Year Ending February 28, 2019

Name of Mall	Location	Opening Date
AEON MALL Zama	Kanagawa Prefecture	March 2018
THE OUTLETS HIROSHIMA	Hiroshima Prefecture	April 2018
AEON MALL Iwakionahama	Fukushima Prefecture	Summer 2018
AEON MALL Tsu Minami	Mie Prefecture	Autumn 2018

OPA Co., Ltd. plans to open two new buildings, including Naha OPA (tentative name), which is scheduled to open in fall of 2018. For existing stores, we will move forward with significant renewals, including the conversion of business formats, to further expand earnings.

New Domestic Malls (Urban Shopping Centers) in the Fiscal Year Ending February 28, 2019

Fashion Building	Location	Opening Date
(Tentative) Naha OPA	Okinawa Prefecture	Autumn 2018
(Tentative) Hachioji OPA	Tokyo	Autumn 2018

Financial Forecast

As its consolidated financial forecast for the year ending February 28, 2019, the Company is projecting ¥320.0 billion in operating revenue, ¥53.5 billion in operating income, ¥51.0 billion in ordinary income, and ¥32.0 billion in net income attributable to owners of parent.

(2) Environmental Conservation and Social Contribution Activities

The Company holds the AEON MALL CSR (Corporate Social Responsibility) Council each month to establish social, environmental, and ethical policies for corporate activities and to implement them. The Council makes quick decisions for managing the progress of CSR activities and resolving any issues.

Measures to Address Environmental Issues

As part of its environmental conservation initiatives, the Company has been undertaking energy conservation activities such as photovoltaic power generation (at 71 domestic malls and 14 overseas malls as of February 28, 2018) and LED installation to help reduce CO_2 emissions. At AEON MALL Jakarta Garden City, which opened in September 2017, solar panel modules of approximately 510kW were installed on the rooftop and storage batteries with storage capacity of 110kWh were installed on the ground with the aim of reducing CO_2 emissions by about 550 tons per year. Installation of these systems was adopted as a model project of the Joint Crediting Mechanism (JCM) (Note 2) of Japan's Ministry of the Environment for fiscal 2014.

In addition, the Company is promoting the installation of electric vehicle (EV) charging stations as a means of preserving the environment and realizing a sustainable society. It was the first Japanese company to become a member of EV100, (Note 3) and has completed installation of 1,937 EV charging stations at 152 domestic and overseas malls as of February 28, 2018. The Company will continue to adopt advanced technology that minimizes impact on the environment, including installation of EV charging stations, to promote protection of regional ecosystems and communities that are in harmony with the environment. Furthermore, the Company is actively making efforts to achieve zero emissions by recycling all waste generated by our malls with the aim of realizing a recycling-based society.

Acquisition of External Certifications

At AEON MALL KYOTO (Kyoto) and AEON MALL Mito Uchihara (Ibaraki Prefecture), in cooperation with AEON REIT Investment Corporation, the Company received the highest five-star rating in the five-level DBJ Green Building Certification, (Note 4) which evaluates real estate properties with high environmental and social awareness.

Two facilities, the building of AEON MALL Makuhari Shintoshin (Chiba Prefecture) and Yume-Mirai Nursery School Nagoya Chaya inside AEON MALL Nagoya Chaya (Nagoya Prefecture), were among the earliest commercial facilities in Japan to undergo a preliminary review for conformance with the WELL Building Standard (WELL Certification) (Note 5) in November 2017.

At AEON MALL Matsumoto (Nagano Prefecture), the Company received ABINC Certification (Note 6) in recognition of its efforts to maintain the local landscape by preserving surrounding vegetation and planting 70 tall, medium and low trees, and to show consideration for the materials cycle by using trees that could not be transplanted as chairs and tables in the food court. The Company has received ABINC Certification at a total of seven facilities as of February 28, 2018.

Third-Party Evaluation

For the third consecutive year, the Company was awarded the "Green Star," the highest real estate assessment, in the GRESB (Note 2) Rating in fiscal 2017, as the Company was highly rated for its initiatives for eco-friendliness and sustainability in both "management and policies" and "implementation and measurement." The Company also earned "Five Stars," the highest rank, in the GRESB Rating based on the comparative assessment in the overall score.

Three malls in the city of Kyoto (AEON MALL Kyoto Gojo, AEON MALL Kyoto Katsuragawa and AEON MALL KYOTO) achieved a greenhouse gas reduction rate of 13.5% compared with fiscal 2013 (total volume base) under Kyoto City's business operators' emissions reduction plan systems, and received the S Rank for special excellence in the overall evaluation.

Six malls in Osaka (AEON MALL Neyagawa, AEON MALL Sakai Kitahanada, AEON MALL Rinku Sennan, AEON MALL Tsurumi Ryokuchi, AEON MALL Shijonawate and AEON MALL Sakai Teppocho) received the Osaka Stop! Global Warming Award sponsored by the Osaka Prefectural Government in fiscal 2017 for the third consecutive year in recognition of their efforts to minimize their environmental burdens.

In an effort to increase the percentage of women in management positions, the Company is establishing supportive environments to enable women to play active roles and continue their careers. Measures include designing systems that enable employees to balance work with family care and childcare, visualization of hours worked to reduce work outside of regular hours, and the addition of work efficiency as an indicator in performance evaluations. For the second consecutive year, the Company was the only company in the real estate sector to be selected as a "Nadeshiko Brand" (Note 8), which highlights listed companies that actively promote the participation of female employees.

Measures to Address Societal Issues

AEON Yume-Mirai Nursery School, the in-house daycare facilities that have been established and expanded by the Aeon Group, has opened a total of 20 nursery schools (Note 9) as of the end of the fiscal year under review. The Company will continue to carry out activities that will help as many people as possible, including the employees of the Aeon Group companies, combine work and childcare and reduce the number of children on childcare center waiting lists.

With the aim of building a mall as a regional community center from a localization perspective, the Company sought to strengthen the regional community function of its malls, for instance by running the nationwide disaster prevention caravan in cooperation with the Scout Association of Japan, and establishing polling stations for early voting at AEON MALLs in 30 locations across the country.

The Company will continue to hold support activities through Project Aeon Joining Hands, a project that provides aid toward reconstruction following the Great East Japan Earthquake, such as by having the Company's employees participate in planting trees and other volunteer activities toward restoring disaster-stricken areas.

The Company donates to Aeon 1% Club, to which major Aeon Group companies donate 1% of their pre-tax income for social contribution activities. The Company is involved in other social contribution activities as a company cooperating in the promotion of traditional culture, crafts, and technology and in fund-raising nationwide.

(Notes)
1. The number of malls includes the number of malls that the Company is commissioned by AEON Retail Co., Ltd. to manage and operate under a property management contract (a total of 70 malls). Although the fiscal year end of overseas subsidiaries is December 31, the number of overseas malls is based on the fiscal year in Japan.
2. The JCM (Joint Crediting Mechanism) is being implemented by the Japanese government to reduce greenhouse gas emissions on a global scale and contribute to sustainable development in developing countries through facilitating the adoption of advanced low-carbon technologies and implementing countermeasures. It is also used in meeting Japan's greenhouse gas reduction targets by quantitatively

assessing the amount of reduction.

3. An initiative to promote electric vehicles. Its launch was announced by The Climate Group, an international environmental non-governmental organization working to reduce greenhouse gas emissions, during Climate Week NYC, held from September 18-24, 2017 in New York. EV100 is an international business initiative for corporate promotion of the use of electric vehicles and environmental improvement. The Company has been an official member since November 10, 2017.
4. DBJ Green Building Certification is a certification program of the Development Bank of Japan Inc. (DBJ) that evaluates real estate properties in five categories: environmental performance of the building, comfort, risk management, consideration for the local environment and community, and cooperation with stakeholders.
5. The WELL Building Standard (WELL Certification), developed in the United States, is the world's first building standard focusing on evaluation of human health and comfort.
6. ABINC Certification is a certification program in which efforts in the creation of biodiversity-friendly green areas are objectively evaluated and certified by the Association for Business Innovation in Harmony with Nature and the Community (ABINC), based on the Guidelines for Sustainable Business Sites created and registered by the Japan Business Initiative for Biodiversity (JBIB).
7. GRESB (Global Real Estate Sustainability Benchmark) is a benchmark measuring the sustainability performance of real estate companies and real estate fund managers based on surveys conducted by GRESB B.V., which has been founded primarily by pension funds in Europe.
8. A selection of listed companies chosen and announced jointly by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange for excellence in promoting the empowerment of women in the workplace. By introducing such companies as attractive stocks to investors who focus on "medium-to-long-term corporate value enhancement," it is aimed at promoting investment in these companies and accelerating their initiatives.
9. In addition to AEON Yume-Mirai Nursery Schools, two childcare centers used by employees based on the alliance between general childcare business operators and Aeon are included.

(3) Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets stood at ¥1,123,781 million, up ¥111,022 million from February 28, 2017. This was chiefly attributable to the acquisition of property, plant and equipment of ¥189,786 million due to the opening of new malls and the advance acquisition of land for development in the future, which offset a decline primarily due to the depreciation of fixed assets of ¥38,443 million and the sale of property, plant and equipment of ¥36,414 million.

Liabilities

Total liabilities stood at ¥738,219 million, up ¥81,664 million from February 28, 2017. This was mainly due to an increase of ¥23,868 million related to equipment associated with the opening of new malls, a ¥40,000 million net increase in bonds (including the current portion of bonds) and a ¥11,000 million net increase in commercial paper, partly offset by a decline of ¥5,542 million in long-term debt.

Net assets

Net assets totaled ¥385,561million, up ¥29,357 million from February 28, 2017. This was primarily attributable to an increase in retained earnings due to net income attributable to owners of parent of ¥30,542 million, partly offset by a ¥1,474 million decrease in capital surplus.

2) Cash Flows

Cash and cash equivalents ("cash") as of February 28, 2018 amounted to ¥54,223 million, a decrease of ¥15,369 million from February 28, 2017.

Cash flows in the fiscal year under review were as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥80,616 million (compared with ¥73,646 million in the previous fiscal year). The primary factors included income before income taxes of ¥45,061 million (¥45,167 million in the previous fiscal year), depreciation and amortization of ¥38,443 million (¥38,058 million in the previous fiscal year), an increase in deposits received from specialty stores of ¥3,045 million (¥2,616 million in the previous fiscal year), and income taxes paid of ¥15,956 million (¥19,845 million in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥142,009 million (compared with ¥63,574 million in the previous fiscal year). The major factors were the purchase of property, plant and equipment of ¥186,525 million (¥160,697 million in the previous fiscal year) due to payments for the purchase of land and buildings of AEON MALL Hiroshima Fuchu (Hiroshima Prefecture), and payments for equipment at AEON MALL Nagakute (Aichi Prefecture), which opened in the previous fiscal year and AEON MALL Tokushima (Tokushima Prefecture), which opened in the fiscal year under review, partly offset by proceeds from the sale of property, plant and equipment of ¥40,293 million (¥100,413 million in the previous fiscal year), and proceeds from lease deposits from lessees of ¥13,975 million (¥15,153 million in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥44,841 million (compared with ¥8,312 million in the previous fiscal year). This was chiefly attributable to proceeds from long-term debt of ¥48,290 million (¥36,962 million in the previous fiscal year), proceeds from issuance of bonds of ¥50,000 million (¥35,000 million in the previous fiscal year), while repayment of long-term debt totaled ¥52,563 million (¥37,411 million in the previous fiscal year), redemption of bonds of ¥10,000 million (¥200 million in the previous year) and dividends paid of ¥6,708 million (¥5,546 million in the previous fiscal year).

(For reference) Changes in Cash Flow Indicators

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Equity ratio (%)	34.6	33.2
Equity ratio based on market capitalization (%)	38.7	45.3
Ratio of interest-bearing debt to cash flow (annual)	4.9	5.0
Interest coverage ratio (times)	31.0	30.5

(Notes)
Equity ratio: Equity/total assets

Equity ratio based on market capitalization: Market capitalization/total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow
Interest coverage ratio: Cash flow/interest payments

1. All indicators were calculated using consolidated financial data.
2. Interest-bearing debt consists of short-term debt, current portion of long-term debt, commercial paper, bonds and long-term debt, within liabilities shown on the Consolidated Balance Sheet.
3. Cash flow and interest payments are based on the corresponding items shown in the Consolidated Statements of Cash Flows.

(4) Basic Policy on Income Distribution, Dividends for Fiscal Years Ended February 28, 2018 and Ending February 28, 2019

AEON MALL recognizes that returning profits to shareholders through the expansion of its earnings power is a key management priority. The Company's basic policy on income distribution emphasizes the maintenance of steady dividend payments to shareholders, while using retained earnings to invest in business structure enhancements, including investments in growth businesses, new businesses and other areas to strengthen the operating base.

As for the number of dividends paid for every business year, the Company's basic policy is to issue dividends twice a year, in the form of interim and year-end dividends. Under the provisions of Article 459, Paragraph 1 of the Companies Act, the Company has stipulated in its Articles of Incorporation that a dividend may be paid from the surplus subject to resolution of the Board of Directors.

At a meeting held on April 11, 2018, the Board of Directors resolved to raise the target payout ratio from 20% or more to 25% or more to enhance returns to shareholders, as overseas business are entering the stage in which they can generate cash flow.

Originally, the Company had planned to distribute a year-end dividend of ¥16 per share for the fiscal year ended February 28, 2018. However, at a meeting held on April 11, 2018, the Board of Directors resolved to distribute a year-end dividend of ¥19 per share, an increase of ¥3, because net income attributable to owners of parent significantly exceeded the Company's plan. Combined with the interim dividend (¥16), the annual dividend per share for the fiscal year under review will be ¥35 per share, and the consolidated dividend payout ratio will be 26.1%.

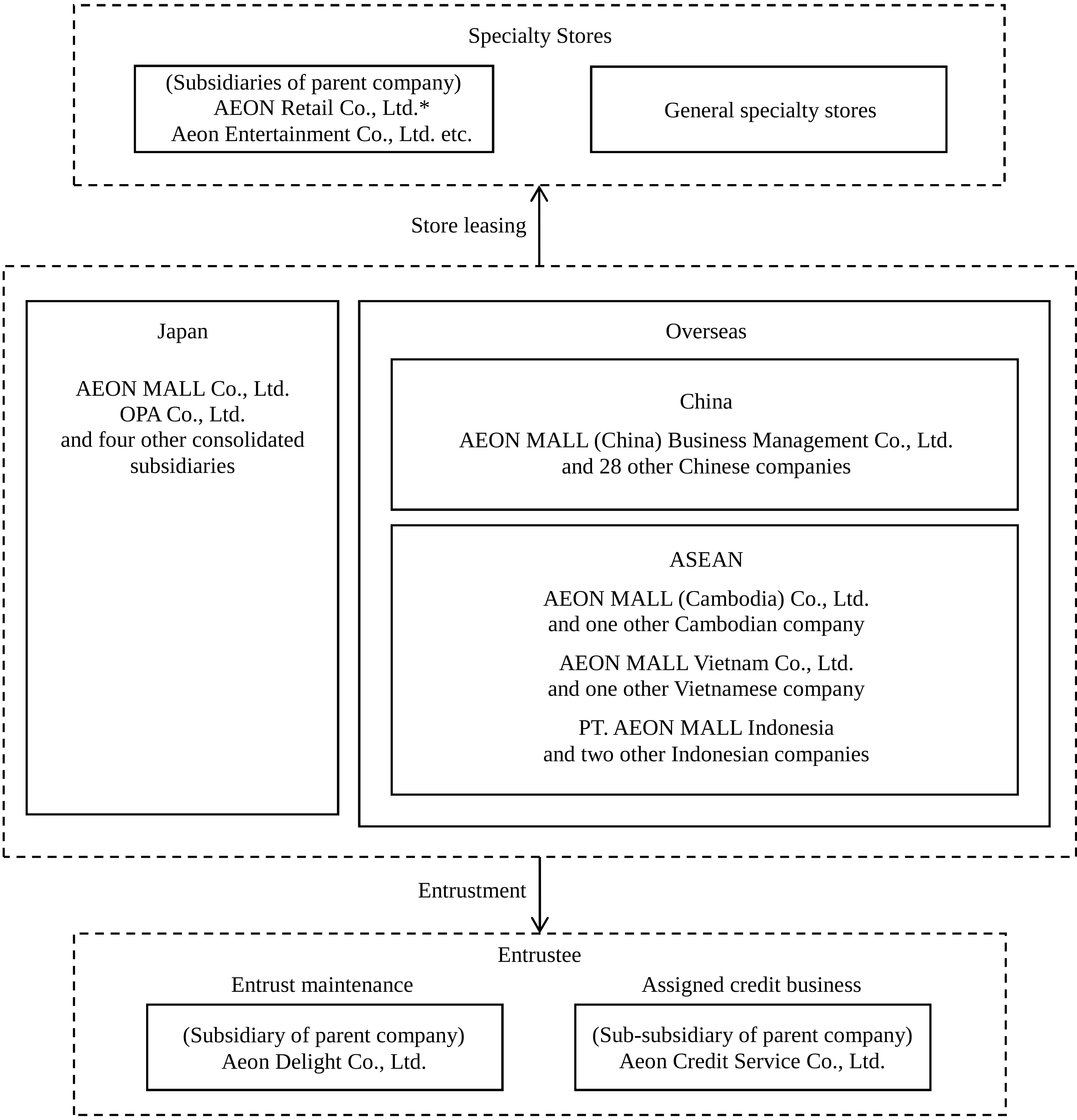
The Company plans to pay an annual dividend of ¥38 per share for the fiscal year ending February 28, 2019, up ¥3 from the fiscal year under review. The consolidated dividend payout ratio is forecast to be 27.0%.

2. State of the Corporate Group

The AEON MALL Group consists of AEON MALL Co., Ltd., of which Aeon Co., Ltd. is the parent company, with its 41 consolidated subsidiaries (OPA Co., Ltd. and four other Japan-based companies, AEON MALL (China) Business Management Co., Ltd. and 28 other China-based companies, two Cambodia-based companies, two Vietnam-based companies, three Indonesia-based companies) and two equity-method affiliates. AEON MALL Co., Ltd. is engaged in the shopping mall business. Of the consolidated subsidiaries, OPA Co., Ltd. is engaged in the urban shopping center business, and 40 companies operate the shopping mall business, etc.

AEON Mall Co., Ltd. is a core company of the Aeon Group and is responsible for the developer business. It leases stores to general tenants, and also to AEON Retail Co., Ltd., which is an operator of general merchandising stores, and other Aeon Group companies.

Positioning of business activities of AEON MALL Co., Ltd. and its group companies as shown below.



* The Company is commissioned to manage and operate 70 commercial facilities of AEON Retail Co., Ltd.

3. Management Policies

(1) Basic Management Policies

The Company's basic principle is "Customers First." Our business philosophy is "AEON MALL is a Life Design Developer (Note) that works with communities and produces ways of living for the future."

Our guiding principle is to contribute to the improvement of people's life styles and the development of regional communities based on this management philosophy by pushing forward with creating malls at home and abroad that express the characteristics of their respective areas from the standpoint of localization.

To respond to changing business conditions, fulfill our business philosophy and achieve further business growth, we have set out a long-term vision that shows where we want to be in the year ending February 2026 (fiscal 2025).

Vision for 2025

(1) Rather than domestic malls as the single source of profit generation, we will aim to build a portfolio of multiple businesses.
(2) We will aim to make AEON MALL a leading global commercial developer, with consolidated operating income of more than ¥100 billion.
(3) We will aggressively carry out floor space expansions and renovations of malls in Japan to become the overwhelmingly dominant mall in each area.
(4) In overseas business, we will aim for operating income of ¥35.0 billion (operating margin 20%) with 70 malls – the same level of efficiency and scale as our domestic operations.

Under this long-term vision, we will aim to maximize future cash flow and enhance our corporate value by steadily implementing the Medium-Term Management Plan (FY2017-FY2019), which started in the fiscal year ended February 28, 2018 (fiscal 2017) with the objective of strengthening profitability and achieving sustainable growth.

(Note) "Life Design" refers to expanding various types of functions that anticipate the life stages of a region's customers by going beyond the framework of a commercial facility, and is defined as a way to design "ways of living for the future," which encompasses not only shopping but also meeting people and nurturing culture, among other activities.

(2) Target Financial Indicators

To enhance profitability and strengthen its financial base, the Company considers a return on invested capital (ROIC) of 6% or higher, an equity ratio of 30% or higher, and a net debt equity ratio of around 1.0 to be its priority financial indicators.

Various indicators for the fiscal year ended February 28, 2018, are as follows.

Return on invested capital (ROIC): 4.6%   Equity ratio: 33.2%   Net debt equity ratio: 0.9

(Note) Return on invested capital: Operating income x (1 – Effective tax rate) / (Average equity for the beginning and end of the fiscal year + Average amount of interest-bearing debt for the beginning and end of the fiscal year)
Equity ratio: Equity / Total assets
Net debt equity ratio: (Interest-bearing debt – Cash and deposits) / Equity

(3) Medium-Term Management Strategies and Priorities

The Company will work to build a robust corporate structure that achieves both sustainable growth and high profitability through five growth initiatives: (1) Capturing Asian growth opportunities, (2) Development of latent sources of domestic demand, (3) Becoming the overwhelmingly dominant mall in each region, (4) Capturing urban growth opportunities, and (5) Implementing the optimal financing mix and organizational structures to support growth.

(i) Capturing Asian growth opportunities

In China and ASEAN, where we are aggressively expanding our business operations as growth drivers, specialty stores at our existing malls continue to post double-digit growth in tandem with the growth of the market. In addition to expanding profits from existing malls, the time it takes for new malls to become profitable is becoming shorter, and their profit improvement is accelerating. We expect them to generate positive operating income and make a real contribution to profits in the year ending February 28, 2019.

We will continue to open malls that dominate the competitive landscape and improve our branding in the region, and seek to expand earnings with the resulting increase in customer traffic and enhanced tenant leasing terms.

We will also build solid business foundations that will drive the profit growth of the Company by establishing a structure for rapid decision-making and high growth through the enhancement of our expertise in management and operations as we operate more malls overseas, the localization of mall management, and the cultivation of human resources who can perform globally.

(ii) Development of latent sources of domestic demand

We will strive to stimulate new demand in Japan by acquiring new customer segments and uncovering potential consumer demand by responding to customer needs across a wide range of age groups and regional characteristics.

In addition to pursuing localization by further expanding activities unique to community-based malls, we will expand the roles and functions of the mall in the region by meeting the diversified needs of local residents through the enhancement of public functions such as administrative functions, post offices and libraries. In this way, we will seek to deepen our existing market areas.

To expand our target age group to include seniors in addition to families, our traditional target segment, we will carry out our "Happiness Mall" initiative based on the four pillars of Health, Wellness, Community and Opportunity to develop malls into community hubs where people meet and interact.

We will also work to further strengthen customer drawing power by taking advantage of social networking sites to attract more customers, upgrading mall infrastructure using digital technology, and conducting mall management together with specialty store companies.

(iii) Becoming the overwhelmingly dominant mall in each region

Competition among commercial facilities in Japan is intensifying, partly because of the expansion of e-commerce, and we must establish an overwhelmingly dominant position in each region amid the industry shakeout. To achieve that, we will further increase our competitive advantage in the shopping mall market in Japan through the aggressive implementation of floor space expansion and renewals at existing malls and the opening of carefully selected new malls in areas where there is no mall, based on in-depth area marketing.

In response to diversifying customer needs, we will not only open malls in the conventional mall format, but create new formats starting with regional innovative commercial facilities.

We will work together with specialty store companies to help them overcome the problems they face, such as labor shortages, by expanding efforts to increase employee satisfaction through initiatives such as establishing on-site daycare facilities and enhanced break rooms for employees.

(iv) Capturing urban growth opportunities

OPA Co., Ltd., which develops urban shopping centers, will strengthen its profitability by opening new shopping centers and improving the profitability of existing ones through fundamental renewals, including scrap-and-build renewals. In addition, it will seek to establish branding as reborn OPAs with measures such as promoting conversion from business formats that overemphasize apparel.

(v) Implementation of the optimal financing mix and organizational structures to support growth

We will work to build a solid financial base to support our medium- to long-term growth strategy by improving investment and asset efficiency and maximizing cash flows. We will also promote diversity management for the purpose of cultivating diverse human resources that will drive corporate growth and strengthen the management system and the governance function for the sharing of business know-how in Japan and overseas as well as for faster decision-making.

4. Policy on the Selection of Accounting Standards

The Group will prepare consolidated financial statements by Japanese standards for some time to come so that the comparison of consolidated financial statements for different periods and the comparison of financial statements of the Group and other companies will be possible. We will consider the application of international accounting standards, considering situations in Japan and overseas.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets:		
Cash and deposits	59,921	54,586
Notes and accounts receivable—trade	5,850	6,801
Prepaid expenses	3,800	4,053
Deferred tax assets	1,565	1,501
Deposits to associated companies	*2 11,000	*2 630
Other current assets	28,231	34,041
Allowance for doubtful receivables	(23)	(23)
Total current assets	110,346	101,590
Fixed assets:		
Property, plant and equipment:		
Building and structures	*1 708,424	*1 783,236
Accumulated depreciation	(210,205)	(231,396)
Building and structures, net	*1 498,219	*1 551,839
Machinery and transportation equipment	4,654	5,248
Accumulated depreciation	(1,139)	(1,471)
Machinery and transportation equipment, net	3,514	3,777
Furniture and fixtures	34,998	37,481
Accumulated depreciation	(24,470)	(26,725)
Furniture and fixtures, net	10,528	10,756
Land	*1 201,052	*1 237,897
Construction in progress	48,846	69,936
Other	596	520
Accumulated depreciation	(520)	(461)
Other, net	76	59
Total property, plant and equipment	762,237	874,267
Intangible assets:	4,077	3,812
Investments and other assets:		
Investment securities	*3 2,186	*3 2,567
Long-term loans	130	50
Long-term prepaid expenses	67,893	77,065
Deferred tax assets	8,201	10,226
Lease deposits paid	55,467	53,334
Other investments and other assets	3,443	902
Allowance for doubtful receivables	(1,226)	(36)
Total investments and other assets	136,096	144,110
Total fixed assets	902,412	1,022,190
Total assets	1,012,758	1,123,781

(Million yen)

	As of February 28, 2017	As of February 28, 2018
Liabilities		
Current liabilities:		
Notes and accounts payable—trade	15,155	17,859
Commercial paper	–	11,000
Bonds due within one year	10,000	–
Current portion of long-term debt	*1 52,563	*1 29,746
Income taxes payable	7,897	8,677
Deposits received from specialty stores	35,483	38,614
Deposits received	7,205	6,841
Allowance for employee bonus	1,393	1,458
Allowance for director and auditor performance-based remuneration	75	107
Provision for loss on store closing	928	1,054
Notes payable—construction	30,184	53,683
Electronically recorded obligations—construction	24,549	25,002
Accounts payable—construction	7,766	7,683
Other current liabilities	*1 18,913	*1 18,933
Total current liabilities	212,117	220,661
Long-term liabilities:		
Straight bonds	120,000	170,000
Long-term debt	*1 177,728	*1 195,002
Deferred tax liabilities	271	448
Accrued retirement benefits to employees	998	1,046
Asset retirement obligations	11,489	11,814
Lease deposits from lessees	*1 130,096	*1 134,766
Other long-term liabilities	3,851	4,480
Total long-term liabilities	444,437	517,558
Total liabilities	656,555	738,219
Net assets		
Shareholders' equity:		
Common stock	42,256	42,271
Capital surplus	42,030	40,555
Retained earnings	257,643	281,477
Treasury stock, at cost	(0)	(2)
Total shareholders' equity	341,930	364,302
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	1,165	1,452
Foreign currency translation adjustment	7,858	8,727
Remeasurements of defined benefit plans	(881)	(909)
Total accumulated other comprehensive income	8,142	9,270
Stock acquisition rights	135	141
Non-controlling interests	5,994	11,847
Total net assets	356,203	385,561
Total liabilities and net assets	1,012,758	1,123,781

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Million yen)

Year ended	February 28, 2017	February 28, 2018
Operating revenue		
Rental income	269,793	288,111
Operating costs		
Cost of rental income	199,456	212,042
Gross profit	70,336	76,068
Selling, general and administrative expenses:		
Employees' salaries and bonuses	6,268	6,656
Provision for employees' bonuses	644	737
Provision for director and auditor performance-based remuneration	75	105
Retirement benefit expenses	143	245
Statutory welfare benefit expense	1,656	1,804
Travel expenses	1,492	1,473
Rent	1,528	1,276
Sales commission	2,068	2,197
Depreciation and amortization	1,050	1,011
Other selling, general and administrative expenses	10,473	11,348
Total selling, general and administrative expenses	25,401	26,857
Operating income	44,935	49,211
Non-operating profits:		
Interest income	463	672
Dividend income	31	31
Compensation paid by departing tenants	1,766	1,158
Foreign exchange gains	915	–
Subsidy income	1,434	1,256
Insurance income	48	402
Other non-operating profits	570	330
Total non-operating profits	5,230	3,851
Non-operating expenses:		
Interest expenses	2,491	2,641
Loss on valuation of derivatives	485	184
Foreign exchange losses	–	154
Other non-operating expenses	769	1,060
Total non-operating expenses	3,745	4,039
Ordinary income	46,420	49,022

(Million yen)

Year ended	February 28, 2017	February 28, 2018
Extraordinary gains:		
Gain on sale of fixed assets	*1 10,680	*1 7,133
Subsidy income	–	616
Other extraordinary gains	250	40
Total extraordinary gains	10,931	7,790
Extraordinary losses:		
Loss on sales of fixed assets	*2 6,752	*2 3,255
Loss on retirement of fixed assets	*3 1,994	*3 1,050
Impairment losses	*4 1,938	*4 5,639
Provision for loss on store closing	391	442
Provision of allowance for doubtful accounts	*5 675	–
Loss on cancellation of lease contract	–	948
Other extraordinary losses	433	416
Total extraordinary losses	12,184	11,752
Income before income taxes	45,167	45,061
Income taxes		
—Current	16,785	16,700
—Deferred	(77)	(1,899)
Total income taxes	16,708	14,800
Net income	28,459	30,260
Net income attributable to non-controlling interests	(68)	(281)
Net income attributable to owners of parent	28,527	30,542

(Consolidated Statements of Comprehensive Income)

(Million yen)

Year ended	February 28, 2017	February 28, 2018
Net income	28,459	30,260
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(2)	287
Foreign currency translation adjustment	(10,479)	480
Remeasurements of defined benefit plans, net of tax	(579)	(28)
Total other comprehensive income	*1 (11,060)	*1 739
Comprehensive income	17,398	31,000
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	17,591	31,455
Comprehensive income attributable to non-controlling interests	(193)	(455)

(3) Statements of Changes in Shareholders’ Equity

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(Million yen)

	Shareholders’ equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders’ equity
Balance at beginning of fiscal year	42,217	42,525	235,826	(6,101)	314,468
Changes during period					
Issue of new shares	39	39			79
Cash dividends			(5,546)		(5,546)
Net income attributable to owners of parent			28,527		28,527
Purchase of treasury stock				(0)	(0)
Retirement of treasury stock			(1,164)	1,164	–
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Changes by share exchanges		(535)		4,937	4,401
Net change in items other than shareholders’ equity					
Total of changes	39	(495)	21,817	6,101	27,462
Balance at end of fiscal year	42,256	42,030	257,643	(0)	341,930

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain for available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	1,168	18,213	(302)	19,079	193	6,108	339,849
Changes during period							
Issue of new shares							79
Cash dividends							(5,546)
Net income attributable to owners of parent							28,527
Purchase of treasury stock							(0)
Retirement of treasury stock							–
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Changes by share exchanges							4,401
Net change in items other than shareholders’ equity	(2)	(10,354)	(579)	(10,936)	(57)	(113)	(11,108)
Total of changes	(2)	(10,354)	(579)	(10,936)	(57)	(113)	16,354
Balance at end of fiscal year	1,165	7,858	(881)	8,142	135	5,994	356,203

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of fiscal year	42,256	42,030	257,643	(0)	341,930
Changes during period					
Issue of new shares	14	14			29
Cash dividends			(6,708)		(6,708)
Net income attributable to owners of parent			30,542		30,542
Purchase of treasury stock				(2)	(2)
Retirement of treasury stock					–
Change in ownership interest of parent due to transactions with non-controlling interests		(1,489)			(1,489)
Changes by share exchanges					-
Net change in items other than shareholders' equity					
Total of changes	14	(1,474)	23,833	(2)	22,371
Balance at end of fiscal year	42,271	40,555	281,477	(2)	364,302

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gain for available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	1,165	7,858	(881)	8,142	135	5,994	356,203
Changes during period							
Issue of new shares							29
Cash dividends							(6,708)
Net income attributable to owners of parent							30,542
Purchase of treasury stock							(2)
Retirement of treasury stock							–
Change in ownership interest of parent due to transactions with non-controlling interests							(1,489)
Changes by share exchanges							-
Net change in items other than shareholders' equity	287	869	(28)	1,127	5	5,852	6,986
Total of changes	287	869	(28)	1,127	5	5,852	29,357
Balance at end of fiscal year	1,452	8,727	(909)	9,270	141	11,847	385,561

(4) Consolidated Statements of Cash Flows

(Million yen)

Year ended	February 28, 2017	February 28, 2018
Cash flows from operating activities:		
Income before income taxes	45,167	45,061
Depreciation and amortization	38,058	38,443
Impairment losses	1,938	5,639
Increase (decrease) in provision for loss on store closing	(868)	125
Increase (decrease) in allowance for doubtful accounts	1,162	(1,190)
Increase (decrease) in provision for employees' bonus	134	64
Increase (decrease) in provision for director and auditor performance-based remuneration	(0)	31
Increase (decrease) in net defined benefit liability	(101)	(13)
Interest and dividend income	(494)	(704)
Interest expenses	2,491	2,641
Loss on disposal of fixed assets	1,227	1,128
Loss (gain) on sales of fixed assets	(3,928)	(3,877)
Loss (gain) on sales of investment securities	(5)	–
Decrease (increase) in receivable—trade accounts	(380)	(766)
Decrease (increase) in other current assets	(995)	(4,193)
Increase (decrease) in payable—trade accounts	1,581	2,264
Increase (decrease) in consumption tax payable	(1,342)	(2,203)
Increase (decrease) in deposits received from specialty stores	2,616	3,045
Increase (decrease) in other current liabilities	567	1,648
Other, net	8,623	11,388
Subtotal	95,451	98,534
Interest and dividends received	419	642
Interest paid	(2,379)	(2,604)
Income taxes paid	(19,845)	(15,956)
Net cash provided by (used in) operating activities	73,646	80,616

(Million yen)

Year ended	February 28, 2017	February 28, 2018
Cash flows from investing activities:		
Purchase of property, plant and equipment	(160,697)	(186,525)
Proceeds from sales of property, plant and equipment	100,413	40,293
Purchase of intangible assets	(800)	(629)
Purchase of long-term prepaid expenses	(2,710)	(3,575)
Proceeds from sales of investment securities	9	–
Collection of loans	82	82
Payment of lease deposits to lessors	(5,258)	(1,830)
Reimbursement of lease deposits to lessors	3,488	5,429
Repayment of lease deposits from lessees	(14,445)	(9,558)
Proceeds from lease deposits from lessees	15,153	13,975
Time deposits	(2,457)	(2,181)
Withdrawal of time deposits	2,747	2,510
Other	900	0
Net cash provided by (used in) investing activities	(63,574)	(142,009)
Cash flows from financing activities:		
Increase (decrease) in short-term debt and commercial papers	(20,178)	11,000
Proceeds from long-term debt	36,962	48,290
Repayment of long-term debt	(37,411)	(52,563)
Proceeds from issuance of bonds	35,000	50,000
Redemption of bonds	(200)	(10,000)
Proceeds from share issuance to non-controlling shareholders	—	5,039
Purchase of treasury stock	(0)	(2)
Dividends paid	(5,546)	(6,708)
Dividends paid to non-controlling interests	(6)	(6)
Other	(306)	(209)
Net cash provided by (used in) financing activities	8,312	44,841
Foreign currency translation adjustments on cash and cash equivalents	(3,202)	1,182
Net increase (decrease) in cash and cash equivalents	15,183	(15,369)
Cash and cash equivalents at beginning of the period	53,652	69,593
Increase in cash and cash equivalents resulting from share exchanges	757	-
Cash and cash equivalents at end of the period	*1 69,593	*1 54,223

(5) Notes on the Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Important matters concerning the basis for preparing the consolidated financial statements

1. Matters concerning scope of consolidation

Number of consolidated subsidiaries: 41

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 (Changshu) Business Management Co., Ltd. is newly included in the scope of consolidation as it was newly established in the fiscal year under review.

2. Matters concerning application of the equity method

Number of equity-method affiliates: 0

SN Enterprise K.K. is excluded from application of the equity method because it was liquidated in the fiscal year under review.

For companies that end their fiscal year on a different date from that for the consolidated fiscal year-end, the equity method is applied based on financial statements of such companies for the relevant business year.

3. Matters concerning fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, the end of the fiscal year for overseas subsidiaries is December 31.

The consolidated financial statements of the Company are prepared using the financial statements of the subsidiaries at their respective balance sheet dates. For consolidation purposes, the Company makes necessary adjustments to reflect any significant transactions occurring between January 1 and the consolidated balance sheet date.

4. Matters concerning the basis for accounting

(1) Valuation criteria and method for significant assets

1) Available-for-sale securities

Available-for-sale securities classified as other securities

Available-for-sale securities with market value

Stated at market value, determined by the market price as of the fiscal year-end and other means, with all valuation gains and losses reported in 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) Derivatives

Stated at market value

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

1) Property, plant and equipment

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: 3 to 39 years

Machinery and transportation 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 based on an internally estimated useful life of five years.

3) Long-term prepaid expenses

Amortized in equal installments based on the contract period and other factors (period of amortization: 4 to 50 years)

(3) Accounting method for deferred assets

Bond issue expenses are treated as an expense when paid.

(4) Accounting standards for significant allowances

1) Allowance for doubtful accounts

The allowance for doubtful accounts provides for possible losses arising from default on receivables such as operating accounts receivable. An allowance is provided for the estimated credit loss for ordinary receivables based on historical default rates, and for specific receivables such as doubtful receivables based on an individual assessment of the recoverability of each account.

2) Allowance for employee bonus

The Company provides an allowance for employees' bonus to cover the amount of bonuses to be paid to employees and part-timers, based on the estimated portion to be paid in the fiscal year under review.

3) Allowance for director and auditor performance-based remuneration

The Company provides an Allowance for director and auditor performance-based remuneration, based on the estimated portion to be paid in the fiscal year under review.

4) Provision for loss on store closing

The Company records the estimated loss on store closing (such as penalty charges for canceling contracts mid-term) reasonably assumed to result from the closing of stores in preparation for the accrual of such loss.

(5) Accounting for retirement benefits

The Company records projected retirement benefit liabilities less projected pension assets at the end of the fiscal year under review to provide for retirement benefits for employees. In the calculation of retirement benefit liabilities, the method of attributing projected retirement benefits to terms up to the consolidated fiscal year under review is in line with benefits calculation formula rules.

Actuarial gains and losses are expensed from the following fiscal year using the straight line method within a fixed period (10 years) of the estimated average remaining life of service of employees at the time of accrual.

Unrecognized actuarial gains or losses and unrecognized prior service cost are posted as remeasurements of defined retirement benefit plans as part of total accumulated other comprehensive income under net assets.

(6) Standards for translating significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated assets and liabilities are translated into yen amounts at the rates of exchange in effect as of the consolidated balance sheet date, with the difference treated as a gain or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the balance sheet dates of each of the subsidiaries. Revenues and expenses of subsidiaries are translated into yen amounts at the average exchange rate for the fiscal year under review, and translation differences are included in the foreign currency translation adjustment account and non-controlling interests under net assets.

(7) Accounting policies for significant hedging activities

1) Hedge accounting methods

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

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

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

Changes in the market prices and cash flows from hedged items and hedging instruments over their respective periods from the start of hedging to the measurement of effectiveness are compared on a cumulative basis, and the amount of change in both of these parameters is used as a benchmark for evaluating hedging effectiveness. However, the evaluation of hedging effectiveness for interest rate swaps accounted for using special hedge accounting has been omitted.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash in hand, deposits repayable on demand, and short-term investments with a maturity of three months or less from the acquisition date that can be readily converted into cash and carry little risk of fluctuation in value.

(9) Other important matters concerning the preparation of the consolidated financial statements

Accounting treatment of consumption taxes

Financial statements are prepared exclusive of consumption taxes.

Unapplied accounting standards, etc.

Consolidated subsidiaries overseas

- Revenue from Contracts with Customers (IFRS 15)
- Leases (IFRS 16)

1. Overview

These accounting standards have been revised, and the revisions are mainly related to the following: (i) accounting related to the recognition of revenue, and (ii) the requirement that in principle, the lessee shall recognize assets and liabilities for all leases

2. Scheduled date of adoption

IFRS 15 is scheduled to be adopted from the fiscal year ending February 28, 2019. IFRS 16 is scheduled to be adopted from the fiscal year ending February 29, 2020.

3. Effects of adoption on the accounting standards, etc.

The effects are assessed at the time these consolidated financial statements are prepared.

Additional information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

"Implementation Guidance on Recoverability of Deferred Tax Assets" (March 28, 2016, Accounting Standards Board of Japan Guidance No. 26) is applied from the fiscal year ended February 28, 2018.

Changes in presentation

Consolidated statements of income

Insurance income, which was included in Other non-operating profits in Non-operating profits in the previous fiscal year, is stated separately in the fiscal year ended February 28, 2018 due to an increase in importance in terms of value. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, non-operating profits of ¥618 million stated in Other non-operating profits in the consolidated statements of income for the previous fiscal year are reclassified as Insurance income of ¥48 million and Other non-operating profits of ¥570 million.

Notes

Consolidated balance sheets

*1. Assets pledged as collateral and collateral-backed liabilities

(Assets pledged as collateral) (Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Buildings and structures	46,843	38,721
Land	7,453	2,418
Total	54,296	41,140

(Liabilities backed by above collateral) (Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Current portion of long-term debt	1,043	957
Other current liabilities (Current portion of lease deposits from lessees)	75	75
Long-term debt	27,392	26,435
Lease deposits from lessees	1,131	1,056
Total	29,643	28,524

*2 Deposits to associated companies (Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Deposits to associated companies	11,000	630

(Note) Management trust deposits based on depositary agreements with Aeon Co., Ltd.

*3 Shares of subsidiaries and associates are as shown below. (Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Investment securities	0	–

Consolidated statements of income

*1. Gains on sale of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)		Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)	
AEON MALL Narita (Narita City, Chiba Prefecture)	4,028	AEON MALL Tsukuba (Tsukuba City, Ibaraki Prefecture)	7,125
AEON MALL Takasaki (Takasaki City, Gunma Prefecture)	3,570		
AEON MALL Kasukabe (Kasukabe City, Saitama Prefecture)	2,845		
AEON MALL Fukutsu (Fukutsu City, Fukuoka Prefecture)	163		
AEON MALL Otsu (Otsu, Kikuchi-gun, Kumamoto Prefecture)	41		
AEON MALL Tamadaira Woods (Hino City, Tokyo Metropolis)	26		
AEON MALL Makuhari Shintoshin (Mihama Ward, Chiba City, Chiba Prefecture)	1		
Other	2	Other	8
Total	10,680	Total	7,133

*2. Losses on sale of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)		Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)	
AEON MALL Futtsu	6,733	AEON MALL Wakayama	3,221
(Futtsu City, Chiba Prefecture)		(Wakayama City, Wakayama Prefecture)	
Other	19	AEON MALL Miyakonojo Ekimae	18
		(Miyakonojo City, Miyazaki Prefecture)	
		Other	15
Total	6,752	Total	3,255

*3. Losses on disposal of fixed assets consist of the following items (Million yen)

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)		Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)	
Building and structures	576	Building and structures	169
Machinery and transportation	46	Machinery and transportation	–
Furniture and fixtures	80	Furniture and fixtures	34
Demolition and removal expenses	1,229	Demolition and removal expenses	804
Other	60	Other	42
Total	1,994	Total	1,050

*4. Impairment losses

The AEON MALL Group incurred an impairment loss in the following asset group in the previous fiscal year (from March 1, 2016 to February 28, 2017).

Location	Use	Type	Amount (million yen)
Osaka Prefecture	Store	Buildings, etc.	851
Kanagawa Prefecture	Store	Buildings, etc.	393
Oita Prefecture	Store	Buildings, etc.	309
Akita Prefecture	Store	Buildings, etc.	2
Overseas (China)	Store	Long-term prepaid expenses, etc.	381

The AEON MALL Group has defined individual shopping malls as its smallest unit for asset grouping. Idle assets are grouped individually.

Profitability declined significantly at certain malls (excluding malls in Oita Prefecture), and the Company reduced their book value to their recoverable value. The reduction was posted as an impairment loss in extraordinary losses. The recoverable value is measured mainly based on value in use. The discount rate for the future cash flow is 3.9% in Japan and 8.1% overseas (China).

For the malls in Oita Prefecture, scrap-and-build reforms are planned, and the entire book value was reduced and posted as an impairment loss in extraordinary losses.

The impairment losses above consisted of losses of ¥1,447 million on building and structures, ¥49 million on furniture and fixtures, ¥427 million on long-term prepaid expenses, and ¥13 million on others.

The AEON MALL Group incurred an impairment loss in the following asset group in the fiscal year under review (from March 1, 2017 to February 28, 2018).

Location	Use	Type	Amount (million yen)
Hokkaido Prefecture	Store	Buildings, etc.	1,462
Ibaraki Prefecture	Store	Buildings, etc.	884
Tokyo Prefecture	Store	Buildings, etc.	41
Kanagawa Prefecture	Store	Buildings, etc.	962
Kyoto Prefecture	Store	Buildings, etc.	402
Osaka Prefecture	Store	Buildings, etc.	320
Hyogo Prefecture	Store	Buildings, etc.	1,564

The AEON MALL Group has defined individual shopping malls as its smallest unit for asset grouping. Idle assets are grouped individually.

Profitability declined significantly in the asset group above (excluding certain malls in Hyogo Prefecture), and the Company reduced their book value by the entire amount. The reduction was posted as an impairment loss in extraordinary losses. The recoverable value is measured mainly based on value in use. The discount rate for the future cash flow is 4.5% in Japan.

The impairment losses above consisted of losses of ¥4,731 million on buildings and structures, ¥366 million on furniture and fixtures, ¥239 million on long-term prepaid expenses, and ¥134 million on others.

The malls in Hyogo Prefecture were closed, and the entire book value was reduced and recorded as an impairment loss in extraordinary losses. This impairment loss consisted of ¥166 million on buildings and structures.

*5. Provision of allowance for doubtful accounts

There was provision of allowance for doubtful accounts related to the right to claim compensation from SN Enterprise K.K. (liquidated in May 2017).

Consolidated statements of comprehensive income

*1. Rearrangements, adjustments and tax effects concerning other comprehensive income (Million yen)

	Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Net unrealized gain on available-for-sale securities		
Amount accrued in the fiscal year	(38)	413
Amount rearranged or adjusted	(5)	–
Before tax effect adjustment	(43)	413
Tax effect	40	(125)
Net unrealized gain on available-for-sale securities	(2)	287
Foreign currency translation adjustment		
Amount accrued in the fiscal year	(10,479)	480
Amount rearranged or adjusted	–	–
Before tax effect adjustment	(10,479)	480
Tax effect	–	–
Foreign currency translation adjustment	(10,479)	480
Remeasurements of defined benefit plans, net of tax		
Amount accrued in the fiscal year	(872)	(182)
Amount rearranged or adjusted	50	141
Before tax effect adjustment	(822)	(40)
Tax effect	243	12
Remeasurements of defined benefit plans, net of tax	(579)	(28)
Total other comprehensive income	(11,060)	739

Statements of changes in shareholders' equity

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

1. Matters concerning the type and total number of shares issued and outstanding, and the type and number of treasury stock

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,902,027	46,730	534,058	227,414,699
Total	227,902,027	46,730	534,058	227,414,699
Treasury stock				
Common stock (Note 2)	2,802,839	464	2,802,937	366
Total	2,802,839	464	2,802,937	366

(Notes) 1. An increase of 46,730 shares issued and outstanding resulted from the exercise of stock acquisition rights. A decrease of 534,058 shares resulted from a decrease due to the repurchase of stock.

2. An increase in treasury stock resulted from the purchase of 464 odd-lot shares. The decrease was due to 2,268,879 shares delivered due to a share exchange and the cancellation of 534,058 shares.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in their number in the fiscal year under review	Decrease in their number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	–	–	–	–	–	135
Total		–	–	–	–	–	135

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 13, 2016	Common stock	2,476	11.00	February 28, 2016	May 2, 2016
Board of Directors meeting on October 5, 2016	Common stock	3,069	13.50	August 31, 2016	October 26, 2016

(2) Dividends whose record dates are in the fiscal year under review and whose effective dates are in the following fiscal year

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 12, 2017	Common stock	3,070	Retained earnings	13.50	February 28, 2017	May 1, 2017

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

1. Matters concerning the type and total number of shares issued and outstanding, and the type and number of treasury stock

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,414,699	15,390	–	227,430,089
Total	227,414,699	15,390	–	227,430,089
Treasury stock				
Common stock (Note 2)	366	1,355	–	1,721
Total	366	1,355	–	1,721

(Notes) 1. An increase of 15,390 shares issued and outstanding resulted from the exercise of stock acquisition rights.

2. An increase of 1,355 shares of treasury stock resulted from the purchase of odd-lot shares.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in their number in the fiscal year under review	Decrease in their number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	–	–	–	–	–	141
Total		–	–	–	–	–	141

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 12, 2017	Common stock	3,070	13.50	February 28, 2017	May 1, 2017
Board of Directors meeting on October 4, 2017	Common stock	3,638	16.00	August 31, 2017	October 25, 2017

(2) Dividends whose record dates are in the fiscal year under review and whose effective dates are in the following fiscal year

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 11, 2018	Common stock	4,321	Retained earnings	19.00	February 28, 2018	May 1, 2018

Consolidated statements of cash flows

*1. Relationship between cash and cash equivalents at the end of the period and the itemized amounts stated in consolidated balance sheets

(Million yen)

	Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Cash and deposits	59,921	54,586
Deposits to associated companies	11,000	630
Time deposits with a deposit term longer than three months	(1,328)	(992)
Cash and cash equivalents	69,593	54,223

2. Important non-fund transactions

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(1) Important asset retirement obligations recorded for the first time in the fiscal year ended February 28, 2017 amounted to ¥1,419 million.

(2) The table below shows a breakdown of the assets and liabilities of OPA Co., Ltd. (after its succession to the VIVRE FORUS business (excluding the retail business) of AEON Retail Co., Ltd.), which has become a consolidated subsidiary through a share exchange, and Canal City OPA Co., Ltd. at the time of their consolidation.

Current assets	¥2,889	million
Fixed assets	¥24,065	million
Total assets	¥26,954	million
Current liabilities	¥14,579	million
Long-term liabilities	¥7,953	million
Total liabilities	¥22,533	million

The current assets include cash and cash equivalents of ¥757 million at the beginning of consolidation, which is posted in the increase in cash and cash equivalents resulting from share exchanges.

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

Important asset retirement obligations recorded for the first time in the fiscal year ended February 28, 2018 amounted to ¥1,187 million.

Lease transactions

As lessee

1. Finance leases

Finance leases for which ownership of the leased assets does not transfer to the lessee

Of finance lease transactions without the transfer of ownership, lease transactions that started by February 20, 2009 were accounted for in a manner similar to accounting for ordinary rental transactions. Details are shown below.

(1) Amounts equivalent to the acquisition cost, accumulated depreciation and balance at fiscal year-end

(Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)		
	Acquisition cost	Accumulated depreciation	Year-end balance
Furniture and fixtures	35	30	5
Total	35	30	5

(Million yen)

	Year Ended February 28, 2018 (As of February 28, 2018)		
	Acquisition cost	Accumulated depreciation	Year-end balance
Furniture and fixtures	35	34	1
Total	35	34	1

(2) Amounts equivalent to balance of future lease obligations at fiscal year-end

(Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Amounts equivalent to balance of future lease obligations at fiscal year-end		
Due within 1 year	4	1
Due after 1 year	1	-
Total	5	1

(3) Lease payments, amounts equivalent to depreciation expenses and interest payments

(Million yen)

	Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Lease payments	4	4
Depreciation expense	3	3
Interest payment	-	-

(4) Method for calculating depreciation equivalent

Depreciation equivalent is computed on the straight-line method, with the lease period counted as the service life of the property and residual value assumed to be zero.

(5) Method for calculating interest equivalent

The difference between the acquisition cost equivalent and total lease payments is deemed to represent the equivalent of interest payments and is allocated across the periods using the interest method.

Impairment losses

No impairment loss was allocated to leased assets.

2. Operating leases

Future lease payment obligations

As lessee

(Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Due within 1 year	56,318	64,768
Due after 1 year	413,909	492,228
Total	470,227	556,997

(Note) During the previous fiscal year, regarding future lease obligations of ¥470,227 million, ¥35,941 million (¥888 million of which is due within one year) has already been paid for land-use rights in China and Vietnam and rents for buildings in Indonesia. This amount is recorded in consolidated balance sheets under “long-term prepaid expenses.”

During the fiscal year under review, regarding future lease obligations of ¥556,997 million, ¥33,554 million (¥868 million of which is due within one year) has already been paid for land-use rights in China and Vietnam and rents for buildings in Indonesia. This amount is recorded in consolidated balance sheets under “long-term prepaid expenses.”

As lessor

(Million yen)

	Year Ended February 28, 2017 (As of February 28, 2017)	Year Ended February 28, 2018 (As of February 28, 2018)
Due within 1 year	5,200	5,201
Due after 1 year	29,077	27,043
Total	34,277	32,244

Rental property

The Company and some consolidated subsidiaries own commercial leasing buildings in various regions nationwide as well as overseas (China and ASEAN region) aimed at generating profits from property leasing. Leasing profit related the rental properties, etc. (properties for lease owned by the Company; malls operated under master lease and property management agreements are not included; the same applies hereinafter) stood at ¥37,614 million in the previous fiscal year (main leasing revenue was posted under operating revenue, while the main leasing expenses were posted under operating expenses). The gain on sale of fixed assets was ¥10,680 million (posted under extraordinary gains) and impairment loss was ¥6,733 million (posted under extraordinary gains). During the fiscal year under review, leasing profit was ¥38,189 million (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses), gain on sale of fixed assets were ¥7,125 million (posted under extraordinary gains) and loss on sales of fixed assets were ¥3,251 million (posted under extraordinary losses).

The consolidated balance sheet amounts, changes during the term under review and the fair value for the property leasing are as follows.

(Million yen)

		Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Balance sheet amount			
	Balance at the beginning of the term under review	765,377	751,886
	Change during term under review	(13,491)	114,149
	At end of term under review	751,886	866,036
Fair value at end of term under review		939,085	1,071,493

(Notes) 1. The balance sheet amount is the acquisition price less the accumulated depreciation and accumulated impairment loss.

2. Of the changes during the term under review, the main increase during the previous fiscal year was property acquisition (¥129,225 million), while the main decline was disposal and sales of fixed assets (¥99,223 million), depreciation expense (¥34,200 million) and foreign exchange losses (¥8,714 million). The main increase during the term under review was property acquisition (¥181,732 million), while the main decline was the disposal and sales of fixed assets (¥30,943 million), depreciation expense (¥33,703 million), and foreign exchange losses (¥503 million).

3. The fair value at the end of term under review is based on an appraisal report, etc. of an appraisal company.

Segment information

Segment information

1. Overview of reporting segments

Determination of reporting segments

The Group's reporting 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 has been operating only the shopping mall business in Japan and overseas. The Group develops comprehensive strategies according to the characteristics of different regions and develops operations.

The Group therefore consists of three geographical reporting segments: Japan, China, and ASEAN.

2. Method of calculating operating revenue, profit (loss), assets, liabilities, and other items of each reporting segment

Accounting treatment for each reporting segment is basically the same as that described in "Important matters concerning the basis for preparing the consolidated financial statements." Profit in each reporting segment is operating income.

3. Information on operating revenue, profit (loss), assets, liabilities, and other items of each reporting segment

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue to external customers	244,085	18,918	6,788	269,793	–	269,793
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	244,085	18,918	6,788	269,793	–	269,793
Segment profit (loss)	48,716	(3,451)	(348)	44,916	18	44,935
Segment assets	723,401	151,123	121,271	995,797	16,961	1,012,758
Other items						
Depreciation and amortization (Note 3)	35,155	4,803	2,748	42,707	(18)	42,688
Impairment losses	1,556	381	–	1,938	–	1,938
Increase in property, plant and equipment and intangible assets (Note 3)	125,054	9,833	12,858	147,746	–	147,746

(Notes) 1. Adjustment is as follows:

(1) Adjustment to segment profit (loss) is adjustment to unrealized gains in intersegment transactions.

(2) Adjustment to segment assets, ¥16,961 million, include corporate assets that are not distributed to reportable segments of ¥15,607 million and the elimination of intersegment transactions.

(3) Adjustment to depreciation and amortization is adjustment to unrealized gains related to fixed assets.

(4) Adjustment to the increase in property, plant and equipment and intangible assets is adjustment to unrealized gains related to fixed assets.

2. Segment profit (loss) is adjusted to operating income on the consolidated statement of income.

3. Depreciation and amortization and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and the amortization of long-term prepaid expenses.

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue to external customers	255,499	23,896	8,715	288,111	–	288,111
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	255,499	23,896	8,715	288,111	–	288,111
Segment profit (loss)	50,074	(1,132)	248	49,190	20	49,211
Segment assets	831,635	157,296	132,545	1,121,477	2,303	1,123,781
Other items						
Depreciation and amortization (Note 3)	35,540	5,330	3,008	43,878	(20)	43,858
Impairment losses	5,639	–	–	5,639	–	5,639
Increase in property, plant and equipment and intangible assets (Note 3)	172,090	16,016	20,586	208,693	(242)	208,451

(Notes) 1. Adjustment is as follows:
(1) Adjustment to segment profit (loss) is adjustment to unrealized gains in intersegment transactions.
(2) Adjustment to segment assets, ¥2,303 million, include corporate assets that are not distributed to reportable segments of ¥3,716 million and the elimination of intersegment transactions.
(3) Adjustment to depreciation and amortization is adjustment to unrealized gains related to fixed assets.
(4) The adjustment to the increase in property, plant and equipment and intangible assets is an adjustment of unrealized gain on fixed assets.
2. Segment profit (loss) is adjusted to operating income on the consolidated statement of income.
3. Depreciation and amortization and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and the amortization of long-term prepaid expenses.

b. Related information

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

1. Information by product and service

Omitted since over 90% of operating revenue in the consolidated statements of income consists of operating revenue to external customers in the shopping mall business.

2. Information by region

(1) Operating revenue

Omitted since the same information is disclosed in segment information.

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
622,097	53,824	86,315	762,237

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
AEON Retail Co., Ltd.	31,549	Japan

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

1. Information by product and service

Omitted since over 90% of operating revenue in the consolidated statements of income consists of operating revenue to external customers in the shopping mall business.

2. Information by region

(1) Operating revenue

Omitted since over 90% of operating revenue in the consolidated statements of income consists of operating revenue to external customers in Japan.

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
715,442	57,988	100,835	874,267

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
AEON Retail Co., Ltd.	33,116	Japan

c. Information regarding impairment losses on fixed assets per reporting segment

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

Omitted since the same information is disclosed in the segment information.

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

Omitted since the same information is disclosed in the segment information.

d. Information on amortization of goodwill and balance of portion not amortized per reporting segment

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

Omitted since the information is not significant.

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

Omitted since the information is not significant.

e. Information regarding gain on negative goodwill per reporting segment

Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

Not applicable.

Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

Not applicable.

Per-share information

	Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Net assets per share	1,539.36 yen	1,642.59 yen
Net income per share	125.45 yen	134.29 yen
Diluted net income per share	125.40 yen	134.25 yen

(Note) The basis for the calculation of net income per share and diluted net income per share is shown in the table below.

	Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)	Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)
Net income per share		
Net income attributable to owners of parent (million yen)	28,527	30,542
Amounts not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to shareholders of common stock of parent (million yen)	28,527	30,542
Average number of common shares outstanding during the fiscal year	227,395,408	227,421,638
Diluted net income per share		
Adjustment of net income attributable to owners of parent (million yen)	–	–
Increase in number of common stock (shares) (Stock acquisition rights included)	89,849 (89,849)	80,978 (80,978)
Outline of dilutive stock not included in calculation of diluted net income per share because it is anti-dilutive	—	—

Major subsequent events

The Company issued unsecured bonds on March 7, 2018 based on a resolution of the Board of Directors on January 15, 2018. The details are outlined below.

Name of bonds	AEON MALL Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds)
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 7, 2018
Method and due date for the redemption	Bullet bond, where the entire face value is paid at once on the maturity date of March 7, 2023
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 as for repayment of commercial paper and for a portion of the repayment of debt.