Consolidated Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending February 28, 2017

October 5, 2016

Company name	Aeon Mall Co., Ltd.	Listings	The First Section of the 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:

Submission of statutory quarterly financial report	October 12, 2016
Commencement of dividend payments	October 26, 2016
Supplementary documents for quarterly results	Yes
Quarterly 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 First Half of the Year Ending February 28, 2017
(March 1, 2016 to August 31, 2016)

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

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
Six months ended	million yen	%	million yen	%	million yen	%	million yen	%
August 31, 2016	132,709	18.8	20,280	(1.0)	20,614	4.9	11,165	14.0
August 31, 2015	111,705	14.3	20,478	11.2	19,659	8.9	9,796	(4.7)

(Note) Comprehensive income Six months ended August 31, 2016 -17,951 million yen (−%)
Six months ended August 31, 2015 11,189 million yen (75.4 %)

	Net income per share	Net income per share (diluted)
Six months ended	yen	yen
August 31, 2016	49.10	49.08
August 31, 2015	42.99	42.97

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
August 31, 2016	1,014,143	323,924	31.4
February 29, 2016	974,970	339,849	34.2

(Note) Equity August 31, 2016: 318,061 million yen February 29, 2016: 333,547 million yen

2. Dividends

	Dividend per share				
(Record date)	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Annual
	yen	yen	yen	yen	yen
Year ended February 29, 2016	−	11.00	−	11.00	22.00
Year ending February 28, 2017	−	13.50			
Year ending February 28, 2017 (Projection)			−	13.50	27.00

(Note) Revisions to dividend projection published most recently: None

3. Consolidated Earnings Projections for the Year Ending February 28, 2017 (March 1, 2016 to February 28, 2017)

(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
Full year	280,000	21.9	46,500	6.0	45,000	6.1	27,000	9.6	118.75

(Note) Revisions to earnings projections published most recently: None

* Notes

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

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

[1] Changes in accounting policies in accordance with changes in accounting principles: Yes
[2] Changes in accounting policies other than the above: None
[3] Changes in accounting estimates: None
[4] Revisions and restatements: None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares issued at period-end (including treasury stock)			
August 31, 2016:	227,937,647 shares	February 29, 2016:	227,902,027 shares
[2] Treasury stock at period-end			
August 31, 2016:	534,058 shares	February 29, 2016:	2,802,839 shares
[3] Average number of shares issued			
August 31, 2016:	227,379,830 shares	August 31, 2015:	227,853,699 shares

* Status of a quarterly review

The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of these consolidated financial results, as these results are excluded from quarterly review procedures based on said Act.

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

(Notes concerning statements about the future, etc.)

The statements about the future, including earnings projections, included in this report are based on information currently available to the Company and certain assumptions considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors. See "(3) Explanation of information on future forecasts such as the consolidated operating results forecast" of "1. Qualitative Information on Quarterly Consolidated Operating Results," on page 7 of the Accompanying Materials for the assumptions of the earnings forecasts and points to note in the use of earnings forecasts.

(Procedure for obtaining supplementary information on financial results)

Aeon Mall is scheduled to hold a financial briefing for institutional investors and analysts on October 6, 2016. The materials handed out at this briefing will be posted on the Company's web page on October 5, 2016, and the audio recording will be made available on the Company's web page as soon as possible after the briefing.

Accompanying Materials — Contents

1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Explanation of operating results

During the first half of the fiscal year ending February 28, 2017 (March 1, 2016 – August 31, 2016), the Japanese economy showed some improvement in corporate earnings and employment on the back of the economic policies by the government and the easy monetary policy by the Bank of Japan. However, the outlook for the economy was uncertain given the appreciation of the yen and downside risks in the global economy. As a result, the harsh conditions continued, reflecting the fact that customers are becoming increasingly budget-minded and low price conscious.

In this environment, the Company actively renewed existing malls in Japan tailored to local customer needs and developed new malls that adapted to local characteristics. OPA Co., Ltd., which became a subsidiary on March 1, 2016, moved forward with its urban fashion buildings business. Now that it has acquired a new growth business category in urban areas, the Group is shifting its focus to urban areas.

Overseas, 17 existing malls in China and the ASEAN region performed well. The Company also opened one mall in Vietnam, bringing the total number of malls in China and the ASEAN region to 18.

As a result, in the first half under review, operating revenue totaled 132,709 million yen (118.8% year on year). Operating costs increased to 99,440 million yen (125.0% year on year) due to business expansion, resulting in gross profit of 33,268 million yen (103.6% year on year).

Selling, general and administrative expenses increased to 12,987 million yen (111.5% year on year). As a consequence, operating income declined to 20,280 million yen (99.0% year on year).

Ordinary income stood at 20,614 million yen (104.9% year on year) as a result of an improvement of 1,153 million yen in non-operating income compared with the first half of the previous fiscal year. This improvement was mainly due to the posting of subsidy income from the government of 796 million yen.

Extraordinary losses fell by 787 million yen from a year ago. In the first half under review, extraordinary losses were 1,602 million yen, including a loss on retirement of fixed assets of 922 million yen, but in the previous first half, the Company posted extraordinary losses of 2,389 million yen, including impairment losses of 686 million yen and provision for loss on store closing of 1,152 million yen. As a result, net income attributable to owners of parent came to 11,165 million yen (114.0% year on year).

i) Domestic Businesses

In this segment, operating revenue rose to 120,387 million yen (114.3% year on year), and operating income decreased to 22,382 million yen (97.8% year on year).

The Company opened AEON MALL Sakai Teppocho (Osaka) in March, AEON MALL Imabari New City (Ehime) in April, and AEON MALL Izumo (Shimane) in May.

AEON MALL Sakai Teppocho was opened on the site of a Daicel Corporation plant that was closed in 2007. The mall employs a recycled sewage water multiple-use model for the first time in Japan and has a restaurant using the Sakai Teppocho red-brick building, a historical structure registered in the "Osaka, The Museum" initiative. The mall has been built in consideration of the environment and the aesthetic qualities of the area.

AEON MALL Imabari New City is located in the Imabari Shintoshi No. 1 District, a new development area in Imabari. In Shimanami Open Park, a court and a separate building, a popular farm stand in the region has opened a new type of place in the age of "sixth sector industrialization." A store selling agricultural produce and a restaurant are operated, and a variety of events including concerts of home-grown musicians are held in the event space in the park.

AEON MALL Izumo has opened on the site of the AEON Izumo, which was closed in 2014. The mall has abundant food-related facilities: a food merchandise zone on the first floor, restaurants on the second floor, and a food court on the third floor. It also has stores selling fashion items and miscellaneous goods, and there is an area for children.

New domestic malls in the first half under review

Name of Mall	Location	Opening Date
AEON MALL Sakai Teppocho	Osaka Prefecture	March 2016
AEON MALL Imabari Shintoshi	Ehime Prefecture	April 2016
AEON MALL Izumo	Shimane Prefecture	May 2016

* AEON MALL Izumo has been established by AEON Retail Co., Ltd. and is managed and operated by the Company under a property management (PM) contract.

As for existing malls, sales promotion campaigns were held utilizing the Aeon card and WAON, and efforts were made to improve the ability to attract more shoppers by holding events involving customer participation.

The Company revitalized ten malls, including renewal with an extension built at AEON MALL Morioka (Iwate).
At AEON MALL Morioka, 46 stores were renewed, including the introduction of new tenants, in September 2015. In March 2016, the mall renewed a total of 56 stores, including an extension in which a specialty store zone consisting of 23 stores was added on the second floor of the multilevel parking facilities (approximately 6,000 m^2), complemented by the introduction of 16 new stores, including the North Tohoku region's first large fast fashion store, in the existing mall zone. More than 70% of the entire mall was revitalized in the first and the second phases of the renewal.
At AEON MALL Hiroshima Fuchu, which plans to implement a large extension in November, new life was breathed into the mall by establishing a food merchandise zone and fully renovating the food court on the third floor in July 2016, following the expansion of the zone for eating and drinking establishments in the sub-core zone on the first floor in April 2015.
Other malls were also renewed. We upgraded entire malls by introducing new tenants and changing business categories and relocating existing tenants. All of them exhibited solid performance.
We also worked to develop malls as community centers of regions from the localization standpoint. We implemented a national disaster prevention caravan in cooperation with the Scout Association of Japan and set up a polling station for early voting at 29 AEON MALLs throughout Japan. At AEON MALL Tsugaru Kashiwa (Aomori), we opened a city library inside the mall in July. Through these efforts, we promoted measures to strengthen the community function of our malls for the local communities.
Although we suspended business at part of AEON MALL Uki (Kumamoto) and AEON MALL Kumamoto (Kumamoto) due to the effect of the 2016 Kumamoto Earthquakes, AEON MALL Uki fully reopened for business on July 1, and AEON MALL Kumamoto resumed operation of some specialty stores at the mall and the core store AEON Kumamoto on July 20. AEON MALL Kumamoto has agreed with AEON REIT Investment Corporation, the owner of the mall, to rebuild part of the west mall after demolishing it to revitalize the mall and make it a more attractive, safer, and highly-advanced mall, given that 10 years have passed since it opened. The mall aims to resume operations early.
In the fashion building business operated by OPA Co., Ltd., which became a subsidiary on March 1, 2016, we worked to revitalize the existing stores and made preparations for the opening of Mito OPA (tentative name) (Ibaraki) and Takasaki OPA (tentative name) (Gunma) in 2017.
The Company was rated highly in an evaluation conducted by GRESB* Real Estate Assessment in 2016 as an excellent operator in both "Management and Policy" and "Practice and Measurement" because of its consideration for the environment and sustainability efforts. Just as it did last year, it acquired the "Green Star", the highest assessment, and the "Five Stars," the highest rank in the "GRESB Rating" in a relative assessment of total scores. In this survey, the project to build the first recycled sewage water multiple-use model in Japan at AEON MALL Sakai Teppocho and multiple efforts for community and town development centered around the next-generation store Disaster Responsive Smart AEON were adopted as an excellent innovation case study because of the sustainability efforts to achieve a good balance between the environmental preservation and social contribution and economic benefits.

* GRESB (Global Real Estate Sustainability Benchmark): Benchmark to measure the sustainability performance of real estate companies and real estate investment companies based on the questionnaire conducted by GRESB Foundation, which was established by a group of pension funds in Europe and others.

Malls renewed in the first half under review

Name of Mall	Location	Date reopened	Tenants	New tenants (1) (See Note 1)	Relocations & refurbishments (2)	No. of tenants on reopening (1) + (2)
AEON MALL Hiroshima Fuchu	Hiroshima Prefecture	March 4	200	22 (12)	44	66
		July 15		20 (11)	12	32
AEON MALL Morioka	Iwate Prefecture	March 4	135	28 (14)	28	56
AEON MALL Kobe Kita	Hyogo Prefecture	March 18	160	32 (14)	26	58
AEON MALL Natori	Miyagi Prefecture	March 18	170	24 (10)	35	59
AEON MALL Mito Uchihara	Ibaraki Prefecture	April 15	200	20 (8)	41	61
AEON MALL Tsurumi Ryokuchi	Osaka Prefecture	April 22	160	31 (18)	28	59
AEON MALL Akita	Akita Prefecture	April 22	150	36 (26)	67	103
AEON MALL Kyoto Gojyo	Kyoto Prefecture	April 22	140	37 (13)	54	91
AEON MALL Ota	Gunma Prefecture	April 22	150	23 (12)	36	59
AEON MALL Tsugaru Kashiwa	Aomori Prefecture	April 22	90	13 (7)	27	40

(Notes) 1. Figures in brackets represent new tenants opening for the first time in the prefecture.
2. AEON MALL Morioka was expanded.
3. AEON MALL Hiroshima Fuchu plans to carry out renewal, including floor space expansion, in November, following the first phase of renewal in March and the second phase in July.

ii) Overseas Businesses

(China Business)

In this segment, operating revenue increased to 9,319 million yen (190.2% year on year), and operating loss was 1,898 million yen (compared with an operating loss of 1,916 million yen in the first half of the previous fiscal year). Four of the 12 malls turned positive (gross profit), and the operating loss in the second quarter (3 months) of the current fiscal year improved 154 million yen from a year ago.

Because the Company opened more dominant malls in the four main areas of China, namely the Beijing and Tianjin area, the Jiangsu Province and Zhejiang Province area, Hubei Province, and Guangdong Province, the brand recognition of AEON Malls increased. This has enabled us to attract good tenants and conclude contracts with more favorable leasing terms. Sales at AEON MALL Suzhou Xinqu (Suzhou), the third mall in Suzhou which opened in January 2016, remained higher than the initial plan, thanks partly to the effect of the opening of a dominant mall.

(ASEAN Business)

In this segment, operating revenue rose to 3,001 million yen (202.3% year on year), and operating loss stood at 212 million yen (compared with an operating loss of 495 million yen in the first half of the previous fiscal year). Three of the five malls turned positive (gross profit), and the operating loss in the second quarter (3 months) of the current fiscal year improved 186 million yen from a year ago.

In July 2016, we opened AEON MALL Binh Tan (Ho Chi Minh City), the fourth mall in Vietnam and the third mall in Ho Chi Minh City.

Located in the International Hi-Tech Healthcare Park about 10 km southwest of the central part of Ho Chi Minh City, this mall is expected to attract customers from a broad area, given that the population is forecasted to increase in the surrounding area due to residential land development and the good transportation access the location offers. The tenants consist of 160 stores, including 16 stores that opened for the first time in Vietnam. The mall possesses one of the largest zones for eating and driving establishments in Ho Chi Minh City on each floor, and offers comprehensive entertainment which families can enjoy, such as cinema and family karaoke.

In Cambodia, AEON MALL Phnom Penh (Phnom Penh), the first mall in Cambodia that opened in 2014, performed well, and a decision has been made to open the second mall. Construction has already commenced, with the aim of opening the mall in fiscal 2018.

In Indonesia, because new towns are being developed in the suburbs, AEON MALL BSD CITY (Tangerang, Banten), which opened in May 2015, has been performing well. The Company plans to open three malls from fiscal 2017, including two malls for which construction has already begun, and is making preparations for the opening.

New overseas Malls in the first half under review

	Name of Mall	Location	Opening Date
Vietnam	AEON MALL Binh Tan	Ho Chi Minh	July 2016

* Store opening plans are stated according to the Japanese fiscal year. The fiscal year-end of overseas subsidiaries is December 31.

The overseas business, which is considered as the driver of future growth, remained on an improving trend in its profits in the first half under review, and progress is being made as planned on the way to the growth path in terms of both existing malls and new malls. Because the suburban market for the mall business is expected to expand in China and the ASEAN region, given progress in motorization and the expansion of the middle-income group, the Company will continue to develop business actively.

(2) Explanation of financial position

i) Assets, Liabilities and Net Assets

Assets

Total assets stood at 1,014,143 million yen, up 39,172 million yen from February 29, 2016. This was chiefly attributable to the acquisition of property, plant and equipment of 67,861 million yen due to an increase in assets as OPA Co., Ltd. became a subsidiary, the opening of new malls, and the advance acquisition of land for development in the future, which offset a decline in fixed assets of 18,988 million yen due to depreciation.

Liabilities

Total liabilities stood at 690,218 million yen, up 55,097 million yen from February 29, 2016. This was mainly due to an increase in deposits received from tenants of 11,816 million yen and net increases in short-term loans payable of 19,315 million yen and commercial papers of 30,000 million yen, which offset decreases in accounts payable-other of 13,279 million yen related to equipment associated with the opening of new malls (included in "Other current liabilities") and income taxes payable of 2,931 million yen.

Net assets

Net assets totaled 323,924 million yen, down 15,924 million yen from February 29, 2016. This was primarily attributable to a decrease in treasury shares of 4,937 million yen with OPA Co., Ltd. becoming a subsidiary through a share exchange and an increase in retained earnings due to the posting of net income attributable to owners of parent of 11,165 million yen, which offset a decrease of 28,403 million yen in foreign currency translation adjustment.

ii) Cash Flows

Cash and cash equivalents ("cash") as of August 31, 2016 amounted to 52,709 million yen, down 943 million yen from February 29, 2016.

Cash flows in the first half were as follows.

Cash flows from operating activities

Net cash provided by operating activities was 37,969 million yen (compared with 26,317 million yen in the first half of the previous fiscal year). The primary factors included income before income taxes of 19,053 million yen (17,270 million yen), depreciation and amortization of 18,988 million yen (15,129 million yen), an increase in deposits received from tenants of 11,791 million yen (a decrease of 6,178 million yen), and income taxes paid of 10,681 million yen (9,128 million yen).

Cash flows from investing activities

Net cash used in investing activities amounted to 74,494 million yen (compared with 68,974 million yen in the first half of the previous fiscal year). The major factors were purchase of property, plant and equipment of 72,165 million yen (99,613 million yen) due to payments for equipment at AEON MALL Okinawa Rycom (Okinawa), AEON MALL Shijonawate (Osaka), and AEON MALL Tokoname (Aichi), which opened in the previous fiscal year, the advance acquisition of land for development, and proceeds from lease deposits from lessees of 5,831 million yen (6,083 million yen).

Cash flows from financing activities

Net cash provided by financing activities was 41,467 million yen (34,542 million yen in the first half of the previous fiscal year). This was chiefly attributable to proceeds from long-term debt of 10,050 million yen (10,523 million yen), a net increase in short-term loans payable and commercial papers of 37,426 million yen (47,074 million yen), repayment of long-term debt of 3,194 million yen (20,676 million yen), and dividends paid of 2,476 million yen (2,506 million yen).

(3) Explanation of information on future forecasts such as the consolidated operating results forecast

(Domestic Businesses)

From the third quarter, the Company will open AEON MALL Nagakute (Aichi) in December 2016 and will start managing and operating AEON QUALITE PRIX New Sapporo (Hokkaido) in December 2016 and daiei Kobe Sannomiya in the spring of 2017 (only the second floor through to the ninth floor) (Hyogo). AEON QUALITE PRIX New Sapporo and daiei Kobe Sannomiya are the Aeon Group's existing retail properties, and the Company will succeed to a master lease at each property and will remodel them. At existing malls, the Company will undertake the renewal of 11 malls in terms of overall renovations. In particular, AEON MALL Hiroshima Fuchu will be renewed, including floor space expansion, to make it one of the largest malls in the Chugoku and Shikoku region, with a total leasable area of 98,000 m^2 (an increase of 20,000 m^2) and 280 specialty stores (an increase of 80 stores).

The Company will also launch sales promotions catering to the needs of local communities, provide tenant support, and further reinforce efforts to increase customer satisfaction with the aim of increasing the malls' ability to attract customers and boosting sales. Meanwhile, the Company will reduce costs and increase mall revenues by building a more efficient operation system using the economies of scale with more than 140 malls in Japan.

In the fashion building business operated by OPA Co., Ltd., we will strive to expand earnings, combining its expertise in the fashion buildings business in city centers and the Company's expertise in the mall business.

Malls to be opened in Japan from the third quarter

Name of Mall	Location	Opening Date
AEON QUALITE PRIX Shin Sapporo	Hokkaido	December 2016
AEON MALL Nagakute	Aichi Prefecture	December 2016
daiei Kobe Sannomiya	Hyogo Prefecture	Spring in 2017

* At AEON QUALITE PRIX Shin Sapporo, the Company will lease, manage, and operate the second basement and the third basement of an existing shopping center managed and operated by AEON Hokkaido.
* At daiei Kobe Sannomiya, the Company will lease, manage, and operate the second floor through to the ninth floor of an existing shopping center operated by The Daiei, Inc.

(Overseas Businesses)

In the China business, the Company will open AEON MALL Hebei Yanjiao (Sanhe) as its first mall in Hebei Province in November. In China, we will continue to promote development of properties primarily in four areas: Beijing and Tianjin, Jiangsu and Zhejiang, Hubei, and Guangdong. Meanwhile, the Company will work to enhance its expertise in the management and operation of the existing malls to expand earnings.

In the ASEAN business, the Company will work to expand earnings at existing malls and open new properties in Vietnam, Cambodia, and Indonesia.

Malls to be opened overseas from the third quarter

	Name of Mall	Location	Opening Date
China	AEON MALL Hebei Yanjiao	Sanhe, Hebei	November 2016

* Store opening plans are stated according to the Japanese fiscal year. The fiscal year-end of overseas subsidiaries is December 31.

The consolidated earnings forecasts for the fiscal year ending February 28, 2017 are unchanged from the forecasts in the Consolidated Financial Results announced on April 13, 2016.

2. Matters Regarding Summary Information (Notes)

(1) Material changes in consolidated subsidiaries during the period

Not applicable

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

(Application of the Accounting Standard for Business Combinations, etc.)

Starting the first quarter of the current fiscal year, the Company is applying the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013) and has changed its accounting policy to post differences arising from changes in the Company's ownership interests in subsidiaries that the Company continues to control in capital surplus and to post costs related to acquisitions as expenses in the consolidated fiscal year when the expenses are incurred. The Company has also changed the accounting policy for the allocation of acquisition costs so that for business combinations carried out from the beginning of the first quarter of the current fiscal year, revisions to the allocation of acquisition costs resulting from the completion of provisional accounting will be reflected in the consolidated financial statements for the consolidated quarter when the business combinations take place. In addition, the Company has changed the presentation of net income and other items and has changed minority interests to non-controlling interests. To reflect these changes, the quarterly consolidated financial statements and consolidated financial statements for the first half of the previous consolidated fiscal year and the previous consolidated fiscal year have been replaced.

In the quarterly consolidated statements of cash flows for the first half under review, cash flows associated with acquisitions or sales of shares in subsidiaries that do not result in change in the scope of consolidation are posted in cash flows from financing activities, and cash flows associated with expenses related to acquisitions of shares in subsidiaries resulting in change in the scope of consolidation or expenses related to acquisitions or sales of shares in subsidiaries that do not result in change in the scope of consolidation are posted in cash flows from operating activities.

These accounting standards are applied from the beginning of the first quarter of the current fiscal year in accordance with the transitional provisions specified in 58-2 (4) of the Accounting Standard for Business Combinations, 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and 57-4 (4) of the Accounting Standard for Business Divestitures.

The effect of the application of the accounting standards on the quarterly consolidated financial statements for the first half under review is minor.

3. Quarterly Consolidated Financial Statements
(1) Quarterly consolidated balance sheets

(Million yen)

	As of February 29, 2016	As of August 31, 2016
Assets		
Current assets:		
Cash and deposits	55,375	54,608
Notes and accounts receivable—trade	5,713	5,844
Other current assets	31,073	35,610
Allowance for doubtful receivables	(33)	(30)
Total current assets	92,129	96,032
Fixed assets:		
Property, plant and equipment:		
Building and structures, net	506,885	526,426
Land	212,423	216,402
Other, net	35,407	41,241
Total property, plant and equipment	754,716	784,070
Intangible assets:	3,677	4,231
Investments and other assets:		
Lease deposits paid	44,105	53,933
Other	80,370	77,100
Allowance for doubtful receivables	(27)	(1,226)
Total investments and other assets	124,447	129,808
Total fixed assets	882,840	918,110
Total assets	974,970	1,014,143

(Million yen)

	As of February 29, 2016	As of August 31, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable—trade	14,239	16,042
Short-term loans payable	8,339	27,655
Commercial papers	–	30,000
Bonds due within one year	200	10,000
Current portion of long-term debt	38,585	61,327
Income taxes payable	10,556	7,624
Deposits received from specialty stores	32,643	44,460
Allowance for employee bonus	1,218	743
Allowance for director and auditor performance-based remuneration	76	37
Provision for store closing expenses	1,797	1,797
Other current liabilities	103,742	87,464
Total current liabilities	211,398	287,153
Long-term liabilities:		
Straight bonds	95,000	85,000
Long-term debt	192,281	173,916
Accrued retirement benefits to employees	600	531
Asset retirement obligations	9,680	10,992
Lease deposits from lessees	122,199	129,622
Provision for loss on guarantees	525	–
Other long-term liabilities	3,435	3,002
Total long-term liabilities	423,722	403,065
Total liabilities	635,120	690,218
Net assets		
Shareholders' equity:		
Common stock	42,217	42,247
Capital surplus	42,525	42,021
Retained earnings	235,826	244,515
Treasury stock, at cost	(6,101)	(1,164)
Total shareholders' equity	314,468	327,619
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	1,168	925
Foreign currency translation adjustment	18,213	(10,190)
Remeasurements of defined benefit plans	(302)	(292)
Total accumulated other comprehensive income	19,079	(9,557)
Stock acquisition rights	193	154
Non-controlling interests	6,108	5,708
Total net assets	339,849	323,924
Total liabilities and net assets	974,970	1,014,143

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(For the six months ended August 31, 2015 and August 31, 2016)

(Million yen)

Six months ended	August 31, 2015	August 31, 2016
Operating revenue	111,705	132,709
Operating costs	79,579	99,440
Gross profit	32,126	33,268
Selling, general and administrative expenses	11,647	12,987
Operating income	20,478	20,280
Non-operating profits:		
Interest income	269	182
Compensation paid by departing tenants	386	643
Foreign exchange gains	–	900
Subsidy income	6	796
Other non-operating profits	340	229
Total non-operating profits	1,003	2,752
Non-operating expenses:		
Interest expenses	1,188	1,202
Loss on valuation of derivatives	–	967
Foreign exchange losses	530	–
Other non-operating expenses	103	248
Total non-operating expenses	1,822	2,418
Ordinary income	19,659	20,614
Extraordinary gains:		
Gain on sales of non-current assets	0	41
Total extraordinary gains	0	41
Extraordinary losses:		
Loss on sales of fixed assets	1	4
Loss on retirement of fixed assets	394	922
Impairment loss	686	–
Provision for loss on store closing	1,152	–
Provision of allowance for doubtful accounts	–	675
Other extraordinary losses	155	–
Total extraordinary losses	2,389	1,602
Income before income taxes	17,270	19,053
Income taxes		
—Current	8,185	7,563
—Deferred	(299)	153
Total income taxes	7,885	7,716
Net income	9,384	11,336
Net income (loss) attributable to non-controlling interests	(411)	171
Net income attributable to owners of parent	9,796	11,165

(Quarterly consolidated statements of comprehensive income)
(For the six months ended August 31, 2015 and August 31, 2016)

(Million yen)

Six months ended	August 31, 2015	August 31, 2016
Net income	9,384	11,336
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	365	(243)
Foreign currency translation adjustment	1,434	(29,054)
Remeasurements of defined benefit plans, net of tax	4	9
Total other comprehensive income	1,805	(29,287)
Comprehensive income	11,189	(17,951)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	11,795	(17,472)
Comprehensive income attributable to non-controlling interests	(605)	(479)

(3) Quarterly consolidated statements of cash flows

(Million yen)

Six months ended	August 31, 2015	August 31, 2016
Cash flows from operating activities:		
Income before income taxes	17,270	19,053
Depreciation and amortization	15,129	18,988
Impairment loss	686	–
Increase (decrease) in provision for loss on store closing	1,152	–
Interest and dividend income	(284)	(202)
Interest expenses	1,188	1,202
Decrease (increase) in receivable—trade accounts	(76)	(914)
Increase (decrease) in payable—trade accounts	2,742	3,385
Increase (decrease) in deposits received from specialty stores	(6,178)	11,791
Other, net	4,680	(3,579)
Subtotal	36,311	49,725
Interest and dividends received	270	134
Interest paid	(1,134)	(1,209)
Income taxes paid	(9,128)	(10,681)
Net cash provided by operating activities	26,317	37,969
Cash flows from investing activities:		
Purchase of property, plant and equipment	(99,613)	(72,165)
Proceeds from sales of property, plant and equipment	33,197	557
Payment of lease deposits to lessors	(1,794)	(2,052)
Reimbursement of lease deposits to lessors	385	1,318
Repayment of lease deposits from lessees	(3,622)	(5,148)
Proceeds from lease deposits from lessees	6,083	5,831
Other payments	(8,321)	(3,173)
Other proceeds	4,710	338
Net cash used in investing activities	(68,974)	(74,494)
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans and commercial papers	47,074	37,426
Proceeds from long-term debt	10,523	10,050
Repayment of long-term debt	(20,676)	(3,194)
Redemption of bonds	–	(200)
Purchase of treasury stock	(1)	(0)
Dividends paid	(2,506)	(2,476)
Dividends paid to non-controlling interests	(6)	(6)
Other	135	(131)
Net cash provided by financing activities	34,542	41,467
Foreign currency translation adjustments on cash and cash equivalents	650	(6,642)
Net increase (decrease) in cash and cash equivalents	(7,464)	(1,700)
Cash and cash equivalents at beginning of the period	67,222	53,652
Increase in cash and cash equivalents resulting from share exchanges	–	757
Cash and cash equivalents at end of the period	59,757	52,709

(4) Notes on quarterly consolidated financial statements

Notes on the going concern assumption

Not applicable

Notes on significant change in shareholders' equity, if any

The Company implemented a share exchange, whose effective date is March 1, 2016. Following the share exchange, the Company has become a wholly owning parent company, and OPA Co., Ltd. has become a wholly owned subsidiary. Mainly due to the share exchange, capital surplus declined 535 million yen, and treasury stock decreased 4,937 million yen.

Segment information

[Segment information]

I. Consolidated cumulative first half (March 1, 2015, to August 31, 2015)

1. Information on profit and loss and sales of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Quarterly Consolidated Statements of Income (Note 2)
Operating revenue						
Operating revenue to external customers	105,322	4,898	1,483	111,705	–	111,705
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	105,322	4,898	1,483	111,705	–	111,705
Segment profit (loss)	22,888	(1,916)	(495)	20,476	2	20,478

(Notes) 1. Adjustment to segment profit (loss) is adjustment to unrealized gains in intersegment transactions.
2. Segment profit (loss) is adjusted to operating income on the quarterly consolidated statement of income.

2. Information on impairment loss of fixed assets or goodwill of each reporting segment

Important impairment loss on fixed assets

In the "Japan" segment, an impairment loss has been recognized in the asset group of malls that are expected to close down. The amount of this impairment loss recognized for the first half under review is 686 million yen.

II. Consolidated cumulative first half (March 1, 2016, to August 31, 2016)

1. Information on profit and loss and sales of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Quarterly Consolidated Statements of Income (Note 2)
Operating revenue						
Operating revenue to external customers	120,387	9,319	3,001	132,709	–	132,709
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	120,387	9,319	3,001	132,709	–	132,709
Segment profit (loss)	22,382	(1,898)	(212)	20,271	9	20,280

(Notes) 1. Adjustment to segment profit (loss) is adjustment to unrealized gains in intersegment transactions.
2. Segment profit (loss) is adjusted to operating income on the quarterly consolidated statement of income.

2. Information on impairment loss of fixed assets or goodwill of each reporting segment

Because the information has little relevance, the description is omitted.

Business combination

Transaction under common control

1. Outline of the transaction

(1) Name and business of the company acquired

Name: OPA Co., Ltd. (hereinafter "OPA")

Business: Operation, management, and development of retail properties

(2) Date of business combination

March 1, 2016

(3) Legal form of business combination

A share exchange upon which the Company has become a wholly owing parent company and OPA has become a wholly owned subsidiary

(4) Changes in the names of companies after the business combination

No change

(5) Other information related to the transaction

OPA manages and operates nine fashion buildings located in midtown areas. In addition, OPA manages and operates fashion buildings in the VIVRE FORUS business (excluding retail business), which OPA took over from AEON Retail through an absorption-type demerger on March 1, 2016. The purposes of the business combination are as follows:

- Through the share exchange, the abovementioned businesses are integrated into the Company, which plays a core role in the AEON Group as a developer;
- The business expertise of both companies is combined to increase the number of new business bases, renovate existing facilities, and create attractive commercial facilities for customers; and
- The Company strengthens its management foundations and enhance its corporate value.

2. Accounting treatment

The Company has treated the share exchange as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on September 13, 2013).

3. Acquisition of shares in the subsidiary

(1) Acquisition cost and breakdown of the cost by class of shares

Acquisition cost: 4,937 million yen (Breakdown) Treasury stock: 4,937 million yen

(2) Share exchange ratio, calculation method, and number of shares delivered

(i) Share exchange ratio

47.48 common shares in the Company for 1 common shares in OPA

(ii) Calculation method

To ensure the fairness and appropriateness of the share exchange ratio, the Company chose PricewaterhouseCoopers Kyoto (PwC Kyoto) as an independent third-party institution to calculate the share exchange ratio and asked for the calculation. Based on the calculation, the Company and OPA carefully negotiated over the share exchange ratio. Both parties have decided that the share exchange ratio above is appropriate and have agreed on it.

(iii) Number of shares delivered

2,268,879

Major subsequent events

Cancellation of treasury shares

At a meeting of the Board of Directors held on September 20, 2016, we resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act. Details are as follows.

1. Class of cancelled shares	Common shares of the Company
2. Number of cancelled shares	534,058 (Percentage of the total shares outstanding before cancellation: 0.23%)
3. Date of cancellation	September 30, 2016