



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2019 (Japanese GAAP)

July 4, 2018

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

URL <http://www.aeonmall.com/ir/index.html>

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Starting date of dividend payment: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 First Quarter of the Fiscal Year Ending February 2019 (March 1, 2018 – May 31, 2018)

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2018	76,759	8.0	12,654	4.5	12,233	1.9	7,897	13.7
Three months ended May 31, 2017	71,095	6.1	12,104	7.0	12,004	1.8	6,948	22.9

(Note) Comprehensive income: Three months ended May 2018: (¥1,729) million (–%);

Three months ended May 2017: ¥536 million (–%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Three months ended May 31, 2018	34.72	34.71
Three months ended May 31, 2017	30.55	30.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
May 31, 2018	1,170,231	379,537	31.5
February 28, 2018	1,123,781	385,561	33.2

(Reference) Equity: May 31, 2018: ¥368,286 million, February 28, 2018: ¥373,572 million

2. Dividends

	Annual Dividend				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2018	—	16.00	—	19.00	35.00
Year ending February 28, 2019	—				
Year ending February 28, 2019 (projection)		19.00	—	19.00	38.00

(Note) Revisions to dividend forecast announced recently: None

3. Consolidated Earnings Projections for the Year Ending February 28, 2019 (March 1, 2018 – 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
Interim period (cumulative)	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

(Note) Revisions to earnings forecast announced 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 methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting-based estimates, revisions & restatements

[1] Changes in accounting policies due to changes in accounting standards, etc.: Yes

[2] Changes in accounting policies other than the above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

Note: For details, see “2. Quarterly Consolidated Financial Statements (4) Notes to the Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 13 of the accompanying materials.

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

[1] Number of shares outstanding at period-end (including treasury stock)	Three months ended May 31, 2018	227,432,289	Year ended February 28, 2018	227,430,089
[2] Treasury stock at period-end	Three months ended May 31, 2018	1,925	Year ended February 28, 2018	1,721
[3] Average number of shares during the period (quarterly cumulative)	Three months ended May 31, 2018	227,428,308	Three months ended May 31, 2017	227,414,130

* The summary of quarterly financial results is exempt from quarterly review procedures.

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

(Cautionary statement regarding forward-looking statements, etc.)

The forward-looking statements, such as earnings projections, included in these materials are based on information currently available to the Company and certain assumptions it deems reasonable. They do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. See “1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Projections and Other Projections” on page 7 of the accompanying materials for assumptions used in earnings projections and points to note when using earnings projections,

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on July 5, 2018. The materials handed out at this briefing will be posted on the Company’s website on July 4, 2018, and an audio recording of the briefing will be made available on the Company’s website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

The Company has drawn up a Medium-Term Management Plan (FY2017 – FY2019), with the fiscal year ended February 28, 2018 (FY2017) as the first year, and is working both to revamp its existing business models and establish new growth 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.

Operating revenue for the three months ended May 31, 2018 was ¥76,759 million (+8.0% year on year).

While operating costs rose to ¥57,422 million (+9.5% year on year) due to expansion in the scale of business, gross profit was ¥19,336 million (+3.7% year on year). Selling, general and administrative expenses were ¥6,682 million (+2.1% year on year), leading to operating income of ¥12,654 million (+4.5% year on year).

Net non-operating profits and expenses decreased ¥320 million compared with the first quarter of the previous fiscal year, resulting in ordinary income of ¥12,233 million (+1.9% year on year).

Net extraordinary gains and losses increased ¥968 million compared with the first quarter of the previous fiscal year. Extraordinary losses decreased ¥967 million, largely because of an extraordinary loss of ¥948 million recorded in the first quarter of the previous fiscal year on the cancellation of a lease contract due to the purchase of land and buildings of an existing mall. Income before income taxes and other adjustments was ¥11,913 million (+11.2% year on year).

As a result, net income attributable to owners of parent rose to ¥7,897 million (+13.7% year on year).

Consolidated earnings and earnings by segment in the period under review were as follows:

◆ Consolidated Earnings

(Million yen)

	FY2017 Q1	FY2018 Q1	Change [YoY]
Operating revenue	71,095	76,759	+5,663 [8.0%]
Operating income	12,104	12,654	+549 [4.5%]
Ordinary income	12,004	12,233	+228 [1.9%]
Net income attributable to owners of parent	6,948	7,897	+948 [13.7%]

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2017 Q1	FY2018 Q1	Change [YoY]	FY2017 Q1	FY2018 Q1	Change [YoY]
Japan	63,596	66,072	+2,475 [3.9%]	12,261	12,383	+121 [1.0%]
China	5,534	8,214	+2,680 [48.4%]	(220)	3	+223 [–]
ASEAN	1,964	2,471	+507 [25.8%]	59	261	+202 [341.9%]
Overseas	7,498	10,686	+3,187 [42.5%]	(161)	265	+426 [–]
Adjustment	–	–	– [–]	4	6	+1 [32.7%]
Total	71,095	76,759	+5,663 [8.0%]	12,104	12,654	+549 [4.5%]

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 ¥10,686 million (+42.5% year on year), while operating income totaled ¥265 million (compared with operating loss of ¥161 million in the same period of the previous year). By area, operating income turned positive in both China and ASEAN, and overseas operations are at the stage where profit will continue to expand.

◆Capturing Asian Growth Opportunities

(China)

Operating revenue was ¥8,214 million (+48.4% year on year) and operating profit was of ¥3 million (operating loss was ¥220 million in the first quarter of the previous fiscal year).

At the end of the period under review, the Company had 17 malls ^(note) in China, 10 of which are now profitable. Compared with the first quarter of the previous fiscal year, this translated to an improvement in operating income of ¥223 million.

Under the Medium-Term Management Plan (FY2017 – FY2019), the Company plans to open eight new malls in China, and opened four malls in the fiscal year ended February 28, 2018. In the fiscal year ending February 28, 2019, the Company is planning two mall openings, and opened AEON MALL Yantai Jinshatan (Yantai City, Shandong Province), its first mall in Shandong Province, in May.

In China, the Company is continuing its area-dominant store openings, 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 draw customers. This in turn gives the Company branding advantages including the ability to attract quality tenants and enter into leasing contracts on more favorable terms.

At AEON MALL Wuhan Jinyintan (Wuhan City, Hubei Province), which opened in December 2014, a large-scale renovation of more than 40% of the mall's specialty stores was carried out in May. Rapid economic growth and urbanization continues in the Wuhan area. The number of visitors to the mall exceeded 16 million in the year ended February 28, 2018, but this renovation will further enhance its customer drawing power by responding to changes in lifestyles with the introduction of 74 new specialty stores, including 11 stores opening their first outlet in Wuhan.

(ASEAN)

Operating revenue was ¥2,471 million (+25.8% year on year) and operating income was ¥261 million (+341.9% year on year).

In the period under review, all seven ^(note) of the Company's malls in the ASEAN region turned a profit. The operating income represents a ¥202 million increase over the first quarter of 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 ended February 28, 2018, the Company opened one mall in Indonesia. In the current fiscal year, the Company opened AEON MALL Sen Sok City (Phnom Penh City), its second mall in Cambodia, in May.

This mall is strengthening its entertainment functions by operating one of Cambodia's largest amusement complexes, which includes a water park, an indoor amusement park, a TV studio, a cinema and a bowling alley. It also houses governmental services including a driver's license renewal office, ID card issuance center and passport center, and a financial zone that brings together in-store branches of five banks, including Cambodia's largest banks, life insurance counters, and other financial services to enhance convenience for customers.

In Cambodia, AEON MALL Phnom Penh (Phnom Penh City), the Company's first mall in the country, opened in April 2014, and attracted more than 18 million customers in FY2017. The opening of AEON MALL Sen Sok City will further enhance the Company's branding in Cambodia.

In Vietnam, construction has begun on AEON MALL Ha Dong (Hanoi City), the Company's fifth mall in Vietnam, which is expected to open in FY2019. In addition, AEON MALL Hai Phong Le Chan (Hai Phong City), which will be the Company's sixth mall in Vietnam, is a project based on the Memorandum of Understanding on Promotion of Shopping Mall Investment entered into in June 2017 between the Company and Hai Phong City. Preparations for the opening of the mall are now under way.

In Indonesia, AEON MALL Sentul City (West Java), which will be the Company's third mall there, is under

construction with an expected opening in FY2019.

Note: Malls open as of February 28, 2018

New Business Locations (Malls) Overseas during the First Quarter of the Year Ending February 28, 2019

	Name	Location	Opening date (Note)	Number of tenants	Total rentable area (m ²)
China	AEON MALL Yantai Jinshatan	Yantai City, Shandong	May 2018	220	72,000
Cambodia	AEON MALL Sen Sok City	Phnom Penh City	May 2018	200	85,000

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.

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

	Name	Location	Opening date (Note)
China	AEON MALL Guangzhou Jinsha	Guangzhou City, Guangdong	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

Operating revenue was ¥66,072 million (+3.9% year on year) and operating income was ¥12,383 million (+1.0% year on year).

In the mall business, the Company expanded the sales floor area at one existing mall and conducted renewals at three existing malls. Along with the effects of these proactive expansions and renewals of existing malls, the Company implemented measures to increase customer drawing power, including attraction of new customer groups with the “Happiness Mall” initiative, and execution of sales policies to promote localization. In addition, the Company expanded its business locations with the opening of two new malls, including THE OUTLETS HIROSHIMA (Hiroshima Prefecture), which features a new format.

◆ Development of Latent Sources of Domestic Demand

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. In the Health category, the Company is conducting “Mall Walking” at AEON malls throughout Japan, and is promoting initiatives aimed at improving the health of customers. At AEON MALL Miyazaki (Miyazaki Prefecture), a Mall Walking program overseen by the Center for Preventive Medical Sciences, Chiba University was adopted in the mall in conjunction with a floor space expansion in March, creating a space and opportunity for promoting awareness of health. In Wellness, the Company presents “Opera de AEON MALL” opera concerts at various malls in cooperation with the Japan Opera Foundation. In April, an opera held at Kandou, a work experience theme park for children at AEON MALL Makuhari Shintoshin (Chiba Prefecture), provided a new and different opera appreciation experience, including an exciting video accompanied by a narration. The event received positive reviews.

To provide new experiences and discoveries to its customers, the Company is actively working to attract overseas specialty stores to Japan. In April, A! Xiang, a popular rice noodle restaurant in China, opened its first branch in Japan in AEON Lake Town (Saitama Prefecture). In June, MJstyle, a fast-fashion retailer that originated in Shanghai, opened its first store in Japan in AEON MALL Makuhari Shintoshin. The Company will continue to leverage its network with overseas specialty store companies that it has built in doing business in China and ASEAN to attract powerful overseas specialty stores to Japan.

Through “Happiness Mall” initiatives at various malls and promotion of localization with sales promotions and events that capitalize on regional characteristics, the Company will strengthen the customer drawing power of malls and drive sales expansion.

◆ 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 expand floor space at eight malls, conduct renewals at 30 malls and open 10 new malls. In FY2017, the Company expanded floor space at two malls, conducted renewals at 12 malls and opened five new malls. In the current fiscal year, the Company plans to expand floor space at two malls, conduct renewals at eight malls and open four new malls.

During the period under review, the Company expanded floor space at one mall and conducted renewals at three malls.

In March 2018, AEON MALL Miyazaki reopened with expanded floor space. A new wing was built at a site on the south side of the mall that had been used as a parking lot, and 63 specialty stores opened in the new wing. In addition, a major renewal that renovated 92 stores in the existing wing was carried out. As a result, this mall has established a position as the overwhelmingly dominant mall in its region, with total rentable area of 84,000m² (an increase of 14,000m²), and 250 specialty stores (an increase of 70 stores), and will leverage that position to expand its market share in the region.

At AEON MALL Sakai Kitahanada (Osaka Prefecture), phase 3 of a large-scale renewal was carried out in March, following phase 1 and phase 2, which were implemented in FY2017. Large specialty stores, mainly dealing in merchandise for daily needs, such as fast fashion, interior goods and sporting goods, moved into a space that was vacated by a department store in July 2017. By bringing in strong tenants on an overwhelmingly large scale with a new and unprecedented business model, the mall is further increasing its customer drawing power.

In the second quarter of the current fiscal year, the Company is planning a floor space expansion of AEON MALL Kumamoto (Kumamoto Prefecture), which is scheduled to open on July 20, 2018, and renewals of five malls.

Specialty store sales of the 18 malls where floor space expansions or renewals were carried out in the previous fiscal year and in the period under review were solid, increasing 8.0% compared with the same period in the previous fiscal year.

In new malls, the Company opened AEON MALL Zama (Kanagawa Prefecture) in March and THE OUTLETS HIROSHIMA, a regional innovative commercial facility with a new format that is different from conventional malls, in April. Based on the concept of combining full-scale outlet stores with leisure and entertainment and encounters with the local region, this facility will draw customers from a wide area, and will target not only customers in Hiroshima Prefecture, but also tourists from other parts of Japan and overseas. With features including an amusement facility developed in collaboration with a local sports team, and a zone offering a variety of regional foods and specialties, it will allow visitors to experience the local flavor of Hiroshima Prefecture.

In the second quarter of the current fiscal year and beyond, the Company plans to open AEON MALL Tsu-Minami (Mie Prefecture) in fall 2018, in addition to AEON MALL Iwaki Onahama (Fukushima Prefecture), which opened in June 2018.

The Company will also improve operating efficiency by taking advantage of the economies of scale of its more than 150 malls in Japan, and implement measures for low-cost operations, including reduction of electricity consumption with the introduction of energy-saving equipment.

Malls Renewed during the First Quarter of the Fiscal Year Ending February 28, 2019

Name	Location	Date reopened	Number of tenants	Number of new specialty stores (A) (Note 1)	Relocated/ remodeled (B)	Number of renewed specialty stores (A) + (B)
AEON MALL Miyazaki	Miyazaki Pref.	March 16	250	91 (69)	64	155
AEON MALL Kashihara	Nara Pref.	March 17	230	10 (2)	12	22
AEON MALL Sakai Kitahanada	Osaka Pref.	March 20	170	20 (—)	7	27
AEON MALL Itami	Hyogo Pref.	April 27	150	15 (—)	18	33

Notes:

1. Numbers in parentheses indicate the number of new specialty stores opening their first shop in that prefecture.
2. AEON MALL Miyazaki conducted a floor space expansion and renewal.

New Business Locations (Malls) in Japan during the First Quarter of the Fiscal Year Ending February 28, 2019

Name	Location	Date opened	Number of tenants	Total leased space (m ²)
AEON MALL Zama	Kanagawa Pref.	March 2018	160	50,000
THE OUTLETS HIROSHIMA	Hiroshima Pref.	April 2018	200	53,000

New Business Locations (Malls) Scheduled to Open during the Last Nine Months of the Fiscal Year Ending February 28, 2019

Name	Location	Opening date
AEON MALL Iwaki Onahama	Fukushima Pref.	June 2018
AEON MALL Tsu-Minami	Mie Pref.	Fall 2018

◆Capturing Urban Growth Opportunities

OPA Co., Ltd. plans to open Naha OPA (Okinawa Prefecture) and Hachioji OPA (tentative name) (Tokyo Prefecture) in fall of 2018. Among its existing stores, it is conducting a sequential renewal at Canal City OPA (Fukuoka Prefecture), which reopened in March with an assortment of specialty stores on the basement floor selling character goods, Japanese sundries and other specialty items to meet the needs of tourists visiting the mall from other parts of Japan and overseas. A sequential renewal is also in progress at Shinsaibashi OPA (Osaka Prefecture), which is undergoing a fundamental refurbishment that includes the conversion of store formats, exemplified by the opening of large specialty stores on the 7th and 8th floors in April.

New Business Locations (Urban Shopping Centers) Scheduled to Open during the Last Nine Months of the Fiscal Year Ending February 28, 2019

Name	Location	Opening date
Naha OPA	Okinawa Pref.	Fall 2018
Hachioji OPA (tentative name)	Tokyo Pref.	Fall 2018

2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets stood at ¥1,170,231 million, up ¥46,450 million from February 28, 2018. This was chiefly attributable to the acquisition of property, plant and equipment of ¥48,043 million due to the opening of new malls and the advance acquisition of land for development in the future, and an increase in cash and deposits of ¥8,652 million, which was partly offset by a decline primarily due to the depreciation of fixed assets of ¥10,325 million.

Liabilities

Total liabilities stood at ¥790,693 million, up ¥52,473 million from February 28, 2018. This was mainly due to an increase of ¥12,190 million in deposits received from specialty stores, a ¥30,000 million increase in bonds, and a ¥20,069 million increase in long-term debt (including the current portion of long-term debt), partly offset by a ¥11,000 million net decrease in commercial paper and a ¥4,474 million decrease in income taxes payable.

Net assets

Net assets totaled ¥379,537 million, down ¥6,023 million from February 28, 2018. This was primarily the result of an increase in retained earnings from net income attributable to owners of parent of ¥7,897 million, partly offset by a decrease of ¥9,100 million in foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents (“cash”) as of May 31, 2018 amounted to ¥62,097 million, an increase of ¥7,874 million from February 28, 2018.

Cash flows in the period under review were as follows:

Cash flows from operating activities

Net cash provided by operating activities was ¥25,152 million (compared with ¥20,633 million in the first quarter of the previous fiscal year). The primary factors included income before income taxes and other adjustments of ¥11,913 million (¥10,716 million in the previous fiscal year), depreciation and amortization of ¥10,325 million (¥9,204 million in the first quarter of the previous fiscal year), an increase in deposits received from specialty stores of ¥12,311 million (¥12,231 million in the first quarter of the previous fiscal year), and income taxes paid of ¥8,072 million (¥7,219 million in the first quarter of the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥51,038 million (compared with ¥28,042 million in the first quarter of the previous fiscal year). Principal factors were the purchase of property, plant and equipment of ¥52,244 million (¥29,525 million in the first quarter of the previous fiscal year) due to payments for equipment at AEON MALL Tokushima (Tokushima Prefecture) and AEON MALL Matsumoto (Nagano Prefecture), which opened in the previous fiscal year and AEON MALL Zama (Kanagawa Prefecture), which opened in the period under review, partly offset by proceeds from lease deposits from lessees of ¥5,953 million (¥5,295 million in first quarter of the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥35,233 million (compared with net cash used of ¥2,784 million in the first quarter of the previous fiscal year). This was chiefly attributable to proceeds from issuance of bonds of ¥30,000 million (none in the first quarter of the previous fiscal year), proceeds from long-term debt of ¥24,441 million (¥26,636 million in the first quarter of the previous fiscal year), while repayment of long-term debt totaled ¥4,663 million (¥26,344 million in the first quarter of the previous fiscal year) and dividends paid of ¥4,321 million (¥3,070 million in the first quarter of the previous fiscal year).

3) Explanation of Consolidated Earnings Projections and Other Projections

There are no changes to the consolidated earnings projections that were publicly announced on April 11, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2018	As of May 31, 2018
Assets		
Current assets:		
Cash and deposits	54,586	63,238
Notes and accounts receivable—trade	6,801	6,815
Other current assets	40,226	43,091
Allowance for doubtful receivables	(23)	(23)
Total current assets	101,590	113,121
Fixed assets		
Property, plant and equipment:		
Buildings and structures, net	551,839	592,720
Land	237,897	252,052
Other, net	84,530	59,344
Total property, plant and equipment	874,267	904,118
Intangible assets	3,812	3,723
Investments and other assets:		
Lease deposits paid	53,334	53,220
Other	90,813	96,084
Allowance for doubtful receivables	(36)	(36)
Total investments and other assets	144,110	149,267
Total fixed assets	1,022,190	1,057,109
Total assets	1,123,781	1,170,231

As of February 28, 2018

As of May 31, 2018

Liabilities		
Current liabilities:		
Notes and accounts payable-trade	17,859	20,009
Commercial paper	11,000	—
Short-term debt	—	1,000
Current portion of long-term debt	29,746	31,094
Income taxes payable	8,677	4,202
Deposits received from specialty stores	38,614	50,805
Allowance for employee bonus	1,458	833
Allowance for director and corporate auditor performance-based remuneration	107	25
Provision for loss on store closing	1,054	1,054
Other current liabilities	112,143	108,430
Total current liabilities	220,661	217,454
Long-term liabilities:		
Straight bonds	170,000	200,000
Long-term debt	195,002	213,724
Accrued retirement benefits to employees	1,046	1,011
Asset retirement obligations	11,814	16,191
Lease deposits from lessees	134,766	137,465
Other long-term liabilities	4,928	4,846
Total long-term liabilities	517,558	573,239
Total liabilities	738,219	790,693
Net assets		
Shareholders' equity:		
Common stock	42,271	42,273
Capital surplus	40,555	40,557
Retained earnings	281,477	285,054
Treasury stock, at cost	(2)	(3)
Total shareholders' equity	364,302	367,882
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	1,452	1,658
Foreign currency translation adjustment	8,727	(373)
Remeasurements of defined benefit plans	(909)	(881)
Total accumulated other comprehensive income	9,270	403
Stock acquisition rights	141	171
Non-controlling interests	11,847	11,080
Total net assets	385,561	379,537
Total liabilities and net assets	1,123,781	1,170,231

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the three months ended May 31, 2017 and May 31, 2018)

(Million yen)

	FY2017 Q1 March 1—May 31, 2017	FY2018 Q1 March 1— May 31, 2018
Operating revenue	71,095	76,759
Operating costs	52,448	57,422
Gross profit	18,647	19,336
Selling, general and administrative expenses	6,542	6,682
Operating income	12,104	12,654
Non-operating profits		
Interest income	182	158
Compensation paid by departing tenants	370	295
Gain on valuation of derivatives	—	123
Subsidy income	238	136
Other non-operating profits	116	104
Total non-operating profits	908	818
Non-operating expenses:		
Interest expenses	632	727
Foreign exchange losses	114	171
Loss on valuation of derivatives	78	—
Other non-operating expenses	183	340
Total non-operating expenses	1,008	1,239
Ordinary income	12,004	12,233
Extraordinary gains		
Gain on sale of fixed assets	—	0
Total extraordinary gains	—	0
Extraordinary losses		
Loss on sale of fixed assets	—	1
Loss on retirement of fixed assets	228	252
Loss on cancellation of lease contract	948	—
Other extraordinary losses	111	66
Total extraordinary losses	1,288	320
Income before income taxes and other adjustments	10,716	11,913
Income tax — current	3,872	3,873
Income tax — deferred	(105)	217
Total income taxes	3,767	4,090
Net income	6,949	7,822
Net income (loss) attributable to non-controlling interests	0	(74)
Net income attributable to owners of parent	6,948	7,897

(Quarterly Consolidated Statements of Comprehensive Income)
(For the three months ended May 31, 2017 and May 31, 2018)

(Million yen)

	FY2017 Q1 March 1—May 31, 2017	FY2018 Q1 March 1—May 31, 2018
Net income	6,949	7,822
Other comprehensive income		
Net unrealized gain on available-for-sale securities	215	206
Foreign currency translation adjustment	(6,654)	(9,786)
Remeasurements of defined benefit plans	25	27
Total other comprehensive income	(6,412)	(9,552)
Comprehensive income	536	(1,729)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	720	(968)
Comprehensive income attributable to non-controlling interests	(183)	(761)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2017 Q1 March 1—May 31, 2017	FY2018 Q1 March 1—May 31, 2018
Cash flows from operating activities:		
Income before income taxes and other adjustments	10,716	11,913
Depreciation and amortization	9,204	10,325
Increase (decrease) in provision for loss on store closing	(153)	—
Interest and dividend income	(201)	(179)
Interest expenses	632	727
Decrease (increase) in receivables—trade accounts	(113)	(223)
Increase (decrease) in payables—trade accounts	1,775	2,507
Increase (decrease) in deposits received from specialty stores	12,231	12,311
Other, net	(5,585)	(3,443)
Subtotal	28,506	33,939
Interest and dividends received	163	122
Interest paid	(818)	(837)
Income taxes paid	(7,219)	(8,072)
Net cash provided by (used in) operating activities	20,633	25,152
Cash flows from investing activities:		
Purchase of property, plant and equipment	(29,525)	(52,244)
Proceeds from sales of property, plant and equipment	—	10
Payment of lease deposits to lessors	(40)	(53)
Reimbursement of lease deposits to lessors	314	60
Repayment of lease deposits from lessees	(3,076)	(3,036)
Proceeds from lease deposits from lessees	5,295	5,953
Other payments	(2,003)	(1,826)
Other proceeds	993	98
Net cash provided by (used in) investing activities	(28,042)	(51,038)
Cash flows from financing activities:		
Increase (decrease) in short-term debt and commercial paper	—	(10,000)
Proceeds from long-term debt	26,636	24,441
Repayment of long-term debt	(26,344)	(4,663)
Proceeds from issuance of bonds	—	30,000
Purchase of treasury stock	(0)	(0)
Dividends paid	(3,070)	(4,321)
Dividends paid to non-controlling interests	(6)	(6)
Other	(1)	(217)
Net cash provided by (used in) financing activities	(2,784)	35,233
Foreign currency translation adjustments on cash and cash equivalents	(1,177)	(1,472)
Net increase (decrease) in cash and cash equivalents	(11,371)	7,874
Cash and cash equivalents at beginning of the period	69,593	54,223
Cash and cash equivalents at end of the period	58,221	62,097

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

Not applicable

Changes in major consolidated subsidiaries during the period under review

Not applicable

Changes in accounting policies

The Company has applied IFRS 15 (Revenue from Contracts with Customers) at overseas consolidated subsidiaries from the first quarter of the fiscal year ending February 28, 2019. The application of this accounting standard has no material effect on the Company's consolidated financial statements.

Segment and other information

Segment information

I. Previous consolidated first quarter (March 1, 2017 to May 31, 2017)

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount in quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue to external customers	63,596	5,534	1,964	71,095	—	71,095
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	63,596	5,534	1,964	71,095	—	71,095
Segment profit (loss)	12,261	(220)	59	12,100	4	12,104

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

2. Segment profit (loss) has been adjusted to operating income on the quarterly consolidated statements of income

2. Information on impairment of fixed assets, goodwill and the like, by each reporting segment

Not applicable.

II. Consolidated first quarter under review (March 1, 2018 to May 31, 2018)

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount in quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue to external customers	66,072	8,214	2,471	76,759	—	76,759
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	66,072	8,214	2,471	76,759	—	76,759
Segment profit	12,383	3	261	12,648	6	12,654

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

2. Segment profit has been adjusted to operating income on the quarterly consolidated statement of income.

2. Information on impairment of fixed assets, goodwill and the like, by each reporting segment

Not applicable

Significant subsequent events

The Company issued unsecured bonds on July 3, 2018 based on a resolution of the Board of Directors on June 11, 2018.

The details are outlined below.

Name of bonds	AEON MALL Co., Ltd Unsecured Bond Series 15 (with inter-bond pari passu clause)
Total value of bonds	¥15,000 million
Value of each bond	¥100 million
Coupon rate	0.030%
Issue price	¥100 per face value of ¥100
Date of issue	July 3, 2018
Method and due date for the redemption	Single redemption payment on July 2, 2021
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of funds	The proceeds will be used as funds for capital expenditures.

Name of bond	AEON MALL Co., Ltd Unsecured Bond Series 16 (with inter-bond pari passu clause)
Total value of bonds	¥10,000 million
Value of each bond	¥100 million
Coupon rate	0.370%
Issue price	¥100 per face value of ¥100
Date of issue	July 3, 2018
Redemption method and date of redemption	Single redemption payment on July 3, 2025
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of funds	The proceeds will be used as funds for capital expenditures.

Name of bonds	AEON MALL Co., Ltd Unsecured Bond Series 17 (with inter-bond pari passu clause)
Total value of bonds	¥20,000 million
Value of each bond	¥100 million
Coupon rate	0.500%
Issue price	¥100 per face value of ¥100
Date of issue	July 3, 2018
Redemption method and date of redemption	Single redemption payment on July 3, 2028
Collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of funds	The proceeds will be used as funds for capital expenditures.

Name of bonds	AEON MALL Co., Ltd Unsecured Bond Series 18 (with inter-bond pari passu clause)
Total value of bonds	¥5,000 million
Value of each bond	¥100 million
Coupon rate	1.050%
Issue price	¥100 per face value of ¥100
Date of issue	July 3, 2018
Redemption method and date of redemption	Single redemption payment on July 2, 2038
Details of collateral	No collateral or guarantee is pledged and no assets are specifically reserved to secure the bonds.
Use of funds	The proceeds will be used as funds for capital expenditures.