



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 29, 2020 (Japanese GAAP)

October 8, 2019

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

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

Representative: Akio Yoshida, President and CEO

Inquiries: Masahiko Okamoto, Director and General Manager of the Administration Division

Telephone: +81-43-212-6733

Scheduled date of filing of quarterly report: October 11, 2019

Starting date of dividend payment: October 25, 2019

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 Second Quarter of the Fiscal Year Ending February 2020 (March 1, 2019 – August 31, 2019)

(1) Consolidated Operating Results (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	%
Six months ended August 31, 2019	161,070	4.2	29,212	18.3	25,157	5.3	17,043	9.0
Six months ended August 31, 2018	154,637	9.6	24,689	9.3	23,885	8.8	15,628	22.4

(Note) Comprehensive income: Six months ended August 31, 2019: ¥11,895 million (141.1%)

Six months ended August 31, 2018: ¥4,933 million (-39.8%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six months ended August 31, 2019	74.91	74.90
Six months ended August 31, 2018	68.71	68.69

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
August 31, 2019	1,402,815	388,860	27.0
February 28, 2019	1,203,211	394,059	31.9

(Reference) Equity: August 31, 2019: ¥378,415 million

February 28, 2019: ¥383,393 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, 2019	—	19.00	—	19.00	38.00
Year ending February 29, 2020	—	20.00			
Year ending February 29, 2020 (projection)			—	20.00	40.00

(Note) Revisions to dividend forecast announced recently: None

3. Consolidated Earnings Projections for the Year Ending February 29, 2020 (March 1, 2019 - February 29, 2020)

(Percentages represent year-on-year changes)

	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	326,000	4.2	62,000	17.0	54,000	3.4	33,700	0.5	148.15

(Notes) 1. Revisions to earnings forecast announced recently: None

(Notes) 2. Consolidated financial statements for the fiscal year ending February 29, 2020 will reflect the adoption of IFRS 16 *Leases*. Accordingly, the Company's consolidated earnings projections for the fiscal year ending February 29, 2020 incorporate the impact of this accounting standard.

* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): Yes

(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 P.15 of the accompanying materials.

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

[1] Number of shares outstanding at period-end (including treasury stock)	Six months ended August 31, 2019	227,512,809	Year ended February 28, 2019	227,472,789
[2] Treasury stock at period-end	Six months ended August 31, 2019	2,407	Year ended February 28, 2019	2,279
[3] Average number of shares during the period (quarterly cumulative)	Six months ended August 31, 2019	227,492,638	Six months ended August 31, 2018	227,442,318

* 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 P.9 of the accompanying materials for assumptions used in earnings projections and matters 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 October 9, 2019. The materials handed out at this briefing will be posted on the Company's website on October 8, 2019, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

Accompanying Materials — Contents

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	8
(3) Explanation of Consolidated Earnings Projections and Other Projections	9
2. Quarterly Consolidated Financial Statements and Notes	10
(1) Quarterly Consolidated Balance Sheets	10
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	12
Quarterly Consolidated Statements of Income	
(For the six months ended August 31, 2018 and August 31, 2019)	12
Quarterly Consolidated Statements of Comprehensive Income	
(For the six months ended August 31, 2018 and August 31, 2019)	13
(3) Quarterly Consolidated Statements of Cash Flows	14
(4) Notes to the Quarterly Consolidated Financial Statements	15
Notes on the going concern assumption	15
Notes on significant changes in shareholders' equity	15
Changes in major consolidated subsidiaries during the period under review	15
Changes in accounting policies	15
Supplementary information	15
Segment and other information	16
Significant subsequent events	17

1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

AEON MALL (the Company) formulated a medium-term management plan covering fiscal 2017 (FYE February 28, 2018) through fiscal 2019. Under this plan, we are revising existing business models and securing new growth models. More specifically, we are striving to reach sustainable growth and profit improvements through five growth strategies: (1) Capture growth opportunities in Asia; (2) Develop latent sources of domestic demand; (3) Become the overwhelmingly dominant mall in each region; (4) Capture urban growth opportunities; and (5) Implement an optimal financing mix and build organizational structures that support growth.

Operating revenue for the six months ended August 31, 2019 was ¥161,070 million, up 4.2% year on year. Operating costs rose 1.2% to ¥117,618 million in connection with business growth. At the same time, gross profit rose 13.0% to ¥43,451 million, while selling, general and administrative expenses increased 3.6% to ¥14,238 million. Operating income amounted to ¥29,212 million, which was an increase of 18.3%.

The Company recorded ordinary income of ¥25,157 million, up 5.3% year on year and net income attributable to owners of parent of ¥17,043 million, which was an increase of 9.0%.

Consolidated earnings and earnings by segment in the period under review were as described below. Our consolidated financial statements for the fiscal year ending February 2020 will reflect the adoption of International Financial Reporting Standard (IFRS) 16 *Leases* with respect to our overseas consolidated subsidiaries. For details on the impact of IFRS 16 adoption, see 2. Quarterly Consolidated Financial Statements (4) Notes to the Quarterly Consolidated Financial Statements, Changes in accounting policies on P.15 of the accompanying materials

◆ Consolidated Earnings

(Million yen)

	FY2018 Q2	FY2019 Q2	Change [YoY]
Operating revenue	154,637	161,070	+6,433 [4.2%]
Operating income	24,689	29,212	+4,523 [18.3%]
Ordinary income	23,885	25,157	+1,272 [5.3%]
Net income attributable to owners of parent	15,628	17,043	+1,414 [9.0%]

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (loss)		
	FY2018 Q2	FY2019 Q2	Change [YoY]	FY2018 Q2	FY2019 Q2	Change [YoY]
Japan	133,006	136,911	+3,904 [2.9%]	24,350	24,847	+497 [2.0%]
China	16,477	17,801	+1,324 [8.0%]	(183)	3,006	+3,189 [-]
ASEAN	5,153	6,357	+1,204 [23.4%]	509	1,346	+836 [164.1%]
Overseas	21,630	24,159	+2,528 [11.7%]	326	4,352	+4,026 [1,233.9%]
Adjustment	—	—	— [-]	12	12	— [0%]
Total	154,637	161,070	+6,433 [4.2%]	24,689	29,212	+4,523 [18.3%]

AEON MALL applied IFRS 16 as of the beginning of the current consolidated fiscal year. As a result, profits for the China and ASEAN segments for the six months ended August 31, 2019, increased ¥2,377 million and ¥238 million, respectively.

a. Overseas (China, ASEAN)

The Company continues to secure improving branding advantages through area-dominant store openings in China and ASEAN. As a result, operating revenue grew to ¥24,159 million, representing a 11.7% increase year on year. Operating income amounted to ¥4,352 million, which was a 1,233.9% increase. The Company's overseas business operated 28 malls as of the end of the cumulative consolidated second quarter, and is experiencing high growth rates in operating revenue and operating income in step with high revenue growth. In addition to new mall openings, AEON MALL is moving forward with renovations for new tenants in existing malls and strategic floor space expansions. These measures combined with initiatives to leverage Japanese-quality mall operations for competitive advantage and increased customer traffic lead us to expect continued high profit growth in the future.

◆ Capture Growth Opportunities in Asia
(China)

The Company recorded operating revenue in China in the amount of ¥17,801 million, an increase of 8.0% year on year. Operating income amounted to ¥3,006 million, an improvement of ¥3,189 million compared to an operating loss of ¥183 million for the same period in the prior fiscal year.

In China, AEON MALL continued area-dominant store openings, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei, and Guangdong. The impact of these store openings has increased the company's brand power to attract more customers. This type of brand advantage attracts quality tenants and leads to lease contracts under more favorable terms.

In June, we opened our first mall in Changshu City (fifth in Jiangsu Province), AEON MALL Changshu Xinqu. This mall provides a brand-new shopping experience for customers, who can use a smartphone app to access digital floor guides, virtual fitting rooms, parking space search, and more through the latest in digital technologies. As digitalization continues to progress in China, these convenient digitally enhanced services and functions have become very popular, helping push mall sales higher than original plan since the mall's grand opening.

Despite somewhat slowing growth in the country, AEON MALL leverages operational expertise developed in Japan to drive consumer demand through promotional sales and events. The company also offers the same type of cleanliness found in Japanese malls (clean, safe, comfortable environments) and conducts renovations regularly, timed to the changeover of tenants, to generate customer traffic.

The number of malls are increasing that have passed the three- to four-year mark after opening, reaching the point of lease renewals, lease renegotiations, and renovations timed to the entry of new, more popular tenants. During the first six months of the current fiscal year, AEON MALL reopened four newly renovated malls: AEON MALL Suzhou Xinqu (April 30; Suzhou City, Jiangsu Province); AEON MALL Wuhan Jingkai (May 1; Wuhan City, Hubei Province); AEON MALL Guangzhou Panyu Square (May 1; Guangzhou City, Guangdong Province) and AEON MALL Hangzhou Liangzhu Xingcheng (May 24; Hangzhou City, Zhejiang Province).

In August, AEON MALL Guangzhou Panyu Square hosted the Fourth Annual AEON MALL National Customer Service Role-Play Contest. The contest is growing every year. This year, nearly 50,000 employees participated, representing 3,700 specialty stores and 19 malls across China. This contest not only improves individual customer service levels, but also leads to improved skills of mall employees as a whole.

These and other measures are driving double-digit growth in specialty store sales at the 19 existing malls. The Company plans to further evolve our malls in China, generating greater customer traffic and growing profits by

leveraging the expertise learned in Japan and Japanese-quality mall operations to keep AEON MALL shopping centers feeling fresh and exciting.

(ASEAN)

AEON MALL recorded operating revenue in ASEAN in the amount of ¥6,357 million, an increase of 23.4% year on year. Operating income amounted to ¥1,346 million (+164.1%), an increase of ¥836 million compared to the year-ago period.

In Vietnam, we responded to market needs accompanying a rapidly growing economy, expanding and reopening AEON MALL Tan Phu Celadon (Ho Chi Minh City), our first mall in the country, in June. We increased total lease area for the facility by 1.8 times to 84,000m² (37,000m² increase). We also raised parking lot capacity to 2,000 cars and 10,000 motorcycles, increases of 1,500 and 6,000, respectively. In addition to adding new tenants, we upgraded the MD and zoning layout of existing zones and new areas to offer customers a new shopping experience in one destination. The diverse range of new tenants includes fashion retailers, sporting goods stores, cosmetics outlets, pet shops, and entertainment. A newly expanded food court now offers seating for 1,000 customers in addition to a beverage zone (food market) on each floor. AEON MALL Tan Phu Celadon now boasts 200 shops and retailers (an increase of 80), many of whom have made their first entry into the Vietnamese market.

In July, AEON MALL, Vietnam Posts and Telecommunications Group, and Nissho Electronics VIETNAM Company Limited signed a joint memorandum at a Vietnam investment conference in Tokyo hosted by JETRO (Japan External Trade Organization) and the Vietnam Ministry of Planning and Investment. The purpose of this memorandum is to contribute to improved convenience and comfort for the citizens of Vietnam. Bringing the resources of these three companies to bear, we will engage in further digitalization and ICT usage for the benefit of Vietnamese society.

We are currently preparing to open AEON MALL Ha Dong (Hanoi City), the company's fifth in the Hanoi area, as well as AEON MALL Hai Phong Le Chan (Hai Phong City; sixth mall in the country), looking ahead to a scheduled 2020 opening.

In Cambodia, AEON MALL Sen Sok City (second mall in Cambodia) recently completed its first year of operations. Customer traffic for the first 12 months exceeded 13 million people and the mall continues to enjoy strong performance. The Company's first mall in Cambodia, AEON MALL Phnom Penh (Phnom Penh), is experiencing marked popularity with customers, offering new high-end experiential retailers to leverage the advantages of the mall's location in central Phnom Penh. In this way, the mall is differentiating itself from our second mall, which offers a range of entertainment functions situated in the suburbs.

In Indonesia, we are preparing for grand openings of the Company's third and fourth malls, AEON MALL Sentul City (West Java) and AEON MALL Tanjung Barat (Southern Jakarta).

Malls Renovated During the First Six Months of Fiscal 2019

	Name	Location	Date Reopened	No. of Tenants	No. of New Specialty Stores (A)	Relocated/ Renovated (B)	No. of Renovated Specialty Stores (A) + (B)
China	AEON MALL Suzhou Xinqu	Suzhou City, Jiangsu	April 30	280	35	77	112
	AEON MALL Wuhan Jingkai	Wuhan City, Hubei	May 1	300	78	23	101
	AEON MALL Guangzhou Panyu Square	Guangzhou City, Guangdong	May 1	170	33	14	47
	AEON MALL Hangzhou Liangzhu Xingcheng	Hangzhou City, Zhejiang Province	May 24	180	23	23	46
Vietnam	AEON MALL Tan Phu Celadon (Note 2)	Ho Chi Minh City	April 25	200	77	46	123
			June 28		45	16	61

(Notes) 1. The accounting period for companies outside Japan is the year ending December 31. Accordingly, figures presented herein reflect results for January through June.

2. AEON MALL Tan Phu Celadon was a floor space expansion and renovation.

New Business Locations (Malls) Overseas during the First Six Months of the Year Ending February 29, 2020

	Name	Location	Opening Date	No. of Tenants	Lease Area (m2)
China	AEON MALL Changshu Xinqu	Changshu City, Jiangsu	June 2019	180	63,000

New Overseas Business Locations (Malls) Scheduled to Open During the Third Quarter of Fiscal 2019

	Name	Location	Opening Date
China	AEON MALL Qingdao Xihai Xinqu	Qingdao City, Shandong	FY2019
Vietnam	AEON MALL Ha dong	Hanoi City	FY2019

(Note) The scheduled opening for AEON MALL Sentul City has been shifted to FY2020 due to changes in construction schedule.

b. Japan

The Company recorded operating revenue in Japan in the amount of ¥136,911 million, an increase of 2.9% year on year. Operating income amounted to ¥24,847, up 2.0%.

Our Mall Business expanded sales floor space in three malls and renovated nine existing malls during the period. Along with expansions and mall renovations, the Company implemented measures to increase new customer segment drawing power (Happiness Mall Initiative, etc.), while executing sales policies to promote localization.

◆ Develop Latent Sources of Domestic Demand

The AEON Group has been strengthening Health and Wellness initiatives that contribute to rich and varied lifestyles for customers through physical and mental health. AEON MALL aspires to be a space for customers to find happiness. We are rolling out Happiness Mall initiatives built on four pillars: Health, Wellness, Community, and Opportunity.

Under the banner of Health, the Company promotes mall walking activities at every AEON MALL location throughout Japan. Indoor mall walking is available regardless of weather conditions and serves to prevent heat stroke. The Company's malls conduct promotions in each local area, engaging in collaborations with medical institutions and local governments, as well as publishing articles in free newspapers targeting senior citizens.

AEON MALL supports the Sport in Life project, a new effort by the Japan Sports Agency aimed at promoting sports in society. Our malls throughout Japan sponsored *Mall de Sports* sports experience events taking advantage of our comfortable mall spaces.

Another example of a Wellness program is the Opera de AEON MALL operas held at various malls in cooperation with the Japan Opera Foundation. The Company intends to expand this program, planning more concerts at 30 locations in Japan. Since our first event in 2017, concerts have been held at 42 different locations and attended by nearly 13,800 individuals as of the end of August 2019. We intend to continue offering true opera experiences to many more customers in the future.

In terms of Community, AEON MALL has installed polling locations at our malls. Our goal here is to offer a comfortable environment for customers to exercise their voting rights, as well as easy access to voting for employees who work at tenants in our malls. During the April nationwide local elections, AEON MALL offered voting at 44 locations throughout Japan. We replicated this social service at 56 locations during the 25th general election of the House of Councilors held in July. This is just one example of how we will continue offering convenience and improved lifestyle services to our customers in areas outside major cities.

AEON MALL Kyoto Katsuragawa (Kyoto Prefecture) has joined the Ministry of Environment in the *Cool Share* program conducted in Muko City, Kyoto Prefecture. Under this project, public facilities, cultural facilities, and AEON MALL shopping malls are registered as the largest community *Cool Share Spots* in their respective areas. These Cool Share Spots serve as sites for joint events and services to communicate information across the region.

In other projects, AEON MALL shopping malls are collaborating across fields of industry, academia, government, private organizations, culture, and products. Projects include hyper localization planning, as well as collaborations with industry and private organizations such as the Japan Post Bank and J.League (professional soccer).

◆ **Become the Overwhelmingly Dominant Mall in Each Region**

As more retail facilities become victims of natural selection, AEON MALL is increasing its share of dominant regional malls that enjoy the highest rates of customer support. Becoming the dominant No.1 mall in one region raises competitive advantage throughout the Japanese shopping mall market.

During the period under review, the Company expanded floor space at three malls (AEON MALL Higashiura (Aichi Pref.), AEON MALL Natori (Miyagi Pref.), and AEON MALL Okinawa Rycom (Okinawa Pref.)) and renovated nine malls.

AEON MALL Higashiura underwent a floor expansion in April, renovating 122 tenant spaces, which represented nearly 70% of the mall. In July, the existing wing was redesigned into a lifestyle zone featuring a dining area consisting of 12 new tenants and an integrated bookstore and café.

AEON MALL Narita (Chiba Pref.) remodeled 88 tenant spaces (50% of total) in April as part of the first phase of renovations. The second phase of renovations began in July. These renovations consisted of an integrated AEON-style food sales zone on the first floor of the mall, new digital information and pocket change machines, and other expanded service functions to increase traffic from inbound tourists.

The Company's tenants enjoyed solid sales performance in the 20 malls with expanded floor space or renovations conducted in the previous year and the cumulative second quarter of the current fiscal year. Sales grew a firm 6.7% compared to the same period in the prior fiscal year.

As part of third quarter mall renovations, we expanded and reopened AEON MALL Takaoka (Toyama Pref.) in September. New mall openings included the September grand opening of AEON Fujiidera Shopping Center (Osaka Pref.), previously closed in February 2014 as part of a scrap-and-build initiative. We have also started construction on AEON MALL Ageo (Saitama Pref.; tentative name) and the new wing of AEON MALL Rifu (Miyagi Pref.; tentative name) looking ahead to fiscal 2020 grand openings.

Malls Renovated During the First Six Months of Fiscal 2019

Name	Location	Date Reopened	No. of Tenants	No. of New Specialty Stores (A) (Note 1)	Relocated/ Renovated (B)	No. of Renovated Specialty Stores (A) + (B)
AEON MALL Musashi Murayama	Tokyo Pref.	March 20	180	27 (4)	56	83
		July 12		16 (3)	5	21
AEON MALL Mito Uchihara	Ibaraki Pref.	March 21	200	18 (5)	11	29
AEON MALL Higashiura (Note 2)	Aichi Pref.	April 19	170	69 (11)	53	122
		July 30		14 (—)	—	14
AEON MALL Natori (Note 2)	Miyagi Pref.	April 19	240	67 (29)	54	121
AEON MALL Hiroshima Fuchu	Hiroshima Pref.	April 19	280	10 (1)	2	12
AEON MALL Narita	Chiba Pref.	April 20	170	30 (9)	58	88
		July 12		7 (1)	6	13
AEON MALL Kasukabe	Saitama Pref.	April 20	160	19 (—)	7	26
AEON MALL Okinawa Rycom (Note 2)	Okinawa Pref.	April 26	240	14 (8)	4	18
AEON MALL Kobe Kita	Hyogo Pref.	April 26	160	12 (1)	11	23
AEON MALL Tsukuba	Ibaraki Pref.	April 26	200	21 (7)	11	32
AEON MALL Sakai Teppochō	Osaka Pref.	April 27	160	18 (—)	3	21
Kobe Harborland umie	Hyogo Pref.	July 12	230	12 (—)	14	26

(Notes) 1. Numbers in parentheses indicate the number of new specialty stores opening their first shop in that prefecture.

2. AEON MALL Higashiura, AEON MALL Natori, and AEON MALL Okinawa Rycom underwent floor space expansions.

New Japanese Business Locations (Malls) Scheduled to Open Through the Third Quarter of Fiscal 2019

Name	Location	Opening Date
AEON Fujiidera Shopping Center	Osaka Pref.	September 2019

◆ Capture Urban Growth Opportunities

OPA Co., Ltd. is renovating locations to transition away from apparel-heavy sales, working to attract trendy specialty stores that will generate more customer traffic at existing facilities.

During the first six months of the current consolidated fiscal year, OPA renovated Shonan Fujisawa OPA (Kanagawa Pref.) and Yokohama VIVRE (Kanagawa Pref.) locations, adding dining, drugstore, daily goods, and other retail shops. These upgrades and reactivations of existing tenants resulted in sales 3.9% higher year-on-year.

Under a scrap-and-build approach, OPA reopened Oita OPA (Oita Pref.) in June. The location had been closed as of June 2017. Oita OPA is located among a collection dining and other goods and services, offering new lifestyle options for urban living.

Further, AEON MALL acquired shares of Yokohama Importmart Inc., operator of Yokohama World Porters, from Yokohama City and other parties. OPA Co., Ltd. had operated certain sections of World Porters Vivre (Kanagawa Pref.) in Yokohama World Porters. Moving forward, AEON MALL will centrally manage and operate the entire facility, conducting renovations to attract traffic more effectively, to operate more efficiently, and to grow profits.

New Japanese Business Locations (Urban Shopping Centers) Opened Through the Second Quarter of Fiscal 2019

Name	Location	Opening Date
Oita OPA	Oita Pref.	June 2019

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,402,815 million, up ¥199,604 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to the recognition of ¥137,947 million in right-of-use assets stemming from the application of IFRS 16 (including transfers of land-use rights under other within investments and other assets in prior years). The Company acquired property, plant and equipment of ¥51,828 million in connection with the assets of new subsidiary Yokohama Importmart Inc., the activation of existing malls, and the advance acquisition of land for development in the future. At the same time, cash and deposits increased ¥6,921 million, deposits paid to affiliates (included in *other* under *current assets*) increased ¥69,700 million, and fixed assets decreased ¥28,373 million due to depreciation.

Liabilities

Total liabilities stood at ¥1,013,955 million, up ¥204,803 million compared to the end of the prior consolidated fiscal year. This result was mainly due to ¥120,114 million in lease liabilities stemming from the application of IFRS 16 (including lease obligations under current liabilities), an increase in deposits received from specialty stores of ¥46,607 million, and an increase in bonds of ¥65,000 million (including current portion). These amounts were offset in part by decreases in commercial paper of ¥6,000 million, long-term debt (including current portion) of ¥5,565 million, and income taxes payable (including *other* under *current liabilities*) of ¥9,700 million.

Net assets

Net assets totaled ¥388,860 million, down ¥5,198 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in retained earnings of ¥17,043 million in connection with the recording of net income attributable to owners of parent, offset in part by dividend payments of ¥4,321 million, a decrease of ¥12,985 million in connection with application of IFRS 16, and a decrease in foreign currency translation adjustment of ¥4,730 million.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the cumulative consolidated second quarter amounted to ¥130,458 million, up ¥75,044 million compared to the end of the prior consolidated fiscal year.

Cash flows in the period under review were as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥95,582, compared to cash flows of ¥52,798 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥25,524 million (¥23,901 million in the year-ago period), depreciation and amortization of ¥28,373 million (¥21,009 million in the year-ago period), and an increase in deposits received from specialty stores of ¥46,178 million (versus ¥14,009 million in the year-ago period). At the same time, income taxes paid amounted to ¥7,647 million, compared to ¥8,828 million in the year-ago period.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥63,049 million, compared to ¥94,984 million through the second quarter of the prior fiscal year. This result was mainly due to payments for facilities at malls opened during the prior consolidated fiscal year (THE OUTLETS HIROSHIMA, AEON MALL Iwaki Onahama, AEON MALL Tsu-Minami), as well as cash outlays of ¥60,253 million in purchases of property, plant and equipment associated with land for development (¥103,571 million in the year-ago period). These cash outlays were somewhat offset by proceeds from lease deposits from lessees in the amount of ¥5,863 million (¥9,508 million in the year-ago period).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥44,284 million, compared to net cash provided of ¥85,047 million through the second quarter of the prior fiscal year. This result was mainly due to proceeds from issuance of bonds in the amount of ¥80,000 million (¥80,000 million in the year-ago period) and proceeds from long-term debt of ¥2,500 million (¥33,735 million in the year-ago period). During the same period, the Company made cash outlays for redemptions of bonds of ¥15,000 million (no outlays during the year-ago period), repayments of long-term debt of ¥6,959 million (¥12,873 million in the year-ago period), ¥6,000 million in repayments of short-term loans and commercial paper (¥11,000 million in the year-ago period), and payments of dividends in the amount of ¥4,321 million (¥4,321 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

The Company has made no changes to the consolidated earnings projections announced April 9, 2019.

Consolidated financial statements for the current consolidated fiscal year will reflect the adoption of IFRS 16. The Company's consolidated earnings projections for the current fiscal year incorporate the impact of this accounting standard.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2019	As of August 31, 2019
Assets		
Current assets:		
Cash and deposits	56,823	63,745
Notes and accounts receivable–trade	7,426	7,912
Other	38,376	113,059
Allowance for doubtful receivables	(34)	(67)
Total current assets	102,592	184,650
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	612,656	627,653
Land	297,196	304,280
Right-of-use assets (net)	—	130,433
Other, net	30,740	34,749
Total property, plant and equipment	940,593	1,097,117
Intangible assets	3,638	3,449
Investments and other assets		
Lease deposits paid	52,061	50,582
Other	104,340	67,030
Allowance for doubtful receivables	(15)	(13)
Total investments and other assets	156,387	117,598
Total fixed assets	1,100,618	1,218,165
Total assets	1,203,211	1,402,815

(Million yen)

	As of February 28, 2019	As of August 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,977	10,079
Commercial paper	6,000	—
Bonds due within one year	15,000	15,000
Current portion of long-term debt	24,015	21,386
Lease obligations	21	11,389
Income taxes payable	7,879	8,451
Deposits received from specialty stores	41,931	88,539
Allowance for employee bonus	1,525	951
Allowance for director and corporate auditor performance-based remuneration	110	54
Provision for loss on store closing	612	572
Other current liabilities	69,850	62,308
Total current liabilities	186,923	218,732
Long-term liabilities		
Straight bonds	235,000	300,000
Long-term debt	226,960	224,023
Lease obligations	106	108,853
Accrued retirement benefits to employees	1,133	1,099
Asset retirement obligations	16,226	17,424
Lease deposits from lessees	138,842	140,325
Other, long-term liabilities	3,959	3,496
Total long-term liabilities	622,228	795,222
Total liabilities	809,151	1,013,955
Net assets		
Shareholders' equity		
Common stock	42,313	42,346
Capital surplus	40,597	40,630
Retained earnings	306,373	306,109
Treasury stock, at cost	(4)	(4)
Total shareholders' equity	389,280	389,081
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,312	1,201
Foreign currency translation adjustment	(6,247)	(10,978)
Remeasurements of defined benefit plans	(951)	(890)
Total accumulated other comprehensive income	(5,887)	(10,666)
Stock acquisition rights	91	50
Non-controlling interests	10,574	10,394
Total net assets	394,059	388,860
Total liabilities and net assets	1,203,211	1,402,815

(2) Quarterly consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended August 31, 2018 and August 31, 2019)

(Million yen)

	FY2018 Q2 March 1 - August 31, 2018	FY2019 Q2 March 1 - August 31, 2019
Operating revenue	154,637	161,070
Operating costs	116,198	117,618
Gross profit	38,438	43,451
Selling, general and administrative expenses	13,749	14,238
Operating income	24,689	29,212
Non-operating profits		
Interest income	368	439
Compensation paid by departing tenants	711	781
Foreign exchange gains	—	269
Gain on valuation of derivatives	325	—
Compensation income	296	85
Other non-operating profits	256	511
Total non-operating profits	1,957	2,088
Non-operating expenses		
Interest expenses	1,598	4,978
Loss on valuation of derivatives	—	213
Foreign exchange losses	253	—
Other non-operating expenses	910	951
Total non-operating expenses	2,761	6,143
Ordinary income	23,885	25,157
Extraordinary gains		
Gain on sale of fixed assets	1,414	2
Gain on negative goodwill	—	1,239
Gain on step acquisitions	—	706
Total extraordinary gains	1,414	1,948
Extraordinary losses		
Loss on sale of fixed assets	1	0
Loss on retirement of fixed assets	521	665
Impairment loss	730	904
Other extraordinary losses	144	11
Total extraordinary losses	1,397	1,582
Income before income taxes	23,901	25,524
Income tax – current	8,953	8,114
Income tax – deferred	(290)	211
Total income taxes	8,663	8,325
Net income	15,238	17,198
Net income (loss) attributable to non-controlling interests	(390)	155
Net income attributable to owners of parent	15,628	17,043

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months ended August 31, 2018 and August 31, 2019)

(Million yen)

	FY2018 Q2 March 1 - August 31, 2018	FY2019 Q2 March 1 - August 31, 2019
Net income	15,238	17,198
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(76)	(110)
Foreign currency translation adjustment	(10,283)	(5,254)
Remeasurements of defined benefit plans	54	61
Total other comprehensive income	(10,305)	(5,303)
Comprehensive income	4,933	11,895
Comprehensive income (loss) attributable to:		
Owners of parent	5,997	12,263
Non-controlling interests	(1,063)	(368)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2018 Q2 March 1 - August 31, 2018	FY2019 Q2 March 1 - August 31, 2019
Cash flows from operating activities		
Income before income taxes and other adjustments	23,901	25,524
Depreciation and amortization	21,009	28,373
Impairment loss	730	904
Gain on negative goodwill	—	(1,239)
(Gain) loss on step acquisitions	—	(706)
Increase (decrease) in provision for loss on store closing	—	(40)
Interest and dividend income	(389)	(473)
Interest expenses	1,598	4,978
Decrease (increase) in receivables—trade accounts	(1,032)	(657)
Increase (decrease) in payables—trade accounts	4,674	1,975
Increase (decrease) in deposits received from specialty stores	14,009	46,178
Other	(1,814)	2,978
Subtotal	62,687	107,796
Interest and dividends received	304	383
Interest paid	(1,364)	(4,950)
Income taxes paid	(8,828)	(7,647)
Net cash provided by (used in) operating activities	52,798	95,582
Cash flows from investing activities		
Purchase of property, plant and equipment	(103,571)	(60,253)
Proceeds from sales of property, plant and equipment	5,278	30
Investments in subsidiaries resulting in a change in scope of consolidation	—	(1,229)
Payment of lease deposits to lessors	(136)	(456)
Reimbursement of lease deposits to lessors	1,402	1,051
Repayment of lease deposits from lessees	(5,109)	(4,666)
Proceeds from lease deposits from lessees	9,508	5,863
Other payments	(3,045)	(4,395)
Other proceeds	688	1,006
Net cash provided by (used in) investing activities	(94,984)	(63,049)
Cash flows from financing activities		
Increase (decrease) in short-term debt and commercial paper	(11,000)	(6,000)
Repayment of lease obligations	(12)	(5,501)
Proceeds from long-term debt	33,735	2,500
Repayment of long-term debt	(12,873)	(6,959)
Proceeds from issuance of bonds	80,000	80,000
Redemption of bonds	—	(15,000)
Purchase of treasury stock	(1)	(0)
Dividends paid	(4,321)	(4,321)
Dividends paid to non-controlling interests	(6)	(6)
Other	(473)	(425)
Net cash provided by (used in) financing activities	85,047	44,284
Foreign currency translation adjustments on cash and cash equivalents	(1,769)	(1,773)
Net increase (decrease) in cash and cash equivalents	41,091	75,044
Cash and cash equivalents at beginning of the period	54,223	55,414
Cash and cash equivalents at end of the period	95,314	130,458

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

The Company has applied IFRS 16 (Leases) at overseas consolidated subsidiaries beginning with the first quarter of the fiscal year ending February 2020. See Notes to the Quarterly Consolidated Financial Statements, Changes in accounting policies for more.

Changes in major consolidated subsidiaries during the period under review

During the first six months of current consolidated fiscal year, AEON MALL acquired shares and converted Yokohama Importmart Inc. to a subsidiary, adding this entity to the scope of consolidation. Further, Yokohama Importmart Inc. qualifies as a special subsidiary.

Changes in accounting policies

The Company has applied IFRS 16 (Leases) at overseas consolidated subsidiaries beginning with the first quarter of the fiscal year ending February 2020. Accordingly, lessees recognize assets and liabilities for all leases as a rule.

In accordance with transitional treatment, the Company has recognized the impact of this accounting standard cumulatively as of the date of adoption for balances at the beginning of the first quarter of the current consolidated fiscal year.

As a result, right-of-use assets (net), lease obligations under current liabilities, and lease obligations under long-term liabilities have increased ¥130,433 million, ¥11,368 million, and ¥108,756 million, respectively, on the Company's consolidated balance sheets as of the second quarter of the consolidated fiscal year. Retained earnings decreased ¥12,985 million. Land-use rights of ¥36,163 million included under other within investments and other assets in prior years is now included in right-of-use assets (net) as of the first quarter of the consolidated fiscal year.

On the company's consolidated statements of income for the first six months of the consolidated fiscal year, operating income rose ¥2,616 million, while ordinary income and income before taxes and other adjustments decreased ¥652 million.

The impact of these changes on per-share data for the first quarter of the consolidated fiscal year is minor.

Supplementary Information

Application of Partial Amendment to Accounting Standard for Tax-Effect Accounting

The Company adopted Partial Amendment to Accounting Standard for Tax-Effect Accounting (ASBJ Statement No.28, February 16, 2018) in the first quarter of the current consolidated fiscal year. Under this standard, the Company presents deferred tax assets under investments and other assets and deferred tax liabilities under long-term liabilities.

Segment and other information

Segment information

I . Six Months Ended August 31, 2018

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	133,006	16,477	5,153	154,637	—	154,637
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	133,006	16,477	5,153	154,637	—	154,637
Segment profit (loss)	24,350	(183)	509	24,676	12	24,689

(Notes) 1. Adjustments to segment income (loss) reflect unrealized profits on intersegment transactions.

2. Segment profit (loss) adjustment reflected in operating income on the quarterly consolidated statement of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups which have experienced a significant decline in profitability. The Company recorded ¥730 million in impairment loss for the cumulative consolidated second quarter.

Goodwill did not change materially during the period noted above.

II . Six Months Ended August 31, 2019

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	136,911	17,801	6,357	161,070	—	161,070
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	136,911	17,801	6,357	161,070	—	161,070
Segment profit	24,847	3,006	1,346	29,200	12	29,212

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

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

3. As noted under Changes in accounting policies, the company has applied IFRS 16 as of the first quarter of the current consolidated fiscal year.

As a result, profits for the China and ASEAN segments increased ¥2,377 million and ¥238 million, respectively.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups which have experienced a

significant decline in profitability. The Company recorded ¥904 million in impairment loss for the cumulative consolidated second quarter of the current fiscal year.

Material gains on negative goodwill

The Company recognized ¥1,239 million in gains on negative goodwill during the first six months of the current consolidated fiscal year. These gains were associated with adding Yokohama Importmart Inc. as a new subsidiary during the period in question.

Significant subsequent events

Not applicable.