Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended February 29, 2016

April 13, 2016

Company name	Aeon Mall Co., Ltd.	Listings	Tokyo Stock Exchange
Securities code	8905	URL	http://www.aeonmall.com/en/index.html
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Scheduled dates:

General shareholder's meeting	May 17, 2016
Commencement of dividend payments	May 2, 2016
Submission of statutory financial report	May 18, 2016
Supplementary documents for financial results	Yes
Financial results briefing	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

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

	Operating revenue		Operating income		Ordinary income		Net income	
Years ended	million yen	%	million yen	%	million yen	%	million yen	%
February 29, 2016	229,754	12.7	43,870	4.8	42,412	3.0	24,639	0.5
February 28, 2015	203,902	15.2	41,872	(0.8)	41,160	0.3	24,513	4.6

(Note) Comprehensive income Year ended February 2016 15,921 million yen (-58.0 %)
Year ended February 2015 37,931 million yen (13.4%)

	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ operating revenue
Years ended	yen	yen	%	%	%
February 29, 2016	108.43	108.38	7.5	4.5	19.1
February 28, 2015	107.58	107.53	7.9	5.0	20.5

(Note) Investment profit on equity method February 29, 2016: (93) million yen
February 28, 2015: (9) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
February 29, 2016	974,970	339,849	34.2	1,481.77
February 28, 2015	900,957	332,536	36.4	1,438.25

(Note) Equity February 29, 2016: 333,547 million yen
February 28, 2015: 327,708 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Years ended	million yen	million yen	million yen	million yen
February 29, 2016	61,785	(146,332)	73,446	53,652
February 28, 2015	76,152	(127,505)	54,994	67,222

2. Dividends

(Record date)	Dividend per share					Total dividend	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Annual			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
February 28, 2015	−	11.00	−	11.00	22.00	5,012	20.4	1.6
February 29, 2016	−	11.00	−	11.00	22.00	4,982	20.3	1.5
Year ending February 28, 2017 (Projection)	−	13.50	−	13.50	27.00		22.7	

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
First half	136,500	22.2	20,500	0.1	20,000	1.7	11,000	12.3	48.37
Full year	280,000	21.9	46,500	6.0	45,000	6.1	27,000	9.6	118.75

* Notes

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

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

[1] Changes in accounting policies in accordance with changes in accounting principles: 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, refer to 5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements (Change to accounting policy) on page 24 of the Accompanying Materials.

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

[1] Number of shares issued at period-end (including treasury stock)
February 29, 2016: 227,902,027 shares February 28, 2015: 227,890,747 shares
[2] Treasury stock at period-end
February 29, 2016: 2,802,839 shares February 28, 2015: 38,939 shares
[3] Average number of shares issued
February 29, 2016: 227,230,953 shares February 28, 2015: 227,849,749 shares

* Disclosure on implementation of audit procedures

This financial summary falls outside the scope of audit procedures (review procedures) based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

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

(Notes concerning statements about the future, etc.)

The earnings projections included in this report and the accompanying materials are based on information available to the Company at the time of publication of this report and certain assumptions considered reasonable. The Company does not guarantee to achieve them. Actual results may vary considerably from these projections due to a range of factors. See “2) Outlook for the Fiscal Year Ending February 28, 2017, (1) Analysis of Operating Results” under “1. Analysis of Operating Results and Financial Position” on page 5 of the Accompanying Materials for matters related to the earnings projections.

(Procedure for obtaining supplementary information on financial results)

Aeon Mall is scheduled to hold a financial briefing for institutional investors and analysts on April 14, 2016. The materials handed out at this briefing will be posted on the Company’s web page on April 13, 2016, and the audio recording will be made available on the Company’s web page as soon as possible after the briefing.

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Accompanying Materials

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Overview of the consolidated fiscal year under review

During the fiscal year under review, the Japanese economy showed some positive signs, with an improvement in corporate earnings and the employment environment. However, the outlook for the economy was uncertain given concern over a slowdown in the global economy, especially the Chinese economy, among other factors. Personal consumption showed some signs of recovery in certain sectors, but consumption expenditure remained sluggish.

In this environment, in its domestic businesses, the Company developed malls based on concepts adapted to local characteristics and opened five malls. Meanwhile, the Company renovated 12 existing malls.

In the overseas businesses, the Company has been working to enhance its ability to attract customers at existing malls in China and the ASEAN region, which have been performing well, and opened six malls in China, a mall in Indonesia, and a mall in Vietnam.

As a result, the Company posted record consolidated operating revenue, operating income, ordinary income, and net income.

Operating revenue totaled 229,754 million yen (112.7% year on year). Operating costs increased to 163,436 million yen (115.5% year on year) due to business expansion, resulting in gross profit of 66,317 million yen (106.2% year on year).

Selling, general and administrative expenses increased to 22,446 million yen (109.2% year on year). As a consequence, operating income climbed to 43,870 million yen (104.8% year on year).

Ordinary income climbed to 42,412 million yen (103.0% year on year), reflecting non-operating income of 2,622 million yen (122.8% year on year) and non-operating expenses of 4,080 million yen (143.3% year on year) due to a loss on valuation of derivatives of 797 million yen associated with currency hedging and other factors.

Extraordinary gains rose 490 million year on year. In the previous fiscal year, extraordinary gains were 1,812 million yen, including a gain on sales of fixed assets of 905 million yen chiefly due to the transfer of assets to AEON REIT Investment Corporation and a gain on sales of investment securities of 707 million yen. In the fiscal year under review, the Company posted extraordinary gains of 2,302 million yen, including a gain on sales of fixed assets of 1,861 million yen in association with the transfer of assets to AEON REIT Investment Corporation.

Extraordinary losses increased 3,066 million yen from a year ago. In the previous fiscal year, extraordinary losses were 611 million yen, including a loss on retirement of fixed assets of 159 million yen associated with renovations of malls. In the fiscal year under review, the Company posted extraordinary losses of 3,677 million yen, including a loss on retirement of fixed assets of 1,000 million yen associated with renovations of malls and expenses of 1,838 million yen for the closure of AEON MALL Neyagawa (Osaka) and AEON MALL Fujiidera (Osaka), for which scrap-and-build reforms are planned (an impairment loss of 686 million yen and provision for loss on store closing of 1,152 million yen).

As a result, the Company posted net income of 24,639 million yen (100.5% year on year).

The operating results by business segment are as described below. The Company changed the classification of reported segments in the current fiscal year. The year-on-year comparison below was conducted after reclassifying the values from a year ago into the segments after the change.

Domestic Businesses

In this segment, operating revenue rose to 214,006 million yen (108.8% year on year), and operating income increased to 49,322 million yen (106.4% year on year).

In the fiscal year under review, in addition to four malls that opened in the first three quarters, the Company opened AEON MALL Tokoname (Aichi) in December.

The mall is located in the North Block of RINKU Tokoname Station and Its Surrounding Land Area in the center of Tokoname, which is on the west coast of the Chita Peninsula. On the opposite shore, Central Japan International Airport (Centrair) is located. The north side of the site is adjacent to the Rinku beach. Taking advantage of the characteristics of the location, the mall has an outdoor entertainment park having 12 facilities, including an inline skating rink, trampolines, an ice skating rink (in winter), an outdoor obstacle course, and a go-kart track. In addition to these leisure facilities, the mall has facilities for inbound travelers, including

duty-free counters and foreign money exchange machines. The mall has 180 tenants, 32 of which are the first establishments of the owners in Aichi.

New Domestic Malls in the Fiscal Year Ended February 29, 2016

Name of Mall	Location	Opening Date
ÆON Mall Asahikawa Ekimae	Hokkaido Prefecture	March 2015
ÆON Mall Okinawa Rycom	Okinawa Prefecture	April 2015
ÆON Mall Tonami	Toyama Prefecture	July 2015
ÆON Mall Shijonawate	Osaka Prefecture	October 2015
ÆON Mall Tokoname	Aichi Prefecture	December 2015

AEON Mall Tonami has been established by AEON Retail Co., Ltd. and has been managed and operated by the Company under a property management (PM) contract.

At the existing malls, the Company ran sales promotions associated with social events and held mall-specific events to improve its ability to attract more shoppers.
The Company renewed 11 malls, replacing tenants there, and expanded and renewed AEON MALL Chikushino (Fukuoka).
At AEON MALL Chikushino, the Company developed a floor plan in response to changes in the trade area since the opening and opened an extension, Purple Mall, in December. The mall renewed 182 tenants, approximately 90% of all tenants, introducing new tenants and relocating and renovating existing tenants. The mall now has a total leasable area of 80,000m^2 (up by 11,000m^2) and 210 tenants (up by 30 stores). Sales rose more than the percentage change (115.9%) in area.

Domestic Malls Renewed in the Fiscal Year Ended February 29, 2016

Name of Mall	Location	Date reopened	Tenants	New tenants (1) (See Note)	Relocations & refurbishments (2)	No. of tenants on reopening (1) + (2)
ÆON MALL Takaoka	Toyama Prefecture	March 6	130	17(10)	32	49
ÆON MALL Itami	Hyogo Prefecture	March 20	150	14(6)	47	61
ÆON MALL Kusatsu	Shiga Prefecture	March 20	190	43(26)	88	131
ÆON Mall Miyakonojo Ekimae	Miyazaki Prefecture	April 17	100	10(2)	31	41
ÆON Mall Hiroshima Fuchu	Hiroshima Prefecture	July 10	200	19(13)	3	22
ÆON Mall Hiroshima Gion	Hiroshima Prefecture	September 18	130	37(14)	50	87
mozo Wonder City	Aichi Prefecture	September 18	230	80(30)	83	163
ÆON Mall Morioka	Iwate Prefecture	September 19	120	18(14)	28	46
ÆON Mall Chiba New Town	Chiba Prefecture	October 9	180	26(5)	43	69
ÆON Lake Town (Note 2)	Saitama Prefecture	April 24	710	193(96)	159	352
		November 20		77(31)	80	157
ÆON Mall Kashihara	Nara Prefecture	November 27	230	40(34)	76	116
ÆON Mall Chikushino (Note 3)	Fukuoka Prefecture	December 8	210	77(18)	105	182

(Note 1) Figures in brackets represent new tenants opening for the first time in the prefecture.
(Note 2) Figures for AEON Lake Town are total figures, including Kaze, which is managed and operated by the Company, and Mori and Lake Town Outlet, which are managed and operated by the property management contract with AEON Retail Co., Ltd.
(Note 3) AEON Mall Chikushino was expanded.

Overseas Businesses

a. China Business

In this segment, operating revenue increased to 11,506 million yen (189.7% year on year), and operating loss was 4,448 million yen (compared with an operating loss of 3,529 million yen in the previous fiscal year).

In addition to three malls that opened in the first three quarters, the Company opened AEON MALL Wuhan Jingkai (Wuhan Economic & Technological Development Zone, Hubei Province), its second mall in Hubei Province, and AEON MALL Guangzhou Panyu (Guangzhou), its first mall in Guangdong Province, in December and AEON MALL Suzhou Xinqu (Suzhou), its third mall in Jiangsu Province, in January, bringing the total number of malls in China to twelve.

AEON MALL Wuhan Jingkai is in the Wuhan Economic & Technological Development Zone, a subcenter of Wuhan in its south-west suburbs, where urban development is making progress. With a total leasable area of 105,000m^2, the mall is one of the largest malls in China and the ASEAN region. The mall comprises 300 stores, including 21 stores newly introduced to Wuhan. Each floor of the mall features a concept zone designed around specific themes, including kids, drinking and eating, and entertainment.

AEON MALL Guangzhou Panyu is close to Panyu Square Station, the starting station of Line 3 of the Guangzhou Metro, which has the largest number of users in Guangzhou. In the area where the mall is located, administrative functions, offices, and housing are being developed, primarily around Panyu Square Station, and the population is increasing. Having 170 stores, including 30 first-ever stores in Guangzhou, the stores propose urban lifestyles. The mall is intended to be a cutting-edge urban mall in the area, having six-story high open ceiling and direct access to an underground restaurant area.

AEON MALL Suzhou Xinqu is in the Suzhou New District and is well placed for easy access to Suzhou Xinqu Station on the High-Speed Railway, the starting station of Line 3 of the subway (to be opened in 2019), and an exit of the Middle Ring Expressway. The mall comprises 280 tenants, including 11 tenants new to Suzhou. The mall has a restaurant area consisting of 120 tenants, over 40% of all the tenants. There are now three AEON malls, including AEON MALL Suzhou Xinqu, in Suzhou. The Company will work to expand its market share in the area.

b. ASEAN Business

In this segment, operating revenue rose to 4,241 million yen (357.2% year on year), and operating loss stood at 1,013 million yen (compared with an operating loss of 944 million yen in the previous fiscal year).

In the fiscal year under review, the Company opened AEON MALL BSD CITY (Tangerang, Banten Province), the first AEON MALL in Indonesia, in May, and AEON MALL Long Bien (Hanoi City), the third mall in Vietnam and the first mall in the Hanoi area, in October, bringing the total number of malls in the ASEAN region to five.

New Malls Overseas in the Fiscal Year Ended February 29, 2016

	Name of Mall	Location	Opening Date
China	Aeon Mall Suzhou Yuanqu	Suzhou City, Jiangsu	May 2015
	Aeon Mall Beijing Fengtai	Fengtai District, Beijing	September 2015
	Aeon Mall Hangzhou Liangzhu	Hangzhou City, Zhejiang Province	November 2015
	Aeon Mall Wuhan Jingkai	Wuhan Economic & Technological Development Zone, Hubei Province	December 2015
	Aeon Mall Guangzhou Panyu	Guangzhou City, Guangdong Province	December 2015
	Aeon Mall Suzhou Xinqu	Suzhou City, Jiangsu Province	January 2016
Indonesia	Aeon Mall BSD CITY	Tangerang, Banten	May 2015
Vietnam	Aeon Mall Long Bien	Hanoi	October 2015

* New store openings in the fiscal year in Japan. The fiscal-year end of overseas subsidiaries is December 31.

The overseas business, which is considered as the driver of future growth, is still at the stage of upfront investment and has yet to contribute to profits at this moment. Still, 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) Outlook for the Fiscal Year Ending February 28, 2017

Domestic Businesses

In the fiscal year ending February 28, 2017, the Company plans to open six malls, including AEON MALL Sakai Teppo-cho (Osaka), which opened in March 2016.

New Domestic Malls in the Fiscal Year Ending February 28, 2017

Name of Mall	Location	Opening Date
ÆON Mall Sakai Teppo-cho	Osaka Prefecture	March 2016
ÆON Mall Imabarishintoshi	Ehime Prefecture	April 2016
ÆON Mall Izumo	Shimane Prefecture	May 2016
ÆON Qualite Prix Shin-sapporo	Hokkaido Prefecture	October 2016
ÆON Mall Nagakute	Aichi Prefecture	December 2016
Daiei Kobe Sannomiya	Hyogo Prefecture	Spring in 2017

* AEON MALL Izumo will be established by AEON Retail Co., Ltd. and will be managed and operated by the Company under a property management (PM) contract.
* AEON MALL Qualite Prix Shin-Sapporo is an existing mall featuring three floors above ground and two basement-level floors. Currently operated by AEON Hokkaido Co., Ltd., it will be leased, managed, and operated by the Company.
* Daiei Kobe Sannomiya is a shopping center operated by The Daiei, Inc. The Company will lease the second to ninth floors and will manage and operate them.

The Company will renew 21 malls. Among them, the Company will renew 19 malls by replacing tenants, including AEON MALL Morioka (Iwate), which was expanded and reopened in March 2016, AEON MALL Hiroshima Fuchu (Hiroshima), which will be renewed and reopened in the autumn, and AEON MALL Akita (Akita), 70% of whose tenants will be renewed and reopened in April 2016.

The Company will work to expand earnings in the fashion buildings business of OPA Co., Ltd., which became a subsidiary on March 1, 2016. OPA manages and operates fashion buildings in midtown areas and has a complementary relationship in development and leasing with the Company, which operates large shopping malls mainly in the suburbs. The Company will work to integrate both companies' expertise.

Overseas Businesses

In the China Business, the Company will open only one mall, AEON MALL Hebei Yanjiao (Sanhe), the first AEON Mall in Hebei Province, in the fiscal year ending February 2017, reflecting the prolongation of construction schedules due to the tightening of regulations on procedures for opening large retail facilities. However, the Company has already started to build seven malls and will seek to develop properties mainly in four areas: Beijing and Tianjin, Jiangsu Province and Zhejiang Province, Hubei Province, and Guangdong Province. Meanwhile, the Company will work to improve expertise in managing and operating the existing malls to expand earnings.
In the ASEAN business, the Company will open AEON MALL Binh Tan (Ho Chi Minh), the fourth AEON MALL in Vietnam and the third one in the Ho Chi Minh area. In Vietnam, Cambodia, and Indonesia, the Company will take steps to expand earnings at its existing malls and open new facilities.

New Malls Overseas in the Fiscal Year Ending February 28, 2017

	Name of Mall	Location	Opening Date
China	AEON MALL Hebei Yanjiao	Sanhe, Hebei Province	FY2016
Vietnam	AEON MALL Binh Tan	Ho Chi Minh	FY2016

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

Financial Forecast

As our consolidated financial forecast, we are projecting 280 billion yen in operating revenue, 46.5 billion yen in operating income, 45.0 billion yen in ordinary income, and 27.0 billion yen in net income attributable to owners of parent for the year ending February 28, 2017.

(2) Environmental Conservation and Social Contribution Activities

The Aeon Mall Group considers harmony with the environment and local communities in its mall development activities to be a social responsibility and a contributing factor to sustainable growth of community shopping malls. Based on this recognition, the Group holds the Aeon Mall CSR (Corporate Social Responsibility) Council each month to establish social, environmental, and ethical policies for corporate activities and to implement them. The Council is chaired by the president and makes quick decisions for managing the progress of CSR activities and resolving any issues.
As part of its environmental conservation initiatives, the Group has been undertaking energy conservation activities such as photovoltaic power generation (at 64 domestic malls and 10 overseas malls as of February 29, 2016) and LED installation to help reduce CO_2 emissions. The Group has also been pushing forward with installing charging stations for electric vehicles in anticipation of the future low-carbon society. At the end of the fiscal year ended February 29, 2016, charging stations have been installed at 122 domestic malls and 4 overseas malls. The Group intends to install permanent charging stations at new malls in the future and to step up introduction at existing malls. The Group is also actively pursuing a number of other initiatives including the Aeon Hometown Forests Program, in which the Group plants seedlings suited to the local area on the premises of the mall together with local residents, and efforts to achieve zero emissions by recycling all waste generated by our malls.
These environmentally friendly initiatives have been highly regarded overseas, and three malls, namely AEON MALL Suzhou Yuanqu Hudong (Suzhou), which opened in May 2015, AEON MALL Hangzhou Liangzhu Xincheng (Hangzhou), which opened in November 2015, and AEON MALL Wuhan Jingkai (Wuhan Economic & Technological Development Zone), which opened in December 2015, have obtained a two-star rating in the Green Building Evaluation Standard*[1]. In February 2016, three malls, namely AEON MALL Tokoname (Aichi), AEON MALL Shijonawata (Osaka), and AEON MALL Sakai Teppo-cho (Osaka), acquired the ABINC Certificate*[2] of the Association for Business Initiative in Harmony with Nature and Community for their biodiversity initiatives, including green space creation. A total of five AEON malls have acquired the ABINC Certificate, including AEON MALL Toin (Mie) and AEON MALL Tamadaira Woods (Tokyo), which acquired the certificate in 2013 and 2014, respectively. The Group will continue working to create environmentally friendly malls in the interests of preserving ecodiversity and sustainability in the future.
Due to these initiatives, the Company earned a score of Green Star in the 2015 survey of GRESB (Global Real Estate Sustainability Benchmark)*[3]. Green Star is awarded to companies that promote excellent initiatives in formulating, disclosing, implementing, and measuring environmental policies. In the survey, initiatives for

sustainability—balancing environment conservation and social contributions, and economic benefits—of the Company, including the setting up of the AEON Yume Mirai Nursery in malls, the creation of space for nature at malls, and the promotion of installation of charging facilities for electric vehicles, were chosen for case studies as excellent innovations.

The AEON Yume Mirai Nursery has been set up in AEON MALL Makuhari New City (Chiba), AEON Lake Town (which opened in Saitama on April 1, 2016), AEON MALL Okinawa Rycom (Okinawa), and AEON MALL Tokoname. Approximately 60 malls nationwide have childcare specialty stores, which support people working at malls, while raising children, including employees at specialty stores.

In the field of disaster relief, the Company dispatched volunteers for reconstruction to Joso, Ibaraki, where levees broke due to heavy rain in the Kanto and Tohoku regions in September 2015. The Company will continue to hold support activities through the Project Aeon Joining Hands, a project that provides aid toward reconstruction following the Great East Japan Earthquake, such as by having the Company's employees participate in planting trees and other volunteer activities toward restoring disaster-stricken areas.

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

* The number of malls stated above includes the number of malls that the Company is commissioned by AEON Retail Co., Ltd. to manage and operate under a property management contract (a total of 70 malls). Although the fiscal year end of overseas subsidiaries is December 31, the number of overseas malls is based on the fiscal year in Japan.

*1. Green Building Evaluation Standard
It is a system, instituted in 2006, for assessing environmental standards of buildings that is certified by China's Ministry of Construction with an aim to protect the earth's environment, to maximize the use of the earth's resources and prevent environmental pollution. The two-star rating is a rating in the system.

*2. ABINC Certificate
The ABINC Certificate is awarded by the Association for Business Initiative in Harmony with Nature and Community (ABINC) based on its third-party assessment of companies' creation, management, and use of green space in consideration of biodiversity using as standards the Guidelines for Sustainable Business Sites and Land Use Score Card created by the Japan Business Initiative for Biodiversity (JBIB) to promote coexistence of nature and humans in corporate activities.

*3. GRESB (Global Real Estate Sustainability Benchmark)
GRESB is a benchmark measuring the sustainability performance of real estate companies and real estate fund managers based on surveys conducted by GRESB B.V., which has been founded primarily by pension funds in Europe.

(3) Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets stood at 974,970 million yen, up 74,012 million yen from February 28, 2015. This was chiefly attributable to the acquisition of property, plant and equipment of 157,001 million yen due to the opening of new malls and the advance acquisition of land for development in the future, which offset a decline primarily due to the depreciation of fixed assets of 32,088 million yen and the sale of property, plant and equipment of 53,540 million yen.

Liabilities

Total liabilities stood at 635,120 million, up 66,699 million yen from February 28, 2015. This was mainly due to a 42,268 million yen increase in long-term debt (including the current portion of long-term debt) and a 30,000 million yen net increase in bonds (including the current portion of bonds), which offset declines in accounts payable-other of 16,958 million yen related to equipment associated with the opening of new malls and in deposits received from specialty stores of 14,954 million yen.

Net assets

Net assets totaled 339,849 million yen, up 7,313 million yen from February 28, 2015. This was primarily attributable to an increase in retained earnings due to the recording of net income of 24,639 million yen and a rise of 7,725 million yen in foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents ("cash") as of February 29, 2016 amounted to 53,652 million yen, down 13,569 million yen from February 28, 2015.

Cash flows in the first three quarters were as follows:

Cash flows from operating activities

Net cash provided by operating activities was 61,785 million yen (compared with 76,152 million yen in the previous fiscal year). The primary factors included income before income taxes and minority interests of 41,037 million (compared with 42,361 million yen), depreciation and amortization of 32,088 million yen (compared with 29,574 million yen), and a decrease in deposits received from specialty stores of 14,876 million yen (an increase of 22,559 million yen million yen in the previous fiscal year) due to the fact that deposits received from specialty stores were returned in the current fiscal year as the last day of the previous fiscal year was a non-business day for banks, and income taxes paid of 17,278 million yen (25,877 million yen).

Cash flows from investing activities

Net cash used in investing activities amounted to 146,332 million yen (compared with 127,505 million yen in the previous fiscal year). The major factors were the purchase of property, plant and equipment of 194,315 million yen (180,863 million yen in the previous fiscal year) due to payments for equipment at AEON MALL Kisarazu (Chiba) and AEON MALL Tamadaira Woods (Tokyo), which opened in the previous fiscal year, and payments for equipment at AEON MALL Okinawa Rycom (Okinawa), which opened in the fiscal year under review, proceeds from the sale of property, plant and equipment of 55,442 million yen (34,013 million yen in the previous fiscal year), and proceeds from lease deposits from lessees of 13,616 million yen (16,088 million yen in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was 73,446 million yen (compared with 54,994 million yen in the previous fiscal year). This was chiefly attributable to proceeds from long-term debt of 74,679 million yen (52,707 million yen in the previous fiscal year), proceeds from issuance of bonds of 30,000 million yen (compared with 40,000 million yen in the previous fiscal year), while repayment of long-term debt totaled 31,025 million yen (compared with 10,566 million yen in the previous fiscal year), the purchase of treasury shares of 6,001 million yen (compared with 7 million yen in the previous fiscal year), and dividends paid of 5,012 million yen (compared with 5,012 million yen in the previous fiscal year).

(For reference) Changes in Cash Flow Indicators

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Equity ratio (%)	36.4	34.2
Equity ratio based on market capitalization (%)	58.5	36.9
Ratio of interest-bearing debt to cash flow (annual)	3.3	5.4
Interest coverage ratio (times)	34.8	24.5

(Notes)

Equity ratio: Equity/total assets

Equity ratio based on market capitalization: Market capitalization/total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest payments

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

(4) Basic Policy on Income Distribution, Dividends for Fiscal Years Ended February 29, 2016 and Ending February 28, 2017

Aeon Mall recognizes that returning profits to shareholders through the expansion of its earnings power is a key management priority. The Company's basic policy on income distribution emphasizes the maintenance of steady dividend payments to shareholders, while using retained earnings to invest in business structure enhancements, including investments in growth businesses, new businesses and other areas to strengthen the operating base, with the Company targeting the annual dividend payout ratio to be at least 20%.

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

At a meeting held on April 13, 2016, the Board of Directors resolved to distribute a year-end dividend of 11 yen as initially planned. Combined with the interim dividend (11 yen), the annual dividend per share for the fiscal year under review will be 22 yen. The consolidated dividend payout ratio will be 20.3%.

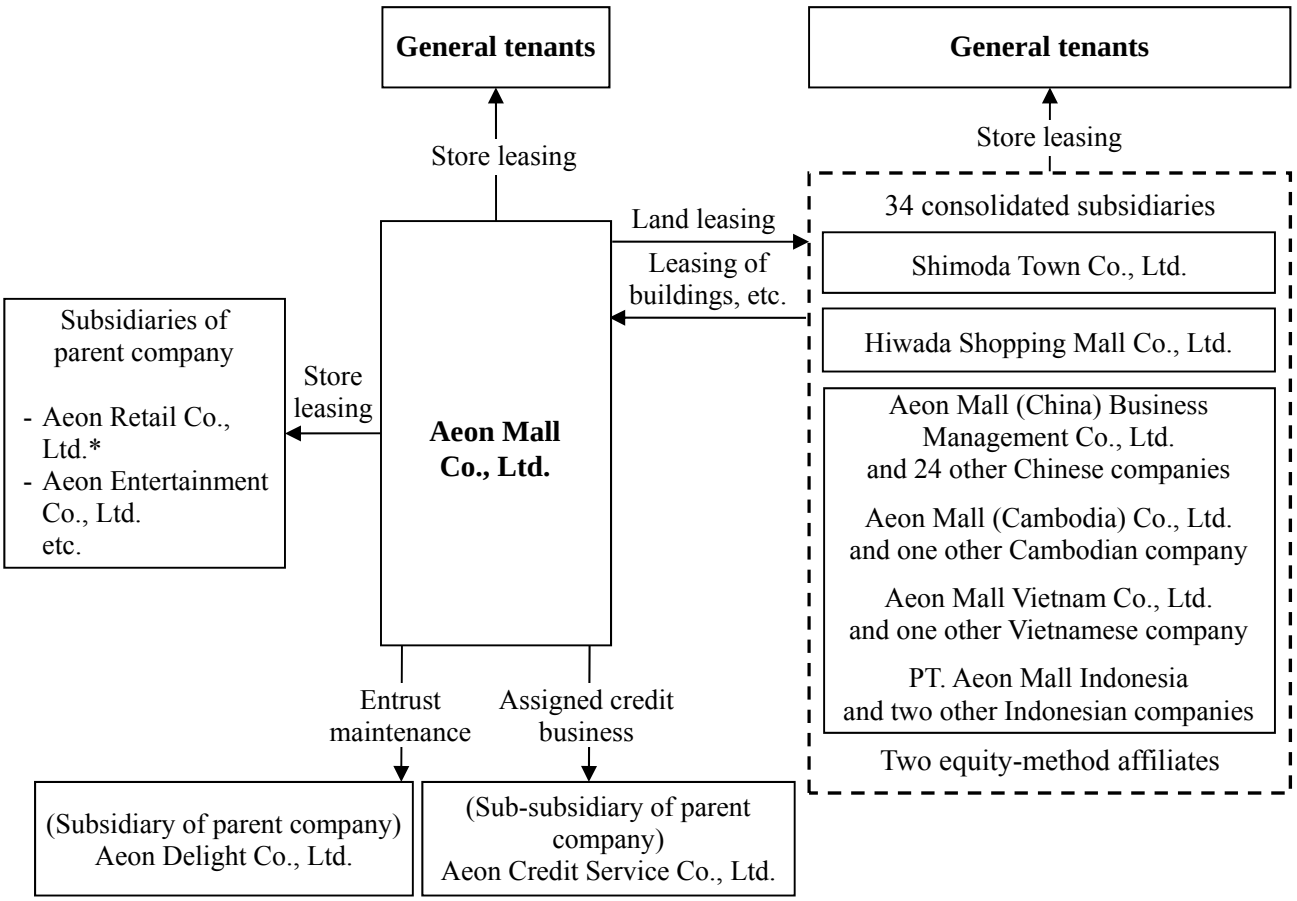
The Company plans to pay an annual dividend of 27 yen per share for the fiscal year ending February 28, 2017, up 5 yen from the fiscal year under review. The consolidated dividend payout ratio is forecast to be 22.7%.

2. The State of Corporate Group

The Aeon Mall Group consists of Aeon Mall Co., Ltd., of which Aeon Co., Ltd. is the parent company, with its 34 consolidated subsidiaries (Shimoda Town Co., Ltd., Hiwada Shopping Mall Co., Ltd., Aeon Mall (China) Business Management Co., Ltd. and 24 other China-based companies, two Cambodia-based companies, two Vietnam-based companies, three Indonesia-based companies) and two equity-method affiliates. Aeon Mall Co., Ltd. is engaged in the shopping mall business, as are its 34 consolidated subsidiaries.

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

Positioning of business activities of Aeon Mall Co., Ltd. and its group companies as shown below.



* The Company is commissioned to manage and operate 70 commercial facilities of Aeon Retail Co., Ltd.
* On March 1, 2016, the Company made OPA Co., Ltd. a subsidiary. OPA was a wholly owned subsidiary of The Daiei, Inc. (a wholly owned subsidiary of AEON Co., Ltd.) and operated fashion buildings. On March 1, 2016, OPA succeeded to the VIVRE FORUS business of AEON Retail Co., Ltd., a wholly owned subsidiary of AEON Co., Ltd. that operates fashion buildings, upon the absorption-type company demerger, and AEON Co., Ltd. acquired all the shares of OPA from The Daiei, Inc. On the same date, the Company made OPA a wholly owned subsidiary upon the short-form share exchange.

3. Management Policies

(1) Basic Corporate Management Policies

The Group's basic principle is "Customers First." Our business philosophy is "Aeon Mall is a Life Design Developer* that creates the 'Future of Living' along with regions."

Our guiding principle is to contribute to the improvement of people's life styles and the development of regional communities based on this management philosophy by pushing forward with creating malls at home and abroad that express the characteristics of their respective areas from the standpoint of localization. Through such business development, we will aim for further growth by expanding profitability and corporate value as well as by reinforcing our management base.

* "Life Design" refers to expanding various types of functions that anticipate the life stages of a region's customers by going beyond the framework of a commercial facility and is defined as a way to design the "Future of Living," which is not only about shopping but also includes meeting people and nurturing culture, among other activities.

(2) Target Financial Indicators

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

Various indicators for the fiscal year ended February 29, 2016, are as follows.

Return on invested capital (ROIC): 4.5%　Equity ratio: 34.2% Debt equity ratio: 1.0

(Note) Return on invested capital: Operating income x (1 – effective tax rate) / (Average equity for the beginning and end of the fiscal year + Average amount of interest-bearing debt for the beginning and end of the fiscal year)

Equity ratio: Equity/total assets

Debt equity ratio: Interest-bearing debt/equity

(3) Medium-Term Corporate Management Strategies and Priorities

The Group is working to build a robust corporate structure that achieves both sustainable growth and high profitability.

In the domestic businesses, as the mall business is maturing, the Group will pursue leasing, responding to changes in customers' lifestyles. The Group will work to create malls based on new concepts in accordance with the needs of a range of age groups, including senior citizens, and regional characteristics. In response to stronger awareness of health maintenance and health promotion, the Group is promoting "Health & Wellness" initiatives.

The Group will seek to develop and open new malls. Meanwhile, at its existing malls, the Group will introduce new initiatives at new malls and invite tenants that will meet local needs. The Group will change floor plans and will promote renovations.

We will work to create competitive, dominant malls, by running promotions in response to local needs, bolstering support for tenants and customer satisfaction, and promoting malls' unique, community-oriented activities.

We will expand functions and services for inbound travelers, including services for tax exemption at specialty stores, services in multiple languages, foreign money exchange, Wi-Fi services, and the creation of rooms for prayer. We will strive to improve the management and operation level at our malls, promoting online initiatives to attract customers and improving malls' infrastructure.

While we work to increase our ability to attract customers and expand sales through these initiatives, we will achieve low-cost operations, develop malls, and reduce investment costs by taking advantage of the economies of scale derived from having over 140 malls in Japan and building a more efficient operation system. In this way, we will take steps to improve profitability and increase cash.

In the fashion buildings business of OPA, we will renew existing stores and will start to open new stores. We will develop stores in city centers, integrating our expertise in the mall business and maximizing synergies.

In the overseas businesses, we will promote the opening of malls in China, Cambodia, Vietnam, and Indonesia.

In the China business, we are developing more than one mall in strategic areas and will accelerate the opening of dominant malls. In the ASEAN business, we are making progress in opening malls in Vietnam and Indonesia in and after the fiscal year ending February 28, 2017. In Cambodia, we have a specific plan to open the second mall in the fiscal year ending February 28, 2019.

Malls in China and the ASEAN region have been performing well in terms of the number of customers and sales.

We will build business foundations, including expertise in management and operation, to operate more malls and will establish a system for prompt decision-making and growth in each area.
To implement these growth initiatives, the Company will use various fundraising methods, along with improving asset efficiency, and work to build a healthy and strong financial base to support medium- and long-term growth strategies. We will promote diversity to cultivate a diverse workforce able to drive growth. We will take steps to build a stronger management system, changing organizational structures and personnel systems and enhancing management systems and governance functions, including the sharing of business expertise and the acceleration of decision-making in Japan and overseas.

4. Policy on the Selection of Accounting Standards

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2015	As of February 29, 2016
Assets		
Current assets:		
Cash and deposits	67,340	55,375
Notes and accounts receivable—trade	4,724	5,713
Prepaid expenses	2,229	2,564
Deferred tax assets	1,265	1,830
Deposits to associated companies	*3 5,000	–
Other current assets	23,031	26,678
Allowance for doubtful receivables	(20)	(33)
Total current assets	103,572	92,129
Fixed assets:		
Property, plant and equipment:		
Building and structures	*1 588,701	*1 694,649
Accumulated depreciation	(170,230)	(187,764)
Building and structures, net	*1 418,470	*1 506,885
Machinery and transportation equipment	3,515	4,081
Accumulated depreciation	(842)	(962)
Machinery and transportation equipment, net	2,672	3,119
Furniture and fixtures	26,213	31,001
Accumulated depreciation	(18,599)	(20,655)
Furniture and fixtures, net	7,613	10,346
Land	*1 196,690	*1 212,423
Construction in progress	*1 64,372	21,941
Total property, plant and equipment	689,820	754,716
Intangible assets:	3,830	3,677
Investments and other assets:		
Investment securities	2,159	2,234
Shares of subsidiaries and associates	*4 190	*4 97
Long-term loans	236	213
Long-term prepaid expenses	*1 51,676	68,813
Deferred tax assets	5,430	6,442
Lease deposits paid	40,407	44,105
Other investments and other assets	3,662	2,569
Allowance for doubtful receivables	(29)	(27)
Total investments and other assets	103,734	124,447
Total fixed assets	797,385	882,840
Total assets	900,957	974,970

(Million yen)

	As of February 28, 2015	As of February 29, 2016
Liabilities		
Current liabilities:		
Notes and accounts payable—trade	11,848	14,239
Short-term debt	–	8,339
Bonds due within one year	–	200
Current portion of long-term debt	*1 24,709	*1 38,585
Income taxes payable	9,436	10,556
Deposits from tenants	47,598	32,643
Deposits received	6,634	7,491
Allowance for employee bonus	814	1,218
Allowance for director and auditor performance-based remuneration	94	76
Provision for store closing expenses	645	1,797
Notes payable—construction	75,599	17,972
Electronically recorded obligations—construction	10,259	46,255
Accounts payable—construction	9,986	14,659
Other current liabilities	*1 11,834	*1 17,363
Total current liabilities	209,461	211,398
Long-term liabilities:		
Straight bonds	65,200	95,000
Long-term debt	*1 163,889	*1 192,281
Deferred tax liabilities	92	113
Net defined benefit liability	400	600
Provision for loss on guarantees	–	*2 525
Asset retirement obligations	9,169	9,680
Lease deposits from lessees	*1 117,701	*1 122,199
Other long-term liabilities	2,505	3,321
Total long-term liabilities	358,959	423,722
Total liabilities	568,421	635,120
Net assets		
Shareholders' equity:		
Common stock	42,207	42,217
Capital surplus	42,516	42,525
Retained earnings	216,223	235,826
Treasury stock, at cost	(99)	(6,101)
Total shareholders' equity	300,847	314,468
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	1,061	1,168
Foreign currency translation adjustment	25,938	18,213
Remeasurements of defined benefit plans	(138)	(302)
Total accumulated other comprehensive income	26,861	19,079
Stock acquisition rights	169	193
Minority interests	4,658	6,108
Total net assets	332,536	339,849
Total liabilities and net assets	900,957	974,970

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

(Million yen)

Year ended	February 28, 2015	February 29, 2016
Operating revenue		
Rental income	203,902	229,754
Operating costs		
Cost of rental income	141,464	163,436
Gross profit	62,437	66,317
Selling, general and administrative expenses:		
Employees' salaries and bonuses	4,957	5,618
Provision for employees' bonuses	441	542
Provision for director and auditor performance-based remuneration	96	76
Retirement benefit expenses	128	130
Statutory welfare benefit expense	1,178	1,373
Travel expenses	1,406	1,531
Rent	1,749	1,757
Sales commission	1,231	1,807
Depreciation and amortization	775	1,062
Other selling, general and administrative expenses	8,598	8,546
Total selling, general and administrative expenses	20,565	22,446
Operating income	41,872	43,870
Non-operating profits:		
Interest income	513	625
Dividend income	21	24
Compensation paid by departing tenants	796	1,080
Foreign exchange gains	510	176
Other non-operating profits	293	714
Total non-operating profits	2,135	2,622
Non-operating expenses:		
Interest expenses	2,315	2,570
Loss on valuation of derivatives	–	797
Other non-operating expenses	532	711
Total non-operating expenses	2,847	4,080
Ordinary income	41,160	42,412

(Million yen)

Year ended	February 28, 2015	February 29, 2016
Extraordinary gains:		
Gain on sale of fixed assets	*1 905	*1 1,862
Gain on sales of investment securities	707	–
Gain on sales of lease deposits	186	–
Gain on change in equity	–	438
Other extraordinary gains	13	2
Total extraordinary gains	1,812	2,302
Extraordinary losses:		
Loss on sales of fixed assets	*2 36	*2 6
Loss on disposal of fixed assets	*3 159	*3 1,000
Impairment losses	–	*4 686
Loss on leasing contract cancellation	233	–
Provision for store closing expenses	–	1,152
Provision for loss on guarantees	–	*5 525
Other extraordinary losses	181	307
Total extraordinary losses	611	3,677
Profit (loss) before income taxes and minority interests	42,361	41,037
Income taxes		
—Current	17,692	18,453
—Deferred	321	(1,468)
Total income taxes	18,013	16,984
Income before minority interests	24,348	24,053
Minority interests in net income	(164)	(586)
Net income	24,513	24,639

(Consolidated Statements of Comprehensive Income)

(Million yen)

Year ended	February 28, 2015	February 29, 2016
Income before minority interests	24,348	24,053
Other comprehensive income		
Net unrealized gain on available-for-sale securities	632	106
Foreign currency translation adjustment	12,950	(8,075)
Remeasurements of defined benefit plans, net of tax	–	(163)
Total other comprehensive income	*1 13,582	*1 8,131
Comprehensive income	37,931	15,921
Comprehensive income attributable to:		
Owners of parent	37,719	16,857
Minority interests	211	(936)

(3) Statements of Changes in Shareholders' Equity

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of fiscal year	42,195	42,504	196,722	(92)	281,330
Cumulative effects of changes in accounting policies					
Restated balance	42,195	42,504	196,722	(92)	281,330
Changes during period					
Issue of new shares	11	11			23
Cash dividends			(5,012)		(5,012)
Net income			24,513		24,513
Purchase of treasury stock				(7)	(7)
Net change in items other than shareholders' equity					
Total of changes	11	11	19,500	(7)	19,516
Balance at end of fiscal year	42,207	42,516	216,223	(99)	300,847

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain for available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	429	13,364	–	13,793	164	3,237	298,526
Cumulative effects of changes in accounting policies							
Restated balance	429	13,364	–	13,793	164	3,237	298,526
Changes during period							
Issue of new shares							23
Cash dividends							(5,012)
Net income							24,513
Purchase of treasury stock							(7)
Net change in items other than shareholders' equity	632	12,574	(138)	13,067	4	1,420	14,493
Total of changes	632	12,574	(138)	13,067	4	1,420	34,009
Balance at end of fiscal year	1,061	25,938	(138)	26,861	169	4,658	332,536

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of fiscal year	42,207	42,516	216,223	(99)	300,847
Cumulative effects of changes in accounting policies			(23)		(23)
Restated balance	42,207	42,516	216,199	(99)	300,823
Changes during period					
Issue of new shares	9	9			19
Cash dividends			(5,012)		(5,012)
Net income			24,639		24,639
Purchase of treasury stock				(6,001)	(6,001)
Net change in items other than shareholders' equity					
Total of changes	9	9	19,626	(6,001)	13,644
Balance at end of fiscal year	42,217	42,525	235,826	(6,101)	314,468

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain for available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of fiscal year	1,061	25,938	(138)	26,861	169	4,658	332,536
Cumulative effects of changes in accounting policies							(23)
Restated balance	1,061	25,938	(138)	26,861	169	4,658	332,512
Changes during period							
Issue of new shares							19
Cash dividends							(5,012)
Net income							24,639
Purchase of treasury stock							(6,001)
Net change in items other than shareholders' equity	106	(7,725)	(163)	(7,781)	23	1,450	(6,307)
Total of changes	106	(7,725)	(163)	(7,781)	23	1,450	7,336
Balance at end of fiscal year	1,168	18,213	(302)	19,079	193	6,108	339,849

(4) Consolidated Statements of Cash Flows

(Million yen)

Year ended	February 28, 2015	February 29, 2016
Cash flows from operating activities:		
Profit (loss) before income taxes and minority interests	42,361	41,037
Depreciation and amortization	29,574	32,088
Impairment losses	–	686
Increase (decrease) in provision for store closing expenses	(14)	1,152
Increase (decrease) in allowance for doubtful accounts	(32)	12
Increase (decrease) in provision for employees' bonus	103	404
Increase (decrease) in provision for director and auditor performance-based remuneration	(13)	(18)
Increase (decrease) in net defined benefit liability	(13)	(64)
Interest and dividend income	(535)	(650)
Interest expenses	2,315	2,570
Loss (gain) on change in equity	–	(438)
Loss on disposal of fixed assets	226	487
Loss (gain) on sales of fixed assets	(869)	(1,855)
Loss (gain) on sales of investment securities	(707)	–
Decrease (increase) in receivable—trade accounts	(1,552)	(1,163)
Decrease (increase) in other current assets	(4,109)	(4,658)
Increase (decrease) in payable—trade accounts	200	2,839
Increase (decrease) in consumption tax payable	1,682	2,379
Increase (decrease) in deposits from tenants	22,559	(14,876)
Increase (decrease) in other current liabilities	1,497	5,880
Other, net	11,043	15,146
Subtotal	103,715	80,958
Interest and dividends received	499	622
Interest paid	(2,185)	(2,516)
Income taxes paid	(25,877)	(17,278)
Net cash provided by (used in) operating activities	76,152	61,785

(Million yen)

Year ended	February 28, 2015	February 29, 2016
Cash flows from investing activities:		
Purchase of property, plant and equipment	(180,863)	(194,315)
Proceeds from sales of property, plant and equipment	34,013	55,442
Purchase of intangible assets	(873)	(662)
Purchase of long-term prepaid expenses	(1,089)	(12,899)
Proceeds from sales of investment securities	847	–
Purchase of shares of subsidiaries and associates	(200)	–
Payments of long-term loans receivable	–	(59)
Collection of loans	79	79
Payment of lease deposits to lessors	(2,176)	(3,713)
Reimbursement of lease deposits to lessors	5,712	1,123
Proceeds from sale of lease deposits	8,077	–
Repayment of lease deposits from lessees	(7,987)	(9,405)
Proceeds from lease deposits from lessees	16,088	13,616
Time deposits	(8,002)	(3,839)
Withdrawal of time deposits	8,867	7,130
Other	–	1,172
Net cash provided by (used in) investing activities	(127,505)	(146,332)
Cash flows from financing activities:		
Increase (decrease) in short-term debt and commercial papers	–	8,440
Proceeds from long-term debt	52,707	74,679
Repayment of long-term debt	(10,566)	(31,025)
Proceeds from issue of bonds	40,000	30,000
Redemption of bonds	(23,000)	–
Proceeds from stock issuance to minority shareholders	1,215	2,539
Purchase of treasury stock	(7)	(6,001)
Dividends paid	(5,012)	(5,012)
Dividends paid to minority shareholders	(6)	(6)
Other	(335)	(166)
Net cash provided by (used in) financing activities	54,994	73,446
Foreign currency translation adjustments on cash and cash equivalents	4,484	(2,468)
Net increase (decrease) in cash and cash equivalents	8,126	(13,569)
Cash and cash equivalents at beginning of the period	59,096	67,222
Cash and cash equivalents at end of the period	*1 67,222	*1 53,652

(5) Notes to the Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Important matters concerning the basis for preparing the consolidated financial statements

1. Matters concerning scope of consolidation

Number of consolidated subsidiaries: 34

Names of major consolidated subsidiaries

AEON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD., AEON MALL (CAMBODIA) CO., LTD., PT. AEON MALL INDONESIA, AEON MALL (GUANGDONG) BUSINESS MANAGEMENT CO., LTD., PT. AMSL INDONESIA, AEON MALL HIMLAM Company LIMITED, PT. AMSL DELTA MAS, AEON MALL (CHINA) CO., LTD.

AEON MALL DIANYA (TIANJIN) BUSINESS MANAGEMENT CO., LTD., YANTAI MALL REAL ESTATE DEVELOPMENT CO., LTD. and AEON MALL (SANHE) BUSINESS MANAGEMENT CO., LTD. were included in the scope of consolidation as these companies were established during the fiscal year under review.

2. Matters concerning application of the equity method

Number of equity-method affiliates: 2

Names of equity-method affiliates

La Style Co., Ltd. and KANDU JAPAN INC.

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

3. Matters concerning fiscal years of consolidated subsidiaries

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

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

4. Matters concerning the basis for accounting

(1) Valuation criteria and method for significant assets

1) Available-for-sale securities

Available-for-sale securities classified as other securities

Available-for-sale securities with market value

Stated at market value, determined by the market price as of the fiscal year-end and other means, with all valuation gains and losses reported in net assets and the cost of securities sold is determined by the moving-average method.

Available-for-sale securities without market value

Stated at cost determined by the moving-average method

2) Derivatives

Stated at market value

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

1) Property, plant and equipment

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

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

Buildings and structures: 3 to 39 years

Furniture and fixtures: 2 to 20 years

2) Intangible assets

Amortized using the straight-line method

Software used in-house is amortized using the straight-line method based on an internally estimated useful life of five years.

3) Long-term prepaid expenses

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

(3) Accounting method for deferred assets

Bond issue expenses are treated as an expense when paid.

(4) Accounting standards for significant allowances

1) Allowance for doubtful accounts

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

2) Allowance for employees' bonus

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

3) Allowance for directors' performance-based remuneration

The Company provides an allowance for directors' performance-based remuneration, based on the estimated portion to be paid in the fiscal year under review.

4) Provision for store closing expenses

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

5) Provision for loss on guarantees

The Company records the estimated loss to be borne in preparation for losses associated with debt guarantees etc., considering the financial position of entities for which guarantees are provided.

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

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

(6) Accounting treatment for significant lease transactions

The Company accounts for finance leases that do not transfer ownership of leased assets to the lessee that commenced on or before February 20, 2009 in the same way as for ordinary rental transactions.

(7) Accounting policies for significant hedging activities

1) Hedge accounting methods

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

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Borrowings

3) Hedging policy

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

4) Evaluation of hedging effectiveness

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

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

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

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

1) Posting standards for net defined benefit liability

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

Past service liabilities are expensed in a lump sum in the fiscal year in which they accrue, while actuarial differences are expensed from the following fiscal year using the straight line method within a fixed period (10 years) of the estimated average remaining life of service of employees at the time of accrual.

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

2) Accounting treatment of consumption taxes

Financial statements are prepared exclusive of consumption taxes.

Change to accounting policy

Application of Accounting Standard for Retirement Benefits

Starting from the fiscal year under review, the Company has applied the provisions of the body text of Article 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012) and the provisions of the body text of Article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015), revised the methods of calculating retirement benefit obligations and service costs, changed the attribution method for projected retirement benefits from the service period basis to the payment calculation method, and changed the method of determining discount rates from the method of determining the bond period that becomes the basis of determining a discount rate using the average period until the date of the expected payment of retirement benefits, to the method of using the single weighted average discount rate that mainly reflects the amount in each expected period of retirement benefit payment.

The application of the Accounting Standard for Retirement Benefits is in accordance with the transitional accounting stipulated in Article 37 of the Accounting Standard for Retirement Benefits, and at the beginning of the fiscal year under review, the effects of the change in the method of calculating retirement benefit obligations and service costs were added to, or subtracted from, the retained earnings.

As a result, at the beginning of the fiscal year under review, net defined benefit liability rose 36 million yen, and retained earnings declined 23 million yen. The impact on operating income, ordinary income, and income before income taxes and minority interests is minor.

Unapplied accounting standards, etc.

The Company and domestic consolidated subsidiaries

- Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2 issued on September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 issued on September 13, 2013)

1. Overview

These accounting standards and guidance have been revised, and the revisions are mainly related to the following: (i) changes in the parent company's equity in a subsidiary if the parent company acquires additional shares in the subsidiary and the parent company's control continues, (ii) expenses related to acquisitions, (iii) presentation of net income and change from minority shareholders' equity to non-controlling interests, and (iv) transitional accounting

2. Scheduled date of adoption

The accounting standards and guidance are scheduled to be adopted from the beginning of the fiscal year ending February 28, 2017. Transitional accounting is scheduled to be adopted from business combinations that will be carried out at or after the beginning of the fiscal year ending February 28, 2017.

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

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

Consolidated subsidiaries overseas

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

1. Overview

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

2. Scheduled date of adoption

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

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

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

Notes

Consolidated balance sheets

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

(Assets pledged as collateral) (Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Buildings and structures	40,361	60,007
Land	17,291	17,416
Construction in progress	15,909	–
Long-term prepaid expenses	6,580	–
Total	80,142	77,423

(Note) Long-term prepaid expenses were for land-use right in China.

(Liabilities backed by above collateral) (Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Current portion of long-term debt	2,118	1,657
Other current liabilities (Current portion of lease deposits from lessees)	75	75
Long-term debt	8,003	28,694
Lease deposits from lessees	1,282	1,206
Total	11,479	31,634

*2 Contingency liabilities

KANDU JAPAN INC., an associated company, concluded an agreement to extend the borrowing period for debt due on February 29, 2016 with the financial institution. In association with the agreement, the Company introduced credit enhancement. Details are as shown below.

(Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Credit enhancement	–	1,050
Provision for loss on guarantees	–	525
Difference	–	525

*3 Deposits to associated companies (Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Deposits to associated companies	5,000	–

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

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

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Shares of subsidiaries and associates	190	97

Consolidated statements of income

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)		Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)	
ÆON Mall KYOTO (Kyoto City, Kyoto Prefecture)	897	ÆON Mall Kofu Showa (Nakakoma-gun, Yamanashi Prefecture)	272
		ÆON Mall Yamato Koriyama (Yamato Koriyama City, Nara Prefecture)	1,588
Other	7	Other	0
Total	905	Total	1,862

(Note) Those that exclude “Other” are gains on sales to Aeon REIT Investment Corporation.

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)		Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)	
Land	19	Land	–
Building and structures	14	Building and structures	–
		Machinery and transportation	0
		Furniture and fixtures	5
Other	1	Other	–
Total	36	Total	6

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)		Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)	
Building and structures	47	Building and structures	208
		Machinery and transportation	53
Furniture and fixtures	5	Furniture and fixtures	23
Demolition and removal expenses	106	Demolition and removal expenses	714
Other	0	Other	0
Total	159	Total	1,000

*4. Impairment losses

The Group did not post any impairment losses for the previous fiscal year under review (from March 1, 2014 to February 28, 2015).

The Aeon Mall Group incurred an impairment loss in the following asset group in the fiscal year under review (from March 1, 2015 to February 29, 2016).

Location	Use	Type	Amount (million yen)
Osaka Prefecture	Store	Buildings, etc.	686

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

For the asset group above, scrap-and-build reforms are planned, and the entire book value was reduced and posted as an impairment loss in extraordinary losses. Of the impairment loss, 673 million yen was a loss in building and structures, 12 million yen was a loss in furniture and fixtures, and 0 million yen was other losses.

*5. Provision for loss on guarantees

There was provision for loss on guarantees related to a debt guarantee etc. for KANDU JAPAN INC., an associated company.

Consolidated statements of comprehensive income

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

	Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)	Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)
Net unrealized gain on available-for-sale securities		
Amount accrued in the fiscal year	1,687	75
Amount rearranged or adjusted	(707)	–
Before tax effect adjustment	979	75
Tax effect	(347)	31
Net unrealized gain on available-for-sale securities	632	106
Foreign currency translation adjustment		
Amount accrued in the fiscal year	12,950	(7,792)
Amount rearranged or adjusted	–	(282)
Before tax effect adjustment	12,950	(8,075)
Tax effect	–	–
Foreign currency translation adjustment	12,950	(8,075)
Remeasurements of defined benefit plans, net of tax		
Amount accrued in the fiscal year	–	(265)
Amount rearranged or adjusted	–	34
Before tax effect adjustment	–	(230)
Tax effect	–	67
Remeasurements of defined benefit plans, net of tax	–	(163)
Total other comprehensive income	13,582	(8,131)

Statements of changes in shareholders' equity

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

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

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,876,667	14,080	–	227,890,747
Total	227,876,667	14,080	–	227,890,747
Treasury stock				
Common stock (Note 2)	35,585	3,354	–	38,939
Total	35,585	3,354	–	38,939

(Notes) 1. An increase of 14,080 shares issued and outstanding resulted from the exercise of stock acquisition rights.

2. An increase of 3,354 shares of treasury stock resulted from the purchase of odd-lot shares.

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

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in their number in the fiscal year under review	Decrease in their number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	–	–	–	–	–	169
Total		–	–	–	–	–	169

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 8, 2014	Common stock	2,506	11.00	February 28, 2014	May 7, 2014
Board of Directors meeting on October 3, 2014	Common stock	2,506	11.00	August 31, 2014	November 12, 2014

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

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 15, 2015	Common stock	2,506	Retained earnings	11.00	February 28, 2015	May 7, 2015

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

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

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in shares (shares)	Decrease in shares (shares)	Number of shares at the end of the fiscal year under review (shares)
Shares issued and outstanding				
Common stock (Note 1)	227,890,747	11,280	–	227,902,027
Total	227,890,747	11,280	–	227,902,027
Treasury stock				
Common stock (Note 2)	38,939	2,763,900	–	2,802,839
Total	38,939	2,763,900	–	2,802,839

(Notes) 1. An increase of 11,280 shares issued and outstanding resulted from the exercise of stock acquisition rights.
2. An increase in treasury stock resulted from the acquisition of 2,763,000 shares of treasury stock under a resolution of the Board of Directors and the purchase of 900 odd-lot shares.

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

Classification	Components of stock acquisition rights	Type of shares that comprise the objective of stock acquisition rights	Number of shares that comprise the objective of stock acquisition rights (shares)				Balance of stock acquisition rights at the end of the fiscal year under review (million yen)
			Number at the beginning of the fiscal year under review	Increase in their number in the fiscal year under review	Decrease in their number in the fiscal year under review	Number at the end of the fiscal year under review	
The Company	Stock acquisition rights as stock options	–	–	–	–	–	193
Total		–	–	–	–	–	193

3. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 15, 2015	Common stock	2,506	11.00	February 28, 2015	May 7, 2015
Board of Directors meeting on October 7, 2015	Common stock	2,506	11.00	August 31, 2015	November 12, 2015

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

Resolution	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting on April 13, 2016	Common stock	2,476	Retained earnings	11.00	February 29, 2016	May 2, 2016

Consolidated statements of cash flows

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

(Million yen)

	Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)	Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)
Cash and deposits	67,340	55,375
Deposits to associated companies	5,000	–
Time deposits with a deposit term longer than three months	(5,118)	(1,722)
Cash and cash equivalents	67,222	53,652

2. Important non-fund transactions

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

Important asset retirement obligations recorded for the first time in the fiscal year ended February 28, 2015 amounted to 1,293 million yen.

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

Important asset retirement obligations recorded for the first time in the fiscal year ended February 28, 2015 amounted to 347 million yen.

Lease transactions

As lessee

1. Finance leases

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

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

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

(Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)		
	Acquisition cost	Accumulated depreciation	Year-end balance
Furniture and fixtures	35	23	12
Total	35	23	12

(Million yen)

	Year Ended February 29, 2016 (As of February 29, 2016)		
	Acquisition cost	Accumulated depreciation	Year-end balance
Furniture and fixtures	35	26	8
Total	35	26	8

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

(Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Amounts equivalent to balance of future lease obligations at fiscal year-end		
Due within 1 year	3	3
Due after 1 year	9	4
Total	13	7

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

(Million yen)

	Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)	Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)
Lease payments	4	4
Depreciation expense	3	3
Interest payment	0	0

(4) Method for calculating depreciation equivalent

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

(5) Method for calculating interest equivalent

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

Impairment losses

No impairment loss was allocated to leased assets.

2. Operating leases

Future lease payment obligations

As lessee

(Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Due within 1 year	41,265	47,106
Due after 1 year	251,610	366,074
Total	292,876	413,180

(Note) Regarding future lease obligations of 292,876 million yen in the previous fiscal year, 29,924 million yen (880 million yen of which is due within one year) has already been paid for land-use rights in China and Vietnam. This amount is recorded in consolidated balance sheets under “long-term prepaid expenses.”

During the fiscal year under review, regarding future lease obligations of 422,522 million yen, 38,269 million yen (953 million yen of which is due within one year) has already been paid for land-use rights in China and Vietnam and rents for buildings in Indonesia. This amount is recorded in consolidated balance sheets under “long-term prepaid expenses.”

As lessor

(Million yen)

	Year Ended February 28, 2015 (As of February 28, 2015)	Year Ended February 29, 2016 (As of February 29, 2016)
Due within 1 year	723	2,478
Due after 1 year	5,827	19,876
Total	6,550	22,355

Rental property

The Company and some consolidated subsidiaries own commercial leasing buildings in various regions nationwide as well as overseas (China and ASEAN region) aimed at generating profits from property leasing. Leasing profit related the rental properties, etc. (properties for lease owned by the Company; malls operated under master lease and property management agreements are not included; the same applies hereinafter) stood at 32,904 million yen in the previous fiscal year (main leasing revenue was posted under operating revenue, while the main leasing expenses were posted under operating expenses). The gain on sale of fixed assets was 897 million yen (posted under extraordinary gains). During the fiscal year under review, leasing profit was 33,532 million yen (main leasing revenue was posted under operating revenue, while main leasing expenses were posted under operating expenses), gain on sale of fixed assets were 1,862 million yen (posted under extraordinary gains) and impairment losses were 686 million yen (posted under extraordinary losses).

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

(Million yen)

	Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)	Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)
Balance sheet amount		
Balance at the beginning of the term under review	537,866	701,197
Change during term under review	163,331	64,180
At end of term under review	701,197	765,377
Fair value at end of term under review	927,843	987,336

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

2. Of the changes during the term under review, the main increase during the previous fiscal year was property acquisition (177,915 million yen), while the main decline was disposal and sales of fixed assets (33,110 million yen) and depreciation expense (24,441 million yen). The main increase during the term under review was property acquisition (152,907 million yen), while the main decline was the disposal and sales of fixed assets (52,309 million yen) and depreciation expense (28,599 million yen)

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

Segment information

a. Segment information

1. Overview of reporting segments

(1) Determination of reporting segments

The Group's reporting segments are units of the Group whose financial information is available separately and are reviewed regularly for determining the distribution of management resources and the evaluation of business performance.

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

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

(2) Matters concerning changes in reporting segments

While the Group has operated solely within the shopping mall business, the segmentation method has been revised due to the increased importance of overseas business, and as a result, the reporting segments have been changed from the conventional single segment to the Japan, China, and ASEAN segments starting the fiscal year under review.

Segment information for the previous fiscal year is prepared according to the revised segments. It is stated in 3. Information on operating revenue, profit (loss), assets, liabilities, and other items of each reporting segment (for the year ended February 28, 2015).

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

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

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue to external customers	196,650	6,065	1,187	203,902	–	203,902
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	196,650	6,065	1,187	203,902	–	203,902
Segment profit (loss)	46,346	(3,529)	(944)	41,872	–	41,872
Segment assets	695,938	106,098	86,826	888,862	12,094	900,957
Other items						
Depreciation and amortization (Note 3)	29,578	1,065	361	31,004	–	31,004
Impairment losses	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets (Note 3)	149,021	20,930	21,270	191,223	(389)	190,833

(Notes) 1. Adjustment is as follows:

(1) Adjustment to segment assets, 12,094 million yen, include corporate assets that are not distributed to reportable segments of 13,785 million, and the elimination of intersegment transactions.

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

2. Segment profit (loss) corresponds to the operating income stated in the consolidated statements of income.

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

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

(Million yen)

	Japan	China	ASEAN	Total	Adjustment (Note 1)	Amount on Consolidated Financial Statements (Note 2)
Operating revenue						
Operating revenue to external customers	214,006	11,506	4,241	229,754	–	229,754
Internal operating revenue or transfer amount between segments	–	–	–	–	–	–
Total	214,006	11,506	4,241	229,754	–	229,754
Segment profit (loss)	49,322	(4,448)	(1,013)	43,859	11	43,870
Segment assets	703,222	160,195	109,493	972,912	2,058	974,970
Other items						
Depreciation and amortization (Note 3)	31,684	1,972	1,489	35,145	(11)	35,134
Impairment losses	686	–	–	686	–	686
Increase in property, plant and equipment and intangible assets (Note 3)	102,974	48,812	32,164	183,951	(288)	183,663

(Notes) 1. Adjustment is as follows:
(1) Adjustment to segment profit (loss) is adjustment to unrealized gains in intersegment transactions.
(2) Adjustment to segment assets, 2,058 million yen, include corporate assets that are not distributed to reportable segments of 3,539 million yen and the elimination of intersegment transactions.
(3) Adjustment to depreciation and amortization is adjustment to unrealized gains related to fixed assets.
(4) Adjustment to the increase in property, plant and equipment and intangible assets is adjustment to unrealized gains related to fixed assets.
2. Segment profit (loss) is adjusted to operating income on the consolidated statement of income.
3. Depreciation and amortization and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and the amortization of long-term prepaid expenses.

b. Related information

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

1. Information by product and service

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

2. Information by region

(1) Operating revenue

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

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
603,704	28,446	57,669	689,820

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
Aeon Retail Co., Ltd.	27,422	Japan

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

1. Information by product and service

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

2. Information by region

(1) Operating revenue

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

(2) Property, plant and equipment

(Million yen)

Japan	China	ASEAN	Total
620,676	56,319	77,720	754,716

3. Information per major customer

Customer title or name	Operating revenue (million yen)	Name of related segment
Aeon Retail Co., Ltd.	29,812	Japan

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

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

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

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

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

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

Omitted since the information is not significant.

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

Omitted since the information is not significant.

e. Information regarding gain on negative goodwill per reporting segment

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

Not applicable.

Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

Not applicable.

Per-share information

Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)		Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)	
Net assets per share	1,438.25 yen	Net assets per share	1,481.77 yen
Net income per share	107.58 yen	Net income per share	108.43 yen
Diluted net income per share	107.53 yen	Diluted net income per share	108.38 yen

(Notes) 1. The basis for the calculation of net income per share and diluted net income per share is shown in the table below.

	Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)	Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)
Net income per share		
Net income (million yen)	24,513	24,639
Amounts not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to common stock (million yen)	24,513	24,639
Average number of common shares outstanding during the fiscal year	227,849,749	227,230,953
Diluted net income per share		
Adjustment of net income (million yen)	–	–
Increase in number of common stock (shares)	97,768	106,015
(Stock acquisition rights included)	(97,768)	(106,015)
Outline of dilutive stock not included in calculation of diluted net income per share because it is anti-dilutive	—	—

Major subsequent events

Under a resolution at a meeting of the Board of Directors held on November 17, 2015, the Company implemented a share exchange (effective on March 1, 2016) upon which the Company became a wholly owning parent company, and OPA Co., Ltd. (hereinafter referred to as "OPA") became a wholly owned subsidiary (hereinafter referred to as the "Share Exchange"). Additionally, on March 1, 2016, OPA succeeded to the VIVRE FORUS business of AEON Retail Co., Ltd. (hereinafter referred to as "AEON Retail") upon the absorption-type company demerger and AEON Co., Ltd. (hereinafter referred to as "AEON") acquired all the shares of OPA from The Daiei, Inc. and the Company has made OPA a wholly owned subsidiary through a short-form share exchange.

1. Purpose of the share exchange

The Company, which will become the wholly owning parent company, manages 144 domestic large-scale shopping malls under guidelines stating that it should contribute to improving people's lifestyles and developing the local community through the development of distinctive malls that are unique to each area based on the perspective of localization in Japan and overseas.

Meanwhile, OPA, which will become the wholly owned parent company, manages and operates nine fashion buildings located in the midtown area, and the VIVRE FORUS business (other than the retail business) of AEON Retail, which OPA succeeded to upon the absorption-type demerger on March 1, 2016, also manages and operates fashion buildings. Through the share exchange, these businesses will be integrated into the Company, which plays a core role in the AEON Group as a developer; the business expertise of both companies will be combined to increase the number of new business bases, renovate existing facilities, and create attractive commercial facilities for customers; and the Company decided to go ahead with this share exchange because it will strengthen its management foundations and enhance its corporate value.

2. Effective date of the Share Exchange

March 1, 2016

3. Details of the Allotment upon the Share Exchange

	The Company (Wholly owning parent company)	OPA (Wholly owned subsidiary)
Share exchange ratio	1	47.48

(Notes) 1. Share exchange ratio for the Share Exchange

For each common share of OPA, 47.48 common shares of the Company were allotted and delivered.

2. Number of shares delivered in the Share Exchange

Number of common shares of the Company delivered in the Share Exchange: 2,268,879

All the common shares of the Company that were delivered were shares of the Company's treasury stock.

3. Basis for the share exchange ratio

In the Share Exchange, the Company allotted and delivered to the shareholders of OPA stated or recorded in OPA's shareholder registry at the time immediately before the Company's acquisition of all the issued shares of OPA in the Share Exchange (hereinafter referred to as the "Base Time") common shares of the Company the number of which was obtained by multiplying the number of OPA common shares owned by the shareholders of OPA using the share exchange ratio calculated according to the following formula (hereinafter referred to as the "Variable Share Exchange Ratio Method") in exchange for OPA's common shares:

Share Exchange Ratio = 98,900 yen (*) / the average stock price of the Company's common shares

* The appraised value per common share of OPA determined by the Company

In the formula described above, the "average stock price of the Company's common shares" shall mean the average value of the weighted average price per common share of the Company (calculated to the first decimal place and rounded off to whole numbers) for thirty (30) individual trading days (other than the days when trading is not conducted) from December 1, 2015 inclusive to January 15, 2016 inclusive on the first section of the Tokyo Stock Exchange. The share exchange ratio was rounded off to the second decimal place.

Calculation

Average stock price of the Company's common shares = 2,083 yen

Share Exchange Ratio = 98,900 yen／2,083 yen = 47.479 ≒ 47.48

4. Calculation Basis, etc. for Allotment upon the Share Exchange

In consideration of the share exchange ratio used for the Share Exchange, the Company decided to entrust the appraisal of the stock value of OPA to PricewaterhouseCoopers Kyoto (PwC Kyoto), which is an independent third-party institution (hereinafter referred to as "PwC Kyoto") to ensure fairness and appropriateness.

PwC Kyoto analyzed the stock value of OPA's common shares by using the discounted cash flow (DCF) method to reflect the future business activities on valuation, considering the fact that OPA is a privately held company. In addition, OPA will succeed to the VIVRE FORUS business (other than the retail business) of AEON Retail Co., Ltd. upon the absorption-type company demerger, and thus the stock value analysis was based on the business forecasts after succession to the said business.

The results of the appraisal of the stock value per common share of OPA that PwC Kyoto made according to the DCF method are as set forth below.

	Results of appraisal (yen per share)
DCF method	79,356 yen to 167,262 yen

The exchange ratio shall be calculated according to the Variable Share Exchange Ratio Method.

5. Overview of accounting treatment

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