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

January 8, 2019

Company name: AEON MALL Co., Ltd. Stock Exchange Listing: TSE
Stock code: 8905 URL http://www.aeonmall.com/ir/index.html
Representative: Akio Yoshida, President and Chief Executive Officer
Inquiries: Masahiko Okamoto, Director and General Manager of the Administration Division
Telephone: +81-43-212-6733
Scheduled date of filing of quarterly report: January 11, 2019 Starting date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 2019 (March 1, 2018 – November 30, 2018)

(1) Consolidated results of operations (cumulative) (Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended November 30, 2018	231,126	9.1	35,488	6.7	34,690	5.2	22,604	14.9
Nine months ended November 30, 2017	211,797	6.8	33,256	11.2	32,988	9.4	19,676	18.7

(Note) Comprehensive income: Nine months ended November 30, 2018: ¥11,139 million (-36.0%);
Nine months ended November 30, 2017: ¥17,395 million (–%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Nine months ended November 30, 2018	99.38	99.35
Nine months ended November 30, 2017	86.51	86.48

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
November 30, 2018	1,227,982	388,084	30.7
February 28, 2018	1,123,781	385,561	33.2

(Reference) Equity: November 30, 2018: ¥377,491 million,
February 28, 2018: ¥373,572 million

2. Dividends

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

(Note) Revisions to dividend forecast announced recently: None

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

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	320,000	11.1	53,500	8.7	51,000	4.0	32,000	4.8	140.70

(Note) Revisions to earnings forecast announced recently: None

* Notes

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

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting-based estimates, revisions & restatements
[1] Changes in accounting policies due to changes in accounting standards, etc.: Yes
[2] Changes in accounting policies other than the above: None
[3] Changes in accounting estimates: None
[4] Revisions and restatements: None

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

[1] Number of shares outstanding at period-end (including treasury stock)	Nine months ended November 30, 2018	227,466,629	Year ended February 28, 2018	227,430,089
[2] Treasury stock at period-end	Nine months ended November 30, 2018	2,113	Year ended February 28, 2018	1,721
[3] Average number of shares during the period (quarterly cumulative)	Nine months ended November 30, 2018	227,449,534	Nine months ended November 30, 2017	227,419,604

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

* Explanations and other special notes concerning the appropriate use of earnings projections
(Cautionary statement regarding forward-looking statements, etc.)
Earnings projections and other forward-looking statements included in these materials are based on information currently available to the Company and certain assumptions deemed reasonable. These forward-looking statements do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. See *1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Projections and Other Projections* on P.8 of the accompanying materials for assumptions used in earnings projections and matters to note when using earnings projections,

(Procedures for obtaining supplementary information on financial results)
The Company is scheduled to hold a briefing for institutional investors and analysts on January 9, 2019. The materials handed out at this briefing will be posted on the Company's website on January 8, 2019. An audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

The Company formulated a medium-term management plan covering fiscal 2017 (FYE February 28, 2018) through fiscal 2019. Under this plan, we are revising existing business models and securing new growth models. We have defined five initiatives through which we will achieve sustainable growth and improve profitability: (1) Capture growth opportunities in Asia; (2) Develop latent sources of domestic demand; (3) Become the overwhelmingly dominant mall in each region; (4) Capture urban growth opportunities; and (5) Implement an optimal financing mix and build organizational structures that support growth.

The Company recorded operating revenue of ¥231,126 million for the nine months ended November 30, 2018, up 9.1% compared to the same period in the prior fiscal year.

While operating costs rose to ¥175,372 million (+11.0% year on year) due to expansion in the scale of business, gross profit increased 3.7% year on year to ¥55,754 million (+3.7%). Selling, general and administrative expenses were ¥20,265 million (-1.1%), resulting in operating income of ¥35,488 million (+6.7%).

Net non-operating profits and expenses decreased ¥530 million compared with the first nine months of the previous fiscal year, resulting in ordinary income of ¥34,690 million (+5.2%).

Net extraordinary gains and losses increased ¥2,533 million compared with the first nine months of the previous fiscal year. During the first nine months of consolidated fiscal 2018, the Company recorded extraordinary gains of ¥616 million in compensation income. The Company also recorded ¥1,518 million in gains on sale of fixed assets. In total, we recorded an increase of ¥868 million in extraordinary gains compared to the same period in the prior fiscal year. Extraordinary losses decreased ¥1,665 million year on year, mainly due to a loss on cancellation of lease contracts of ¥948 million and an increase in provision for loss on store closings of ¥442 million.

As a result, income before income taxes and other adjustments amounted to ¥34,382 million (+14.0%), while net income attributable to owners of parent rose to ¥22,604 million, up 14.9% year on year.

The following is a discussion of consolidated earnings and earnings by segment for the period under review:

◆ Consolidated Earnings (Million yen)

	FY2017 Q3	FY2018 Q3	Change [YoY]
Operating revenue	211,797	231,126	+19,328 [109.1%]
Operating income	33,256	35,488	+2,232 [106.7%]
Ordinary income	32,988	34,690	+1,702 [105.2%]
Net income attributable to owners of parent	19,676	22,604	+2,928 [114.9%]

◆ Earnings by Segment (Million yen)

	Operating revenue			Segment Income (loss)		
	FY2017 Q3	FY2018 Q3	Change [YoY]	FY2017 Q3	FY2018 Q3	Change [YoY]
Japan	189,237	198,421	+9,183 [104.9%]	34,188	35,148	+960 [102.8%]
China	16,581	24,602	+8,021 [148.4%]	(1,115)	(469)	+645 [–]
ASEAN	5,978	8,102	+2,123 [135.5%]	169	791	+622 [468.1%]
Overseas	22,559	32,704	+10,145 [145.0%]	(946)	321	+1,267 [–]
Adjustment	—	—	— [–]	14	18	+4 [132.7%]
Total	211,797	231,126	+19,328 [109.1%]	33,256	35,488	+2,232 [106.7%]

a. Overseas (China, ASEAN)

AEON Mall enjoyed increased branding advantages from area-dominant store openings in China and the ASEAN region, resulting in growth in operating revenue to ¥32,704 million (+45.0% year on year), while operating income totaled ¥321 million (compared with an operating loss of ¥946 million in the same period of the previous fiscal year). Our Overseas business has become a growth driver, poised for future profit growth in response to new store openings, renovations for new tenants in existing malls, planned floorspace expansion, and initiatives to improve our level of operations.

◆ Capture Growth Opportunities in Asia

(China)

The Company recorded operating revenue in China in the amount of ¥24,602 million, an increase of 48.4% year on year. Operating loss narrowed to ¥469 million, compared to an operating loss of ¥1,115 million for the same period in the prior fiscal year.

As of the end of the period under review, the Company owned and operated 17 malls in China (see note), ten of which have become profitable. Compared to the year-ago period, the Company improved operating income by ¥645 million.

Our current medium-term management plan (ending FYE 2019) calls for opening eight new malls in China. We have already opened four new malls under this plan during fiscal 2017. During fiscal 2018, we opened two malls as planned: the AEON MALL Yantai Jinshatan (Yantai City, Shandong) in May, our first in Shandong Province, and the AEON MALL Guangzhou Jinsha (Guangzhou City, Guangdong) in November, our second in Guangzhou City and third in Guangdong.

AEON MALL Guangzhou Jinsha is located on the border of Guangzhou and Foshan cities. This area is expected to experience an increase in population with public transportation and housing development in response to government policies for integrating the two cities. Together with the AEON MALL Guangzhou Panyu Square, our first mall in Guangzhou City, and the AEON MALL Foshan Dali, our first in Foshan City, the addition of AEON Mall Guangzhou Jinsha has strengthened our position to become the area-dominating mall operator in the Guangdong area.

We are continuing with area-dominant store openings in China, mainly in the four areas of Beijing/Tianjin, Jiangsu/Zhejiang, Hubei and Guangdong. The impact of these store openings has increased the AEON Mall brand power to attract more customers, along with quality tenants with whom we are able to enter lease contracts under more favorable terms.

In our existing malls, we are approaching a time in which more tenants are reaching the completion of lease agreements. As with Japan, we will continue to renovate tenant space timed to the end of these contracts and the entry of new tenants. Combined with deliberate floorspace expansion, these updates should serve to improve our ability to attract customers.

AEON MALL Wuhan Jinyintan (Wuhan City, Hubei Province), which opened in December 2014, renovated more than 40 percent of mall tenants in May. The mall plans to expand floorspace by the spring of 2020 and update 90 more stores, representing 50 percent of all slots in the facility.

In August, AEON MALL Suzhou Wuzhong (Jiangsu, Suzhou Province) hosted the Third Annual AEON MALL National Customer Service Role-Play Contest. The contest was open to nearly 45,000 employees, representing 17 malls and almost 3,300 stores across China. After preliminary contests, 24 individuals competed in the final stage. This contest represents our ongoing engagement in fostering localized management, both improving individual customer service levels and raising the skills of mall employees as a whole.

(ASEAN)
ASEAN operating revenue was ¥8,102 million (+35.5% year on year) and operating income was ¥791 million (+368.1% year on year).

During the first nine months of fiscal 2018, all seven malls (see note) in ASEAN were profitable. Operating income rose ¥622 million compared to the year-ago period.

Our current medium-term management plan (ending FYE 2019) calls for opening four new malls in ASEAN. We have already opened one new mall in Indonesia under this plan during fiscal 2017. In May of the current fiscal year, we opened AEON MALL Sen Sok City (Phnom Penh City), our second mall in Cambodia. This is a distinctive mall that includes large amusement facilities (water park, aquarium, concert hall, etc.), government administrative offices (passport issuance center, driver license renewal, etc.), and a financial zone. These amenities offer a much higher level of service for customers, making this mall a leader in anticipating future market needs.

In Vietnam, we began construction on AEON MALL Ha Dong in Hanoi City (fifth mall in Vietnam; scheduled to open in fiscal 2019) and the AEON MALL Hai Phong Le Chan in Hai Phong City (sixth mall in Vietnam; scheduled to open in fiscal 2020). These mall openings in the Hanoi area will accelerate our area-dominant store openings in the country. We are moving forward with tenant replacements and transfers in anticipation of the Spring 2019 expansion and renovation at AEON MALL Tan Phu Celadon (Ho Chi Minh City), the first mall we ever opened in Vietnam.

In Indonesia, AEON MALL Sentul City (West Java) is under construction, scheduled to open in FY2019. This will be our third mall in Indonesia. We have secured tenants for a fourth mall, AEON MALL Tanjung Barat (southern Jakarta district; scheduled for 2020 opening), accelerating area-dominant store openings in a similar fashion to our approach in Vietnam.

In November, AEON MALL Binh Tan (Ho Chi Minh City) hosted the first AEON MALL National Customer Service Role-Play Contest. Similar contests were held for the first time in Cambodia (November) and Indonesia (December).

Note: Malls open as of February 28, 2018

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

	Name	Location	Opening Date (Note)	Number of Tenants	Total Leasing Area (m^2)
China	AEON MALL Yantai Jinshatan	Yantai City, Shandong	May 2018	220	72,000
	AEON MALL Guangzhou Jinsha	Guangzhou City, Guangdong	November 2018	170	65,000
Cambodia	AEON MALL Sen Sok City	Phnom Penh City	May 2018	200	85,000

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

b. Japan

Japan operating revenue was ¥198,421 million (+4.9% year on year) and operating income was ¥35,148 million (+2.8%).

Our Mall Business expanded sales floorspace in two malls and renovated six existing malls during the period. Along with the effects expansions and existing mall renovations, the Company implemented measures to increase customer drawing power (Happiness Mall initiative, etc.) and executed sales policies to promote localization. In addition, we expanded our number of business locations with the opening of four new malls, including THE OUTLETS HIROSHIMA (Hiroshima Prefecture), which features a new format.

◆ Develop Latent Sources of Domestic Demand

To encourage consumer demand in Japan, AEON MALL held a Black Friday event at locations throughout the country from November 23 through November 25 (see note). In its third year, this program is becoming better known among customers and is enjoying an increasing number of participating tenants. This year, retailers offered luxury brand items, fashion items, and trendy products at special sale prices. Retailers also offered other incentives to drive customer traffic, including original novelty goods and quintuple points for credit card purchases. Customer traffic was up 2.7% year on year during our Black Friday, while sales were up a robust 6.6%.

The AEON Group has been strengthening Health and Wellness initiatives that contribute to rich and varied lifestyles for customers through physical and mental health. AEON MALL aspires to be a space for customers to find happiness. We are rolling out Happiness Mall initiatives built on four pillars: Health, Wellness, Community, and Opportunity. Under the banner of Health, we promote mall walking activities at every AEON mall location throughout Japan, promoting better health among our customers. One example of a Wellness program is our Opera de AEON MALL, operas held at various malls in cooperation with the Japan Opera Foundation. To encourage Community, we introduced the Hyper-Localization 2018 program designed to promote the attraction of our local communities. Each AEON MALL location participates in a variety of collaborative events and projects across six different areas: (1) Industry; (2) Education; (3) Government; (4) Private Organizations; (5) Culture & History; and (6) Products.

To provide new experiences and discoveries to customers, the Company is actively working to attract overseas specialty stores to Japan. In November, AEON Lake Town (Saitama Prefecture) welcomed the first Japanese location of *Hotel Chocolat*, a popular chocolate specialty retailer based in the United Kingdom. We will continue to leverage our network of overseas specialty stores to attract powerful new tenants for our malls in Japan.

(Note) Held over four days from November 23 through November 26 in the previous year. Comparative figures for the four-day period covering November 22 through November 25, 2018.

◆ Become the Overwhelmingly Dominant Mall in Each Region

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

Our current medium-term management plan calls for us to expand floorspace at eight malls, renovate 30 malls, and opened 10 new malls. During FY 2017, we expanded floorspace at two malls, renovated 12 malls, and opened five new mall locations. We plan to expand two malls, renovate eight malls, and open four new malls during FY2018.

Through the first nine months of FY 2018, we expanded floorspace at two malls and renovated six malls.

In March and July, we reopened the AEON MALL Miyazaki (Miyazaki Pref.) and AEON MALL Kumamoto (Kumamoto Pref.) locations, which now feature expanded floorspace. The expansion has helped both malls secure overwhelmingly strong positions as the No.1 malls in their respective regions, building upon already sizable market shares.

Among other existing malls, we have plans calling for a major renovation of AEON MALL Fukuoka (Fukuoka Pref.) through fall 2019. This renovation will upgrade 140 stores, representing two-thirds of the mall as a whole. In October, we renovated the second floor of the west mall as the first phase of this project, adding seven lifestyle specialty retailers (home electronics, interior decorations, etc.).

Our tenants enjoyed solid sales performance in the 22 malls where we expanded floorspace or conducted renovations in the previous and current period. Sales grew a strong 8.6% compared to the same period in the prior fiscal year. We plan to renovate two more malls during the fourth quarter of the current consolidated fiscal year.

New mall openings for the first nine months of the fiscal year were AEON MALL Zama (Kanagawa Pref.) in March, THE OUTLETS HIROSHIMA (Hiroshima Pref.) in April, AEON MALL Iwaki Onahama (Fukushima Pref.) in June, and AEON MALL Tsu-Minami (Mie Pref.) in November.

AEON MALL Tsu-Minami was built and expanded on the foundation of the AEON Tsu-Minami Shopping Center Sun Valley, opened originally in 1978 and closed temporarily in 2016 for the rebuild. The mall features the latest in digital content for customer convenience, including an event space with a 270-inch LED screen and nearly 60 digital signs throughout the complex.

Malls Renovated Through the Third Quarter of Fiscal 2018

Name	Location	Date Reopened	Number of Tenants	Number of New Specialty Stores (A) (Note 1)	Relocated/ Renovated (B)	Number of Renovated Specialty Stores (A) + (B)
AEON MALL Miyazaki (Note 2)	Miyazaki Pref.	March 16	250	91 (69)	64	155
AEON MALL Kashihara	Nara Pref.	March 17	230	10 (2)	12	22
AEON MALL Sakai Kitahanada	Osaka Pref.	March 20	170	20 (—)	7	27
AEON MALL Itami	Hyogo Pref.	April 27	150	15 (—)	18	33
AEON MALL Fukutsu	Fukuoka Pref.	July 13	190	12 (2)	3	15
AEON MALL Kumamoto (Note 2)	Kumamoto Pref.	July 20	200	42 (10)	3	45
AEON MALL Kurashiki	Okayama Pref.	July 20	240	8 (2)	―	8
AEON MALL Fukuoka	Fukuoka Pref.	October 26	220	7 (—)	―	7

(Notes) 1. Numbers in parentheses indicate the number of new specialty stores opening their first location in that prefecture.
2. AEON MALL Miyazaki and AEON MALL Kumamoto underwent floorspace expansions and renovations.

New Business Locations (Malls) in Japan Through the Third Quarter of Fiscal 2018

Name	Location	Opening Date	Number of Tenants	Total Leasing Area (m^2)
AEON MALL Zama	Kanagawa Pref.	March 2018	160	50,000
THE OUTLETS HIROSHIMA	Hiroshima Pref.	April 2018	200	53,000
AEON MALL Iwaki Onahama	Fukushima Pref.	June 2018	130	50,000
AEON MALL Tsu-Minami	Mie Pref.	November 2018	170	60,000

◆ Capture Urban Growth Opportunities

OPA Co., Ltd. opened Naha OPA (Okinawa Prefecture) and Hachioji OPA (Tokyo Pref.) in October and November 2018. The company is moving forward with extensive renovations among existing stores to move away from a fashion-heavy sales floor composition.

During the third quarter, we welcomed the first-ever Japanese locations for the United Kingdom's oldest toy store, *Hamleys*. The store opened new locations in World Porters Vivre (Kanagawa Pref.) and Canal City OPA (Fukuoka Pref.). Customer service staff called entertainers and demonstrators provide an experiential sales style creating an entertaining atmosphere in the stores. Shinsaibashi OPA (Osaka Pref.) celebrated the October opening of HaiDiLao Hot Pot restaurant, a popular chain in China. In December, the mall completed renovations of specialty food retailers on the B2 floor of the complex. The Shinyurigaoka OPA (Kanagawa Pref.) and Takasaki OPA (Gunma Pref.) malls have undergone renovations, attracting more customers by bringing in large-scale general merchandise tenants and other popular retailers.

New Japanese Business Locations (Urban Shopping Centers) Opened Through the Third Quarter of Fiscal 2018

Name	Location	Opening date	Number of tenants	Total Leasing Area (m^2)
Naha OPA	Okinawa Pref.	October 2018	50	5,200
Hachioji OPA	Tokyo Pref.	November 2018	40	6,200

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,227,982 million, up ¥104,201 million from the end the prior fiscal year. This increase was mainly due to ¥110,400 million in acquisitions of property, plant and equipment related to new mall openings and land for development and an increase in deposits paid to affiliates (including other current assets) of ¥22,070 million. At the same time, fixed assets fell ¥31,998 due to depreciation and amortization.

Liabilities

Total liabilities stood at ¥839,898 million, up ¥101,678 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to an increases in deposits received from specialty stores of ¥21,571 million, bonds (including current portion of bonds) of ¥80,000 million, and long-term debt (including current portion) of ¥29,642 million. At the same time commercial paper decreased by a net ¥11,000 million, while accounts payable-other (including other current liabilities) related to capital equipment for new mall openings and income taxes payable decreased ¥25,250 million and ¥4,202 million, respectively.

Net assets

Net assets totaled ¥388,084 million, up ¥2,523 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in retained earnings from net income attributable to owners of parent of ¥22,604 million, partly offset by ¥8,642 million in dividend payments and a decrease of ¥10,159 million in foreign currency translation adjustments.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of the cumulative consolidated third quarter amounted to ¥81,137 million, up ¥26,914 million compared to the end of the prior consolidated fiscal year.

The following text describes cash flows for the period under review:

Cash flows from operating activities

Net cash provided by operating activities was ¥70,689 million, compared with cash flows of ¥55,901 million in the through the third quarter of the previous fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥34,382 million (¥30,146 million in the year-ago period), depreciation and amortization of ¥31,998 million (¥28,738 million in the year-ago period), an increase in deposits received from specialty stores of ¥21,720 million (versus ¥19,950 million in the year-ago period). At the same time, income taxes paid amounted to ¥16,774 million, compared to ¥15,883 million in the year-ago period.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥128,568 million (compared with ¥131,876 million through the third quarter of the previous fiscal year). This result was mainly due to payments for facilities at malls opened during the prior consolidated fiscal year (AEON MALL Tokushima, AEON MALL Matsumoto) and malls opened during the current consolidated fiscal year (AEON MALL Zama, THE OUTLETS HIROSHIMA, AEON MALL Iwaki Onahama), as well as cash outlays of ¥144,625 million in purchase of property, plant and equipment associated with land for development (¥137,025 million in the year-ago period). These cash outlays were somewhat offset by ¥12,197 million in proceeds from the sale of property, plant and equipment (compared to proceeds of ¥57 million in the year-ago period) and proceeds from lease deposits from lessees in the amount of ¥12,857 million (¥12,516 million in the year-ago period).

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥87,654 million, compared to net cash provided of ¥56,788 million through the third quarter of the previous fiscal year. This result was mainly due to proceeds from issuance of bonds in the amount of ¥80,000 million (¥50,000 million in the year-ago period), proceeds from long-term debt of ¥53,235 million (¥40,523 million in the year-ago period). During the same period, the Company made cash outlays for repayments of short-term loans and commercial paper of ¥11,000 million (proceeds of ¥11,000 million in the year-ago period), repayments of long-term debt in the amount of ¥25,384 million (¥32,852 million in the year-ago period), and paid dividends in the amount of ¥8,642 million (¥6,708 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

The Company has made no changes to the consolidated earnings projections announced April 11, 2018.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets:		
Cash and deposits	54,586	59,880
Notes and accounts receivable–trade	6,801	6,842
Other current assets	40,226	74,705
Allowance for doubtful receivables	(23)	(22)
Total current assets	101,590	141,404
Fixed assets		
Property, plant and equipment:		
Buildings and structures, net	551,839	639,150
Land	237,897	261,937
Other, net	84,530	34,144
Total property, plant and equipment	874,267	935,232
Intangible assets	3,812	3,718
Investments and other assets:		
Lease deposits paid	53,334	51,396
Other	90,813	96,261
Allowance for doubtful receivables	(36)	(31)
Total investments and other assets	144,110	147,626
Total fixed assets	1,022,190	1,086,578
Total assets	1,123,781	1,227,982

(Million yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities:		
Notes and accounts payable–trade	17,859	21,642
Commercial paper	11,000	—
Bonds due within one year	—	15,000
Current portion of long-term debt	29,746	13,670
Income taxes payable	8,677	4,474
Deposits received from specialty stores	38,614	60,186
Allowance for employee bonus	1,458	1,810
Allowance for director and corporate auditor performance-based remuneration	107	82
Provision for loss on store closing	1,054	917
Other current liabilities	112,143	84,217
Total current liabilities	220,661	202,000
Long-term liabilities:		
Straight bonds	170,000	235,000
Long-term debt	195,002	240,722
Accrued retirement benefits to employees	1,046	943
Asset retirement obligations	11,814	17,523
Lease deposits from lessees	134,766	139,530
Other long-term liabilities	4,928	4,177
Total long-term liabilities	517,558	637,897
Total liabilities	738,219	839,898
Net assets		
Shareholders' equity:		
Common stock	42,271	42,307
Capital surplus	40,555	40,592
Retained earnings	281,477	295,439
Treasury stock, at cost	(2)	(4)
Total shareholders' equity	364,302	378,335
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,452	1,414
Foreign currency translation adjustment	8,727	(1,432)
Remeasurements of defined benefit plans	(909)	(826)
Total accumulated other comprehensive income	9,270	(843)
Stock acquisition rights	141	102
Non-controlling interests	11,847	10,490
Total net assets	385,561	388,084
Total liabilities and net assets	1,123,781	1,227,982

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

(Quarterly Consolidated Statements of Income)

(For the nine months ended November 30, 2017 and November 30, 2018)

(Million yen)

	FY2017 Q3 March 1-November 30, 2017	FY2018 Q3 March 1-November 30, 2018
Operating revenue	211,797	231,126
Operating costs	158,048	175,372
Gross profit	53,748	55,754
Selling, general and administrative expenses	20,492	20,265
Operating income	33,256	35,488
Non-operating profits		
Interest income	481	592
Compensation paid by departing tenants	874	1,088
Gain on valuation of derivatives	73	372
Compensation income	828	443
Other non-operating profits	499	490
Total non-operating profits	2,757	2,987
Non-operating expenses:		
Interest expenses	1,972	2,487
Foreign exchange losses	305	182
Other non-operating expenses	747	1,116
Total non-operating expenses	3,026	3,785
Ordinary income	32,988	34,690
Extraordinary gains		
Gain on sale of fixed assets	8	1,518
Subsidy income	616	—
Other extraordinary gains	25	—
Total extraordinary gains	650	1,518
Extraordinary losses		
Loss on sale of fixed assets	13	1
Loss on retirement of fixed assets	758	845
Impairment loss	888	818
Provision for loss on store closing	442	—
Loss on cancellation of lease contract	948	—
Other extraordinary losses	440	160
Total extraordinary losses	3,491	1,826
Income before income taxes and other adjustments	30,146	34,382
Income tax – current	10,570	12,810
Income tax – deferred	90	(399)
Total income taxes	10,661	12,411
Net income	19,485	21,970
Net income (loss) attributable to non-controlling interests	(191)	(633)
Net income attributable to owners of parent	19,676	22,604

(Quarterly Consolidated Statements of Comprehensive Income)
(For the nine months ended November 30, 2017 and November 30, 2018)

(Million yen)

	FY2017 Q3 March 1-November 30, 2017	FY2018 Q3 March 1-November 30, 2018
Net income	19,485	21,970
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	380	(37)
Foreign currency translation adjustment	(2,544)	(10,875)
Remeasurements of defined benefit plans	74	82
Total other comprehensive loss	(2,089)	(10,831)
Comprehensive income	17,395	11,139
Comprehensive income (loss) attributable to:		
Owners of parent	18,017	12,490
Non-controlling interests	(621)	(1,350)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2017 Q3 March 1-November 30, 2017	FY2018 Q3 March 1-November 30, 2018
Cash flows from operating activities:		
Income before income taxes and other adjustments	30,146	34,382
Depreciation and amortization	28,738	31,998
Impairment loss	888	818
Increase (decrease) in provision for loss on store closing	125	(137)
Interest and dividend income	(512)	(626)
Interest expenses	1,972	2,487
Decrease (increase) in receivables–trade accounts	373	(353)
Increase (decrease) in payables–trade accounts	2,372	4,472
Increase (decrease) in deposits received from specialty stores	19,950	21,720
Other	(10,660)	(5,378)
Subtotal	73,395	89,383
Interest and dividends received	470	529
Interest paid	(2,079)	(2,449)
Income taxes paid	(15,883)	(16,774)
Net cash provided by (used in) operating activities	55,901	70,689
Cash flows from investing activities:		
Purchase of property, plant and equipment	(137,025)	(144,625)
Proceeds from sales of property, plant and equipment	57	12,197
Payment of lease deposits to lessors	(291)	(2,809)
Reimbursement of lease deposits to lessors	4,612	4,618
Repayment of lease deposits from lessees	(7,415)	(7,928)
Proceeds from lease deposits from lessees	12,516	12,857
Other payments	(5,521)	(4,514)
Other proceeds	1,191	1,636
Net cash provided by (used in) investing activities	(131,876)	(128,568)
Cash flows from financing activities:		
Increase (decrease) in short-term debt and commercial paper	11,000	(11,000)
Proceeds from long-term debt	40,523	53,235
Repayment of long-term debt	(32,852)	(25,384)
Proceeds from issuance of bonds	50,000	80,000
Redemption of bonds	(10,000)	—
Proceeds from share issuance to non-controlling shareholders	5,039	—
Purchase of treasury stock	(1)	(1)
Dividends paid	(6,708)	(8,642)
Dividends paid to non-controlling interests	(6)	(6)
Other	(206)	(546)
Net cash provided by (used in) financing activities	56,788	87,654
Foreign currency translation adjustments on cash and cash equivalents	144	(2,860)
Net increase (decrease) in cash and cash equivalents	(19,041)	26,914
Cash and cash equivalents at beginning of the period	69,593	54,223
Cash and cash equivalents at end of the period	50,551	81,137

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable

Notes on significant changes in shareholders' equity

Not applicable.

Changes in major consolidated subsidiaries during the period under review

Not applicable.

We added AEON MALL (GUANGZHOUZENGCHENG) BUSINESS MANAGEMENT CO., LTD. to the scope of consolidation during the consolidated second quarter (said change does not qualify as a change in specified subsidiary).

Changes in accounting policies

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

Segment and other information

Segment information

. Nine months ended November 30, 2017

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	189,237	16,581	5,978	211,797	—	211,797
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	189,237	16,581	5,978	211,797	—	211,797
Segment profit (loss)	34,188	(1,115)	169	33,242	14	33,256

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

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

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

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups related to store closings and asset groups which have experienced a significant decline in profitability. The Company recorded ¥888 million in impairment loss for the cumulative consolidated third quarter of the prior fiscal year.

Goodwill did not change materially during the period noted above.

. Nine months ended November 30, 2018

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

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	198,421	24,602	8,102	231,126	—	231,126
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	198,421	24,602	8,102	231,126	—	231,126
Segment profit (loss)	35,148	(469)	791	35,469	18	35,488

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

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

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

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups related to asset groups which have experienced a significant decline in profitability. The Company recorded ¥818 million in impairment loss for the cumulative consolidated third quarter of the prior fiscal year.

Goodwill did not change materially during the period noted above.

Significant subsequent events

Not applicable.