



Summary of Financial Results for the Second Quarter of Fiscal Year ending February 2018 (FY2017) [Japanese GAAP] (Consolidated)

October 4, 2017.

Listed Stock Exchange: TSE1

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25 October 2017

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of FY2/2018 (March 1, 2017 – August 31, 2017)

(1) Consolidated results of operations (cumulative)

(Percentages represent year-on-year changes)

	Operating Revenue		Operating income		Ordinary income		Quarterly net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/2018 Q2	141,035	6.3	22,582	11.4	21,958	6.5	12,765	14.3
FY2/2017 Q2	132,709	18.8	20,280	-1.0	20,614	4.9	11,165	14.0

(Note) Comprehensive income (millions of yen) FY2/2018 Q2 8,190 (-%)

FY2/2017 Q2 -17,951 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2/2018 Q2	56.13	56.11
FY2/2017 Q2	49.10	49.08

(2) Consolidated Financial Position

	Total Assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
FY2/2018 Q2	1,065,439	361,351	33.4
FY2/2017	1,012,758	356,203	34.6

(Reference) Equity FY2/2018 Q2 355,454 million yen

FY2/2017 350,073 million yen

2. Dividends

	Annual Dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/2017	—	13.50	—	13.50	27.00
FY2/2018	—	16.00			
FY2/2018 (forecast)			—	16.00	32.00

(Note) Revisions to dividend forecast published recently: None

3. FY2/2018 Consolidated Earnings Forecast (March 1, 2017 – February 28, 2018)

(Percentages represent changes from corresponding periods in FY2/2017)

	Operating Revenue		Operating income		Ordinary income		Quarterly net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	295,000	9.3	50,000	11.3	48,500	4.5	29,500	3.4	129.71

(Note) Revisions to earnings forecast published recently: None

※ Notes

(1) Significant changes in consolidated subsidiaries during the period (shifts in specific subsidiaries accompanying 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 ① above: None
- ③ Changes in accounting-based estimates: None
- ④ Revisions and restatements: None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at period-end (including treasury stock)	FY2/2018 Q2	227,427,779	FY2/2017	227,414,699
② Number of treasury stock shares at period-end	FY2/2018 Q2	1,201	FY2/2017	366
③ Average number of shares during the period (quarterly cumulative)	FY2/2018 Q2	227,415,878	FY2/2017 Q2	227,379,830

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

※ Explanations and other special notes concerning the appropriate use of earnings forecasts

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

The forward-looking statements, such as earnings projections, included in these materials are based on information currently available to the Company and certain assumptions it deems reasonable. They do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. As regards earnings forecast assumptions and points to note when using earnings forecasts, please see "1. Qualitative Information regarding Quarterly Financial Results (3) Explanation of forward-looking projections such as consolidated earnings forecasts" on page 7 of the Accompanying Materials.

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on October 5, 2017. The materials handed out at this briefing will be posted on the Company's web site on October 4, 2017, and an audio recording of the briefing will be made available on the Company's web site soon after the briefing has ended.

Accompanying Materials Index

1. Qualitative information on financial performance during the period under review	2
(1) Explanation of operating results	2
(2) Explanation of financial position	6
(3) Explanation of forward-looking projections such as consolidated earnings forecasts.....	7
2. Quarterly Consolidated Financial Statements and main notes.....	8
(1) Quarterly consolidated balance sheet.....	8, 9
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	10
Quarterly consolidated statement of income	10
Quarterly consolidated statement of comprehensive income.....	11
(3) Quarterly consolidated cash flow statement	12
(4) Notes on quarterly consolidated financial statements.....	13
Segment and other Information	14
Important subsequent events	14

1. Qualitative Information on This Quarter's Financial Performance

(1) Explanation of Operating Results

The Company has drawn up a three year (FY2017 – FY2019) Medium Term Business Plan, of which FY2/2018 (FY2017) is the first year, and is working both to revamp its existing business models and establish new growth business models. Through 5 growth initiatives, specifically ① capturing Asian growth opportunities, ② development of latent sources of domestic demand, ③ becoming the overwhelmingly dominant mall in each region, ④ capturing urban growth opportunities, and ⑤ building an organizational structure and finance mix that supports growth, the Company shall deliver sustained growth and improved profitability.

Operating revenue in the period under review was ¥141,035mn (+6.3% YoY).

While operating costs rose to ¥104,472mn (+5.1% YoY) due to expansion in the scale of business, earnings rose, with gross operating income coming in at ¥36,562mn (+9.9% YoY). At ¥13,979mn selling, general and administrative costs were up (+7.6% YoY), but so was operating income, which came in at ¥22,582mn (+11.4% YoY).

Non-operating income fell by ¥957mn in comparison to the previous financial year's second quarter. This is because subsidy income of ¥796mn was booked in the previous second consolidated cumulative quarter (compared to ¥243mn this second quarter).

As a result, ordinary income was ¥21,958mn (+6.5% YoY) and net income for the quarter before taxes and other adjustments was ¥19,574mn (+2.7% YoY).

Net income attributable to owners of parent rose to ¥12,765mn (+14.3% YoY), thanks in part to a lower effective tax rate, a result of corporation tax rates being lowered in the FY2016 tax revisions.

Consolidated cumulative earnings and earnings by segment in this second quarter were as follows:

◆ Consolidated Earnings

(Unit: Million yen)

	FY2/2017 Q2	FY2/2018 Q2	Change (YoY)
Operating revenue	132,709	141,035	+8,326 (106.3%)
Operating income	20,280	22,582	+2,302 (111.4%)
Ordinary income	20,614	21,958	+1,344 (106.5%)
Quarterly net income attributable to owners of parent	11,165	12,765	+1,599 (114.3%)

◆ Earnings by Segment

(Unit: Million yen)

	Operating Revenue			Segment Profit or loss (-)		
	FY2/2017 Q2	FY2/2018 Q2	Change (YoY)	FY2/2017 Q2	FY2/2018 Q2	Change (YoY)
Japan	120,387	126,220	+5,832 (104.8%)	22,382	23,100	+718 (103.2%)
China	9,319	10,888	+1,569 (116.8%)	-1,898	-635	+1,263 (-)
ASEAN	3,001	3,926	+924 (130.8%)	-212	107	+320 (-)
Overseas	12,321	14,814	+2,493 (120.2%)	-2,111	-527	+1,583 (-)
Adjustment	-	-	- (-)	9	9	- (100.0%)
Total	132,709	141,035	+8,326 (106.3%)	20,280	22,582	+2,302 (111.4%)

① Overseas (China, ASEAN)

The Company enjoyed increased branding merit from area-dominant store openings in China and the ASEAN region, which resulted in operating revenue climbing to ¥14,814mn (+20.2% YoY) with operating losses of ¥527mn (2,111mn in the previous second quarter). Profitability in the overseas business is improving at an accelerated rate, with improvement in operating income in the period under review of ¥1,583mn (compared to a full-year improvement of ¥1,662mn in FY2/2017).

◆ Capturing Asian Growth Opportunities

(China)

Consolidated cumulative operating revenue came in at ¥10,888mn (+16.8% YoY) with an operating loss of ¥635mn (was ¥1,898mn in previous Q2).

At the end of the period under review, the Company had 13 malls in China, 7 of which have become profitable. Compared with the previous consolidated cumulative Q2, this translates into an improvement in operating income of ¥1,263mn.

In China, the Company is continuing area-dominant store openings, mainly in the four areas of Beijing/Tianjin, Jiangsu/Zhejiang, Hubei and Canton. As a result of area-dominant store openings, the brand power of the Company's malls has increased. This has translated into a stronger draw for customers, which in turn makes it possible to attract quality tenants and enter into leasing agreements on more favorable terms.

Also, the company has been implementing local staff training aimed at improving customer service and elevating the skillset of all employees to enhance salesmanship. One initiative at Aeon Mall Wuhan Jingkai (in Wuhan City, Hubei Province) was the hosting in August of the "Aeon Mall China National Customer Interaction Role Playing Contest".

The medium-term business plan (2007-2009) calls for 9 new malls to be opened in China, and the Company is making preparations accordingly.

(ASEAN)

Operating revenue climbed to ¥3,926mn (+30.8% YoY), while operating income rose to ¥107mn (in the previous consolidated cumulative second quarter, the ASEAN business posted operating losses of ¥212mn).

At the end of the period under review, the Company's ASEAN business constituted 6 malls, 5 of which have become profitable. The operating income recorded in the period under review represents a ¥320mn improvement over the previous consolidated cumulative second quarter.

The medium-term business plan (2017-2019) calls for 6 new malls to be opened in the ASEAN region.

In Vietnam, Aeon Mall Co., Ltd and the Hanoi People's Committee signed, in June, a "Comprehensive Memorandum of Understanding regarding Commercial Environmental Development in Hanoi City" (hereafter, "The MOU"). In accordance with The MOU, the Company is proactively involved in the development of large shopping malls in Hanoi City, including Aeon

Mall Ha Dong (Hanoi City), the company's second mall in Hanoi, which is expected to open in FY2019. It is also proactively involved in the development of new properties in Ho Chi Minh City.

In Cambodia, given the strong performance of Aeon Mall Phnom Penh (Phnom Penh City), the Company's first mall in the country which opened in June 2014, the opening of a second Phnom Penh mall, Aeon Mall Sen Sok City, is planned for FY2018. Preparations for the opening are ongoing, with leasing progressing in line with plan.

In Indonesia, Aeon Mall Jakarta Garden City (East Jakarta City), the company's second mall in Indonesia, opened on September 30, 2017.

The overseas business, a key driver of future growth, has been showing improvement since last fiscal year and the Company aims to achieve actual operating profitability this year. On the back of rapid motorization and the burgeoning middle-income class in China and the ASEAN region, the Company's specialty-store sales at existing malls have continued to grow at a double-digit clip. Given the favorable state of affairs, the Company aims to continue to aggressively develop its business in these markets.

② Japan

Operating revenue rose to ¥126,220mn (+4.8% YoY) while operating income came in at ¥23,100mn (+3.2% YOY).

In the mall business, in addition to the 3 new malls that opened in Q1, Phase One of Aeon Mall Kobe Minami (Hyogo Prefecture) opened in June. There was a 1.9% YoY increase in customer traffic at the existing 72 malls and 3.4% YoY growth in specialty store sales. This is reflection of aggressive tenant renewals, mall expansion, initiatives to attract new customer groups such as senior citizens, and the implementation of sales initiatives designed to promote localization, all of which translated into increased customer drawing power.

OPA Co., Ltd., the urban fashion building business, saw a decline in earnings owing to implementation of renewal operations at 5 stores that led to opportunity losses and cost increases. That notwithstanding, the plan is for profits to increase over the full year.

◆ Development of Latent Sources of Domestic Demand

The Aeon Group has been strengthening its "Health and Wellness" initiative. This program is aimed at contributing to health in body and mind and the creation of a rich and varied lifestyle for its customers. Indeed, under the Company's "Happiness Mall" banner, each mall is rolling out a variety of events to establish itself as a place for area residents to meet and interact. One such example is "Mall Walking", which can be done irrespective of weather and in the safety of indoor mall premises. Also, by staging full-fledged events such as opera, entertainment, and photography exhibitions, the Company aims to enhance its customer drawing power to include an expanded audience beyond the core family such as senior citizens.

With the objective of increasing the appeal of malls rooted in their respective communities, Aeon Mall continues to implement its "Deep Localization" initiative which stipulates six genres of collaboration with local communities. Specifically, the Company makes a collaborative effort between the appeal of the local community and the six areas of 1) business enterprise, 2) education, 3) public administration, 4) social organizations, 5) history/ culture, and 6) local goods .

Working as one for regional development and regional contribution, Aeon Mall continues with new initiatives toward the development of new mall formats. For example, at the Seifu Shinto Project in Hiroshima (tentative name) which is due to open in spring 2018, Aeon Mall will be launching entirely new formats unlike any other of its malls. They will incorporate localized perspectives and innovation to enable enhancement of the appeal of Hiroshima overall.

By responding to the needs of a broader customer age-group and regional peculiarities, the Company aims to capture new audiences and activate underlying latent needs thereby creating growth in overall demand.

◆ Becoming the Overwhelmingly Dominant Mall in Each Region

Against a backdrop of ongoing and accelerated consolidation among shopping facilities, the Company aims to further enhance its competitiveness within the domestic mall market via by increasing the number of regional No.1 malls that command the highest customer support in any given area.

As a means to achieve this, the Company is aggressively increasing the floor-space of, and conducting tenant renewals of existing malls. In the period under review, renewal operations designed to reinvigorate mall performance took place at 11 malls. Measures included introduction of new tenants, format changes and/or relocation of existing tenants. Specialty store sales in the existing 31 malls that underwent renovation during the previous fiscal year and the period under review are trending well at +5.8% YoY.

The medium-term business plan (FY2017 ~ FY2019) calls for the opening of 11 new malls, renovation via expanded floor-space at 8 malls, and the implementation of standard renewals at 35 malls.

As regards to floor expansion at existing malls, the Company opened in July a new expanded cinema complex at Aeon Mall Tokoname (Aichi Pref). The aim at this mall is to further enhance customer drawing power via reinforcement of the mall's entertainment aspect.

In new malls, Aeon Mall Kobe Minami (Hyogo Prefecture) had its grand opening in September following an initial Phase One launch in June. One initiative at this mall is the teaming up with neighboring "Kobe Central Wholesale Market" to procure fresh foodstuffs for its enormous "marché zone". In a tie-up with the local government, Aeon Mall Kobe Minami has also created a community space along the nearby Canal Promenade that is for anyone visiting the area to use.

Also, in order to raise convenience levels for its customers, Aeon Mall is implementing a nationwide horizontal roll-out of new service functions that make use of digital technology. At Aeon Mall Makuhari Shintoshin (Chiba Prefecture) field trials of a new customer service solution called "Talk QA for Pepper"(*See note), which combines Pepper the humanoid robot and Artificial Intelligence (AI), have begun. Aeon Mall is also pressing on with the installation of a new dialogue-based AI directions system that uses digital signage to communicate an optimal reply to customer queries. The system, which uses and on-screen AI character that understands and automatically answers questions are being implemented in new malls as well as malls being revitalized.

(Note) "TalkQA for Pepper" is a solution whereby Pepper offers explanations and product information based on data that has been fed to Pepper's AI.

Malls under renewal in the quarter under review

Name	Location	Date reopened	No. Tenants	No. New Tenants ① (See Note ①)	Relocated/ Remodeled ②	No. renewal Tenants ①+②
Aeon Mall Kisogawa	Aichi	March 3	170	23 (5)	64	87
		June 9		9 (1)	9	18
Aeon Mall Hamamatsushitoro	Shizuoka	March 17	160	26 (13)	34	60
Aeon Mall Niihama	Ehime	March 17	120	5 (4)	27	32
		July 25		6 (2)	9	15
Aeon Mall Yamato	Kanagawa	March 18	90	13 (7)	25	38
Aeon Mall Kawaguchimaekawa	Saitama	March 24	170	5 (1)	10	15
Aeon Mall Rinkusennan	Osaka	April 6	170	57 (14)	75	132
Aeon Mall Hinode	Tokyo	April 21	160	18 (4)	39	57
Aeon Mall Nogata	Fukuoka	April 28	140	6 (6)	43	49
		July 14		13(10)	22	35
Aeon Mall Tokoname(See Note ②)	Aichi	July 12	180	-	-	-
Kobe Harborland umie	Hyogo	July 14	230	5 (2)	1	6
Aeon Mall Omuta	Shizuoka	July 14	130	7 (5)	9	16

(Note) 1. Numbers in parentheses () indicate the number of new tenants who are opening a shop in that region for the first time.
2. A cinema complex extension was made to Aeon Mall Tokoname which opened for business as Aeon Cinema Tokoname.

New business premises (malls) that opened during the quarter under review

Name	Location	Date opened	No. Tenants	Total leased space (m ²)
Aeon Mall Shinkomatsu	Ishikawa	March 2017	160	63,000
Aeon SENRITO Senmonkan	Osaka	April 2017	35	9,100
Aeon Mall Tokushima	Tokushima	April 2017	160	50,000

(Note) As Phase One, in June Aeon Mall Kobe Minami opened its marché zone, which includes Aeon Style Kobe Minami.

◆ Capturing Urban Growth Opportunities

In March, OPA Co., Ltd, a developer of urban fashion buildings, opened its first new store in four years - Mito OPA (Ibaraki Prefecture). It is currently preparing for the planned October opening of Takasaki Oba (Gunma Prefecture).

OPA has made progress with initiatives to improve existing store profitability. For existing facilities, renewal measures including tenant replacements and zoning changes to improve shopping flow have been implemented at Yokohama Vivre (Kanagawa Pref.), World Porters Vivre (Kanagawa Pref.), Akashi Vivre (Hyogo Pref.), Canal City OPA (Fukuoka Pref.) and Tenjin Vivre (Fukuoka Pref.).

New domestic business premises (Fashion Buildings) that opened during the period under review

Name	Location	Date opened	No. Tenants	Total leased space (m ²)
Mito OPA	Ibaraki	March 2017	61	12,500

Further to OPA, the Co will seek to improve earnings via advancement of new store openings, renewal measures that will include scrap & build initiatives, and maximization of synergies through integration of Aeon Mall's mall expertise and OPA's own expertise.

(2) Explanation of Financial Position

① Assets, Liabilities and Net Assets

Assets

Total assets stood at ¥1,065,439mn, up ¥52,680mn from the end of the previous fiscal year. This was due to factors such as the acquisition of ¥95,547mn of tangible fixed assets (the result of new mall openings and the advance acquisition of land for future development), cash and deposits of ¥13,903mn, deposits from affiliates (included in Current Asset "Others") of ¥10,000mn, and fixed assets reduced through depreciation by ¥18,668mn.

Liabilities

Total liabilities stood at ¥704,087mn, up ¥47,532mn from the end of the previous fiscal year. This was due to factors such as an increase in specialty store deposits of ¥11,243mn, a net CB increase of ¥40,000mn, and a ¥5,296mn decrease in equipment-related payables, etc. associated with the opening of new malls and other outgoings (included in Current Liabilities "Other").

Net assets

Net assets totaled ¥361,351mn, up ¥5,147mn from the end of the previous fiscal year. This was due to factors such as an increase in retained earnings resulting from the booking of ¥12,765mn of quarterly net profit attributable to owners of parent, and a decrease in the foreign currency translation adjustment account of ¥4,607mn.

② Cash Flow

Cash and cash equivalents (hereafter "cash") at the end of the quarter under review amounted to ¥44,930mn, down ¥24,662mn from the end of the previous fiscal year.

Cash flows in the period under review were as follows:

Cash flow from operating activities

Net cash from operating activities grew to ¥41,322mn (was ¥37,969mn in the previous second quarter). Main factors included net income before taxes and other adjustments of ¥19,574mn (was ¥19,053mn), depreciation and amortization of ¥18,668mn (was ¥18,988mn), an increase in specialty store deposits of ¥11,306mn (was ¥11,791mn), and income and other taxes paid of ¥7,966mn (was ¥10,681mn).

Cash Flow from Investing Activities

Net cash used in investing activities declined to ¥104,789mn (was ¥74,494mn). Main factors included the purchase of land & buildings, etc., (interests in trusts) for Aeon Mall Hiroshima Fuchu (Hiroshima Prefecture), payments for equipment at Aeon Mall Nagakute (Aichi Prefecture) and others which opened during the previous fiscal year, ¥107,853mn (was ¥72,165mn) spent on the acquisition of tangible fixed assets (for example the advance acquisition of land for development), and revenue of ¥6,699mn (was ¥5,831mn) from lease deposits received.

Cash Flow from Financing Activities

Net cash from financing activities increased to ¥39,497mn (was ¥41,467mn). Main factors included proceeds from the issue of ¥50,000mn corporate debt (no corporate bonds were issued in the previous second quarter), proceeds from long-term loans payable of ¥26,636 million yen (was ¥10,050mn), the repayment of long-term debt of ¥27,111 million yen (was ¥3,194mn), and dividend payments of ¥3,070 million yen (was ¥2,476 million yen).

(3) Explanation of forward-looking projections such as consolidated earnings forecasts

① Overseas (China/ASEAN)

In China, Aeon Mall will assume an even more dominant position with its plan to open four new malls which will bring to 17 the total number of malls at the end of this consolidated fiscal year. Also, with the expansion in the number of existing malls and the data that has been made available, the Company has made analysis of such factors as initiatives to attract customers, leasing conditions, and operations. This has allowed the Company to increase the profitability of new malls and has translated into new malls turning a profit in a shorter period of time than the conventional three-year target.

In the ASEAN region, Aeon Mall Jakarta Garden City (Indonesia) opened in September. Large-scale retail complexes have the sale of goods at their heart, but this mall sets itself apart by featuring on its roof the largest Ferris wheel in the country, as well as an entertainment facility that includes a skate rink, cinemas, kids' amusements, and the No.1 restaurant space in East Jakarta with a collection of over 100 places to eat and drink. Going forward, the Company aims to press on with initiatives towards opening new malls and expanding earnings at existing malls in Vietnam, Cambodia, and Indonesia.

New overseas premises (malls) planned from the third quarter of the fiscal year under review

	Name	Location	Opening Date (Note)
China	Aeon Mall Foshan Dali	Foshan City, Guangdong	FY2017
	Aeon Mall Tianjin Jinnan	Jinnan, Tianjin City	FY2017
	Aeon Mall Wuhan Jinqiao	Wuhan City, Hubei	FY2017
	Aeon Mall Nantong Xinghu	Nantong City, Jiangsu	FY2017
Indonesia	Aeon Mall Jakarta Garden City	East Jakarta City	Sep 2017

(Note) Fiscal year of opening given is Japanese accounting fiscal year. Overseas local offices close their books at the end of December.

② Japan

Aeon Mall Matsumoto, located on the site of the former Matsumoto Katakura Mall (closed in March 2015) comprises three separate buildings of individual character called the "Sky Garden", the "Wind Garden" and the "Sun Garden". Because the store is situated in the center of Matsumoto, a city that receives over five million visitors every year, it was built with even greater than usual involvement of and connection to the local community. The history and sights of the city have been utilized. For example, the outer wall of the Katakura Kogyo's former office building (a modern building representative of the early Showa period) was preserved and recycled. It now serves as a symbol of the mall's central courtyard.

Furthermore, the Company will be rolling out regionally focused sales promotions and working to expand sales and increase customer draw by further bolstering initiatives designed to improve both tenant support and customer satisfaction. It will also be making the most of the economies of scale that come from having 150 malls in Japan. Specifically, the Company will seek to expand mall earnings via still more efficient operational systems that will allow for low-cost operations.

New domestic premises (malls) planned from the second quarter of the fiscal year under review

Name	Location	Open date	No. Tenants	Total floor space (m ²)
Aeon Mall Kobe Minami (See note)	Hyogo Pref.	Sep 2017	130	39,000
Aeon Mall Matsumoto	Nagano Pref.	Sep 2017	170	49,000

(Note) Phase One opened in June.

OPA Co., Ltd will be opening its Takasaki OPA store in Gunma Prefecture in October. As the flagship store of the regenerated OPA, it has undergone a business model change, shifting away from an apparel-centric model to one of lifestyle propositioning. The Company intends for it become the largest fashion building in the Northern Kanto region. In addition to this, the company will also be pressing ahead with the renovation of existing stores and initiatives to expand earnings by integrating the knowhow it has in developing the urban fashion building business in city centers with Aeon Mall's mall business knowhow.

New domestic premises (Fashion Buildings) planned from the third quarter of the fiscal year under review

Name	Location	Open date	No. Tenants	Total floor space (m ²)
Takasaki OPA	Gunma Pref.	October 2017	160	26,000

As regards consolidated earnings forecasts for the full year, there are no changes to the forecasts that were publicly announced on April 12, 2017.

2. Quarterly Consolidated Financial Statements and main notes

(1) Quarterly consolidated balance sheet

(Unit: Million yen)

	Previous Financial Year As of February 28, 2017	Period under review As of August 31, 2017
Assets		
Current Assets		
Cash and deposits	59,921	46,018
Notes and accounts receivable - trade	5,850	5,645
Other current assets	44,597	41,485
Bad debt reserve	-23	-23
Total current assets	110,346	93,126
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	498,219	524,975
Land	201,052	240,548
Other (net)	62,965	72,231
Total tangible fixed assets	762,237	837,755
Intangible fixed assets	4,077	3,983
Investments and other assets		
Lease deposits paid	55,467	51,821
Other	81,855	78,780
Bad debt reserve	-1,226	-26
Total investments and other assets	136,096	130,575
Total fixed assets	902,412	972,313
Total assets	1,012,758	1,065,439

(Unit: Million yen)

	Previous Financial Year As of February 28, 2017	Period under review As of August 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,155	18,491
Short-term debt	-	3,255
Corporate bonds due within one year	10,000	-
Long term debt to be repaid within one year	52,563	37,918
Unpaid corporation and other taxes	7,897	7,176
Specialty store deposits	35,483	46,727
Reserve for bonuses	1,393	951
Reserve for director performance-based remuneration	75	51
Reserve for losses from store closures	928	1,054
Other	88,620	78,554
Total current liabilities	212,117	194,180
Fixed liabilities		
Corporate bonds	120,000	170,000
Long term borrowing	177,728	191,406
Retirement benefit liabilities	998	927
Asser retirement obligations	11,489	10,691
Long-term lease deposits	130,096	132,486
Other	4,123	4,394
Total fixed liabilities	444,437	509,907
Total liabilities	656,555	704,087
Net assets		
Shareholders' equity		
Capital	42,256	42,268
Capital surplus	42,030	42,042
Retained earnings	257,643	267,338
Treasury stock	-0	-1
Total shareholders' equity	341,930	351,648
Accumulated other comprehensive income		
Net unrealized gain on marketable securities	1,165	1,387
Foreign currency translation adjustment account	7,858	3,250
Remeasurements of defined benefit plans	-881	-831
Total accumulated other comprehensive income	8,142	3,806
Stock Acquisition rights	135	147
Non-controlling interests	5,994	5,749
Total net assets	356,203	361,351
Total liabilities and net assets	1,012,758	1,065,439

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the six months ended August 31, 2016 and August 31, 2017)

(Unit: Million yen)

	FY2/2017 Q2 cumulative March 1 - August 31, 2016	FY2/2018 Q2 cumulative March 1 - August 31, 2017
Operating revenue	132,709	141,035
Operating costs	99,440	104,472
Gross income	33,268	36,562
Selling, general and administrative expenses	12,987	13,979
Operating income	20,280	22,582
Non-operating income		
Interest income	182	328
Compensation paid by departing tenants	643	557
Foreign exchange gains	900	-
Subsidy income	796	243
Other non-operating profits	229	328
Total non-operating profits	2,752	1,458
Non-operating expenses:		
Interest paid	1,202	1,299
Loss on valuation of derivatives	967	115
Foreign exchange losses	-	76
Other non-operating expenses	248	590
Total non-operating expenses	2,418	2,082
Ordinary income	20,614	21,958
Extraordinary gains		
Gains on sales of fixed assets	41	8
Compensation received	-	616
Other extraordinary gains	-	25
Total extraordinary gains	41	650
Extraordinary losses		
Loss on sales of fixed assets	4	11
Loss on retirement of fixed assets	922	556
Asset impairment losses	-	888
Provision for losses from store closures	-	442
Provision for bad debt reserve	675	-
Loss on cancellation of lease agreements	-	948
Other extraordinary losses	-	188
Total extraordinary losses	1,602	3,034
Net income before income taxes and other adjustments	19,053	19,574
Income tax - Current	7,563	7,176
Income tax - Deferred	153	-271
Total income taxes	7,716	6,904
Net income	11,336	12,669
Net income attributable to non-controlling interests (-)	171	-95
Net income attributable to owners of parent	11,165	12,765

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

(Unit: Million yen)

	FY2/2017 Q2 cumulative March 1 - August 31, 2016	FY2/2018 Q2 cumulative March 1 - August 31, 2017
Net income	11,336	12,669
Other comprehensive income		
Net unrealized gain on marketable securities	-243	222
Foreign currency translation adjustment account	-29,054	-4,750
Remeasurements of defined benefit plans	9	49
Total other comprehensive income	-29,287	-4,479
Comprehensive income	-17,951	8,190
(of which)		
Comprehensive income attributable to owners of parent	-17,472	8,429
Comprehensive income attributable to non-controlling interests	-479	-238

(3) Quarterly consolidated cash flow statement

(Unit: Million yen)

	FY2/2017 Q2 cumulative March 1 - August 31, 2016	FY2/2018 Q2 cumulative March 1 - August 31, 2017
Cash flow from operating activities		
Net income before taxes and other adjustments	19,053	19,574
Depreciation and amortization	18,988	18,668
Impairment losses	-	888
Increase/decrease(-) in reserves for losses on store closures	-	125
Interest and dividends received	-202	-348
Interest paid	1,202	1,299
Increase(-)/decrease in trade receivables	-914	109
Increase/decrease(-) in trade payables	3,385	3,521
Increase/decrease(-) in specialty store deposits	11,791	11,306
Other	-3,579	-4,872
Subtotal	49,725	50,272
Interest and dividends received	134	300
Interest paid	-1,209	-1,283
Income taxes paid	-10,681	-7,966
Cash flow from operating activities	37,969	41,322
Cash flow from investing activities		
Acquisition of tangible fixed assets	-72,165	-107,853
Proceeds from sale of tangible fixed assets	557	46
Payment of lease deposits	-2,052	-120
Proceeds from collection of lease deposits	1,318	3,731
Return of deposits received	-5,148	-4,294
Proceeds from deposits received	5,831	6,699
Other payments	-3,173	-4,080
Other proceeds	338	1,082
Cash flow from investing activities	-74,494	-104,789
Cash flow from financing activities		
Increase/decrease(-) in short-term loans and commercial papers	37,426	3,255
Proceeds from long-term borrowing	10,050	26,636
Repayment of long-term borrowing	-3,194	-27,111
Proceeds from the issue of corporate bonds	-	50,000
Redemption of corporate bonds	-200	-10,000
Purchase of treasury stock	-0	-0
Dividends paid	-2,476	-3,070
Dividends paid to non-controlling interests	-6	-6
Other	-131	-206
Cash flow from financing activities	41,467	39,497
Translation adjustments on cash and cash equivalents	-6,642	-692
Increase/decrease(-) in cash and cash equivalents	-1,700	-24,662
Cash and cash equivalents at beginning of period	53,652	69,593
Increase in cash and cash equivalents from stock swaps	757	-
Cash and cash equivalents at end of quarter	52,709	44,930

(4) Notes on quarterly consolidated financial statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholder Equity

Not applicable

Significant changes in consolidated subsidiaries during the period under review

Not applicable

Additional information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

“Implementation Guidance on Recoverability of Deferred Tax Assets” (March 28, 2016 Accounting Standards Board of Japan Guidance No. 26) is being applied from the first consolidated quarter of this financial year.

Segment and other Information

[Segment Information]

- . Previous consolidated cumulative second quarter (from March 1, 2016 to August 31, 2016)

1. Information pursuant to amounts of sales and profits or losses by each reporting segment

(Unit: Million yen)

	Japan	China	ASEAN	Total	Adjustments (see Note 1)	Amount booked in quarterly consolidated Income Statement (see Note 2)
Operating revenue						
Operating revenue to external customers	120,387	9,319	3,001	132,709	—	132,709
Internal operating revenue or amounts transferred between segments	—	—	—	—	—	—
Total	120,387	9,319	3,001	132,709	—	132,709
Segment profit or loss(-)	22,382	-1,898	-212	20,271	9	20,280

(Notes) 1. Adjusted amounts of segment profit or loss(-) are adjustments for unrealized profits related to inter-segment transactions

2. Segment profits or losses(-) have been adjusted to the operating income on the quarterly consolidated statement of income

2. Information pursuant to fixed asset impairment losses, goodwill and the like, by each reporting segment

Of no great importance, so entry has been skipped.

- . Consolidated cumulative second quarter under review (from March 1, 2017 to August 31, 2017)

1. Information pursuant to amounts of sales and profits or losses by each reporting segment

(Unit: Million yen)

	Japan	China	ASEAN	Total	Adjustments (see Note 1)	Amount booked in quarterly consolidated Income Statement (see Note 2)
Operating revenue						
Operating revenue to external customers	126,220	10,888	3,926	141,035	—	141,035
Internal operating revenue or amounts transferred between segments	—	—	—	—	—	—
Total	126,220	10,888	3,926	141,035	—	141,035
Segment profit or loss(-)	23,100	-635	107	22,573	9	22,582

(Notes) 1. Adjusted amounts of segment profit or loss(-) are adjustments for unrealized profits related to inter-segment transactions

2. Segment profits or losses(-) have been adjusted to the operating income on the quarterly consolidated statement of income

2. Information pursuant to fixed asset impairment losses, goodwill and the like, by each reporting segment

Important fixed asset-related impairment losses

In the "Japan" segment, impairment losses have been recognized for asset groups from stores earmarked for closure, and asset groups for which profitability has noticeably declined. The amount booked for the period under review was ¥888mn.

Please note, there were no important variations in the amount of goodwill.

Important subsequent events

Not applicable.