

Financial Section

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ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

February 28, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
CURRENT ASSETS:			
Cash and cash equivalents (Notes 13 and 19)	¥ 67,223	¥ 59,096	\$ 563,664
Time deposits (Note 13)	5,118	5,471	42,917
Receivables:			
Trade accounts (Notes 13 and 19)	4,725	2,907	39,618
Other (Notes 13 and 19)	21,610	15,713	181,198
Allowance for doubtful receivables	(20)		(169)
Deferred tax assets (Note 11)	1,265	2,228	10,610
Prepaid expenses and other	<u>3,651</u>	<u>4,618</u>	<u>30,617</u>
Total current assets	<u>103,572</u>	<u>90,033</u>	<u>868,455</u>
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 5 and 6)	196,690	185,905	1,649,258
Buildings and structures (Notes 4, 5, 6, and 8)	588,701	474,321	4,936,285
Machinery and equipment (Note 5)	3,515	2,863	29,477
Furniture and fixtures (Note 5)	26,213	22,380	219,800
Construction in progress (Notes 5 and 6)	<u>64,374</u>	<u>37,698</u>	<u>539,769</u>
Total	879,493	723,167	7,374,589
Accumulated depreciation	<u>(189,673)</u>	<u>(165,607)</u>	<u>(1,590,415)</u>
Net property, plant, and equipment	<u>689,820</u>	<u>557,560</u>	<u>5,784,174</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	2,159	1,349	18,106
Investments in associated companies	191		1,598
Lease deposits to lessors (Note 13)	40,408	50,687	338,819
Long-term prepaid expenses (Notes 4, 5 and 6)	51,676	46,735	433,306
Deferred tax assets (Note 11)	5,431	5,098	45,537
Other (Note 13)	<u>7,700</u>	<u>7,783</u>	<u>64,568</u>
Total investments and other assets	<u>107,565</u>	<u>111,652</u>	<u>901,934</u>
 TOTAL	 <u>¥ 900,957</u>	 <u>¥ 759,245</u>	 <u>\$ 7,554,563</u>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES AND EQUITY</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 6 and 13)	¥ 24,710	¥ 10,567	\$ 207,192
Current portion of corporate bonds (Notes 6 and 13)		23,000	
Payables:			
Trade accounts (Note 13)	11,849	11,024	99,354
Construction (Note 13)	95,845	80,864	803,667
Other	1,785	1,429	14,969
Deposits received (Note 13)	54,232	31,804	454,740
Income taxes payable (Note 13)	9,436	17,782	79,124
Accrued expenses	2,910	2,254	24,400
Provision for store closing expenses	645	660	5,408
Current portion of lease deposits from lessees (Notes 6 and 13)	985	1,013	8,261
Other	7,064	3,973	59,227
Total current liabilities	209,461	184,370	1,756,342
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	163,889	131,599	1,374,217
Corporate bonds (Notes 6 and 13)	65,200	25,200	546,705
Liability for retirement benefits (Note 7)	401	199	3,360
Lease deposits from lessees (Notes 6, 13 and 19)	117,701	109,326	986,932
Asset retirement obligations (Note 8)	9,170	7,705	76,890
Deferred tax liabilities (Note 11)	93	131	779
Other	2,506	2,188	21,009
Total long-term liabilities	358,960	276,348	3,009,892
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 9, 10, 18, and 21):			
Common stock — authorized, 320,000,000 shares; issued, 227,890,747 shares in 2015 and 227,876,667 shares in 2014	42,207	42,196	353,911
Capital surplus	42,516	42,505	356,500
Stock acquisition rights	170	165	1,424
Retained earnings	216,223	196,723	1,813,039
Treasury stock - at cost, 38,939 shares in 2015 and 35,585 shares in 2014	(99)	(92)	(835)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,061	429	8,899
Foreign currency translation adjustments	25,939	13,364	217,497
Defined retirement benefit plans	(139)		(1,164)
Total	327,878	295,290	2,749,271
Minority interests	4,658	3,237	39,058
Total equity	332,536	298,527	2,788,329
TOTAL	<u>¥ 900,957</u>	<u>¥759,245</u>	<u>\$ 7,554,563</u>

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income **Year Ended February 28, 2015**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING REVENUE (Note 19)	¥ 203,903	¥176,932	\$ 1,709,733
OPERATING COSTS (Notes 7 and 12)	<u>141,465</u>	<u>117,118</u>	<u>1,186,190</u>
Gross profit	62,438	59,814	523,543
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 7, 12 and 19)	<u>20,565</u>	<u>17,586</u>	<u>172,439</u>
Operating income	<u>41,873</u>	<u>42,228</u>	<u>351,104</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 19)	535	664	4,489
Gain on sales of investment securities	708		5,935
Foreign exchange gains	511	273	4,282
Interest expense	(2,316)	(2,422)	(19,419)
Gain on sales of property, plant, and equipment (Note 15)	905	6,994	7,592
Loss on sales of property, plant, and equipment (Note 16)	(36)	(5,723)	(303)
Loss on impairment of long-lived assets (Note 4)		(1,072)	
Provision for store closing expenses		(360)	
Other - net	<u>182</u>	<u>(53)</u>	<u>1,527</u>
Other income (expenses) - net	<u>489</u>	<u>(1,699)</u>	<u>4,103</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>42,362</u>	<u>40,529</u>	<u>355,207</u>
INCOME TAXES (Note 11):			
Current	17,693	18,369	148,352
Deferred	<u>321</u>	<u>(1,377)</u>	<u>2,693</u>
Total income taxes	<u>18,014</u>	<u>16,992</u>	<u>151,045</u>
NET INCOME BEFORE MINORITY INTERESTS	24,348	23,537	204,162
MINORITY INTERESTS IN NET (LOSS) INCOME	<u>(165)</u>	<u>106</u>	<u>(1,381)</u>
NET INCOME	<u>¥ 24,513</u>	<u>¥ 23,431</u>	<u>\$ 205,543</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Notes 2 and 18):			
Basic net income*	¥ 107.58	¥ 106.96	\$ 0.90
Diluted net income*	107.53	106.91	0.90
Cash dividends applicable to the year	22.00	22.00	0.18

* Per share figures have been restated, as appropriate, to reflect a 1.1-for-1 stock split effected on August 1, 2013.

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income **Year Ended February 28, 2015**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2015</u>	<u>2014</u>	<u>2015</u>
NET INCOME BEFORE MINORITY INTERESTS	¥ 24,348	¥ 23,537	\$ 204,162
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	632	99	5,300
Foreign currency translation adjustments	<u>12,951</u>	<u>9,827</u>	<u>108,593</u>
Total other comprehensive income	<u>13,583</u>	<u>9,926</u>	<u>113,893</u>
COMPREHENSIVE INCOME	<u>¥ 37,931</u>	<u>¥ 33,463</u>	<u>\$ 318,055</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 37,720	¥ 33,632	\$ 316,280
Minority interests	211	(169)	1,775

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended February 28, 2015

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Common Stock*	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Loss)	Treasury Stock	Accumulated other comprehensive income			Total	Minority Interests	Total Equity (Deficit)
							Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan(s)			
BALANCE, FEBRUARY 28, 2013	181,146	¥ 16,692	¥17,000	¥ 142	¥ 177,791	¥ (28)	¥ 330	¥ 3,261		¥ 215,188	¥ 2,589	¥ 217,777
Stock splits	20,715											
Net income					23,431					23,431		23,431
Exercise of stock options	4	3	4							7		7
Issuance of new shares (Note 9)	26,000	25,501	25,501							51,002		51,002
Cash dividends, ¥22 per share*					(4,499)					(4,499)		(4,499)
Stock splits of treasury stock	(1)											
Purchase of treasury stock	(23)					(64)				(64)		(64)
Net change in the year				23			99	10,103		10,225	648	10,873
BALANCE, FEBRUARY 28, 2014	227,841	¥ 42,196	¥ 42,505	¥ 165	¥ 196,723	¥ (92)	¥ 429	¥ 13,364		¥ 295,290	¥ 3,237	¥ 298,527
BALANCE, FEBRUARY 28, 2014	227,841	¥ 42,196	¥42,505	¥ 165	¥ 196,723	¥ (92)	¥ 429	¥13,364		¥ 295,290	¥ 3,237	¥ 298,527
Net income					24,513					24,513		24,513
Exercise of stock options	13	11	11							22		22
Cash dividends, ¥22 per share*					(5,013)					(5,013)		(5,013)
Purchase of treasury stock	(3)					(7)				(7)		(7)
Net change in the year				5			632	12,575	¥ (139)	13,073	1,421	14,494
BALANCE, FEBRUARY 28, 2015	227,851	¥ 42,207	¥ 42,516	¥ 170	¥ 216,223	¥ (99)	¥ 1,061	¥ 25,939	¥ (139)	¥ 327,878	¥ 4,658	¥ 332,536
Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Loss)	Treasury Stock	Accumulated other comprehensive income			Total	Minority Interests	Total Equity (Deficit)	
						Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan(s)				
BALANCE, FEBRUARY 28, 2014	\$ 353,814	\$ 356,403	\$1,383	\$ 1,649,527	\$ (773)	\$ 3,599	\$ 112,060		\$ 2,476,013	\$ 27,144	\$ 2,503,157	
Net income				205,543					205,543		205,543	
Exercise of stock options	97	97							194		194	
Cash dividends, \$0.18 per share*				(42,031)					(42,031)		(42,031)	
Purchase of treasury stock					(62)				(62)		(62)	
Net change in the year			41			5,300	105,437	\$ (1,164)	109,614	11,914	121,528	
BALANCE, FEBRUARY 28, 2015	\$ 353,911	\$ 356,500	\$1,424	\$ 1,813,039	\$ (835)	\$ 8,899	\$ 217,497	\$ (1,164)	\$ 2,749,271	\$ 39,058	\$ 2,788,329	

*Shares and per share figures have not been restated, as appropriate, to reflect a 1.1-for-1 stock split effected on August 1, 2013.

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended February 28, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 42,362	¥ 40,529	\$ 355,207
Adjustments for:			
Income taxes - paid	(25,878)	(10,344)	(216,985)
Gain on sales of property, plant and equipment	(905)	(6,994)	(7,592)
Loss on sales of property, plant and equipment	36	5,723	303
Depreciation and amortization	29,574	23,946	247,982
Loss on impairment of long-lived assets		1,072	
Changes in assets and liabilities:			
Increase in receivables - trade accounts	(1,552)	(497)	(13,014)
Increase in payables - trade accounts	201	6,325	1,682
Increase (decrease) in deposits received	22,292	(14,665)	186,921
Decrease in allowance for doubtful accounts	(33)	(14)	(275)
Decrease in liability for retirement benefits	(14)		(117)
Other – net	10,070	(699)	84,431
Total adjustments	33,791	3,853	283,336
Net cash provided by operating activities	76,153	44,382	638,543
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(180,864)	(102,822)	(1,516,550)
Proceeds from sales of property, plant and equipment	34,013	64,570	285,204
Purchases of long-term prepaid expenses	(1,089)	(12,037)	(9,135)
Payments of lease deposits to lessors	(2,176)	(6,856)	(18,247)
Reimbursement of lease deposits to lessors	5,713	3,745	47,903
Proceeds from sales of guarantee deposits	8,077	4,593	67,726
Repayments of lease deposits from lessees	(7,987)	(8,142)	(66,973)
Proceeds from lease deposits from lessees	16,088	13,683	134,900
Other	720	(3,877)	6,032
Net cash used in investing activities	(127,505)	(47,143)	(1,069,140)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	52,708	15,499	441,958
Repayment of long-term debt	(10,567)	(35,279)	(88,601)
Proceeds from issuance of corporate bonds	40,000		335,402
Proceeds from issuance of common stock		50,760	
Repayment of corporate bonds	(23,000)	(10,000)	(192,856)
Dividends paid	(5,013)	(4,499)	(42,031)
Proceeds from issuance of subsidiaries' stock to minority shareholders	1,215	821	10,188
Other	(349)	(70)	(2,926)
Net cash provided by financing activities	54,994	17,232	461,134

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended February 28, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>4,485</u>	<u>5,332</u>	<u>37,603</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,127	19,803	68,140
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>59,096</u>	<u>39,293</u>	<u>495,524</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 67,223</u>	<u>¥ 59,096</u>	<u>\$563,664</u>
MAJOR NONCASH TRANSACTIONS:			
Asset retirement obligations recorded in the consolidated balance sheet	¥ 1,293	¥ 1,343	\$ 10,841

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements As of and for the Year Ended February 28, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ÆON Mall Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥119.26 to \$1, the approximate rate of exchange at February 28, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation* - The consolidated financial statements as of February 28, 2015, include the accounts of the Company and its 31 (25 in 2014) subsidiaries (collectively, the "Group"). The following companies have been included in the consolidated financial statements for the year ended February 28, 2015, since they were newly established or acquired during the year.

AEON MALL YOUYA (BEIJING) BUSINESS MANAGEMENT CO., LTD.
AEON MALL EDZ (WUHAN) BUSINESS MANAGEMENT CO., LTD.
AEON MALL (GUANGZHOUBAIYUN) BUSINESS MANAGEMENT CO., LTD.
AEON MALL (FOSHANNANHAI) BUSINESS MANAGEMENT CO., LTD.
AEON MALL SUNAN (SUZHOU) BUSINESS MANAGEMENT CO., LTD.
Yantai MALL Investment Limited

Investments in two (zero in 2014) associated companies are accounted for by the equity method. The following companies have been included in the scope of entities accounted for by the equity method for the year ended February 28, 2015, since they were newly established or acquired during the year.

L.A. Style INC.
KANDU JAPAN INC.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies

and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America may be used tentatively for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions, which has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

- c. Cash Equivalents* - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and deposits kept at the cash pool account of the parent company, both of which mature or become due within three months of the date of acquisition.
- d. Investment Securities* - Investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- e. Allowance for Doubtful Accounts* - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- f. Property, Plant, and Equipment* - Property, plant and equipment are stated at cost. Depreciation of property, plant, and equipment of the Group is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 39 years for buildings and structures and from 2 to 20 years for furniture and fixtures.
- g. Intangible Assets* - Depreciation of software is computed by the straight-line method based on five years of the estimated useful lives.
- h. Long-Lived Assets* - The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- i. Long-Term Prepaid Expenses* - Depreciation of long-term prepaid expenses is computed by the straight-line method over the life of the contract, which is principally from 4 to 50 years based on the contract terms.
- j. Provision for Store Closing Expenses* - A provision for store closing expenses, including rental agreement cancellation penalties, is recognized when a decision to close a store is made by management and such expenses may be reasonably estimated.
- k. Lease Deposits to Lessors and Lease Deposits from Lessees* - Certain shopping malls operated by the Group are leased under 20-year lease agreements. The lease agreements require that the Group make a lease deposit to the lessor.

The Group receives lease deposits from tenants (lessees) of shopping malls generally under 20-year lease

agreements.

l. Bond Issue Costs - Bond issue costs are charged to income as incurred.

m. Retirement and Pension Plans - The Company has a defined benefit plan, defined contribution pension plan and advance payment plan. Liability for employees' retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service costs are amortized fully as incurred. Actuarial gains and losses are amortized in the years following the year in which the gain or loss occurs by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or an asset (asset for retirement benefits).
- (b) The revised accounting standard does not change the method to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (Note 17).
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above effective February 28, 2015. As a result, liability for retirement benefits of ¥401 million (\$3,360 thousand) was recorded as of February 28, 2015, accumulated other comprehensive income for the year ended February 28, 2015, decreased by ¥139 million (\$1,164 thousand), and the net assets per share for the year ended February 28, 2015, decreased by ¥0.61 (\$0.01).

n. Asset Retirement Obligations - In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed by either law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset

retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- o. Stock Options* – In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance which are applicable to stock options granted on or after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights and as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.
- p. Leases* - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

All other leases are accounted for as operating leases.

The Company applied the revised accounting standard effective February 20, 2009.

- q. Bonuses to Directors and Employees* - Bonuses to directors and employees are accrued at the year-end to which such bonuses are attributable.
- r. Income Taxes* - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and

the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

- s. **Foreign Currency Transactions** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- t. **Foreign Currency Financial Statements** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.
- u. **Derivatives and Hedging Activities** - The Company uses interest rate swaps to manage its exposures to fluctuations in interest rates. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

- v. **Per Share Information** - Basic net income per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period and retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if warrants were exercised. Diluted EPS of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

The Company made a stock split by way of a free share distribution at the rate of 1.1 shares for each outstanding share on August 1, 2013. The number of shares is retroactively adjusted for the stock split.

- w. **Accounting Changes and Error Corrections** - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections" Accounting treatments under this standard and guidance are as follows:

(1) *Changes in Accounting Policies*

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) *Changes in Presentation*

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in Accounting Estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of Prior-Period Errors*

When an error in prior-period financial statements is discovered, those statements are restated.

x. *New Accounting Pronouncements*

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or an asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard does not change the method to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standards for (a) and (b) above effective February 28, 2015,

and expects to apply the revised accounting standard for (c) above from March 1, 2015.

The effects of applying the revised accounting standard for (c) above were as follows: Liability for retirement benefits increased by ¥36 million (\$303 thousand) and retained earnings decreased by ¥23 million (\$195 thousand) as of March 1, 2015. The effects of this change on income accounts for the year beginning on March 1, 2015, are expected to be immaterial.

3. INVESTMENT SECURITIES

Investment securities as of February 28, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Investment securities:			
Marketable equity securities	¥ 2,113	¥ 993	\$ 17,718
Other	<u>46</u>	<u>356</u>	<u>388</u>
Total	<u>¥ 2,159</u>	<u>¥ 1,349</u>	<u>\$ 18,106</u>

The costs and aggregate fair values of investment securities as of February 28, 2015 and 2014 were as follows:

	Millions of Yen		
	<u>2015</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Available-for-sale - Equity securities	¥ 468	¥1,645	¥2,113

	Millions of Yen		
	<u>2014</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Available-for-sale - Equity securities	¥ 328	¥ 665	¥(0)

	Thousands of U.S. Dollars		
	<u>2015</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Available-for-sale - Equity securities	\$ 3,921	\$13,797	\$17,718

Available-for-sale securities whose fair values are not readily determinable as of February 28, 2015 and 2014, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Available-for-sale: Equity securities	¥ 46	¥ 356	\$ 388

There were no impairment losses for the years ended February 28, 2015 and 2014.

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 28, 2015 and 2014. No impairment loss was recognized on February 28, 2015 and the Group recognized impairment loss on the following long-lived assets on February 28, 2014.

Use	Type of Assets	Location	Millions of Yen 2014
Parking lot	Buildings and structures and others	Chiba	¥ 887
Online shop	Long-term prepaid expenses and others	Chiba	185
Total			<u>¥ 1,072</u>

The Group mainly categorizes a shopping mall as the standard unit that generates cash flow and an idle asset as an individual independent unit.

Based on the decision to dismantle the parking lot in Chiba, the book value was reduced to zero and the reduction and dismantling costs were recorded as an impairment loss in other expenses.

In addition, due to profitability decline of the online shop, the book value was reduced to the recoverable amount and the reduction was recorded as an impairment loss in other expenses. The recoverable amount of the asset groups is measured at zero by the net selling price.

5. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures." and ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures"

The Group holds some rental properties, such as shopping malls in some regions throughout Japan, China and the Association of Southeast Asian Nations (ASEAN) area. The net of rental income and operating expenses for those rental properties were ¥32,905 million (\$275,909 thousand) for the fiscal year ended February 28, 2015, and ¥30,522 million for the fiscal year ended February 28, 2014. Gain on sales of property, plant, and equipment was ¥898 million (\$7,527 thousand) for the fiscal year ended February 28, 2015. Impairment loss was ¥736 million for the fiscal year ended February 28, 2014.

In addition, the carrying amounts, changes in such balances, and market prices of such properties are as follows:

Millions of Yen			
	Carrying Amount		Fair Value
March 1, 2014	Increase/Decrease	February 28, 2015	February 28, 2015
¥ 537,866	¥ 163,331	¥ 701,197	¥ 927,844

Millions of Yen			
	Carrying Amount		Fair Value
March 1, 2013	Increase/Decrease	February 28, 2014	February 28, 2014
¥ 441,948	¥ 95,918	¥ 537,866	¥ 747,618

Thousands of U.S.Dollars			
	Carrying Amount		Fair Value
March 1, 2014	Increase/Decrease	February 28, 2015	February 28, 2015
\$ 4,510,031	\$1,369,537	\$ 5,879,568	\$ 7,780,007

Notes:

1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase during the fiscal year ended February 28, 2015, was primarily attributable to newly acquired properties of ¥177,196 million (\$1,485,795 thousand), which were partially offset by selling; disposal properties of ¥33,110 million (\$277,631 thousand); and depreciation expense of ¥24,442 million (\$204,945 thousand).

Increase during the fiscal year ended February 28, 2014, was primarily attributable to newly acquired properties of ¥178,377 million, which were partially offset by selling; disposal properties of ¥65,930 million; and depreciation expense of ¥18,384 million.

3) Fair value of properties is mainly measured based on evaluations based on real estate appraisal value.

6. SHORT-TERM BORROWINGS, LONG-TERM DEBT, AND CORPORATE BONDS

Short-term borrowings, long-term debt, and corporate bonds as of February 28, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from banks and insurance companies, due through 2025 with interest rates ranging from 0.35% to 6.78% (2015) and 0.27% to 5.10% (2014):			
Collateralized	¥ 10,122	¥ 9,709	\$ 84,876
Unsecured	178,477	132,457	1,496,533
Total	188,599	142,166	1,581,409
Less current portion	(24,710)	(10,567)	(207,192)
Long-term debt, less current portion	¥163,889	¥131,599	\$1,374,217

Annual maturities of long-term debt as of February 28, 2015, were as follows:

<u>Years Ending February 28 or 29</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2016	¥ 24,710	\$ 207,192
2017	39,287	329,421
2018	53,049	444,822
2019	30,333	254,346
2020	18,191	152,532
2021 and thereafter	<u>23,029</u>	<u>193,096</u>
Total	<u>¥188,599</u>	<u>\$1,581,409</u>

Corporate bonds as of February 28, 2015 and 2014 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Issued by the Company:			
Unsecured 1.54% yen corporate bond, due 2015		¥ 23,000	
Unsecured 0.50% yen corporate bond, due 2018	¥ 10,000	10,000	\$ 83,850
Unsecured 0.80% yen corporate bond, due 2020	15,000	15,000	125,776
Unsecured 0.44% yen corporate bond, due 2022	15,000		125,776
Unsecured 0.90% yen corporate bond, due 2025	20,000		167,701
Unsecured 0.95% yen corporate bond, due 2027	5,000		41,925
Issued by HIWADA SHOPPING MALL CO., LTD.:			
Unsecured 0.64% yen corporate bond, due 2017	200	200	1,677
Total	<u>65,200</u>	<u>48,200</u>	<u>546,705</u>
Less current portion		<u>(23,000)</u>	
Corporate bonds, less current portion	<u>¥ 65,200</u>	<u>¥ 25,200</u>	<u>\$ 546,705</u>

Annual maturities of corporate bonds as of February 28, 2015, were as follows:

<u>Years Ending February 28 or 29</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2017	¥ 200	\$ 1,677
2018	10,000	83,850
2019		
2020	15,000	125,776
2021 and thereafter	<u>40,000</u>	<u>335,402</u>
Total	<u>¥ 65,200</u>	<u>\$ 546,705</u>

Collateralized long-term debt and other as of February 28, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt	¥ 2,118	\$ 17,763
Current portion of lease deposits from lessees	75	632
Long-term debt	8,004	67,113
Lease deposits from lessees	<u>1,283</u>	<u>10,751</u>
Total	<u>¥ 11,480</u>	<u>\$ 96,259</u>

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other as of February 28, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 17,292	\$ 144,990
Buildings and structures - net of accumulated depreciation	40,361	338,429
Construction in progress	15,909	133,398
Long-term prepaid expenses	<u>6,580</u>	<u>55,177</u>
Total	<u>¥ 80,142</u>	<u>\$ 671,994</u>

Long-term prepaid expenses are the land use rights in China.

7. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees. The Company has a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Year Ended February 28, 2015

(1) The changes in defined benefit obligation for the year ended February 28, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 1,553	\$ 13,026
Current service cost	76	640
Interest cost	30	248
Actuarial losses	178	1,489
Benefits paid	<u>(70)</u>	<u>(590)</u>
Balance at end of year	<u>¥ 1,767</u>	<u>\$ 14,813</u>

(2) The changes in plan assets for the year ended February 28, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 1,249	\$ 10,477
Expected return on plan assets	20	166
Actuarial losses	33	281
Contributions from the employer	134	1,119
Benefits paid	(70)	(590)
Balance at end of year	¥ 1,366	\$ 11,453

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of February 28, 2015

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 1,767	\$ 14,813
Plan assets	(1,366)	(11,453)
Net liability for defined benefit obligation	¥ 401	\$ 3,360

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 401	\$ 3,360
Asset for retirement benefits		
Net liability for defined benefit obligation	¥ 401	\$ 3,360

(4) The components of net periodic benefit costs for the year ended February 28, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 76	\$ 640
Interest cost	30	248
Expected return on plan assets	(20)	(166)
Recognized actuarial losses	34	281
Net periodic benefit costs	¥ 120	\$ 1,003

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 28, 2015

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized actuarial losses	¥ 215	\$ 1,805
Total	¥ 215	\$ 1,805

- (6) Plan assets as of February 28, 2015

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	58.5%
Equity investments	14.6
Cash and cash equivalents	11.5
Others	15.4
Total	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from various components of the plan assets.

- (7) Assumptions used for the year ended February 28, 2015, were set forth as follows:

Discount rate	1.3%
Expected rate of return on plan assets	1.6%

Defined contribution plan

Contribution for advance payment plan was ¥134 million (\$1,127 thousand).

Advance payment plan

Payment for advance payment was ¥44 million (\$371 thousand).

The liability for employees' retirement benefits as of February 28, 2014, consisted of the following:

	Millions of Yen
	<u>2014</u>
Projected benefit obligation	¥ (1,554)
Fair value of plan assets	1,250
Unrecognized actuarial gain	<u>105</u>
Net liability	<u>¥ (199)</u>

The components of net periodic retirement benefit costs for the year ended February 28, 2014, are as follows:

	Millions of Yen
	<u>2014</u>
Service cost	¥ 69
Interest cost	29
Expected return on plan assets	(13)
Recognized actuarial gain	41
Other (see below Note)	<u>155</u>
Net periodic costs	<u>¥ 281</u>

Note: "Other" includes payments to the advance payment plan and contributions to the defined contribution pension plan.

Assumptions used for the year ended February 28, 2014, are set forth as follows:

	<u>2014</u>
Discount rate	1.9%
Expected rate of return on plan assets	1.13%
Recognition period of actuarial gain/loss	10 years
Amortization period of prior service cost	Amortized fully as incurred

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended February 28, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Balance at beginning of year	¥ 7,705	¥ 6,235	\$ 64,606
Additional provisions associated with the acquisitions of property, buildings, and equipment	1,293	1,343	10,841
Reconciliation associated with passage of time	159	127	1,330
Others	13		113
Balance at end of year	<u>¥ 9,170</u>	<u>¥ 7,705</u>	<u>\$ 76,890</u>

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two years' term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. The Company meets all of the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Stock Split

On August 1, 2013, the Company effected a 1.1-for-1 stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on June 3, 2013.

e. Issuance of new shares

For the year ended February 28, 2014, the Company issued new shares as follows:

	Yen		Millions of Yen			
	Number of New Shares Issued (Shares of Common Stock)	Paid Amount (Issue Price) per Share	Aggregate Paid Amount	Increase in Common Stock	Increase in Capital Surplus	
Public offering	23,500,000	¥ 1,961.60	¥ 46,098	¥ 23,049	¥ 23,049	
Third-party allotment to Nomura Securities Co., Ltd.	2,500,000	1,961.60	4,904	2,452	2,452	
Total	26,000,000		¥ 51,002	¥ 25,501	¥ 25,501	

10. STOCK OPTIONS

The stock options outstanding as of February 28, 2015, are as follows:

Stock Option	Persons Granted	Number of Options Granted*	Date of Grant	Exercise Price	Exercise Period
2009 Stock Option	17 directors	22,220 shares	2008.4.21	¥1 (\$0.01)	From May 21, 2008 to May 20, 2023
2010 Stock Option	16 directors	32,340 shares	2009.4.21	¥1 (\$0.01)	From May 21, 2009 to May 20, 2024
2011 Stock Option	12 directors	26,510 shares	2010.4.21	¥1 (\$0.01)	From May 21, 2010 to May 20, 2025
2012 Stock Option	11 directors	20,790 shares	2011.4.21	¥1 (\$0.01)	From May 21, 2011 to May 20, 2026
2013 Stock Option	12 directors	22,330 shares	2012.4.21	¥1 (\$0.01)	From May 21, 2012 to May 20, 2027
2014 Stock Option	8 directors	10,890 shares	2013.4.21	¥1 (\$0.01)	From May 21, 2013 to May 20, 2028
2015 Stock Option	10 directors	18,400 shares	2014.4.21	¥1 (\$0.01)	From May 21, 2014 to May 20, 2029

*The number of options granted has been restated, as appropriate, to reflect a 1.1-for-1 stock split effected on August 1, 2013.

The stock option activity is as follows:

	2009 Stock Option (Shares)	2010 Stock Option (Shares)	2011 Stock Option (Shares)	2012 Stock Option (Shares)	2013 Stock Option (Shares)	2014 Stock Option (Shares)	2015 Stock Option (Shares)
<u>Year Ended February 28, 2014</u>							
Nonvested:							
February 28, 2013 – outstanding							
Granted							
Canceled						10,890	
Vested							
February 28, 2014 – outstanding						(10,890)	
Vested:							
February 28, 2013 – outstanding	9,130	20,570	22,000	19,580	20,570		
Vested						10,890	
Exercised	(1,320)	(1,320)	(1,430)				
Canceled							
February 28, 2014 – outstanding	7,810	19,250	20,570	19,580	20,570	10,890	
<u>Year Ended February 28, 2015</u>							
Nonvested:							
February 28, 2014 – outstanding							
Granted							18,400
Canceled							
Vested							(18,400)
February 28, 2015 – outstanding							
Vested:							
February 28, 2014 – outstanding	7,810	19,250	20,570	19,580	20,570	10,890	
Vested							18,400
Exercised	(1,430)	(4,180)	(3,080)	(3,630)		(660)	(1,100)
Canceled	(1,430)	(2,090)	(2,200)	(2,420)			
February 28, 2015- outstanding	4,950	12,980	15,290	13,530	20,570	10,230	17,300
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1
	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Average stock price at exercise	¥2,432	¥2,234	¥2,432	¥2,223		¥2,592	¥2,608
	(\$20)	(\$19)	(\$20)	(\$19)		(\$22)	(\$22)
Fair value price at grant date	¥2,500	¥1,089	¥1,583	¥1,609	¥1,473	¥2,763	¥2,245
	(\$25)	(\$11)	(\$16)	(\$16)	(\$14)	(\$27)	(\$19)

The Company made a stock split by way of a free share distribution at the rate of 1.1-for-1 shares for each outstanding share on August 1, 2013. The number of shares is retroactively adjusted for the stock split.

The Assumptions Used to Measure Fair Value of 2015 Stock Options:

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	42.50%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥22 per share
Risk-free interest rate:	0.38%

11. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at February 28, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Payables and accrued expenses	¥ 979	¥ 570	\$ 8,209
Accrued enterprise tax	659	1,306	5,529
Property, plant, and equipment	4,995	4,952	41,882
Long-term prepaid expenses	885	634	7,421
Liability for retirement benefits	68	73	570
Asset retirement obligation	3,255	2,735	27,296
Long-term deferred revenue	546	450	4,581
Tax loss carryforwards of subsidiaries	1,763	1,120	14,784
Other	971	1,197	8,140
Less valuation allowance	(3,415)	(2,140)	(28,643)
Total deferred tax assets	10,706	10,897	89,769
Deferred tax liabilities:			
Property revaluation	93	131	779
Lease deposits to lessors and long-term prepaid expenses	521	573	4,369
Deferred capital gains on property	221	226	1,853
Special depreciation on property	545	765	4,570
Asset retirement obligation removal expense	2,139	1,771	17,933
Unrealized gain on available-for-sale securities	584	236	4,897
Total deferred tax liabilities	4,103	3,702	34,401
Net deferred tax assets	¥ 6,603	¥ 7,195	\$ 55,368

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended February 28, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Normal effective statutory tax rate	37.9%	37.9%
Expenses not deductible for income tax purposes	0.1	0.1
Per capita portion of inhabitant tax	0.2	0.2
Tax benefits not recognized on operating losses of subsidiaries	1.3	1.2
Change in valuation allowance	1.0	1.6
Tax effect related to consolidated adjustment	(0.3)	0.8
Lower income tax rates applicable to income in certain foreign countries	2.0	0.2
Effect of tax reduction	0.2	
Other – net	<u>0.1</u>	<u>0.0</u>
Actual effective tax rate	<u>42.5%</u>	<u>42.0%</u>

The Ministry of Finance in Japan enacted the “Act on Partial Amendment to the Income Tax Act, etc.” (Act No. 10 of 2014) on March 31, 2014, to abolish the special corporation tax for reconstruction, effective from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate has been reduced from 37.9% to 35.5% for calculating deferred tax assets and liabilities on temporary differences that are expected to be realized during the fiscal year beginning on March 1, 2015. However, there is no change for the effective statutory tax rate for calculating deferred tax assets and liabilities on temporary differences that are expected to be realized during the fiscal year beginning on March 1, 2016. The net effect of this change was to reduce net deferred tax assets by ¥75 million (\$631 thousand) and increase income taxes deferred (debit) in the consolidated statement of income for the year then ended by ¥75 million (\$631 thousand).

The Ministry of Finance in Japan enacted the “Act on Partial Amendment to the Income Tax Act, etc.” (Act No. 9 of 2015) on March 31, 2015, to reduce the corporation tax rate and to gradually reduce the business tax, effective from fiscal years beginning on or after April 1, 2015. As a result, the effective statutory tax rate for calculating deferred tax assets and liabilities will be reduced from 35.5% to 32.9% for temporary differences that are expected to be realized during the fiscal year beginning on March 1, 2016, and from 35.5% to 32.2% for temporary differences that are expected to be realized during the fiscal years beginning on or after March 1, 2017. If the new effective statutory tax rate had been applied in the fiscal year ended February 28, 2015, deferred tax assets and deferred tax liability would have decreased by ¥631 million (\$5,289 thousand) and ¥14 million (\$119 thousand), respectively. Additionally, income taxes deferred (debit), unrealized gain (loss) on available-for-sale securities (credit), and defined retirement benefit plans (debit) would have increased by ¥664 million (\$5,565 thousand), ¥54 million (\$455 thousand) and ¥7 million (\$60 thousand), respectively.

12. LEASES

a. Lessee

the Group leases certain furniture and fixtures, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended February 28, 2015 and 2014, were ¥50,782 million (\$425,809 thousand) and ¥42,954 million, respectively.

As discussed in Note 2.p, the Group accounts for leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, on an “as if capitalized” basis for the years

ended February 28, 2015 and 2014, was as follows:

Millions of Yen	
2015	
Furniture and Fixtures	Total
Acquisition cost	¥ 35
Accumulated depreciation	23
Net leased property	¥ 12

Millions of Yen	
2014	
Furniture and Fixtures	Total
Acquisition cost	¥ 36
Accumulated depreciation	20
Net leased property	¥ 16

Thousands of U.S. Dollars	
2015	
Furniture and Fixtures	Total
Acquisition cost	\$ 298
Accumulated depreciation	196
Net leased property	\$ 102

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 4	¥ 4	\$ 32
Due after one year	9	13	81
Total	¥ 13	¥ 17	\$ 113

Depreciation expense, interest expense, and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Depreciation expense	¥ 4	¥ 10	\$ 30
Interest expense	<u>1</u>	<u>1</u>	<u>4</u>
Total	<u>¥ 5</u>	<u>¥ 11</u>	<u>\$ 34</u>
Lease payments	<u>¥ 4</u>	<u>¥ 11</u>	<u>\$ 35</u>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at February 28, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Due within one year	¥ 41,266	¥ 31,098	\$ 346,015
Due after one year	<u>251,610</u>	<u>201,589</u>	<u>2,109,764</u>
Total	<u>¥ 292,876</u>	<u>¥ 232,687</u>	<u>\$ 2,455,779</u>

Note:

The total for the year ended February 28, 2015, includes the Group's land use rights in China and Vietnam, amounting to ¥29,925 million (\$250,919 thousand). The land use rights are fully paid out and are disclosed as "Long-term prepaid expenses" on the consolidated balance sheet.

The total for the year ended February 28, 2014, includes the Group's land use rights in China and Vietnam, amounting to ¥24,983 million (\$245,169 thousand). The land use rights are fully paid out and are disclosed as "Long-term prepaid expenses" on the consolidated balance sheet.

b. Lessor

The Group leases certain store space to tenants and other assets.

Future rental revenues from subleases under finance leases for the years ended February 28, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Due within one year	¥ 723	¥ 573	\$ 6,065
Due after one year	<u>5,827</u>	<u>5,474</u>	<u>48,862</u>
Total	<u>¥ 6,550</u>	<u>¥ 6,047</u>	<u>\$ 54,927</u>

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group policy for financial instruments*

The Group conducts shopping mall businesses as its core business. The Group rents retail facilities in shopping malls to tenants, AEON Retail Co., Ltd. (the “parent’s subsidiary”), operating general merchandise stores, and other AEON group companies. The Group uses financial instruments, mainly long-term debt, including bank loans and corporate bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets, such as deposits in banks and the parent company. Derivatives are used, not for speculative purposes, but to manage exposure to financial risk.

(2) *Nature and extent of risks arising from financial instruments*

Receivables, such as trade accounts, are exposed to customer’s credit risk.

Investment securities are business-related equities and are exposed to market price fluctuation risk and credit risk.

Loans are exposed to credit risk due to breach of contract.

Lease deposits to lessors are exposed to lessor’s credit risk.

Payment terms of payables, such as trade accounts, are less than one year.

Long-term debt and bonds are used for financing mainly for operating transactions and property investments. Liquidity risk, which comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates, is managed by deconcentration of due dates or maturity dates. Although certain bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

Please refer to Note 14 for more details about derivatives.

(3) *Risk management for financial instruments*

Credit risk management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Regarding investment securities, the Group assesses quarterly the fair values of equity securities and regularly monitors the issuer’s financial position for equity securities without market values.

The Group manages its credit risk from loans by monitoring payment terms and balances by each business administration department to identify the default risk of the counterparties at an early stage.

Certain parts of lease deposits from lessees are covered by mortgages and right of pledges.

Because the counterparties to the derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Market risk management (interest rate risk)

Interest rate swaps are used to manage exposure to changes in interest rates of loan payables.

Basic principles of derivative transactions have been approved by management based on internal guidelines, set by the Corporate Treasury Department, which prescribe the authority and the limit for each transaction. Reconciliations of transactions and balances with customers are performed, and transaction data is reported to the chief financial officer.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk management

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the Corporate Treasury Department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

Fair values of financial instruments are as follows:

	Millions of Yen		
	2015		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 67,223	¥ 67,223	
Time deposits	5,118	5,118	
Receivables—Trade accounts	4,725	4,725	
Long-term loans, including current portion	315	314	¥ (1)
Investment securities	2,113	2,113	
Lease deposits to lessors, including current portion	41,226	37,965	(3,261)
Total	<u>¥ 120,720</u>	<u>¥ 117,458</u>	<u>¥ (3,262)</u>
Payables—Trade accounts	¥ 11,849	¥ 11,849	
Payables—Construction	95,845	95,845	
Deposits received	54,232	54,232	
Income taxes payable	9,436	9,436	
Long-term debt, including current portion	188,599	189,481	¥ 882
Corporate bonds	65,200	65,847	647
Lease deposits from lessees, including current portion	118,686	118,482	(204)
Total	<u>¥ 543,847</u>	<u>¥ 545,172</u>	<u>¥ 1,325</u>

	Millions of Yen		
	2014		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 59,096	¥ 59,096	
Time deposits	5,471	5,471	
Receivables—Trade accounts	2,907	2,907	
Long-term loans, including current portion	394	393	¥ (1)
Investment securities	993	993	
Lease deposits to lessors, including current portion	<u>52,333</u>	<u>50,004</u>	<u>(2,329)</u>
Total	<u>¥121,194</u>	<u>¥118,864</u>	<u>¥ (2,330)</u>
Payables—Trade accounts	11,024	11,024	
Payables—Construction	80,864	80,864	
Deposits received	31,804	31,804	
Income taxes payable	17,782	17,782	
Long-term debt, including current portion	142,166	143,795	¥ (1,629)
Corporate bonds, including current portion	48,200	48,898	(698)
Lease deposits from lessees, including current portion	<u>110,339</u>	<u>109,993</u>	<u>346</u>
Total	<u>¥ 442,179</u>	<u>¥ 444,160</u>	<u>¥ (1,981)</u>

	Thousands of U.S. Dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	\$ 563,664	\$ 563,664	
Time deposits	42,917	42,917	
Receivables—Trade accounts	39,618	39,618	
Long-term loans, including current portion	2,641	2,634	\$ (7)
Investment securities	17,718	17,718	
Lease deposits to lessors, including current portion	<u>345,674</u>	<u>318,333</u>	<u>(27,341)</u>
Total	<u>\$ 1,012,232</u>	<u>\$ 984,884</u>	<u>\$ (27,348)</u>
Payables—Trade accounts	\$ 99,354	\$ 99,354	
Payables—Construction	803,667	803,667	
Deposits received	454,740	454,740	
Income taxes payable	79,124	79,124	
Long-term debt, including current portion	1,581,409	1,588,805	\$ 7,396
Corporate bonds	546,705	552,133	5,428
Lease deposits from lessees, including current portion	<u>995,193</u>	<u>993,476</u>	<u>(1,717)</u>
Total	<u>\$ 4,560,192</u>	<u>\$ 4,571,299</u>	<u>\$ 11,107</u>

(a) The methods and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents, Time deposits, and Receivables—Trade accounts

The carrying values of cash and cash equivalents, time deposits, and receivables— trade accounts approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments.

Long-term loans, including the current portion, and Lease deposits to lessors, including the current portion

The fair values of long-term loans, including the current portion, and lease deposits to lessors, including the current portion, are measured by discounting the total amount to be received based on the contract period at the risk-free rate.

Payables—Trade accounts, Payables —Construction, Deposits received and Income taxes payable

The fair values of payables—trade accounts, payables—construction, deposits received and income taxes payable approximate fair value because of their short maturities.

Corporate bonds, including the current portion

The fair values of corporate bonds issued by the Company are based on the quoted market price.

Long-term debt, including the current portion

The fair values of long-term debt, including the current portion, are determined by discounting the cash flows related to the loans at the Group's assumed borrowing rate.

Lease deposits from lessees, including the current portion

The fair values of lease deposits from lessees, including the current portion, are determined by discounting the cash flows related to the deposits at the Group's assumed borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined.

	Carrying Amount			
	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	
Investments in equity instruments that do not have a quoted market price in an active market	¥ 46	¥ 356	\$	388

(c) Maturity analysis for financial assets/liabilities with contractual maturities

	Millions of Yen			
	2015			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 67,223			
Time deposits	5,118			
Long-term loans, including current portion	78	¥ 235	¥ 1	¥ 1
Lease deposits to lessors *1	818	2,327	766	1
Corporate bonds		25,200	35,000	5,000
Long-term debt	24,710	140,860	23,029	
Lease deposits from lessees *2	985	1,647	185	21

	Thousands of U.S. Dollars			
	2015			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	\$ 563,664			
Time deposits	42,917			
Long-term loans, including current portion	655	\$ 1,975	\$ 6	\$ 5
Lease deposits to lessors *1	6,855	19,515	6,422	8
Corporate bonds		211,303	293,477	41,925
Long-term debt	207,192	1,181,121	193,096	
Lease deposits from lessees *2	8,261	13,808	1,548	177

*1 Lease deposits to lessors with no defined redemption schedule of ¥37,314 million (\$312,874 thousand) are not included in the above table.

*2 Lease deposits from lessees with no defined redemption schedule of ¥115,848 million (\$971,399 thousand) are not included in the above table.

14. DERIVATIVES

The Group enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into hedge interest incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the

Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies that regulate the authorization and credit limit amount.

<u>February 28, 2015</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 48,510	¥ 38,510	*
<u>February 28, 2014</u>	<u>Hedged Item</u>	<u>Millions of Yen</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 27,420	¥ 25,682	*
<u>February 28, 2015</u>	<u>Hedged Item</u>	<u>Thousands of U.S. Dollars</u>		
		<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	\$ 406,756	\$ 322,906	*

*The above interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt).

15. GAIN ON SALES OF PROPERTY, PLANT, AND EQUIPMENT

The figures for the years ended February 28, 2015 and 2014, include ¥898 million (\$7,527 thousand) and ¥6,994 million, respectively, of gain on the sale of one commercial facility and three commercial facilities to Aeon REIT Invest Corporation.

16. LOSS ON SALES OF PROPERTY, PLANT, AND EQUIPMENT

The figure for the year ended February 28, 2014, includes ¥5,721 million of loss on the sale of three commercial facilities to Aeon REIT Invest Corporation.

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended February 28, 2015 and 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2015</u>	<u>2015</u>
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 1,688	\$ 14,152
Reclassification adjustments to profit or loss	<u>(708)</u>	<u>(5,935)</u>
Amount before income tax effect	980	8,217
Income tax effect	<u>(348)</u>	<u>(2,917)</u>
Total	<u>¥ 632</u>	<u>\$ 5,300</u>
Foreign currency translation adjustments—		
Gains arising during the year	<u>12,951</u>	<u>108,593</u>
Total other comprehensive income	<u>¥ 13,583</u>	<u>\$ 113,893</u>
	<u>Millions of Yen</u>	
	<u>2014</u>	
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 154	
Amount before income tax effect	154	
Income tax effect	<u>(55)</u>	
Total	<u>¥ 99</u>	
Foreign currency translation adjustments—		
Gains arising during the year	<u>9,827</u>	
Total other comprehensive income	<u>¥ 9,926</u>	

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted EPS for the years ended February 28, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares*		EPS*
<u>Year Ended February 28, 2015</u>				
Basic EPS - Net income available to common shareholders	¥ 24,513	227,850	<u>¥ 107.58</u>	<u>\$0.90</u>
Effect of dilutive securities - Warrants		<u>98</u>		
Diluted EPS - Net income for computation	<u>¥ 24,513</u>	<u>227,948</u>	<u>¥ 107.53</u>	<u>\$0.90</u>
<u>Year Ended February 28, 2014</u>				
Basic EPS - Net income available to common shareholders	¥ 23,431	219,058	<u>¥ 106.96</u>	
Effect of dilutive securities - Warrants		<u>100</u>		
Diluted EPS - Net income for computation	<u>¥ 23,431</u>	<u>219,158</u>	<u>¥ 106.91</u>	

*The Company offered 23,500,000 new shares on June 19, 2013, and 2,500,000 new shares of common stock on July 12, 2013. The Company made a stock split by way of a free share distribution at the rate of 1.1 shares for each outstanding share on August 1, 2013.

Shares and per share figures have been restated, as appropriate, to reflect the 1.1-for-1 stock split.

19. RELATED-PARTY DISCLOSURES

Transactions with the parent company and its subsidiaries for the years ended February 28, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deposits kept at the cash pool account of the parent company	¥ 12,000	¥ 9,000	\$ 100,620
Interest income from the parent company	28	37	234
Revenue from leases of shopping malls to the parent's subsidiaries	27,397	22,443	229,728
Credit fee paid to AEON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	4,117	3,305	34,520

Note: These transactions were made on an arm's-length basis in the normal course of business.

The balances due to/from the parent company and its subsidiaries at February 28, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash equivalents—deposits kept at the cash pool account of the parent company	¥ 5,000	¥ 17,000	\$ 41,925
Receivables—trade accounts from the parent's subsidiaries	744	512	6,240
Lease deposits received from the parent's subsidiaries	13,784	14,707	115,578
Receivables—other from AEON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	8,407	6,926	70,496

Note: Lease deposits received are at stated amounts. Lease deposits include the current portion of lease deposits from lessees.

20. SEGMENT INFORMATION

(1) *Description of Reportable Segments*

The Company and its subsidiaries compose a single business segment, primarily engaged in mall business. Therefore, the disclosure of segment information is omitted.

(2) *Information about geographical areas*

(a) Sales

Information about geographical areas for the years ended February 28, 2015 and 2014 has been omitted, because sales in Japan accounted for more than 90% of consolidated net sales of the Group.

(b) Property, plant and equipment

Millions of Yen			
2015			
Japan	China	ASEAN	Total
¥ 603,704	¥ 28,446	¥ 57,670	¥ 689,820
Millions of Yen			
2014			
Japan	China	ASEAN	Total
¥ 517,836	¥ 8,882	¥ 30,842	¥ 557,560
Thousands of U.S. Dollars			
2015			
Japan	China	ASEAN	Total
\$ 5,062,086	\$ 238,524	\$ 483,564	\$ 5,784,174

(3) Information about major customers

2015		
Name of customers	Millions of Yen	Related segment name
	Sales	
ÆON RETAIL CO.,LTD	¥ 27,422	Mall segment

2014		
Name of customers	Millions of Yen	Related segment name
	Sales	
ÆON RETAIL CO.,LTD	¥ 22,443	Mall segment

2015		
Name of customers	Thousands of U.S. Dollars	Related segment name
	Sales	
ÆON RETAIL CO.,LTD	\$ 229,936	Mall segment

21. SUBSEQUENT EVENTS

a. Loan Agreement

The Company made the following agreement at March 31, 2015, and April 6, 2015.

- (1) Purpose: Construction of ÆON Mall Okinawa Rycom
- (2) Lender: THE OKINAWA DEVELOPMENT FINANCE CORPORATION
- (3) Amount: ¥20,000 million (\$167,701 thousand)
- (4) Interest rate: 0.20% (For the first five years), 0.35% (The remaining 4 years)
- (5) Repayment term: Unredeemable for an initial five years. Thereafter, four equal annual repayments.
- (6) Date of borrowing: August, 2015 (Scheduled)
- (7) Final date of repayment: March, 2024 (Scheduled)
- (8) Collateral: Mortgage on land and building (Scheduled)
- (9) Special clause: Lump-sum repayment in the case ÆON Mall Okinawa Rycom is sold or its business is closed

b. Appropriation of Retained Earnings

The following appropriation of retained earnings at February 28, 2015, was approved at the Company's Board of Directors' meeting held on April 15, 2014.

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 (\$0.09) per share	¥ 2,506	\$ 21,016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AEON Mall Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AEON Mall Co., Ltd. and its subsidiaries as of February 28, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Mall Co., Ltd. and its subsidiaries as of February 28, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 20, 2015

ÆON MALL CO.,LTD.

1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan

TEL: 81-(43)-212-6733 FAX: 81-(43)-212-6779

<http://www.aeonmall.com/en>