

# ÆON Mall is Japan's sole specialist shopping mall developer

ÆON Mall is the only specialist shopping mall developer in Japan that deals comprehensively with all related business domains from design, development, and planning, to construction, tenant leasing, and operation and management.

We anticipated the arrival of the shopping mall age amid the growing diversification of needs and lifestyles and ongoing structural changes in an increasingly automobile-oriented society. Since then we have continued to develop new sites, creating multifunctional shopping malls to meet the needs of the times.

We have expanded our business through a combination of opening new shopping malls in the suburbs of major cities and regional centers, and revitalizing our existing shopping malls. Fiscal 2010 marked the 22nd straight year of growth in revenue and earnings since the launch of ÆON Mall's developer business, and the 9th consecutive year of growth since the Company's public listing.

In tandem with the development of a solid business base in Japan, ÆON Mall is seeking to grow further by pursuing shopping mall development in overseas markets.

**22** years of consolidated growth in revenue and earnings

Japan **56** shopping malls Overseas **2** shopping malls (As of May 20, 2011)

Some **3.3** million m<sup>2</sup> of gross leasable area (As of May 20, 2011)

Year-on-year specialty store sales up **4.7%** **2.8%** increase in visitor numbers (Fiscal year ending February 20, 2011)



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# Leveraging expertise honed as a specialist shopping mall developer, ÆON Mall is creating shopping malls that attract customers, and is elevating mall value through close partnerships with tenants.

The mission of ÆON Mall is to continually improve revenues after a shopping mall opens and raise its value. Using a basic format, we pursue the development of shopping malls that serve as a one-stop solution for customers who visit. Furthermore, we have the expertise to provide support for tenants that forms the basis for close partnerships. We are working with tenants to develop a range of initiatives to better attract customers, and to improve customer satisfaction by creating safe and comfortable shopping malls.

## Basic Format for Shopping Mall Development Strategy

### 1. "Two Anchors with a Mall" Building Style

Anchor stores (typically Japanese-style GMS\*, department stores, or a collection of other large-scale specialty stores) are placed at either end of the mall. The space in between is then filled with a wide variety of specialty stores. The low-rise structural style of the mall building, generally two or three floors, makes it easy for visitors to move around.

\*A combination of supermarket and U.S.-style general merchandise store under one roof

### 2. Trade Area Population of 400,000 within 30-Minute Driving Distance

We assume that customers will access our malls primarily by car. For this reason, as a rule we select outlying and suburban areas of major cities and regional centers for mall development. Of ÆON Mall's 56 shopping malls in Japan, 19 are located in front of or in close vicinity to railway terminals.

### 3. Gross Leasable Area of 70,000 to 80,000m<sup>2</sup>

As a rule, the gross leasable area of our commercial facilities is 70,000 to 80,000m<sup>2</sup> to allow for the creation of spaces that will attract customers and provide them with a variety of functions.

### 4. Parking Area for over 3,500 cars

Enabling easy access by car is essential for drawing in customers. This requires securing a large parking area that can handle more than 3,500 cars.

### 5. Secure a Site Large Enough for Planned Future Expansion of Floor Space

At the development stage ÆON Mall plans for the space needed for future floor expansion to continuously enhance the mall's revenues, then takes steps to secure a site expansive enough to accommodate this plan.

### 6. Maintain Ratio of EBITDA to Total Investment at 13%

In the development of shopping malls, we generally prefer a model of leasing the site and owning the building. Our standard for investment profitability is a ratio of EBITDA to total investment of more than 13%.



## The Position of the ÆON Group and ÆON Mall

ÆON is a retailing group of 179 companies (as of February 28, 2011), based both in Japan and overseas, under a pure holding company, ÆON Co., Ltd. The Group operates in 12 businesses including general merchandise stores, specialty stores, shopping center development, and services. ÆON Mall, as ÆON's core company responsible for shopping mall development, acts as the business incubator for the Group.

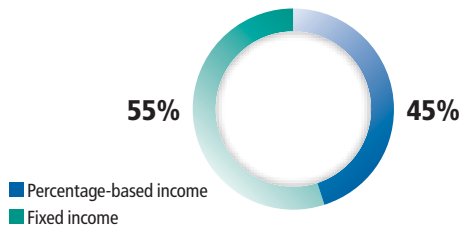
## Earnings Structure Image

### Fixed and Variable Percentages of Operating Revenue, Operating Costs, SG&A Expenses, and Percentage of Operating Income

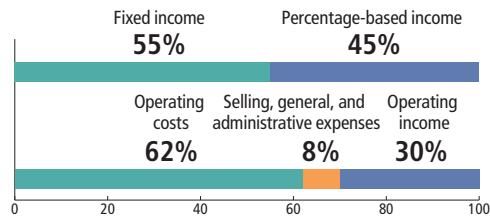
The majority of “income from real estate lease” within ÆON Mall operating revenue comes from “income from fixed rent” and “income from percentage rent,” the latter being determined in accordance with sales achieved by mall tenants. Consequently, when tenant sales increase, so too does the operating revenue for ÆON Mall. In many cases, ÆON Mall sets the minimum sales for each tenant on a monthly or yearly basis; therefore, despite their designation, percentage rents comprise an extra fixed rent component. The result is that

ÆON Mall is not immediately impacted by lower tenant sales. Operating costs are costs directly related to mall management, comprised of personnel costs for employees stationed onsite for mall management and operating expenses related to mall facilities. Operating expenses are mainly comprised of facility maintenance expenses, water, lighting and heating expenses, rents paid to owners of mall land and buildings, and depreciation of mall facilities.

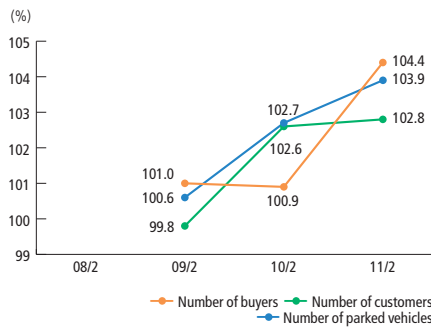
Composition Ratio of Fixed and Variable Income



Earnings Structure Image

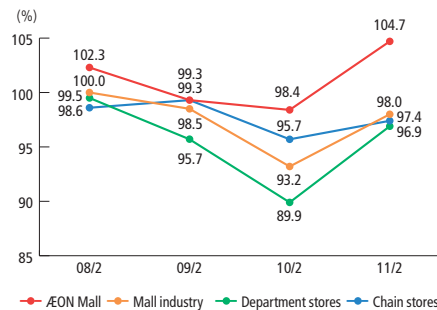


Number of Buyers /Number of Customers/ Number of Parked Vehicles (YoY)



\*Number of buyers, customers, and parked vehicles are omitted for fiscal 2007 as no figures were compiled.

Year-on-year Comparison of ÆON Mall Sales to the Mall Industry, Department Stores and Chain Stores



Real Vacancy Rates and Percentage of Rents at ÆON Mall Shopping Malls Accounted for by Tenant Sales

	08/2	09/2	10/2	11/2
Real vacancy rate* (end of period)	—	—	0.7%	0.4%
Percentage of rent at ÆON Mall shopping malls accounted for by tenant sales	10.6%	10.8%	10.9%	10.5%

\*Real vacancy rate: The actual area of a mall vacant (excluding space reserved for incoming tenants based on gross leasable area).

\*The real vacancy rate is omitted for fiscal 2008 as no figures were compiled.

# Four Functions Making Aeon Mall Shopping Malls a One-stop Solution for Customers



## 1. Shopping

### A Consistently Attractive and Sophisticated Tenant Mix

Our shopping malls are home to a wide variety of specialty stores catering to every possible need, from fashion, general merchandise, and services, as well as restaurants, to food and daily goods at the GMS anchor store. When selecting specialty stores, we consider very carefully the balance of nationwide chain stores, local retailers, and stores making their first foray into that local market. In this way, we believe that the tenant mix at our malls remains dynamic and in tune with the lifestyle patterns of our customers, and creates an atmosphere conducive to comfortable, enjoyable shopping.



## 2. Entertainment

### Our malls provide entertainment services that enable our customers to enjoy their time at the mall.

Our shopping malls offer more than just a place to eat and shop. There are endless entertainment options, including cinemas, fitness centers, and facilities providing instruction in cultural activities such as martial arts, English conversation, cookery, and flower arranging. We also hold concerts featuring local musicians and events involving customer participation. This element of our mall is designed to create a relaxing, comfortable space in which customers can spend a whole day with their family, friends, or partners.

ÆON Mall is bolstering the four functions that shape its shopping centers: shopping, entertainment, community, and ecology. Through this strengthening, ÆON Mall intends to create shopping malls that are not only the most competitive in their respective regions, but that are considered a hub of the local community. By offering the newest products and services, as well as the most up-to-date information, ÆON Mall is developing malls that constantly evolve, together with changing lifestyles, and thereby offer one-stop solutions for all our customers' daily needs.

## 3. Community

### Town and Neighborhood Creation with Deep Ties to Community

ÆON Mall shopping malls are aggressively introducing a number of public facilities, such as bank and post office branches, as well as healthcare facilities and branch offices of local government. The ÆON 1% Club is active in local communities in a host of functions, including support for local festivals, traditional arts, and cultural activities, not to mention providing venues for blood donation drives, tax return filing centers, and early voting sites. ÆON Mall is also entering into cooperative disaster response agreements with local governments and other entities in the regions where it develops to help secure lifeline services in case of an emergency, thus increasing further the importance of our malls as one pillar of local social infrastructure.



## 4. Ecology

### Creating Shopping Malls that Coexist with the Environment

At ÆON Mall, we are taking proactive steps to curb our carbon emissions and preserve local environments, with our eventual goal being the development of "zero emission shopping malls." To this end, we have introduced a number of energy saving technologies, such as ice thermal storage systems for air conditioning, solar power generation systems, and LED lighting, as well as promoting the recycling of all waste generated by our malls, and endeavoring to provide our customers with information on environmental preservation. Another example of such steps is the "ÆON Hometown Forests" program in which ÆON Mall and local residents plant saplings from local species of flora within the grounds of each shopping mall.

