

ÆON Mall Growth Strategy

In addition to consistent new growth and a vigorous program of renovation at existing malls in Japan, ÆON Mall is looking ahead to aggressive shopping mall development in China and the ASEAN region as well. As the ÆON Group's core company responsible for shopping mall development, ÆON Mall is aiming for sustainable growth.



ÆON Mall Omuta (Fukuoka Prefecture), opened on March 18, 2011



Floor space expansion at ÆON Mall Kurashiki (Okayama Prefecture)

New Shopping Malls

Promoting the Stable Opening of New Malls in Japan

ÆON Mall is pushing ahead with the opening of new shopping malls and the development of a new mall format. At the same time, the Company seeks to strengthen initiatives that will accelerate the pace of openings and the development of sites for new malls.

ÆON Mall's capacity to open new shopping malls in Japan is formidable. This is reflected in the frequency with which local governments from around the country approach the Company regarding mall development potential. It is also reflected in the strong reputation that ÆON Mall commands among many specialty store companies, who frequently name its malls as desired locations for opening new stores. We intend to open two to three malls per year in the near future, with a quickening of pace planned from fiscal 2013 to four to six per year.

Going forward, we will aggressively expand openings of urban shopping malls in the Greater Tokyo region, and the conurbations centered on Nagoya and Osaka. Our plans also include expansion in government-ordinance-designated cities, and cities with populations of 500,000 or more. Central to these efforts will be a new format for urban shopping malls tailored for small-scale commercial areas.

Existing Malls

Reinforcing the Earnings Base by Renovating Existing Shopping Malls

At existing shopping malls, ÆON Mall is speeding up renovation initiatives in order to boost earnings and attain sustainable growth by enhancing the ability of these facilities to attract customers.

Sales at the average shopping mall start to soften 5 to 6 years after its opening. With this in mind, we will make constant adjustments to maintain the attractiveness of our malls to customers. For example, along with systematic floor space expansion, when our tenant's 6-year leases expire, we look to bring in exciting new tenants, and make major changes to the location or format of existing tenants. On average, we will renovate 40 to 60% of the tenants in a given mall in pursuit of increased revenues.



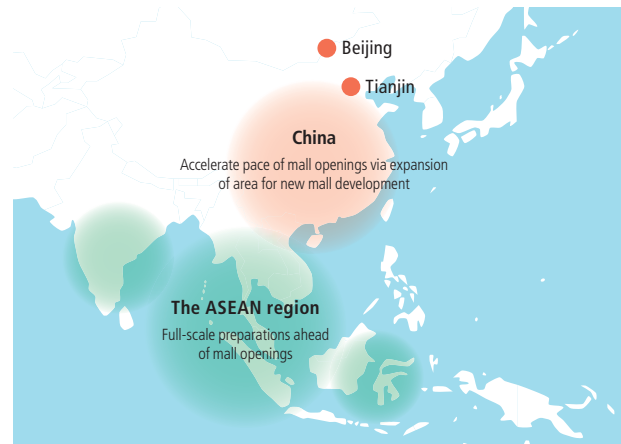
New Business

Expansion in the PM and Mall Media Businesses as New Earnings Drivers

ÆON Mall intends to promote its property management business in order to secure new sources of revenue and expand its business bases in Japan.

Our PM business provides a stable stream of income for two reasons: the complete lack of investment risk, and strong incentives to foster increased sales. In a business climate marked by an increasing disparity between successful and unsuccessful shopping malls, there is healthy demand for our services as a specialist renovator of commercial facilities. Our medium-term goals are to secure two PM contracts per year, in addition to the several projects we are already currently involved in.

Another area of interest for us is the potential for revenue growth in our mall media business. The combination of available space and customer attraction makes our shopping malls prime tools for advertising and other media-related activities.



Note: The ASEAN region is taken to be ASEAN countries plus India.

Overseas Development

Ramping Up Mall Development in China and the ASEAN region as an Engine for Growth

Strong economic growth in China and its ASEAN neighbors to the south has sparked two trends—suburbanization and widespread car ownership—that, to us, indicate the dawn of the age of the shopping mall. Taking this cue, we intend to further expand our shopping mall development business in Asia and thereby enhance corporate value.

We see a real market opportunity for the mall business in China. The rate of car ownership is skyrocketing, and yet there are no shopping centers tailored to the growing suburban areas of major cities.

Our policy in China, going forward, is primarily to gain a dominant position in the key markets of Beijing and Tianjin, while at the same time pursuing development in other regions. We will also focus on developing new malls in the ASEAN region. We are aiming to increase the number of our facilities overseas by double-digit figures, or more, each year from fiscal 2014.

Future Developments: Shopping Mall Business in Japan

Along with the steady opening of new malls, we intend to accelerate the pace of new openings. Steps will also be taken to bolster our earnings strength through the renovation of existing malls and attempts to expand new business.

Stable New Mall Openings Coupled with Faster Pace of Openings

In operations in Japan, our first task is to continue efforts to expand new business bases. Since the collapse of Lehman Brothers, competition between shopping centers has intensified. In this climate, AEON Mall has pushed ahead with the rigorous selection of properties for development and the opening of new shopping malls. As we continue with the stable opening of new malls, we plan to channel energy into quickening the pace of openings and initiatives for developing new prime locations. The current fiscal year ending February 20, 2012, has already seen the opening as scheduled in March 2011 of AEON Mall Kofu Showa (Yamanashi Prefecture) and AEON Mall Omuta (Fukuoka Prefecture). Both malls are off to a strong start, especially Kofu Showa, where performance has surpassed targets despite the impact of scheduled blackouts associated with the Great East Japan Earthquake and other issues.

In the fiscal year ending February 20, 2013, plans call first for two shopping malls, then four more malls in Japan's Kanto, Kinki, and Kyushu regions the following year. The AEON Group is integrating all developer business functions into AEON Mall, a move we expect to accelerate the pace of shopping mall openings going forward.

New Shopping Malls (Japan)

	12/2	13/2	14/2	Total
New mall openings	2SC	2SC	4SC	8SC

*Excluding properties under PM contracts

Renovating over Half of Existing Shopping Malls

We plan to vigorously carry out renovations at existing malls to better attract customers and boost earnings. In fiscal 2011, plans call for renovating 9 malls across the Chubu, Kinki, and Kyushu regions. Another 10 shopping malls are slated for similar treatment in the fiscal year ending February 20, 2013, followed by 9 more the following year. Ultimately, AEON Mall is scheduled to renovate 28 malls, or more than half of its existing roster, over the next three years. Floor space expansion is on tap for two of these facilities.

Renovated malls (Japan)

10/2	11/2	12/2	13/2	14/2
6SC	12SC	9SC	10SC	9SC

Expand New Businesses to Groom New Earnings Sources

AEON Mall is also seeking to expand new businesses that will serve as new sources of earnings. In the property management (PM) business, which continues to deliver stable results, we are currently involved in several projects. In the mall media business, where we leverage the customer attraction of AEON Mall facilities to conduct advertising and other media-related activities, our intent is to take advantage of the Group's more than 100 shopping centers to further groom this business as a stable earnings source.

Ultimately, the goal is to promote stable earnings expansion by strengthening our business base in Japan, and accelerate the development of operations in China and ASEAN economies.

3-year Capital Investment Plan

		(Millions of yen)
Japan	New mall openings	165,000
Japan	Renovation of existing malls	30,000
Overseas		25,000
Total		220,000

*Investment related to new mall openings includes ¥35,000 million in upfront investments for mall openings from the fiscal year ending February 20, 2015.

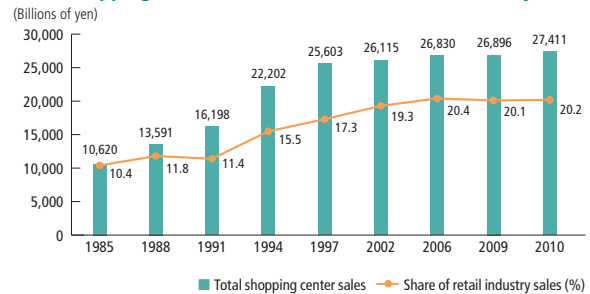
Conditions in the shopping center business [Japan]

Shopping centers command a central position in the domestic retail industry, holding a significant share of both total retail sales, and retail floor space. What is more, the gap between successful and unsuccessful complexes is widening, increasing further the competitive edge of developers with expertise in the development, operation, and management of shopping malls.

■ Retail Industry Sales in Japan and Shopping Center Share

Total shopping center sales in Japan in 2010 were ¥27,411 billion, an increase of over ¥500 billion from 2009. In 1985, shopping centers including large-format stores accounted for 10.4% of total retail sales. In 2010, this share had grown to 20.2%.

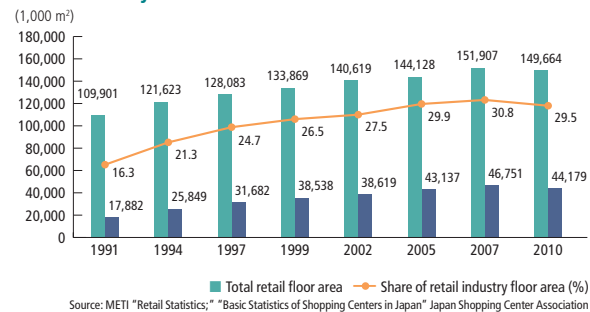
Total Shopping Center Sales and Share of Retail Industry Sales



■ Retail Industry Floor Area in Japan and Shopping Center Share

Total floor area of shopping centers in Japan in 2010 was 44.17 million square meters. This accounted for 29.5% of total floor area for the retail industry (149.66 million square meters). Shopping centers thus continue to account for about a third of retail space and represent a major location choice for tenant companies.

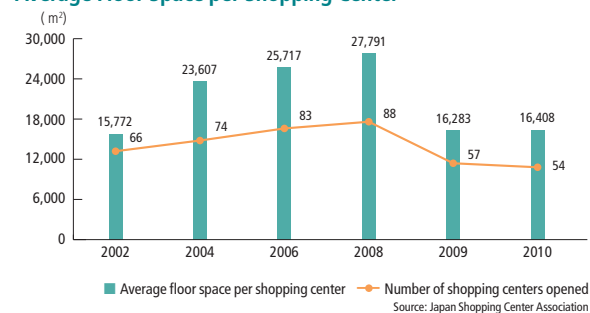
Total Shopping Center Floor Area and Share of Retail Industry Floor Area



■ Number of New Shopping Centers in Japan

In 2010, 54 new shopping centers were built in Japan, a modest decline from 57 in 2009. In contrast to 2009, when the impact of the global economic recession was keenly felt, recovery trends were evident, led by growth in export sectors and policies to stimulate consumer spending. Nevertheless, the number of mall openings continued to trend lower, reflecting regulations placed on shopping mall openings and a widening gap between successful and unsuccessful malls. Key points in achieving excellence going forward will be know-how and the number of shopping centers managed and operated as a developer.

Annual New Shopping Center Openings and Average Floor Space per Shopping Center



New Shopping Malls in Fiscal 2011



AEON Mall Kofu Showa (Yamanashi Prefecture)

2011.3.17
OPEN



AEON Mall Omuta (Fukuoka Prefecture)

2011.3.18
OPEN

Future Developments: Overseas Operations

In a follow-up to development in China, ÆON Mall is looking to build a base for its shopping mall business in ASEAN countries as well. Going forward, ÆON Mall will expand operations outside of Japan, with sights set on double-digit, or more, mall openings annually in China and the ASEAN region from the fiscal year ending February 20, 2015.

Initiating Shopping Mall Operations in ASEAN Markets and China

In operations in China, our mall development is moving forward, driven by an estimated trade area population per shopping center of 1 million people. In Beijing and Tianjin, where ÆON Mall has opened one mall each, our focus is on suburban developments as we move to establish a dominant presence.

Furthermore, ahead of our own business expansion in China, six more provinces have been designated as priority development areas. Thus in addition to Beijing and Tianjin in northern China, we are moving to initiate development in Shandong, specifically the provincial capital of Jinan, as well as in other provinces such as Jiangsu, Zhejiang and Hubei in eastern China, and Guangdong and Fujian in southern China.

Meanwhile in the ASEAN region, in a follow-up to a feasibility study already underway in Vietnam, we have started building bases for our shopping mall business in Indonesia, Cambodia, Laos, Malaysia, and India.

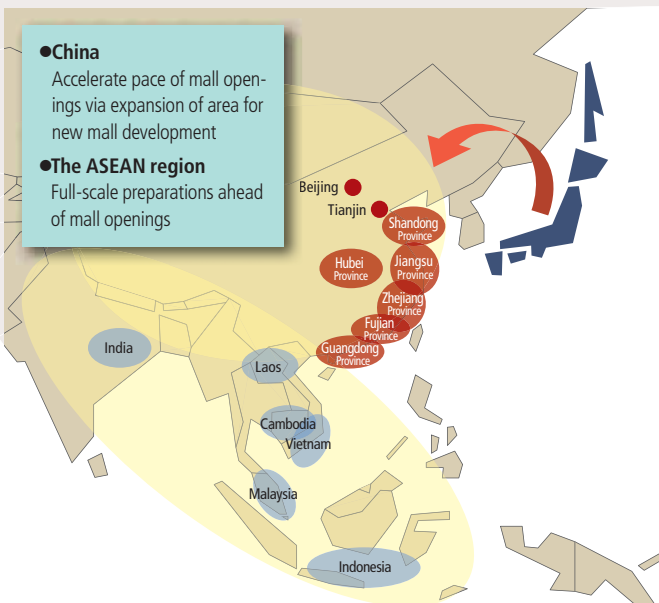
Strengthen Overseas Business Structure to Usher in Future Growth

Bolstering our business promotion structure is crucial to assertively advancing our operations overseas. This recognition prompted the establishment of our new China Development Management Department and ASEAN Development Management Department. In China, personnel that will supervise development have been dispatched to each area, and have begun first to secure properties for development in provincial capitals. Personnel have similarly been dispatched to each country in the ASEAN region as we try to build bases for eventual mall openings.

In terms of specific plans, we are slated to open one shopping mall in China in the fiscal year ending February 20, 2013 and more than five there in the following year. The properties needed for development are also materializing in Vietnam, where we plan to have an opening within the next few years.

From the fiscal year ending February 20, 2015 and beyond, our aim is to realize double-digit, or more, mall openings in China and the ASEAN region each year. The first task, though, is to grow our business base through the development of multiple shopping malls as we transform overseas operations into a new growth driver for ÆON Mall.

Initiatives in China and the ASEAN region



New Shopping Malls (Overseas)

	12/2	13/2	14/2	Total
New Shopping Mall Openings	—	1SC	5SC or more	6SC or more

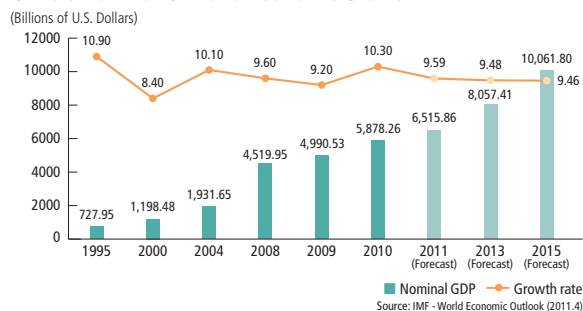
Conditions in the shopping center business [Overseas: China and ASEAN economies]

Strong economic growth in China has sparked two trends—suburbanization and widespread car ownership. In addition, ASEAN economies are seeing expansion in the number of middle- and upper-income households. These trends together indicate to us that the time is ripe to begin our full-scale entry into the Asian shopping mall market.

■ Economic Growth Rate in China and Forecast

China's nominal GDP growth rate for 2009 dipped briefly below its long-maintained 10% level, reflecting the impact of the global economic recession in 2008. From 1995 to 2010, however, Chinese GDP had been growing at around 10% annually. China's growth rate, though, is expected to remain high over the medium to long term, with the International Monetary Fund (IMF) forecasting GDP growth of 9% for China over the next five years.

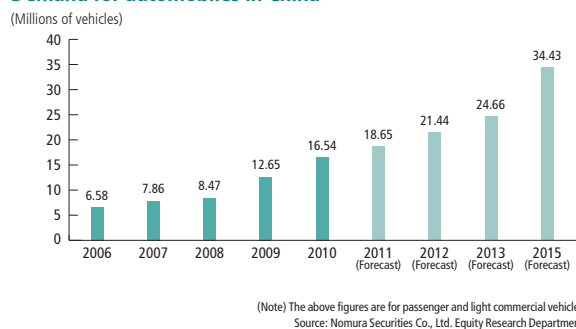
China's Nominal GDP and Economic Growth



■ The Growth of Car Ownership in China

Per capita income levels have risen markedly in China on the back of strong economic growth. There has been a corresponding shift in personal consumption too, with cars now replacing consumer electronics as the biggest consumer durable on household shopping lists. Indeed, demand for cars has been so impressive that in 2009, China overtook the US to become the world's largest market for automobiles by volume. Forecasts expect China to maintain a level of growth in excess of 10% for the foreseeable future, with car ownership spreading from the affluent coastal regions inwards into the country's interior.

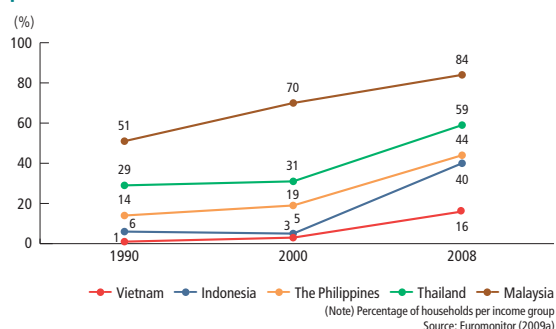
Demand for automobiles in China



■ Percentage of ASEAN Population with Disposable Income over \$5,000

In the ASEAN region, the number of households with a certain amount of purchasing power has expanded steadily since 2000. The percentage of the ASEAN population with over \$5,000 in disposable income, the main purchasers of cars and other consumer durables, is now over 50% in Malaysia and Thailand, and is approaching that figure in Indonesia, the Philippines, and Vietnam.

Percentage of ASEAN Population with Disposable Income over \$5,000



■ Middle and Upper Income Population in the ASEAN Region: Future Trends

By 2020, the number of people in the ASEAN region with \$5,000 in disposable income is estimated to be near 400 million. This figure is double the number present in 2008. By country, Indonesia, which has a huge population, will see this number nearly double from 91 million in 2008 to 180 million in 2020. Meanwhile, Vietnam is projected to see this population more than triple, from 13 million in 2008 to 46 million in 2020.

Middle and Upper Income Population in the ASEAN Region: Future Trends

