

## Shopping Mall Business in Japan

ÆON Mall is pressing ahead in creating shopping malls that answer customer needs and are the most competitive in their respective regions.

### Market Environment and Business Results in Fiscal 2010

The business environment during the fiscal year ended February 20, 2011 started to recover gradually due to a number of factors including increased exports backed by growth in emerging economies, and the effect of the Japanese government's stimulus packages. However, uncertainty persisted as consumer spending remained lackluster for a number of reasons, most notably stagnation in household incomes, curbing the extent of recovery. In the shopping center industry, the gap between successful and unsuccessful shopping malls grew wider despite an overall improvement trend in tenant sales. In this climate, we continued to create shopping malls that were the most competitive in their respective regions while also being in line with customer needs. Additionally, we took aggressive measures to attract new tenants and reduce costs through structural reform. In the domestic market, cumulative consolidated sales from specialty stores at our 49 (as of February 20, 2011) existing malls, visitor numbers, and vehicle numbers all rose compared to the previous fiscal year. Behind these increases was the opening of 3 new shopping malls, the renovation of 12 existing malls, and a series of synchronized sales at the Group's 23,000 general merchandise stores and some tenant stores in March, June, September, and December. Moreover, vacant floor space (by area), excluding space reserved for incoming tenants, also improved.

As a result of the above, ÆON Mall recorded an increase in both operating revenue and operating income. Other income included gains on the sales of stocks of an affiliate under the equity method, resulting in an increase in net income for the fiscal year ended February 20, 2011, to ¥22,379 million.



# New Shopping Mall Openings in Fiscal 2010

In addition to traditional suburban facilities, AEON Mall developed new shopping malls in urban settings, which offer highly convenient access to public transportation, and malls in front of major urban rail terminals, such as Kyoto Station.

## AEON Mall Aratamabashi (Nagoya, Aichi Prefecture)

Situated in close proximity to 3 stations, AEON Mall Aratamabashi is an urban shopping mall offering excellent public transportation access on a site surrounded by high-density residential areas. The facility is intended to serve as a daily urban shopping center offering new value to its users. Although annualized sales for the mall as a whole fell slightly below our initial targets, we expect revisions, including those to our apparel MD strategy, to result in increased sales going forward.

- ◆Site area: around 53,000m<sup>2</sup> ◆Floor area: around 101,000m<sup>2</sup>
- ◆Commercial area: around 24,000m<sup>2</sup> ◆Parking: around 1,600 cars
- ◆Tenants: 130
- ◆Trade area population: 15-min. drive radius, around 350,000 people (around 150,000 households)

2010.3.9  
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## AEON Mall Yamatokoriyama (Yamatokoriyama, Nara Prefecture)

Located on the main prefectural traffic artery of National Route 24, and within 5 kilometers of the Keinawa and Nishi-Meihan expressways, AEON Mall Yamatokoriyama is easily accessible from a wide area. The entire facility borrows from traditional Japanese aesthetics both for the exterior and the interior to create a shopping mall that harmonizes with the history and culture of Nara. Sales figures were strong for the mall as a whole and we expect the opening of the new cinema complex in July, 2011, to result in further sales growth.

- ◆Site area: around 166,000m<sup>2</sup> ◆Floor area: around 112,000m<sup>2</sup>
- ◆Commercial area: around 74,000m<sup>2</sup> ◆Parking: around 4,200 cars
- ◆Tenants: 170
- ◆Trade area population: 30-min. drive radius, around 560,000 people (around 210,000 households)

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## AEON Mall KYOTO (Kyoto, Kyoto Prefecture)\*PM project

Located near the Hachijo exit of Kyoto Station, this shopping mall forms the heart of a private-sector urban revitalization project to develop the southern side of the station. In our first shopping mall located in front of a major urban train station, we are striving to provide a comfortable shopping environment not only for local residents, but also for visitors to Kyoto from around Japan and overseas. The mall is to be the region's first one-stop solution, not only for shopping, but also as a hub for interaction in the area around Kyoto Station. Annualized sales figures for the mall as a whole were robust and approximately in line with our initial targets.

- ◆Site area: around 30,100m<sup>2</sup> ◆Floor area: around 148,300m<sup>2</sup>
- ◆Total leased area: around 51,000m<sup>2</sup> ◆Parking: around 1,100 cars
- ◆Tenants: 130
- ◆Trade area population: 5-km radius, around 640,000 people (around 300,000 households)

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## Shopping Malls Renovated in Fiscal 2010

ÆON Mall carried out renovations at a record 12 shopping malls during the year. Along with renovations coinciding with the expiration of 6-year leases, this work included scrap-and-build projects, large-scale changes to layout, the adding of new functions, and floor space expansion.

### Renovations Coincident with Expiry of 6-year Leases (7 malls)

This type of renovation is conducted periodically in line with the expiry of 6-year leases at ÆON Mall shopping malls. Together with a review of mall zoning and the introduction of new tenants, existing tenants undergo format changes, relocation, and refurbishment. On average, approximately 45% of the tenants in a given mall are renovated in the process.

#### Tenant Refurbishment/Relocation Coincident with Fixed-Lease Expiry in Fiscal 2010

Shopping malls	Tenants	New stores	Stores refurbished/relocated	Percent refurbished/relocated
ÆON Mall Kashihara ARURU	243	24	51	31%
ÆON Mall Hiroshima Fuchu SOLEIL	191	35	40	39%
ÆON Mall Kyoto Hana	143	32	58	63%
ÆON Mall Fukuoka LUCLE	197	26	50	39%
ÆON Mall Kisogawa KIRiO	149	20	86	71%
ÆON Mall Sakaikitanada prou	160	29	45	46%
ÆON Mall Hamamatsu Shitoro	153	30	55	56%
<b>Total</b>	<b>1,236</b>	<b>196</b>	<b>385</b>	<b>47%</b>

### Large-scale Layout Remodeling (1 mall)

This remodeling scheme involved renovating areas vacated by large stores. Space vacated by a home improvement center at ÆON Mall Ota was converted into an approximately 10,000-square meter specialty store zone. All told, the introduction of new tenants and the relocation and refurbishment of existing ones resulted in the renovation of approximately 30% of the mall's stores.

### Renovation as an Urban Shopping Mall (1 mall)

This involves the complete renovation of old malls. ÆON Mall Neyagawa Green City (Osaka Prefecture), which first opened in 1978, underwent major renovations to later reopen as a new urban shopping mall. Approximately 90% of the mall's tenants were replaced, including through new store openings, relocation, and refurbishment, making the renovation comparable to the opening of a completely new mall.

### Addition of New Functions (2 malls)

This category of renovation seeks to add new functions not found at traditional shopping malls. ÆON Mall Higashiura saw the addition of bridal specialty stores, including ÆON Mall's first wedding center, as well as a chapel, party space, and other functions. Renovations at ÆON Mall Kusatsu, meanwhile, saw the opening of a spa facility in the mall's sports and leisure wing.

### Floor Space Expansion

At ÆON Mall Niihama, an entirely new wing of expanded floor space was added on adjacent land, extending the total length of the mall now to 370 meters. In tandem, the mall's tenant mix was substantially upgraded, and included the addition of tenants with new businesses and formats, store relocations, and refurbishments at the existing mall site.



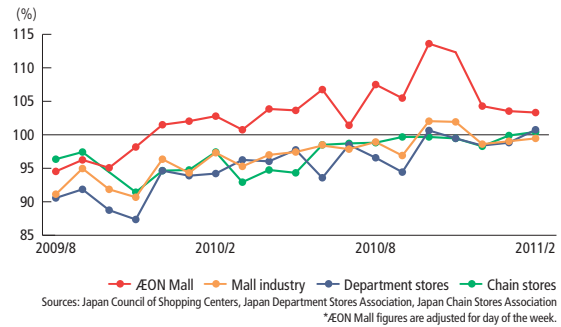
## Data for AEON Mall shopping centers

### ■ Year-on-year Comparison of AEON Mall (49\* Existing Malls) Sales to the Mall Industry, Department Stores and Chain Stores

Growth in specialty store sales at AEON Mall's 49 existing malls far outpaced those of the mall industry, department stores, and chain stores in a year-on-year comparison. This growth trend has continued for 15 consecutive months since December 2009. Reasons for this growth are the one-stop solutions that AEON Mall shopping malls offer, aggressive renovation of existing malls, and synchronized sales in which AEON Group 23,000 GMS and specialty stores can take part.

\*Shopping malls opened as of February 20, 2009.

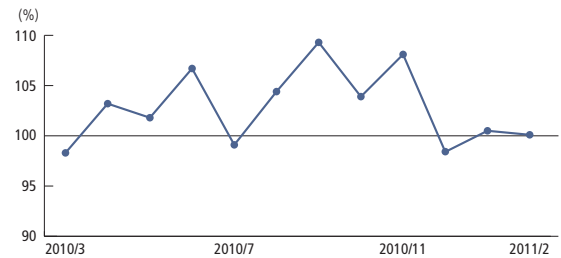
Year-on-year Comparison of AEON Mall (49\* Existing Malls) Sales to the Mall Industry, Department Stores and Chain Stores



### ■ Number of customers at AEON Mall's 49 (as of February 20, 2011) existing shopping malls (YoY)

The number of customers visiting our shopping malls has risen in both the fiscal year under review, the year ending February 20, 2011, and the preceding year. Coincident with this rise has been a year-on-year increase in the number of buyers, as well as in spending per customer. In addition, restaurants and food courts have reported sales increases proportional to the growth in customer numbers.

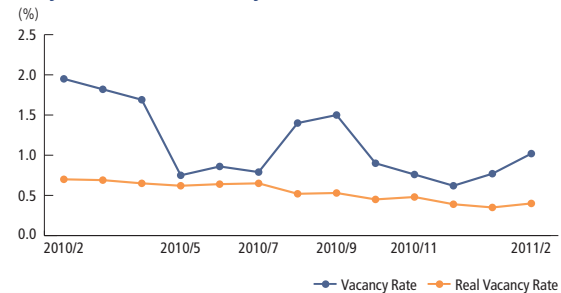
Number of customers at AEON Mall's 49 (as of February 20, 2011) existing shopping malls (YoY)



### ■ Vacancy Rate and Real Vacancy Rate

The real vacancy rate refers to the actual area of a mall vacant and the vacancy rate after excluding space reserved for incoming tenants on a contractual basis. To ensure malls remain open for business during renovation work, vacant space is temporarily increased through tenant replacement and other means. Nevertheless, the real vacancy rate in fiscal 2010 improved from 0.7% the previous year to 0.4%.

Vacancy Rate and Real Vacancy Rate



# Overseas Operations

Fiscal 2011 will see us speed up our developments in China by opening new shopping centers in areas as yet without an ÆON Mall. We will also be preparing to open malls in ASEAN markets.

## New Shopping Malls Opening in China

### ÆON Mall Tianjin TEDA

In our business in China, we opened ÆON Mall Tianjin TEDA, our second facility in China, and the first mall in the Tianjin area to be built on the concept of two anchors per mall. Located in the Tianjin Economic-Technological Development Area (TEDA), one of China's two major development zones, the surrounding area could soon be home to a booming population as residential development continues apace. In terms of access, the mall is easily accessible from downtown Tianjin via the Central Station of the "Jinbin Monorail," and is within reach of numerous highways, linking it with Beijing and places further afield, making this a promising location in terms of potential new customers.

- ◆Site area: around 98,000m<sup>2</sup>
- ◆Floor area: around 110,000m<sup>2</sup>
- ◆Commercial area: around 75,000m<sup>2</sup>
- ◆Parking: around 2,500 cars
- ◆Tenants: 130
- ◆Trade area population: 20-min. drive, around 500,000 people

2010.9.21  
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## Existing Shopping Malls in China

### ÆON Beijing International Mall Shopping Center

A new station was opened on December 31, 2010, completing a subway link between our first mall in China and the capital, Beijing. Combined with other factors such as an increased number of bus routes, improved transportation access brought in 10% more customers. This boost in customers led to a record increase in net sales of 50%, as of January 1, 2011, and 120% since then. Current initiatives include the replacement of specialty stores, as well as the conversion, within the next few years, of third-floor parking spaces into retail floor space.

- ◆Site area: around 89,000m<sup>2</sup>
- ◆Floor area: around 147,000m<sup>2</sup>
- ◆Commercial area: around 91,000m<sup>2</sup>
- ◆Parking: around 3,000 cars
- ◆Tenants: 104
- ◆Trade area population: 15-min. drive radius, around 116,000 people

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ÆON Mall Tianjin TEDA



Mall exterior



Specialty store zone



Cinema complex