

ANNUAL REPORT 2014

Year ended February 28, 2014



New Phase, New Growth



AEON MALL CO., LTD.

In line with the growth of the country and the region

AEON Mall is creating the market and enhancing value of areas in different locations in Asia amid the growth of the middle income class and the continued economic development in the region. Our concerted initiatives for town creation with the countries and regions of Asia has already begun.





Located in the Suzhou Wuzhong Economic Development Zone, AEON Mall Suzhou Wuzhong was inaugurated as a central facility in a region that is witnessing comprehensive development, including condominiums, schools, hospitals and tourist facilities. With the help of the Zone Government, the AEON name has been incorporated into the names of a park and a road in the process of infrastructure development around the mall.



AEON Mall Suzhou Wuzhong



As a space with plenty of smiles

With shouts of joy of children, families enjoy relaxed and pleasant moments.
More than a shopping facility, this is where smiles come together.



Snap Shot 2014

AEON Mall extending across Asia



AEON Mall Phnom Penh



As a town where people visit and gather

We are striving to build a *town* that is needed and beloved in the region in the coming 50 and 100 years.

Our unshaken aspiration spreads beyond linguistic, racial, cultural and conventional boundaries.



As a center of information distribution where there are always new discoveries

Whenever you visit our shopping malls, we offer fresh and attractive goods and events ranging from the latest fashion to worldwide eating cultures.







As a space for enjoying eating

Our shopping malls feature popular restaurants from around the world. Always lively, they offer diners a range of culinary delights.





As a space where some fun and excitement can be found

Our shopping malls are not confined to shops, cafes and restaurants. They are also equipped with cinema complexes and amusement facilities. They provide visitors in all generations – from children to the elderly – with moments of fun and excitement.



As a community that nurtures the future

In AEON Hometown Forest Program, we plant the seedlings of trees that grow naturally in the location together with customers.

We think about the future together with local communities and grow with them.





Snap Shot 2014
 AEON Mall extending across Asia

We are working on town development together with locals in the growing Asian region.

We are accelerating the launch of shopping malls in new areas to following on from Beijing and Tianjin. We have opened our first malls in Vietnam and in Cambodia. In Japan, where we already operate 138 shopping malls, we are stepping up the launches of concept malls tailored to local conditions. We will continue our growth with Asia.





Towards Asia's leading commercial developer

As one of Japan's leading retail groups, we will move towards a second phase of growth with an eye to year 2020 on the basis of our expertise in shopping mall development and operations nurtured for a long time from the perspective of customers.

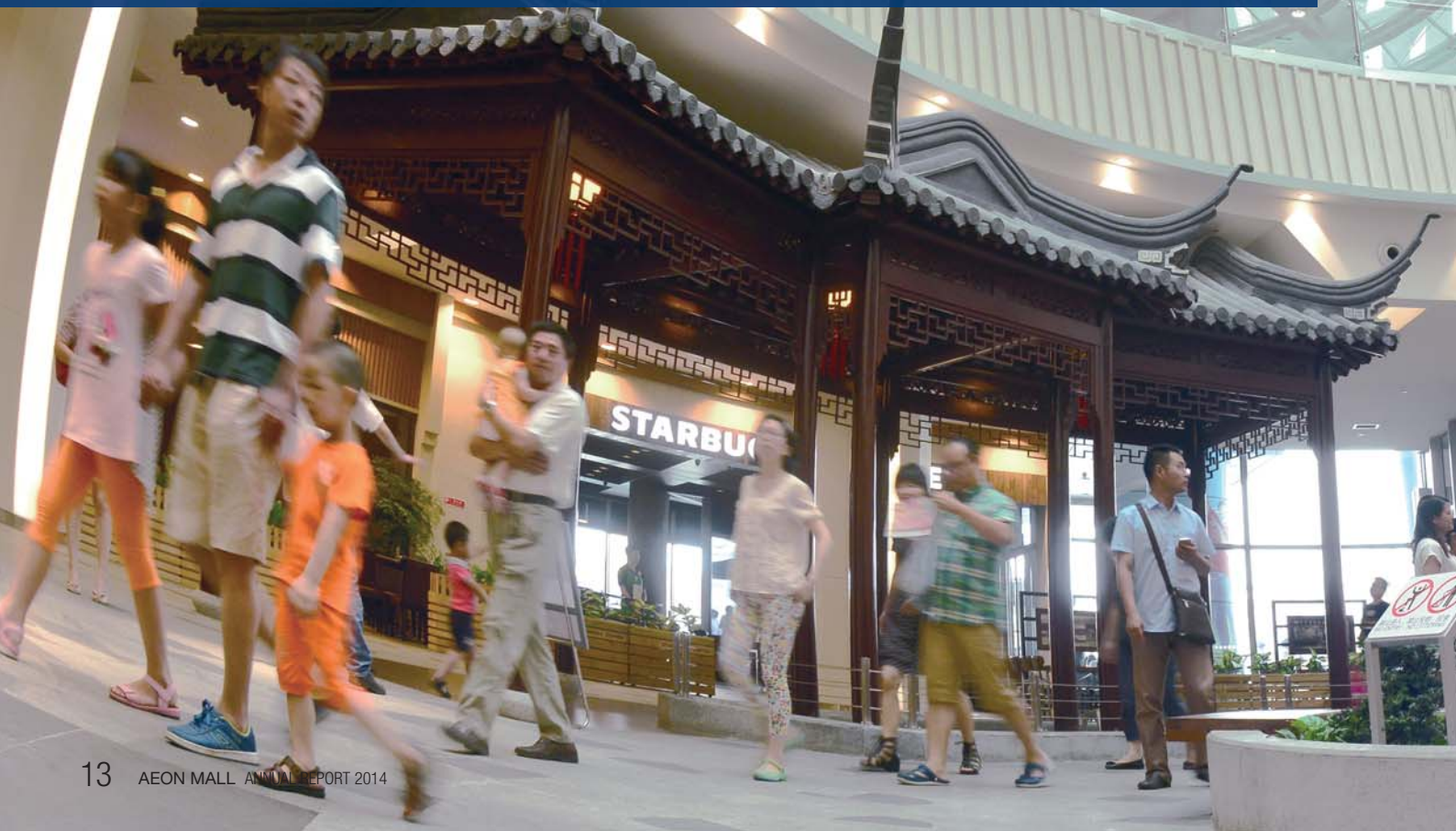
We have started our new attempts in the growing Asian market.

Basic Philosophy

Customer First

Management Philosophy

**AEON Mall will create
*Towns with Vitality.***





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Financial Highlights

AEON Mall Co., Ltd. and its subsidiaries
Consolidated fiscal year ended February 28, 2014

	Millions of Yen					Thousands of U.S. Dollars (Note)	
	2009	2010	2011	2012	2013	2013	
For the year:							
Operating revenue	¥ 138,942	¥ 145,117	¥ 150,886	¥ 161,427	¥ 176,931	\$ 1,736,325	
Operating income	37,201	39,651	40,656	41,743	42,227	414,402	
Net income	21,809	22,379	20,355	21,865	23,430	229,939	
Capital expenditures	73,507	54,762	73,044	53,536	114,858	1,127,174	
Depreciation and amortization	18,469	19,721	20,739	21,621	23,945	234,993	
Operating cash flows	72,001	53,007	23,248	63,226	44,382	435,545	
Investing cash flows	(75,877)	(35,907)	(68,323)	(69,751)	(47,143)	(462,642)	
Financing cash flows	37,687	(27,315)	25,889	35,493	17,232	169,109	
Free cash flows	(3,876)	17,100	(45,075)	(6,525)	(2,761)	(27,097)	
Per share data (yen and U.S. dollars):							
Net income	¥ 120.41	¥ 123.55	¥ 112.37	¥ 109.73	¥ 106.96	\$ 1.05	
Cash dividends	20.00	20.00	21.00	22.00	22.00	0.22	
At year-end:							
Total assets	¥ 503,546	¥ 517,218	¥ 543,761	¥ 630,887	¥ 759,245	\$ 7,450,885	
Total equity	158,816	177,617	194,474	217,776	298,526	2,929,603	
Interest-bearing debt	167,376	143,691	179,911	220,146	190,366	1,868,165	
Ratio:							
Equity ratio (%)	31.4	34.2	35.6	34.1	38.9	—	
ROE (Return on equity) (%)	14.6	13.4	11.0	10.7	9.2	—	
ROA (Ratio of net income to total assets) (%)	4.5	4.4	3.8	3.7	3.4	—	
Debt-equity ratio (times)	1.06	0.81	0.93	1.02	0.65	—	
PER (times)	13.3	17.8	16.4	19.0	26.3	—	
PBR (times)	1.8	2.2	1.7	1.9	2.2	—	

Note: For the convenience of readers, the value in U.S. dollars is calculated with the estimated exchange rate as of February 28, 2014 at 101.90 yen to the dollar.

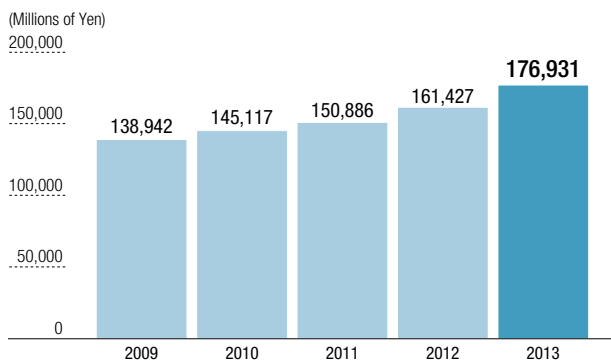
* Because of a revision to the accounting period, fiscal 2012 had a period of 12 months and eight days, specifically starting on February 21, 2012 and ending on February 28, 2013.

* AEON Mall issued 23,500,000 new shares on June 19, 2013 and 2,500,000 new shares on July 12, 2013.

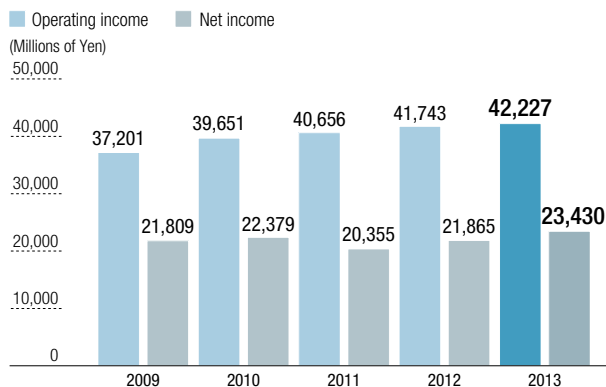
On August 1, 2013, AEON Mall executed a 1.1-for-1 split of common shares.

Accordingly, net income per share has been calculated on the assumption that the share split took place at the beginning of fiscal 2012.

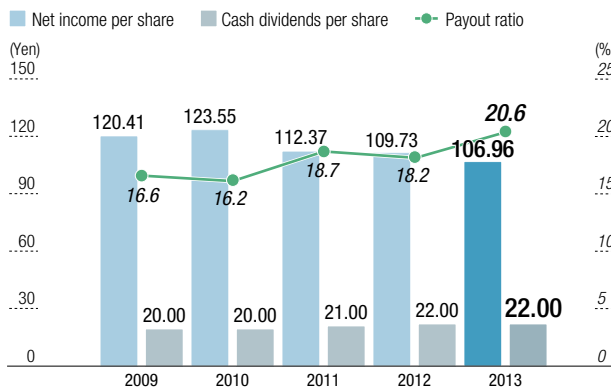
Operating revenue



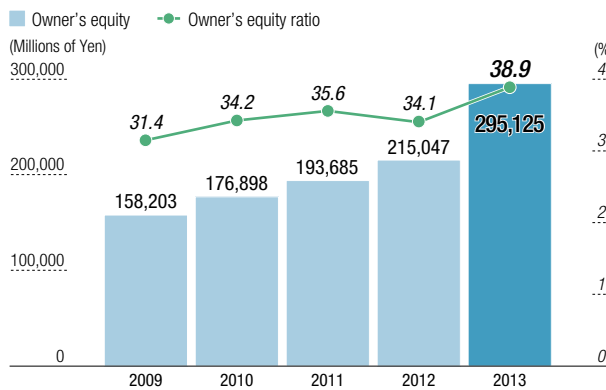
Operating income and Net income



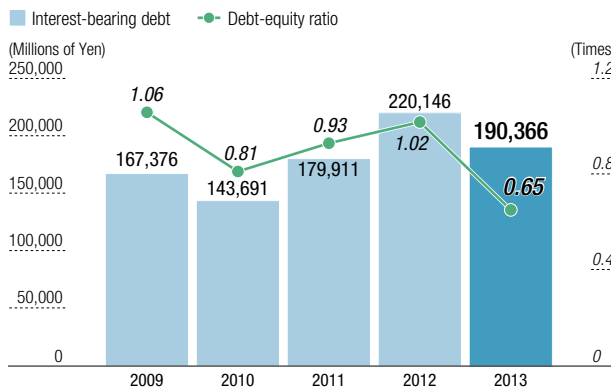
Net income per share, Cash dividends per share and Payout ratio



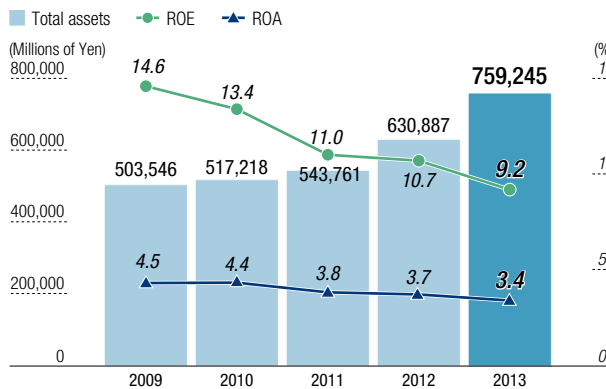
Owner's equity and Owner's equity ratio



Interest-bearing debt and Debt-equity ratio



Total assets, ROE and ROA





Towards a New Growth Stage

We have unveiled our new three-year Medium-Term Management Plan, positioned as the second phase on the road to becoming the leading commercial developer in Asia.

Soichi Okazaki
President and CEO

Q1 | How would you rate the company's performance in fiscal 2013 (year ending February 2014)?

A1 | **We set new income records and made real progress towards laying the foundations for new growth.**

The economy continued its gradual recovery during fiscal 2013, with selected high-end products performing well in the retail sector. As customers are still very budget-conscious however, business conditions remained difficult, compounded by factors such as unseasonal weather conditions.

The company nonetheless managed to set new records across the board in fiscal 2013, for operating income, ordinary income and net income, offsetting increases in up-front investment costs, due to growth strategies including opening new malls, and in selling,

general and administrative expenses.

This was due in part to a solid 0.4% year-on-year increase in performance from specialist stores at 55 existing malls, including 11 malls that were renovated in an effort to boost revenue. The fact that we have doubled the number of new mall openings starting this year has also made a difference, with fresh revenue coming in from five malls in Japan, including AEON Mall Makuhari New City, and two overseas malls. To round off the integration of the group's developer capabilities, a phased process based on our previous three-year Medium-Term Management Plan, on November 1 we took on the management and operation of 69 commercial facilities owned by AEON Retail Co. Ltd. That takes the total number of malls managed and operated by AEON Mall to 138, which should enable us to harness the economics of scale to a greater extent and achieve a genuine synergy

Completing the foundations for a shift in focus towards Asia and moving on to a more aggressive strategy The next step in the evolution of AEON Mall

effect from fiscal 2014 onwards. To secure funding for all this growth, we have gone ahead with both public offerings and private placements, and have also transferred land and buildings at six malls to AEON REIT Investment Corporation.

Q2 What are the key points behind the company's long-term vision for the year 2020, and the new three-year Medium-Term Management Plan starting in fiscal 2014?

A2 We are aiming to become the leading commercial developer in Asia, through strategies such as developing new concept malls and actively opening malls in China and the ASEAN region.

Looking ahead to 2020, Asia's GDP is expected to grow to ¥2,000 trillion, making it the world's largest market. The number of middle-income earners is also expected to increase from 1.1 billion in 2010 to 2.0 billion. With that in mind, the AEON Group has set out an "Asia Shift" policy aimed at expanding operations in China and the ASEAN region. We have set ourselves the target of becoming the leading commercial developer in Asia, so that we can directly capitalize on ¥200 trillion in growth in the Asian retail market.

We are positioning our new three-year Medium-Term Management Plan, starting in fiscal 2014, as the second phase on the road towards significant growth between now and 2020. We intend to

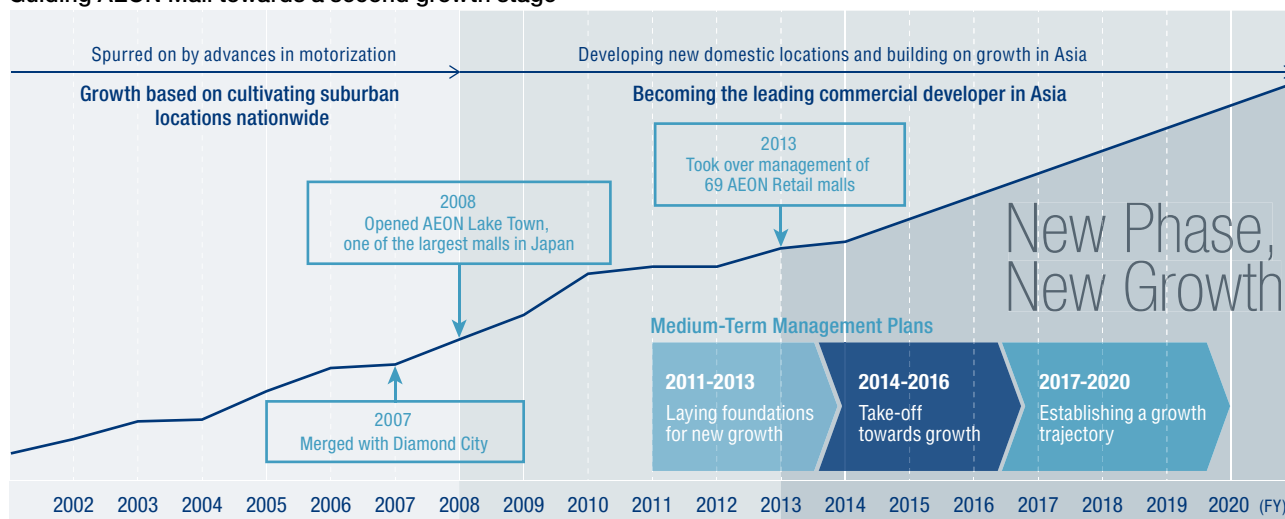
implement six priority strategies based on the concept "take-off towards growth", in an effort to become the leading commercial developer in Asia.

The foundations we need to achieve that depend on expanding new domestic business bases and improving profitability. In terms of new business bases, we are planning to open 26 domestic malls during the three-year period from fiscal 2014 onwards. We intend to open malls based on a new concept, equipped with specific features suited to each mall's location. As well as diversifying malls themselves, we are planning to integrate management and operation of over 130 malls nationwide, with the aim of improving both efficiency and profitability. As we move towards the age of fully-fledged "omni-channel" retail, we are also working to integrate experiences, products and online services into our real-world malls.

As we continue to lay foundations for operations in China and the ASEAN region, we intend to accelerate the pace of mall openings in much the same way as in Japan, with 25 malls planned for the three-year period from fiscal 2014 onwards. We are fully committed to shifting focus towards Asia.

In addition to pushing ahead with more aggressive strategies such as these, we will also be focusing on strict financial discipline, and on reinforcing human resources and governance, in support of sustainable growth. From a financial standpoint, we are planning to increase our fund raising capacity, based on last year's public offering and an increase in equity aimed at boosting income in the future, and hope to speed up return on investment through channels such as REIT and

Guiding AEON Mall towards a second growth stage



Moving from the suburbs into urban and tourist areas
Capitalizing on a changing market to improve malls and
increase our scope for domestic openings even further

developmental leases. Our aim is to establish a diverse yet balanced range of funding options, so that we can improve asset efficiency.

To implement all of these strategies, we will also need to develop and diversify human resources, as well as sharing expertise in Japan and overseas, and establishing a management structure capable of making quick decisions. It is through initiatives such as these that we intend to establish an innovative corporate structure to transform our business model.

Number of Malls (as of February 28, 2014)

Japan	133*
China	4
Vietnam	1
Total	138

* AEON Mall took over management and operation of 69 large-scale commercial facilities from AEON Retail Co. Ltd. on November 1, 2013.

Q3 | The domestic market is nearing maturity. How do you view the market, and what is your outlook for the future?

A3 | We intend to develop new concept malls to suit each location, to strike a balance between revitalizing local communities and improving revenue.

Each of the malls we opened in fiscal 2013 reflects customers' needs and the characteristics of the local area, and all of them have attracted more customers and maintained strong sales. AEON Mall Kasukabe for instance features improved capabilities in areas such as healthcare, financial services, and leisure and lifestyle options. AEON Mall Tsukuba meanwhile consists of one big leisure-zone. Kobe Harborland Umie is an urban mall located in a tourist area. AEON Toin Mall in Mie prefecture is our first environmentally certified (*) shopping mall, and AEON Mall Makuhari New City is a destination mall that offers slow consumption, experience-based services on a large scale.

I have already talked about our new concept in mall development, with individual malls designed to suit the characteristics of their location. I believe that could potentially have a huge impact.

We are eager to develop an even wider range of malls in the future, with facilities based around peoples' lifestyles, or rooted in local characteristics or specialties, including urban malls adjacent to stations and malls in

tourist areas or resorts.

I believe that malls in tourist areas in particular could play a key role in revitalizing the Japanese economy. In other major tourist destinations around the world, such as Hawaii, you find shopping centers that have come to symbolize the local area. The lively atmosphere around Sensoji Temple in Asakusa (Tokyo) wouldn't exist if it weren't for the local shopping streets. It's a question of creating places that bring people into the area, of providing genuine attractions, products and services that can only be experienced in that certain location. That's the sort of facility we are currently planning for locations such as AEON Mall Okinawa Rycom. I hope that initiatives such as these will help to revitalize local communities and contribute to Japan's efforts to attract more foreign visitors.

While building up successful initiatives around new concept malls such as these, we also intend to actively develop new malls and renovate existing malls, so that AEON Mall continues to grow as a company.

* We obtain certification from the Association for Business Innovation in Harmony with Nature and Community (ABINC) to demonstrate our commitment to biodiversity through shopping malls (certification for urban areas and shopping centers).



Q4 | Some might say that there are serious risks associated with expanding operations in China and the ASEAN region. What do you think about that?

A4 | We are accelerating openings because we see booming consumer confidence, and increasing numbers of people eager to amass new wealth, as a huge business opportunity.

With China's economic growth rate slowing down and political issues flaring up between Japan and China, some have warned about the risks associated with doing business there. Looking at the Chinese and ASEAN markets from a retail standpoint however, consumer confidence is booming and urbanization is bringing together people who are eager to amass new wealth, driven by increases in GDP and middle-income earners, as I mentioned previously. There's no denying that there are more and more major business opportunities out there.

Three-Year Medium-Term Management Plan Targets for 2014-2016 (fiscal year)

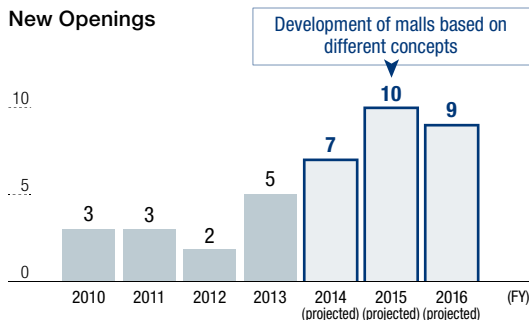
Operating revenue	¥300 billion	Capital investment	¥600 billion	Soundness index	Equity ratio of 30% or higher
Ordinary income	¥60 billion	Depreciation	¥116 billion	Debt/equity ratio	One or lower
				Efficiency index	ROIC of 6% or higher

Domestic

Priority Strategy 1 Expand new domestic business bases

We intend to create malls in line with the needs of customers across a wide range of age groups, including a growing number of elderly customers, and to continue with the development of new concept malls to suit the characteristics of local areas. With the pace of opening of new malls in Japan expected to double, we will also be focusing on location development.

New Openings



Priority Strategy 2 Improve profitability

- Establish new renovation model
- Roll out standard nationwide promotions
- Harness economics of scale

Priority Strategy 3 Provide omni-channel retail services

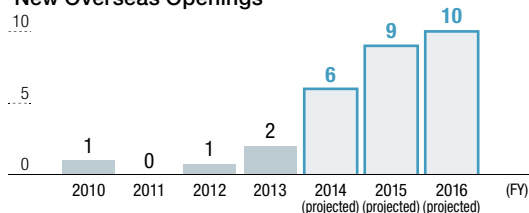
As we approach the age of "omni-channel" retail, we are planning to establish an e-commerce business, and to offer customers a new style of shopping, harnessing our unique strengths as a company to combine experiences, products and online services.

Overseas

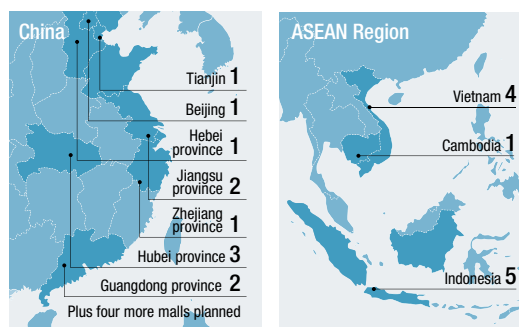
Priority Strategy 4 Lay foundations for business in China and the ASEAN region

We are stepping up openings in China and the ASEAN region, as their economies continue to grow. In China, we are opening inland malls in provinces such as Jiangsu and Hubei, as well as Beijing and Tianjin, whilst actively opening malls in Vietnam, Cambodia and Indonesia in the ASEAN region.

New Overseas Openings



Priority Areas for New Malls



Management Foundations

Priority Strategy 5 Maintain strict financial discipline

In addition to increasing mall revenue in order to boost cash flow, we intend to raise funds via various different channels to enable us to push ahead with agile growth strategies. We will be focusing on improving asset efficiency and establishing sound, robust financial foundations to underpin our medium- to long-term growth strategy.

Priority Strategy 6 Reinforce human resources and governance

As well as continuing with reforms, in areas such as human resource development and diversification, organizational structure, and personnel systems, we intend to reinforce our management structure and strengthen governance capabilities, including sharing business expertise in Japan and overseas, and speeding up the decision-making process. Our aim is to establish a corporate structure to transform our business model.

Suburbanization based on increasing numbers of middle-income earners and commercial facilities. Growth in Asia is entering the increased consumption phase. Now is time to demonstrate our true value as a commercial developer and become the market leader in Asia.

Motorization is spreading throughout China in particular. I believe that presents a real opportunity for a group like AEON Mall, specializing in operating suburban malls with large car parks. Incidentally, whereas China's economic growth rate has fallen to 7.5% in 2014, the government has announced a policy of maintaining a continued growth rate of 13.1% in the retail sector. In fact, our malls are experiencing growth in excess of the national average, with sales up over 20% year on year at existing stores.

As China is evidently still an important market for the future, we are starting to open malls in new areas from fiscal 2014 onwards, in addition to Beijing and Tianjin. For example, we opened AEON Mall Suzhou Wuzhong in Suzhou, Jiangsu province, in April 2014. Having worked on development in close cooperation with the local government, a 1,100,000m² area has grown up around our mall, including commercial, housing and school facilities. A park measuring over 700,000m² within that area has even been named "AEON Green Island". The main road running through the park is called "AEON Road" too. The building itself actively incorporates features such as solar panels, LED lights and green walls, and is set to become the first AEON Group facility in China to obtain a "2 Star" rating*. The mall also incorporates universal design and is home to a range of tenants covering categories such as amusements, food and drink as well as retail. AEON Mall Suzhou Wuzhong will not only serve as a model for other malls opened in China in the future, but it also contains lots of elements that we could incorporate here in Japan too. Elsewhere, we are planning to open our inaugural mall in Wuhan, Hubei province, as our first opening in inland China.

In the ASEAN region, we opened AEON Mall Tan Phu Celadon, our first mall in Vietnam, in January 2014. The mall has attracted even more customers than expected, with food and drink services proving particularly popular. This trend is common to both China and the ASEAN region, underlining just how ingrained the culture of eating out is within the region. It also highlights the level of local interest in "enjoying food," in terms of the menus, service and atmosphere offered by catering establishments at the mall. In June 2014, we opened AEON Mall Phnom Penh, our first mall in Cambodia. The mall has gone down well with tenant companies and maintained strong leasing figures. Having attracted some 300,000 visitors in the opening three days, it is expected to continue performing well in the future.

Legal systems and regulations applicable to foreign companies vary in China and from country to country in the ASEAN region. We will continue to promote interaction with local people in the future, including through forestation and other environmental and social activities, so that we can do our bit to improve standards of living by opening malls.

* Green building evaluation scheme operated by the Chinese Ministry of Construction, designed to certify buildings that protect the environment, make the best possible use of natural resources and take steps to prevent pollution

Q5 | What are your forecasts for the coming year?

A5 | **We are aiming to increase both revenue and income, by pushing ahead with initiatives based on our new Medium-Term Management Plan.**

In addition to AEON Mall Wakayama, which opened in March 2014, we will be opening three new malls in Japan during the first half of the year, including tourist-oriented shopping mall AEON Mall Tendo, and another four during the second half of the year. We will also be carrying out large-scale renovations at ten or more existing malls. We will be rolling out nationwide and other sales promotion campaigns that make the most of the AEON Group's infrastructure, including AEON Cards and WAON electronic money. In addition to this, integrating capabilities as part of our developer business will enable us to generate synergy and enhance competitiveness, as we continue to improve our customer drawing power and increase efficiency.

Outside Japan, in China, we are building on our success in Suzhou (Jiangsu province) to open malls in new areas, including Hubei province. As we continue to steadily secure development opportunities from 2015 onwards, we are aiming to develop a total of 15 malls over the three-year period from fiscal 2014. In the ASEAN region, we are opening our second mall in Vietnam, and are planning to open our first mall in Indonesia in fiscal 2015. In fact, we are keen to push ahead with development in Indonesia and have plans for numerous properties, particularly in the suburbs of Jakarta.

In terms of our full-year consolidated results for fiscal 2014, the first year of our new three-year Medium-Term Management Plan, we are projecting a 17.6% year-on-year increase in operating revenue to ¥208 billion, an 8.9% increase in operating income to ¥46 billion, a 6.0% increase in ordinary income to ¥43.5 billion, and a 6.7% increase in net income to ¥25 billion.



Forecast for fiscal 2014

Operating revenue	¥208 billion
Operating income	¥46 billion
Ordinary income	¥43.5 billion
Net income	¥25 billion

Q6 | What is your philosophy on CSR?

A6 | **We promote CSR activities from a global perspective, based on the principle of coexistence with the community and the environment.**

As expressed in our Management Philosophy, the AEON Group's mall business operates in partnership with local communities, creating "Towns with Vitality". Rather than merely providing somewhere to go shopping, we are continually thinking about the environment and working to improve safety. We build strong relationships with tenant companies, government agencies, NPOs, landowners and all other stakeholders in town development. That is how we achieve sustainable growth for both local communities and our malls. It is with this in mind that we formulated the AEON Mall CSR Policy and engage in a range of activities based on the seven core subjects set out under ISO 26000, the international standard for social responsibility.

Having been carrying out AEON forestation activities since 1991 for example, last year we reached a total of 10 million trees. We intend to keep on planting trees in the future too. We are also rolling out "Smart AEON" next generation eco-stores, equipped with the latest energy saving measures and earthquake reinforcements so that they can serve as community disaster prevention and recovery facilities in the event of a disaster. We are committed to contributing to sustainable community development.

As of the end of fiscal 2013, the total number of domestic and overseas malls operated by the AEON Mall stood at 138. As we continue to accelerate openings in China and the ASEAN region in the future, our social responsibilities as a group will continue to grow. We will nonetheless continue to engage in environmental and social contribution activities in the communities where we open malls, in other countries as well as in Japan, now and in the future. We are firmly focused on developing human resources with the leadership skills we need to

fulfil our social responsibilities and to make a difference to the quality of local people's lives.

Q7 | What is your philosophy on dividends and returning profits to shareholders?

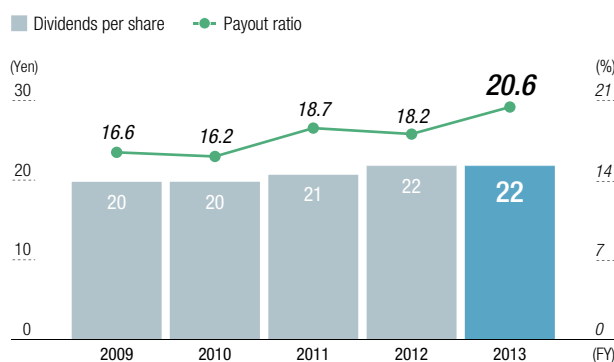
A7 | **This year, we paid out an annual dividend of ¥22, which is an effective increase of 10% taking into account the stock split.**

Our basic policy on income distribution emphasizes maintaining steady dividend payments to shareholders, while using retained earnings to invest in growth businesses and reinforcing our business structure, in an effort to strengthen our operating base. Although we have previously tried to maintain an annual payout ratio of 15%, we will be increasing that to 20% in the future in order to return more profits to our shareholders. Annual dividends per share for fiscal 2013 came to ¥22, as projected. Due to concerns that the public offering in June 2013 and a private placement in July might dilute earnings per share (EPS) however, we implemented a stock split at a ratio of 1.1 shares per share on August 1, 2013, effectively increasing dividends per share by 10%.

We are planning to pay out an interim dividend of ¥11 and an annual dividend of ¥22 once again for the coming year.

President

Dividend per Share and Payout Ratio

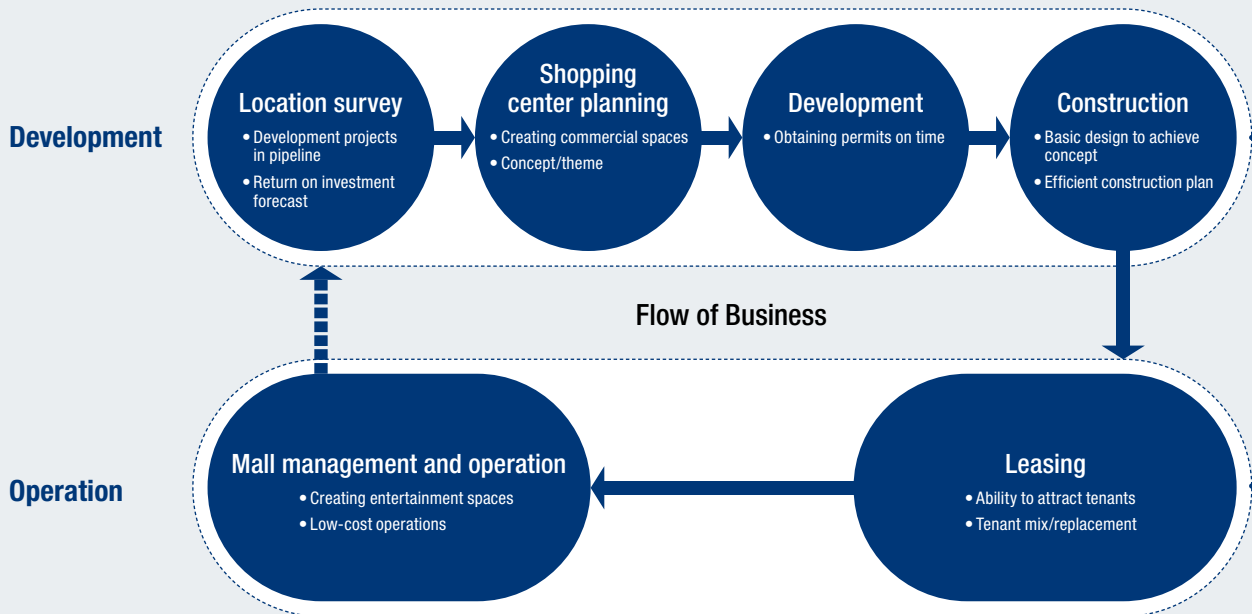


Enhancing Mall Value and Growing Hand in Hand with the Community

As a core company within the AEON Group, we oversee developer operations here at AEON Mall and handle the entire process from developing shopping malls to management and operations. Working in cooperation with local people, we are committed to town development that contributes to the local area and continues to enhance value, so that we can maintain sustainable growth hand in hand with the local community.

Developing Malls to Suit Regional Characteristics, in Japan and Overseas

We make the most of the AEON Group's management resources to develop malls to suit regional characteristics throughout Japan, and are currently focusing on opening overseas malls in areas such as China and the ASEAN region.



Operating Malls in Line with Customers' Changing Needs

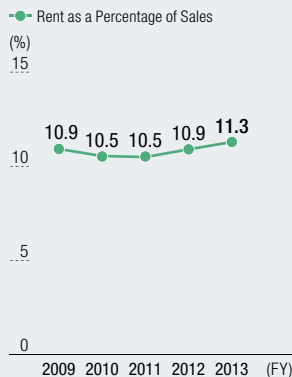
As well as ensuring that customers visiting our malls on a daily basis are as satisfied as possible, we continue to enhance the value that our malls offer by carrying out renovations in line with customers' changing needs.

Real Vacancy Rate

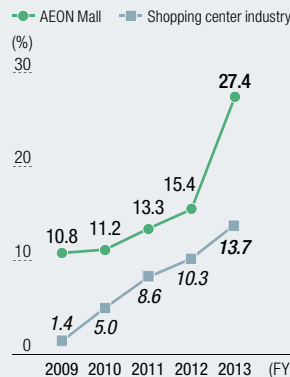


* Average real vacancy rate not calculated for fiscal 2009

Rent as a Percentage of Sales

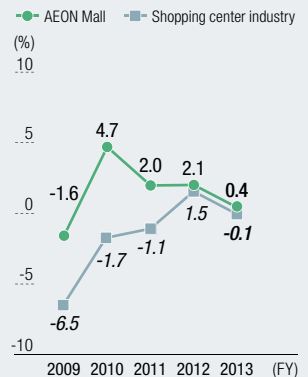


Mall Space Growth Rate

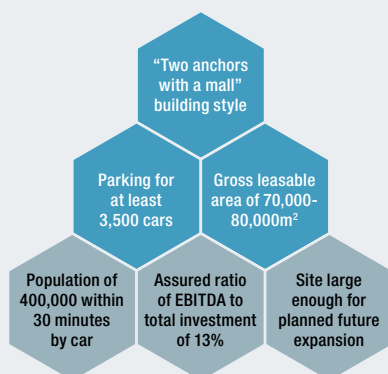


* Calculated based on 2008 as 1

Year-on-Year Sales from Mall Specialist Stores Based on Existing Stores



Basic Format for Malls



“Two Anchors with a Mall” Building Style

We use the same basic style for all of our buildings, consisting of “two anchors with a mall”. This means a two or three-floor low-rise building with at least two anchor stores, linked by a mall containing specialist stores. Positioning anchor stores that draw in customers at each end of the building makes it easier for customers to move around the mall and eliminates blind spots for tenants. This creates a synergy effect whereby the anchor stores help to improve sales for specialty stores.

Population of 400,000 within 30 minutes by car

As a rule, we target locations in urban areas, provincial towns and cities, and suburban locations with a population of at least 400,000 people within 30 minutes by car. We also develop malls in locations adjacent or near to stations.

Mall Earnings Structure

Operating Revenue = Fixed Rent Income + Percentage-based Rent Income

The majority of our operating revenue comes from “income from real estate”, meaning rental income from tenants. This consists of “fixed rent income” and “percentage-based rent income” determined in accordance with tenants’ retail sales. As a result, the more tenants’ sales increase, the higher our operating revenue. In many cases, we set a minimum sales level for individual tenants on a monthly or annual basis. So effectively, “percentage-based rent income” represents an additional rent component on top of fixed rent. This protects us from being immediately impacted by declining tenant sales. We determine actual percentages based on factors such as the tenant’s business category, profitability and market rates for setting up stores. Percentages are typically set between 8% and 15% for retailers, or between 10% and 20% for tenants providing food, beverages or other services. Tenant sales are managed by AEON Mall for the

Parking for at least 3,500 cars

Easy access by car is a key requirement for drawing in customers. That is why we always ensure that malls have a large parking area that can accommodate at least 3,500 cars.

Gross leasable area of 70,000-80,000m²

As a rule, we ensure a gross leasable area of between 70,000 and 80,000m², to allow sufficient space to draw in customers. In terms of design meanwhile, we actively style our buildings to suit the characteristics of the local area where the mall will be based.

Assured ratio of EBITDA to total investment of 13%

As a rule, we develop malls based on a model of leasing the site and owning the building, in order to increase cash flow. We aim to maintain ratio of EBITDA to total investment of at least 13%. In fiscal 2013, we achieved a ratio of 13.3%.

* Average for 27 malls, excluding properties for securitization opened from 2000 onwards

Basic Investment Model

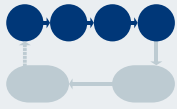
Development scheme	Based on leasing the site and owning the building	Mall revenue	Approx. 10-12% of retail sales
Investment	¥15-17 billion	Operating margin	At least 30%
Mall retail sales	¥30-35 billion	Depreciation	Approx. 5% of investment

most part, with tenants receiving payments twice a month, once rents and expenses have been deducted.

Operating costs include all costs that are directly related to mall operations, including personnel costs for employees handling mall operations on a permanent basis, and expenses relating to mall facilities. Operating expenses meanwhile include facility maintenance, utilities, rent payable to land and building owners, and depreciation of mall facilities.

AEON Mall Earnings Structure (FY 2013)

Fixed income 54.1%	Percentage-based income 45.9%
Operating costs 66.2%	Operating income 23.9%
SG&A expenses 9.9%	



Development

AEON Mall develops malls in line with the characteristics of each local area, working in partnership with local communities to create towns that keep on evolving.

“We make the most of our industry-leading track record to develop highly individual malls in partnership with local communities.”

We make good use of the expertise we have built up to date, based on our extensive development experience from a retail industry standpoint.

Our biggest strength in terms of mall development is our wealth of experience, having continued to handle everything ourselves, from finding locations based on meticulous market research through to planning, building, leasing, managing and operating malls. We have worked with land intended for a wide range of uses, including former factory sites, farmland and plots from land readjustment projects. As such, we take pride in our

expertise in being able to open a mall in any area.

We are also the core company handling developer operations on behalf of the AEON Group, Japan's largest retail group. The fact that we have members of staff with retail experience, myself included, or from retail backgrounds, working on development is another of our key strengths. When we develop a mall, we can envision the local area right from the initial stages, to a certain extent. We observe the surrounding area from perspectives of retail and service industries and ask ourselves what sort of customers will come to the mall, and what sort of needs they will have. That helps us to develop a mall that will win over the affection of local people.

Whilst working to a basic format, it is also important to create malls with individual personalities.

Until now, we have tended to open malls in the suburbs of core provincial areas. Our basic approach in such locations has always been to secure a vast site, install a large car park accommodating several thousand vehicles, and erect a “two anchors with a mall” low-rise building housing between 150 and 200 stores from various different categories. Although we will still be using this basic format as we seek to expand multi-store malls in the future, we believe that it is important to clearly set out new concepts, including locations, features, target customers and local cultures, and to develop malls with individual personalities.

Focusing on the individual personality of each property will open up even more possibilities for mall development. It will also help to improve customer drawing power, based on malls in new locations or individual malls closely linked to the local area. In addition to our conventional suburban locations, we are taking on new challenges and building up experience too. Examples include AEON Mall Tamadaira Woods, which is located in a residential area, and AEON Mall Okayama,

Kaoru Iwamoto
Senior Managing Director
General Manager,
Development Division





located adjacent to the station. We are confident that our expertise will continue to evolve during the second half of fiscal 2014, boosting our growth potential even further.

* Design based on two or more “anchor” stores linked by a mall containing specialist stores, making it easier for customers to move around



AEON Mall Okayama (Urban mall)



AEON Mall Tamadaira Woods

We are constantly working to improve skills, with an emphasis on town development through public-private cooperation.

As part of our efforts to develop, manage and operate malls in partnership with local communities, we have always been highly regarded for our contribution to local economic development, including creating jobs in the areas around our malls, increasing tax revenue for local authorities, and providing opportunities for local commerce and industry.

With such a good track record, the number of requests we are receiving from local authorities asking us to open malls has skyrocketed. Developing malls through public-private cooperation in this manner facilitates licensing and other such procedures, and also has financial benefits, not least in terms of access to subsidies.

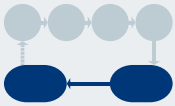
At the same time, it requires skill to manage the great many stakeholders involved in large-scale projects such as the ones we undertake. As that includes practical experience as well as theoretical training, we are constantly working to improve skills through initiatives such as getting members of our staff actively involved in projects while they are still young.

We have a social duty to develop and promote local areas, so we simply can’t afford to fail. We have responsibilities that we can’t just walk away from. That is why it’s important to maintain close communication with local people from the planning stages onwards, so that we can create malls that will be loved and supported by the local community. That also ties in with the idea of malls with individual personalities, as I mentioned previously.

We aim to share experience and expertise at the local level, in order to develop global management capabilities.

We are promoting shift in focus towards Asia as one of the key elements of our growth strategy. When opening stores in China and ASEAN countries, public-private cooperation becomes even more important than in Japan. In many cases, projects have to be carried out at the national level. In fact, AEON Mall Suzhou Wuzhong, which we opened in April 2014, was part of a comprehensive regional development project within a national economic development zone. A road and park in the local area were even named after AEON. When you’re dealing with projects on that scale, the number of stakeholders just can’t compare to domestic projects in Japan. Developing global management capabilities, including language skills, becomes a real priority.

To develop global human resources to capable of handling overseas development, we focus on training local members of staff who are suited to operations on the ground. We organize workshops for domestic staff too, and ask members of staff who have been involved in overseas projects or worked overseas to talk about their experiences in China and ASEAN countries. The aim is to share experience and expertise that you can only get overseas.



Operation

Here at AEON Mall, we are constantly working to improve our organization and raise employee skill levels, so that we can operate our malls efficiently and strategically whilst maintaining and improving value for the local community.

“We operate malls with the aim of earning the support of local communities and our customers, making the most of the trusting relationships we have built up with our many tenant companies.”

We are always looking to strengthen partnerships with our 8,000 tenant companies.

Our number one strength when it comes to mall operations and sales is the fact that we work in partnership with around 8,000 tenant companies.

In an effort to push full steam ahead with initiatives such as improving customer drawing power, analyzing data on consumer trends, and planning and implementing promotional measures, underpinned by cooperation with our tenants, in February 2012 we restructured our AEON Doyutenkai (store association). Organized along two axes, according to location and business category, the association actively encourages tenants to share

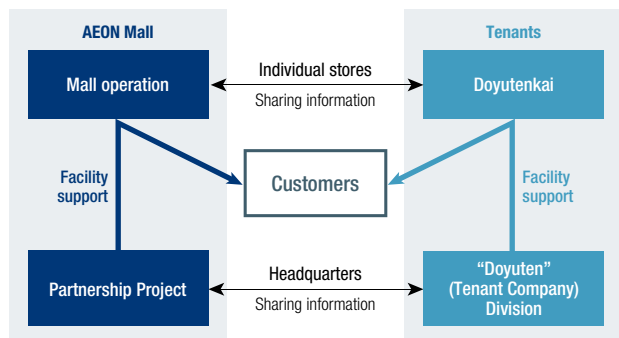
information, organize joint training exercises and hold joint events. Interaction between tenants through the AEON Doyutenkai also helps to identify distinctive local tenants and facilitate the arrival of new tenants. We want to keep on growing hand in hand with our tenants, through initiatives such as establishing zoning as part of the development of new concept malls, working together to develop brands, and opening stores at our overseas malls.

As well as running the AEON Doyutenkai, we have also carried out internal organizational restructuring, placing the “Doyuten” Management Department, which acts as secretariat for the Doyutenkai, under the supervision of our Sales Division. Whereas cooperation with tenant stores has always been our point of contact with individual malls, we are working to reinforce cooperation between companies too, as well as between stores. We also launched the Partnership Project in fiscal 2014, with the aim of strengthening communication with tenant companies, expanding sales activities at individual malls, and improving efficiency. We are looking to establish closer communication by developing multiple channels with our tenants.



Hiroshi Iwamoto
Senior Managing Director,
Sales Division

Organizational Improvements aimed at Reinforcing Cooperation with Tenant Companies





We strive to improve “frontline capabilities” on an individual level.

We are currently working to lay the foundations to expand operations in China and the ASEAN Countries, as well as reinforcing our business base in Japan. For the time being, we are



Training in progress

focusing on underpinning domestic growth, as the basis for expanding our business overseas. To achieve that, we are accelerating new mall openings in Japan and making every effort to improve profitability from existing malls.

We provide new malls with support to improve efficiency, throughout the various procedures in the run-up to opening, primarily through our New Store Support Department. We also work on leasing and operations in cooperation with development departments, based on the concept for each individual mall.

We make every effort to enhance the competitiveness of existing malls meanwhile, through initiatives such as precisely monitoring changes in the local environment and target market, adding new mall features, and adapting zoning in line with local needs. We are also committed to strengthening our tenant support capabilities, in order to improve customer drawing power and increase retail sales.

To implement initiatives such as these, it is important to develop “frontline capabilities” so that we are able to respond to customers’ needs in a timely fashion. As part of our unique training system to achieve that, we introduced a Next-Generation Management Leader Training program for young executives in fiscal 2011. We went on to introduce Sales Expertise Skills Training, aimed at improving sales capabilities, in fiscal 2014. We also organize Best Practice Workshops on an ongoing basis, in an effort to share successful frontline experiences. We are determined to create the right

environment for human resource development and to improve our organizational capabilities.

We are aiming to harness groupwide capabilities, based on area strategies designed to harness the economics of scale.

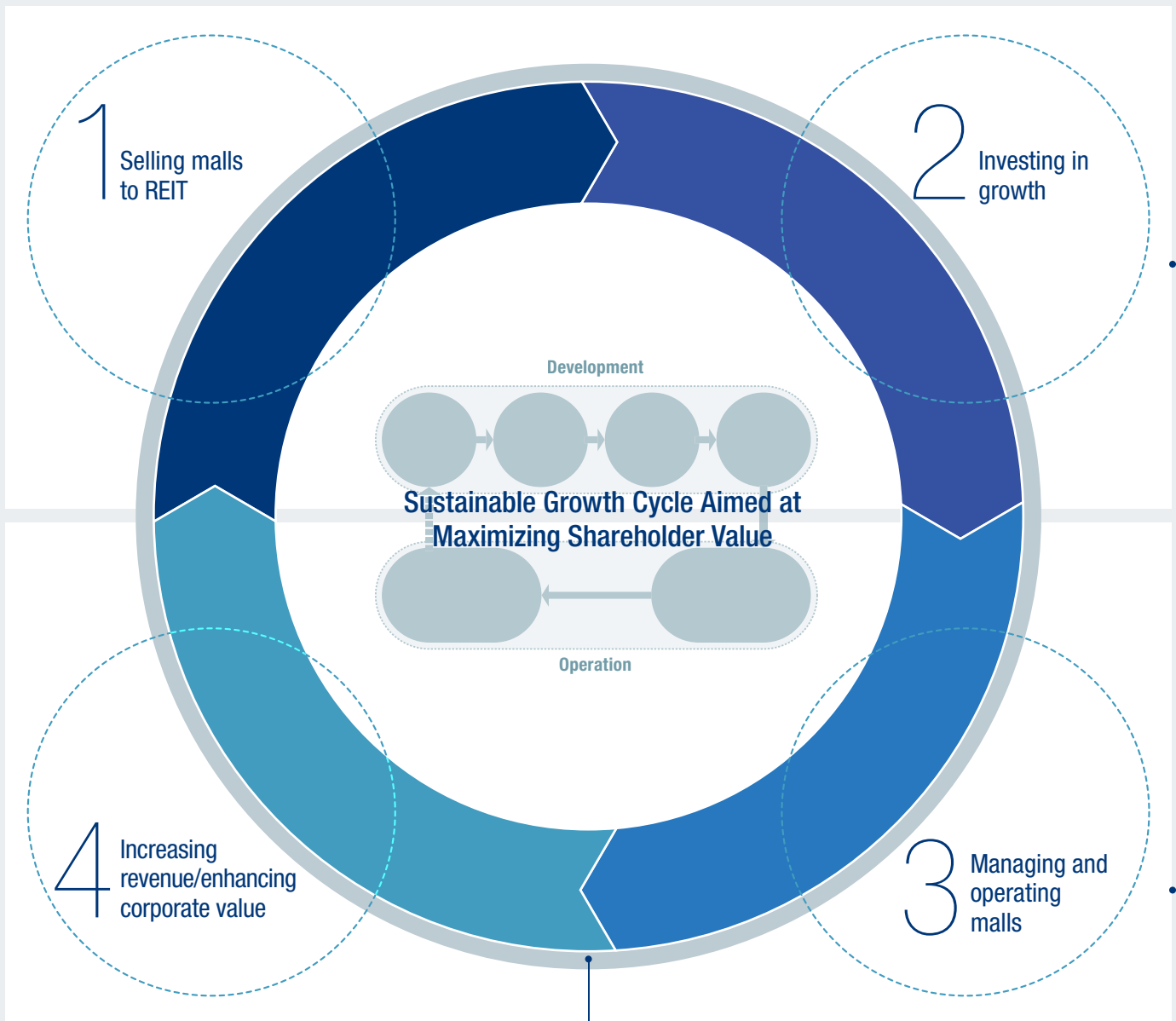
Having integrated developer operations across the AEON Group in fiscal 2013, the number of malls managed and operated by AEON Mall, both inside and outside Japan, increased to 138. We aim to increase sales by using mall spaces to organize events and promotions, and to establish low-cost operations by developing more efficient operation systems, taking advantage of the economics of scale. As we are now able to gather data on the purchasing habits and needs of a larger number of customers, we are also focusing on analyzing that data and planning strategies accordingly. Making the most of increased opportunities to hold events, meanwhile, we are rolling out promotions that are designed to attract a great many customers, such as fairs spanning multiple malls.

In areas where we have several malls, we intend to clearly specify the position and role of each mall within the area as they evolve, with the intention that customers will then visit malls for different purposes. We also do our bit to contribute to the community by actively taking part in and assisting with community events and other such activities that make the most of economics of scale between multiple malls. Adopting area strategies such as these, and making full use of group assets, should enable us to expand our share of the market.

As well as continuing to build on strong existing partnerships with tenant companies in the future, we are determined to generate synergy and increase efficiency through a range of measures designed to harness economies of scale, so that we can improve our operational capabilities and transform our business model.

Laying Strong Financial Foundations for Sustainable Growth

We are investing in sustainable growth and working to lay financial foundations to maximize shareholder value, in an effort to expand our domestic operating base even further, and develop our mall businesses in China and the ASEAN region.



Laying Financial Foundations

Maintaining a Sound Financial Structure and Leveraging Debt

We are always working to ensure a sound financial structure and maintain our current rating, in the interests of sustainable growth, and continue to leverage borrowing capacity (D/E ratio of 1 or lower) so that we can push ahead with our financial strategy.

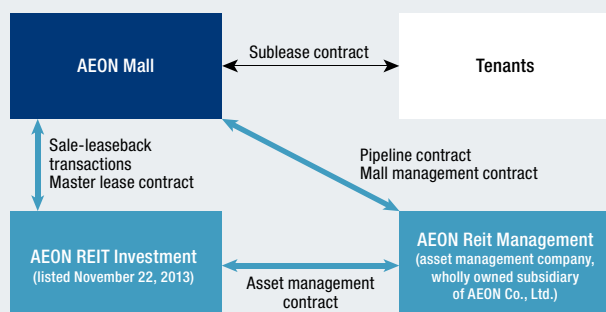
Flexible Investment in Growth

Harnessing REIT and Developmental Leases to Accelerate Return on Investment and Improve Asset Efficiency

In addition to cash flow from managing and operating malls, we also use resources such as REIT and developmental leases. Selling off assets, in the form of land and buildings, to REIT enables us to secure funding for further growth. In turn, this enables us to flexibly implement growth strategies, accelerate return on investment and improve asset

efficiency. Using REIT enables us to transfer assets to AEON REIT Investment Corporation. Leasing both land and buildings from REIT then enables us to continue with management and operations as previously, whilst at the same time increasing profits.

Structure of AEON REIT



Property Sold to AEON REIT in Fiscal 2013 (Transfer Date: November 22, 2013)

Mall	Location	Total book value	Total transfer value
AEON Mall Morioka	Morioka, Iwate prefecture	¥63.3 billion	¥64.6 billion
AEON Mall Mito Uchiyama	Mito, Ibaraki prefecture		
AEON Mall Suzuka	Suzuka, Mie prefecture		
AEON Mall Kurashiki	Kurashiki, Okayama prefecture		
AEON Mall Nogata*	Nogata, Fukuoka prefecture		
AEON Mall Kumamoto	Kamimashiki, Kumamoto prefecture		

* Land transfer only, not including buildings leased from third party

Continually Enhancing Corporate Value

Ensuring Growth Through Both Internal and External Factors, and Increasing Income to Improve Cash Flow

We are looking to increase percentage-based rent, through increased sales from specialist stores at our malls, and to revise rents to increase revenue. We also aim to carry out large-scale renovations and increase floor space at the end of six-year fixed-term leases for specialist stores, in an effort to improve customer drawing power and increase competitiveness, so that we can maintain and enhance the

value of our malls over the long term.

At the same time, we intend to continue developing new malls at a steady rate, both in Japan and overseas, to secure new sources of revenue.

Our aim is to increase income, through both domestic and overseas growth, and to accelerate growth across the board, so that we can ultimately improve cash flow.

Internal Growth Factors

Increasing revenue from managing and operating existing malls

- Increasing percentage-based rents through sales increases
- Actively replacing tenants
- Revising rents every two years

Additional growth factors for existing malls

- Carrying out renovations (Bringing in new tenants, changing business categories of existing tenants, relocating tenants, etc.)
- Increasing floor space (Revamping mall MD and zoning, ensuring the same levels of growth as new malls)

External Growth Factors

Achieving Growth by Developing New Malls

- Opening new domestic malls
- Opening malls in growth markets in China and the ASEAN region
- Maintaining high profitability based on precise forecasts indicating return on investment
- Factoring in future expansion at the mall development stages

Domestic Mall Business

Actively evolving and developing malls nationwide

As well as continuing to accelerate new mall openings throughout Japan, we are focusing on developing new concept malls tailored to the characteristics of each region, as we strive to secure further growth.



Market Trends

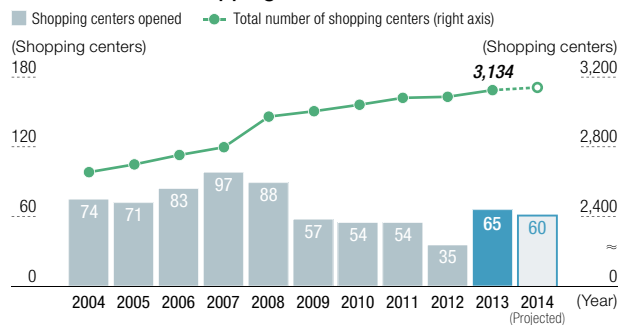
Number of New Shopping Centers Holding Steady

The number of new shopping centers opened in Japan had declined to 35 in 2012, after peaking in 2007. However, the figure soared to 65 in 2013 and is expected to surpass 60 in 2014.

Meanwhile, the average area for new shopping centers stood at 18,763 m² in 2013. This trend will continue in 2014. Few companies have plans to launch large shopping malls, given that the purpose of use of land is restricted under the City Planning Act, which was revised in 2007 to discourage large commercial facilities from being opened in suburban areas. Specifically, large commercial facilities with more than 10,000 m² may now be opened only in commercial districts, neighborhood commercial districts and quasi-industrial districts. In the event any such facilities are opened in any other district, procedures such as a change in use district will be required. This effectively means that only companies with sufficient planning capabilities to revitalize the local community are able to open large malls.

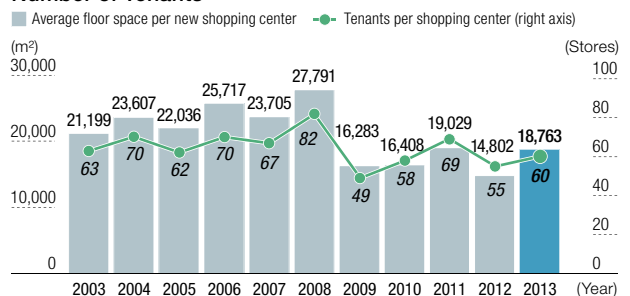
A similar trend will continue and few developers will be able to open competitive large-scale shopping centers with tenants engaging in many different types of business in many different styles.

New Shopping Centers Opened and Total Number of Shopping Centers



* Source: 2014 Shopping Center While Paper, published by the Japan Council of Shopping Centers and the information submitted in a notification under the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment

Average Floor Space per New Shopping Center and Number of Tenants



* Source: 2014 Shopping Center While Paper, published by the Japan Council of Shopping Centers

Overview of Fiscal 2013

New Development

Five New Malls Opened, with an Emphasis on New Concept Malls such as AEON Mall Makuhari New City

In fiscal 2013, we opened five malls as new business bases, including one under contracted property management. All are based on a new concept. In addition to the conventional locations in suburban areas, we are working to develop new locations for shopping malls.

New Malls Developed in Fiscal 2013

Name	Location	Features
AEON Mall Kasukabe	Saitama prefecture	Improved service capabilities, including clinic zone and "Kurashino Money Plaza"
AEON Mall Tsukuba	Ibaraki prefecture	Developed as one big leisure zone, with two external buildings offering fun experiences and sensations
Kobe Harborland Umie*	Hyogo prefecture	Renovated as an urban mall, with the aim of redeveloping a large commercial facility vacated by a department store
AEON Mall Toin	Mie prefecture	First shopping mall to be certified as a facility supporting biodiversity conservation (urban areas and shopping centers)
AEON Mall Makuhari New City	Chiba prefecture	Flagship mall designed to harness combined strengths throughout the AEON Group (see next page for details)

* Managed property

Existing Malls

Carrying out Large-Scale Renovations at 11 Malls and Maintaining Strong Results from Existing Malls

We carried out large-scale renovations at 11 of our 55 existing malls in fiscal 2013, fully overhauling malls through measures such as bringing in new tenants, and changing or relocating businesses operated by existing tenants. We also worked improving our ability to draw customers through sales promotion schemes and other activities utilizing the AEON Group's infrastructure, including groupwide sales, the AEON Card scheme and WAON electronic money. Sales of specialist stores at our 55 existing malls remained around one point above the industry average for fiscal 2013, up 0.4% on the previous year.

Malls Renovated in Fiscal 2013

Name	Location	Tenants	New Tenants
AEON Mall Takasaki	Gunma prefecture	170	119
AEON Mall Musashi-Murayama	Tokyo	180	81
AEON Mall Tsurumiryokuchi	Osaka	160	68
AEON Mall Kobe kita	Hyogo prefecture	165	61
AEON Mall Natori	Miyagi prefecture	170	60
AEON Mall Ota	Gunma prefecture	170	56
AEON Mall Kochi	Kochi prefecture	140	82
AEON Mall Shimoda	Aomori prefecture	120	21
AEON Mall Hamamatsu Shitoro	Shizuoka prefecture	150	14
AEON Mall Fukuoka	Fukuoka prefecture	200	25
AEON Mall Hanyu	Saitama prefecture	210	145

Forecast for Fiscal 2014

New Mall Development

Planning to Open Seven Malls, with an Emphasis on New Concept Malls

Including the two malls we have already opened in March, we are planning to open three new malls during the first half of fiscal 2014 and another four during the second half of the year. These figures include numerous new concept malls suited to regional characteristics, including tourist malls (Tendo), urban malls (Okayama) and multi-anchor malls (Kisarazu), reflecting our commitment to establishing new expertise.

New Openings Planned for Fiscal 2014

Name	Location	Site area	Gross leasable area	Parking	Specialist stores
AEON Mall Wakayama	Wakayama prefecture	155,000	69,000	3,500	210
AEON Mall Tendo	Yamagata prefecture	140,000	47,000	3,000	130
AEON Mall Nagoya Chaya	Aichi prefecture	186,000	75,000	4,100	200
AEON Mall Kyoto Katsuragawa	Kyoto prefecture	92,000	78,000	3,000	220
AEON Mall Kisarazu	Chiba prefecture	284,000	68,000	4,000	160
AEON Mall Okayama	Okayama prefecture	46,000	88,000	2,500	350
AEON Mall Tamadaira Woods	Tokyo	31,000	25,000	1,000	—

* Details of the features of individual malls can be found on p35-36.

Existing Malls

Continuing with Double-Figure Renovations, Promoting Integrated Groupwide Strategies

We are planning to continue with large-scale renovations at 10 or more malls. With the integration of developer capabilities across the AEON Group, we also took over management and operation of 69 malls from AEON Retail Co. Ltd. in November 2013. As well as taking advantage of economies of scale to improve our customer drawing power and increase operating efficiency, we are making every effort to generate synergy through sales promotions and other schemes designed to harness the AEON Group's infrastructure.

Growth Strategy for Domestic Mall Business

Integrate developer capabilities to establish a domestic network of 133 malls (as of the end of fiscal 2013)

Strategies for fiscal 2014

Organize nationwide group sales and other promotional schemes to take advantage of the economics of scale

Enhance cost competitiveness by increasing the efficiency of mall operations

Make more effective use of human resources and explore advertising business



Featured New Mall

AEON Mall Makuhari New City Opens as AEON Mall Flagship

Opened in December 2013, AEON Mall Makuhari New City is a flagship mall designed to harness AEON Group’s combined strengths.

It actually consists of four malls designed to suit customers’ differing lifestyles, catering to adults, families, fans of sport and electronics, and pet lovers.

GRAND MALL

Lifestyle mall for adults

Lined with tenants offering enjoyment, refreshment and that little something out of the ordinary for adults, the Grand Mall is a space that customers will want to visit again and again, with features such as an outdoor café terrace, an event stage (Grand Square) and a relaxing walkway where customers can unwind (Green Walk).



ACTIVE MALL

Lifestyle mall for fans of sport and electronics

From facilities for running, rock climbing, futsal, tennis, snowboarding and surfing to a cycling test track and sports-related electronics, the Active Mall combines a wide range of sporting attractions into one of the biggest “experience-led” sports malls in Japan.

Sustainable Town Development in Harmony with the Environment and Local Community

We are working to significantly reduce the amount of energy consumed and CO₂ produced by our buildings, through measures such as installing solar power facilities, using LED lights that consume less power, and installing “green walls.” We are also committed to creating a richer environmental for customers in the local community, through initiatives such as holding tree planting ceremonies onsite. Based on lessons learnt from the Great East Japan Earthquake meanwhile, we are working to improve earthquake-resistance levels and to maintain capabilities so that our malls can serve as recovery facilities in the event of a disaster. We have also introduced universal design, so that everyone can use the spaces we provide with ease.

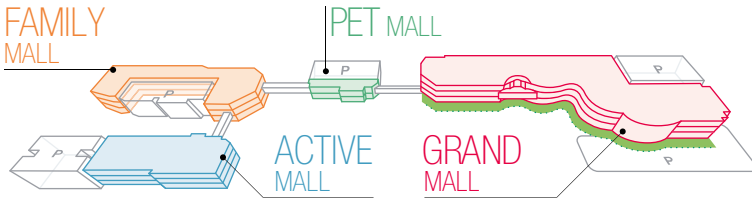


Green Walk



Tree planting event

Mall Concept: "The place of your dreams"



Location: (From) 1-1 Toyosuna, Mihama-ku, Chiba, Chiba prefecture Site area: Approx. 192,000m² Gross leasable area: Approx. 128,000m²
 Parking: Approx. 7,300 vehicles Specialist stores: 360



FAMILY MALL

Lifestyle mall for families

With its work experience theme park, entertainment museum, manufacturers' antenna shops, and the Sky Park rooftop garden, the Family Mall offers a whole host of fun activities for all generations, not just children.



PET MALL

Lifestyle mall for pet lovers

With facilities ranging from a 24-hour veterinary clinic, discipline and rehabilitation services, and hair trimming to a pet hotel and a large dog run, the Pet Mall is one of the biggest malls of its kind in Japan, offering a complete range of lifestyle products and solutions.

Always proposing new findings and discoveries though experience-based shopping

Our mall proposes a next-generation style of shopping in which we offer customers an experience of product value to stimulate latent needs and encourage their purchases. Our advanced approach has attracted so much attention that we enjoyed as many as 16 million visitors* during the half-year period after our inauguration. The experience-based approach is producing a positive effect. Take the bicycle section for example, it offers trial rides of power-assisted bicycles so that potential customers can experience the riding comfort. Its sales account for nearly 60% of the total sales of our mall. Going forward, we will continue our efforts to provide more information to make the appeal of our mall better known to customers.

*As of the end of May 2014

Masato Murai
 Director, General Manager, Makuhari New City Business Department



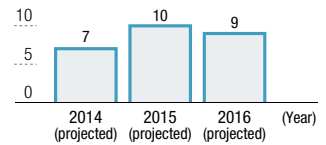


New Openings in Fiscal 2014 and Later

Promoting Diverse Mall Development to Suit Local Regions

In addition to the seven malls due to open in fiscal 2014, we are planning to open a considerable number of malls around the country after that point too. As well as conventional suburban locations, we will be taking on the challenge of developing new locations and concept malls. We also intend to cater to the needs of customers across a wide range of age groups, including a growing number of elderly customers, and to tailor malls to suit the characteristics of local regions.

Projected New Openings for the Next Three Years



Resort/ Tourist Malls

AEON Mall Okinawa Rycom (Okinawa Prefecture)

Scheduled to open in spring 2015

Sharing Okinawan and Japanese culture with visitors from all over the world

We are creating a uniquely Okinawan resort mall offering a wide range of entertainment, situated in the hills looking out over world heritage castle ruins and the deep blue horizon. As the largest scale commercial facility in Okinawa prefecture, and a major draw for tourists, the mall will also help the prefecture achieve its aim of attracting 10 million visitors to the area.



AEON Mall Tendo (Yamagata prefecture)

Opened in March 2014

Harnessing tourist resources to promote cohesive town development in harmony with the local area

Making the most of Tendo's extensive tourist resources, we have created a tourist shopping mall that combines an external design based on traditionally crafted shogi (Japanese chess) pieces with specialties from around the region, to provide an enjoyable experience for customers from both inside and outside the prefecture.

AEON Mall Higashimatsumoto (tentative name) (Nagano prefecture)

Scheduled to open in autumn 2016

Promoting mall development that harnesses tourist resources unique to provincial towns and cities

Located within one kilometer of Matsumoto Castle and other local tourist spots, the mall will combine tourism with shopping, designed to look like a house in a castle town.





**Urban/
Station
Malls**

**AEON Mall Okayama
(Okayama prefecture)**

Scheduled to open in December 2014

Taking on the challenge of a new station-front location to create a major urban focal point

Located at the heart of Okayama city, the crossing point between the Chugoku and Shikoku areas, we are looking to develop a major urban focal point adjacent to Okayama Station. As well as being one of the largest scale facilities in the area, the mall will also help to encourage and promote new cultural activities from Okayama, by incorporating television broadcasting facilities for instance, and doubling as an event space.

**AEON Mall Asahikawa Ekimae
(Hokkaido)**

Scheduled to open in spring 2015

We are redeveloping commercial facilities that are attractively located in a multi-use building with direct links to a terminal station, with the aim of creating a "buzz" at the gateway to Asahikawa, and to help revitalize the city center.



**AEON Mall Kyoto Katsuragawa
(Kyoto prefecture)**

Scheduled to open in October 2014

With superb transport access, not least via the directly linked JR Katsuragawa Station, we are creating a facility that will blend in seamlessly with Kyoto, Japan's former capital. Amidst ongoing redevelopment, it will act as a core facility at the heart of the new city.



**Other
Malls**

**AEON Mall Wakayama
(Wakayama prefecture)**

Opened in March 2014

Located in "Gakuen Jokaku-Toshi (Academic Walled Town) Fujitodai," a commercial zone under development in the northern part of Wakayama city, we have created a highly individual facility that makes good use of its large, split-level site.



**AEON Mall Nagoya Chaya
(Aichi prefecture)**

Opened in June 2014

Located in the Nanyo area of the city's Minato Ward, which is expected to develop as a commuter town in the future, we are hoping to develop the mall into a landmark facility for the local community.



**AEON Mall Tamadaira Woods
(Tokyo)**

Scheduled to open in November 2014

We are aiming to create a "buzz" in the local area by working in cooperation and harmony with nearby shopping arcades, as well as preserving Tamadaira's history of people living hand in hand with the forest, water and the natural environment.



**Multiple
Anchors
with a Mall**

AEON Mall Kisarazu (Chiba prefecture)

Scheduled to open in October 2014

Creating a new mall structure linking multiple anchor facilities, ideally suited to a large site

Making the most of its large 284,000m² site, we are planning to create "multiple anchors with a mall," consisting of several "anchor" facilities joined together. Part of a new generation of malls based on the concept of bringing together visitors and local residents alike, the mall will provide the very best in entertainment on the Boso peninsula, in terms of both scale and quality.

Overseas Business

Accelerating Development Throughout Asia, Targeting Economic Growth

As China, the ASEAN region and other Asian markets continue to experience steady economic growth, we intend to harness the expertise we have built up in Japan to continue developing malls, so that we can capitalize on the growth potential of local companies and develop hand in hand with local communities.



Market Trends

Efforts to Attract Commercial Facilities Gaining Momentum due to Stable Economic Growth in China and the ASEAN Region

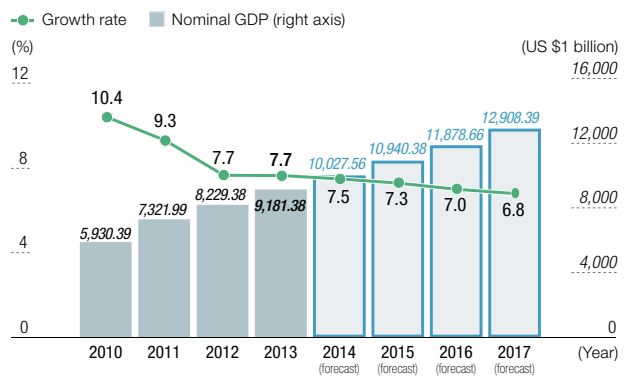
According to forecasts published by the International Monetary Fund (IMF), China's nominal GDP growth rate is set to remain around 7% from fiscal 2014 onwards, as the economy continues to grow steadily. The Chinese government meanwhile has earmarked the retail industry as a key component of its economic policy. Retail sales (total retail value of consumer goods) recorded a growth rate of 13.1% for 2013, and are expected to continue growing ahead of the GDP growth rate in the future too.

The ASEAN region experienced a temporary dip in economic growth rates as a result of worldwide recession, but it too has seen a return to stable growth and is forecast to maintain a growth rate of 6-8% in the future.

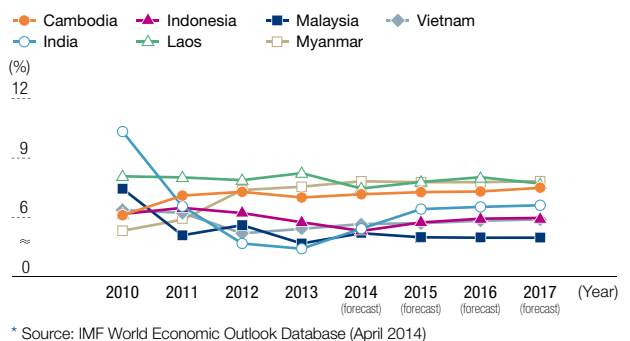
The result of all this economic growth is likely to be a surge in middle-income earners and an increase in consumer spending.

Given that China and the ASEAN region represent important markets for AEON Mall, we are committed to expanding our operations even further, so that we can tap into growth throughout the region.

Economic Growth and Forecast for China



Growth Rate and Forecasts for Other Asian Countries



Overview of Fiscal 2013

China

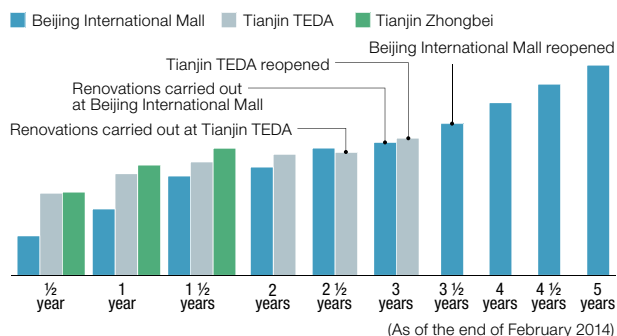
Strong Performance from our Three Existing Malls and Opening a New Mall in Tianjin

All three of our existing malls in China – AEON Mall Beijing International Mall, AEON Mall Tianjin TEDA and AEON Mall Tianjin Zhongbei – continued to improve their performance, with increased customer footfall and sales year on year. In January 2014, we opened AEON Mall Tianjin Meijiang, our fourth mall in China (and third in Tianjin), in the Tianjin Xiqing Economic Development Area, which continues to be one of the fastest growing areas in China.



AEON Mall Tianjin Meijiang

Half-Yearly Sales Figures for our Three Existing Malls (Specialist Stores)



ASEAN Region

First ASEAN Mall Opens to Great Success in Vietnam

AEON Mall Tan Phu Celadon, our first mall in Vietnam and in the ASEAN region, opened for business in January 2014 in a new town in the Tan Phu district, approximately nine kilometers from Ho Chi Minh City. The mall attracted even more customers than expected when it opened, and received extensive coverage in newspapers and magazines, in Japan as well as locally. Operations have continued according to plan since the opening too.



AEON Mall Tan Phu Celadon

Forecast for Fiscal 2014

China

Planning to Open Four New Malls, Including Inland Areas

Having opened AEON Mall Suzhou Wuzhong, our fifth mall in China, in April 2014, we are now planning to open a second mall in Jiangsu province, and malls in Guangdong and Hubei provinces. In addition to Beijing, Tianjin, and Jiangsu, Guangdong and Hubei provinces, we also have new malls in the pipeline in Hebei, Shandong and Zhejiang provinces from fiscal 2015 onwards, as part of our plans to develop 15 malls throughout China over the next three years.



AEON Mall Suzhou Wuzhong



AEON Mall Wuhan Jinyintan

New Openings Planned for Fiscal 2014

Name	Location	Site area	Gross leasable area	Parking
AEON Mall Suzhou Wuzhong	Suzhou, Jiangsu province	Approx. 114,000m ²	Approx. 75,000m ²	Approx. 3,100 vehicles
AEON Mall Guangdong Panyu Square	Guangzhou, Guangdong province	Approx. 51,000m ²	Approx. 173,000m ² (*)	Approx. 1,700 vehicles
AEON Mall Suzhou Yuanqu Hudong	Suzhou, Jiangsu province	Approx. 99,000m ²	Approx. 219,000m ² (*)	Approx. 3,100 vehicles
AEON Mall Wuhan Jinyintan	Wuhan, Hubei province	Approx. 88,000m ²	Approx. 74,400m ²	Approx. 2,900 vehicles

Figures marked with an asterisk (*) represent the total floor area.

ASEAN Region

Opening our First Mall in Cambodia and Stepping up Development Across the ASEAN Region

We opened AEON Mall Phnom Penh, our first mall in Cambodia, in June 2014. We are currently preparing to open AEON Mall Binh Duong Canary, our second mall in Vietnam, and also our first store in Indonesia in fiscal 2015. Including the mall we have already opened in Cambodia, we are planning to open four malls in Vietnam and five in Indonesia over the next three years.

New Openings Planned for Fiscal 2014

Name	Location	Site area	Gross leasable area	Parking
AEON Mall Binh Duong Canary	Vietnam	Approx. 62,000m ²	n/a	n/a
AEON Mall Phnom Penh	Cambodia	Approx. 68,000m ²	Approx. 66,000m ²	Approx. 1,400 cars / 1,600 motorcycles



Featured New Mall

AEON Mall Suzhou Wuzhong Opens as Part of Integrated Urban Development with Local Government

Opened in April 2014, AEON Mall Suzhou Wuzhong is located in a national “Economic Development Zone” in the rapidly growing city of Suzhou, Jiangsu province. It has been opened as a core facility in a regional commercial zone, as part of integrated urban development in partnership with local government.



Entrance space

190 Wide-Ranging Tenants, Including Numerous “Firsts” for Suzhou

The mall consists of an AEON general merchandise store, as its “anchor” store, and around 190 specialist stores, including numerous tenants setting up in Suzhou for the first time. It is the largest multifunction shopping facility in the region, combining eating establishments and amusement facilities alongside stores selling food, fashion, accessories and other miscellaneous products.



Food Market (food court)



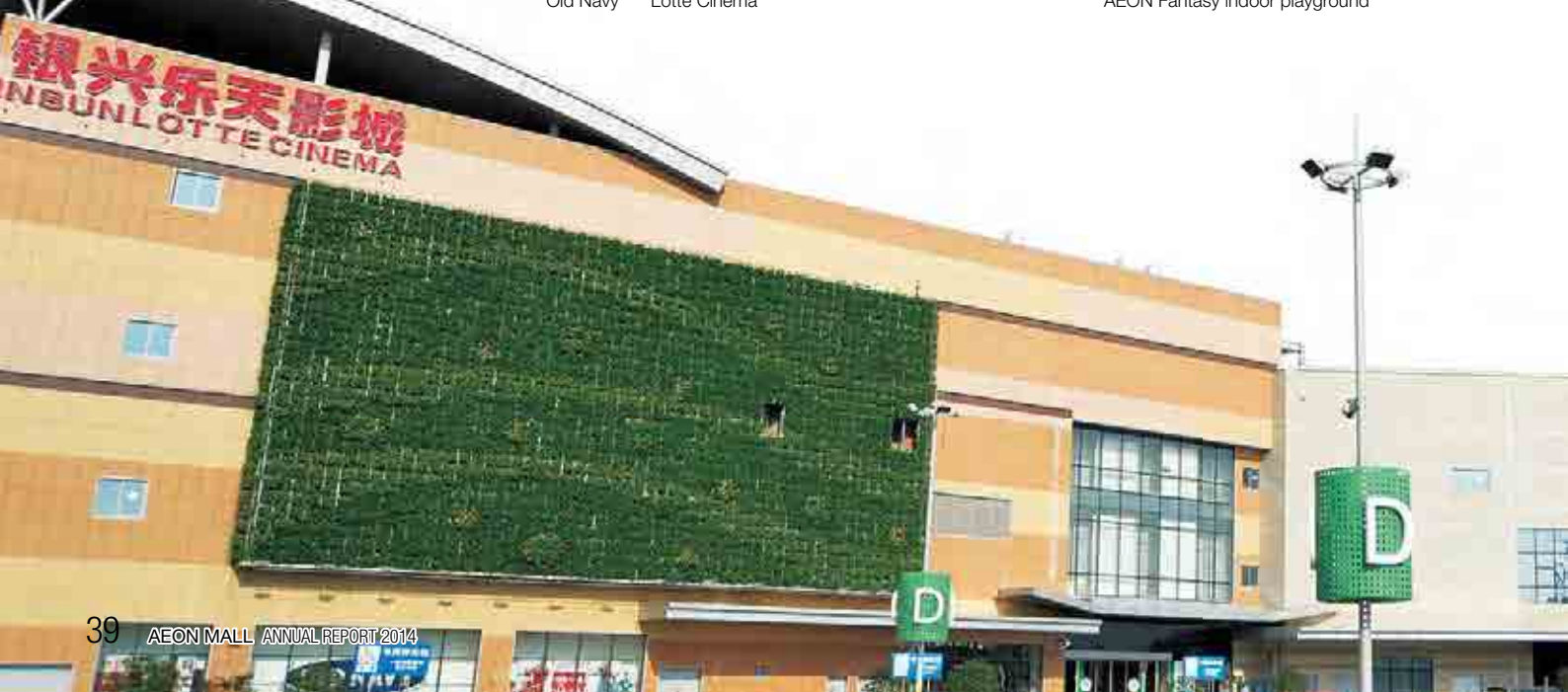
Old Navy



Lotte Cinema



AEON Fantasy indoor playground





Location: 188 Yue Xi Su Zhen Tao Lu, Suzhou Wuzhong, Jiangsu **Site area:** Approx. 114,000m² **Gross leasable area:** Approx. 75,000m²
Parking: Approx. 3,100 vehicles **Specialist stores:** Approx. 190

The Name AEON Included in the Names of a Park and Road near the Mall

We developed the mall as part of an urban development program that also included local infrastructure, working in close partnership with the government behind the Suzhou Wuzhong Economic Development Zone. A 1,100,000m² area has grown up around the mall, including commercial, housing and school facilities, all based on the key concepts “environment” and “eco”. The area also features a landscaped park covering around 700,000m². The park has been named “AEON Green Island” and will serve as a model zone for environmental activities. The main road running through the park is called “AEON Road” too. As part of our groupwide “AEON Hometown Forests Program” meanwhile, we joined forces with local people to plant around 6,000 saplings from species local to Suzhou.



AEON Hometown Forests Program



AEON Road



Planting on wall surface



Installing solar power facilities

A Cutting-Edge Environmentally Friendly Eco-Mall

We have tried to create a mall that is both user and environmentally friendly, through initiatives such as installing a solar hot water system and solar power facilities, using LED lights for signs and lighting, and installing green walls and rooftop gardens. We are planning to obtain “Green Building Label” certification, presented to buildings installing solar power facilities by the Chinese Ministry of Construction, the first time the AEON Group has attempted anything like that in China.

Rolling out the Latest Services Offering Comfort and Convenience for All

We incorporate universal design so that every single person visiting the mall can enjoy a pleasant shopping experience, including the elderly, disabled and customers with babies. As well as taking safety, security, disaster prevention and crime prevention measures, we make every effort to create a comfortable shopping environment, including separate smoking areas to prevent the risk of passive smoking.



Parking spaces for shoppers with disabilities



Toilets for children

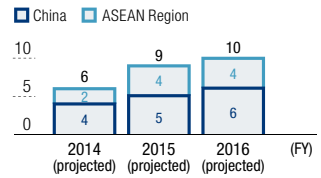




New Openings in Fiscal 2014 and Later Continuing to Accelerate Mall Development in Line with Urban Development in China and the ASEAN Region

We are stepping up development of new malls in suburban areas, in line with increased numbers of middle income earners and urban development on the back of motorization.

Projected New Openings for the Next Three Years



China

AEON Mall Beijing Fengtai

Scheduled to open in fiscal 2015
Location: Ke Ji Da Dao, Feng Tai Qu, Beijing
Site area: Approx. 64,000m² Floor space: Approx. 147,000m²
Parking: Approx. 2,500 vehicles

AEON Mall Tianjin Wuqing

Scheduled to open in fiscal 2016
Location: Jing Jin Gong Lu, Xia Zhu Zhuang, Wu Qing Qu, Tianjin
Site area: Approx. 95,000m² Floor space: Approx. 144,000m²
Parking: Approx. 2,500 vehicles



AEON Mall Hebei Yanjiao

Scheduled to open in fiscal 2015
Location: Yanjiao Economic & Technological Development Zone, Sanhe City, Hebei
Site area: Approx. 84,000m² Floor space: Approx. 175,000m²
Parking: Approx. 2,800 vehicles



AEON Mall Wuhan Jinyintan

Scheduled to open in fiscal 2014
Location: Jinyintan Da Dao, Dong Xi Hu District, Wuhan, Hubei
Site area: Approx. 88,000m²
Floor space: Approx. 177,000m²
Gross leasable area: Approx. 74,400m²
Specialist stores: Approx. 200
Parking: Approx. 2,900 vehicles

AEON Mall Wuhan WEDZ

Scheduled to open in fiscal 2015
Location: WEDZ, Wuhan, Hubei
Site area: Approx. 130,000m²
Floor space: Approx. 275,000m²
Specialist stores: Approx. 300
Parking: Approx. 5,000 vehicles



AEON Mall Wuhan Shi Qiao

Scheduled to open in fiscal 2016
Location: Shi Qiao Cun Cheng Zhong Cun, Jiang'an District, Wuhan Hubei
Site area: Approx. 46,000m²
Floor space: Approx. 121,000m²
Parking: Approx. 1,900 vehicles



AEON Mall Suzhou Yuanqu Hudong

Scheduled to open in fiscal 2014
Location: Suzhou Industrial Park, Su Zhou, Jiangsu
Site area: Approx. 99,000m²
Floor space: Approx. 219,000m²
Parking: Approx. 3,100 vehicles

AEON Mall Hangzhou Liangzhu Xincheng (tentative name)

Scheduled to open in fiscal 2015
Location: Gudun Road, Yuhang District, Hangzhou City, Zhejiang
Site area: Approx. 95,000m² Floor space: Approx. 176,000m²
Gross leasable area: Approx. 72,000m²
Parking: Approx. 3,200 vehicles



AEON Mall Suzhou Wuzhong

Opened on April 25, 2014
Location: 188 Yue Xi Su Zhen Tao Lu, Suzhou Wuzhong, Jiangsu
Site area: Approx. 114,000m²
Floor space: Approx. 155,000m²
Gross leasable area: Approx. 75,000m²
Parking: Approx. 3,100 vehicles
Specialist stores: 190

AEON Mall Guangdong Panyu Square

Scheduled to open in fiscal 2014
Location: Qing He Lu, Nan Sha Qu, Guangzhou, Guangdong Site area: Approx. 51,000m²
Floor space: Approx. 173,000m²
Parking: Approx. 1,700 vehicles

AEON Mall Guangdong Jinshazhou

Scheduled to open in fiscal 2015
Location: Baiyun, Guangzhou, Guangdong
Site area: Approx. 85,000m²
Floor space: Approx. 188,000m²
Parking: Approx. 3,600 vehicles



ASEAN

AEON Mall Long Bien

Scheduled to open in fiscal 2015
 Location: Hanoi IT Park Project in Sai Dong B Industrial Zone, Phuc Dong and Long Bien Ward, Long Bien District, Hanoi
 Site area: Approx. 96,000m²
 Floor space: Approx. 110,000m²
 Gross leasable area: Approx. 73,400m²
 Specialist stores: Approx. 180
 Parking: Approx. 4,000 motorcycles / 1,000 cars



AEON Mall Binh Duong Canary

Scheduled to open in fiscal 2014
 Location: Canary Complex Area, Binh Duong Boulevard, Binh Hoa ward, Thuan An town, Binh Duong province
 Site area: Approx. 62,000m² Specialist stores: Approx. 180

AEON Mall Delta Mas (tentative name)

Scheduled to open in fiscal 2015
 Location: Hegarmukti village, Cikarang Pusat subdistrict, Bekasi Regency, Jawa Barat Province
 Site area: Approx. 200,000m²
 Floor space: Approx. 125,000m²



AEON Mall Phnom Penh

Opened on June 30, 2014
 Location: 132, Street Sothearos, Sangkat Tonle Bassac Khan Chamkarmon, Phnom Penh (next to Sofitel hotel on the Bassac river)
 Site area: Approx. 68,000m² Floor space: Approx. 101,000m²
 Gross leasable area: Approx. 66,000m² Specialist stores: 190
 Parking: Approx. 1,600 motorcycles / 1,400 cars

AEON Mall BSD City

Scheduled to open in fiscal 2015
 Location: BSD City, Banten, Tangerang, Republic of Indonesia
 Site area: Approx. 100,000m²
 Floor space: Approx. 165,000m²
 Gross leasable area: Approx. 77,000m²
 Specialist stores: Approx. 190
 Parking: Approx. 2,700 vehicles

AEON Mall JGC (Jakarta Garden City) (tentative name)

Scheduled to open in fiscal 2015
 Location: Jalan Cakung Cilincing, Cakung, Jakarta, the Republic of Indonesia
 Site area: Approx. 85,000m² Floor space: Approx. 210,00m²
 Gross leasable area: Approx. 91,000m²

* We are currently conducting feasibility studies with an eye to expanding operations into Myanmar, Thailand and Laos.



Corporate Governance

For the long-term and stable enhancement of corporate value, we are working to upgrade our corporate governance functions and to build a system for quick decision making.

Basic Stance

With a basic philosophy of focusing on consumer first values, we have been taking steps to advance harmonious coexistence with local communities and to create lively communities with new and attractive lifestyles founded on a living base with surprises, excitement and delights. Working together with local consumers, government, commercial and industrial circles, tenant companies, other businesses we deal with, and other partners involved in town building, we will continuously contribute to creating lively communities and to providing those who live there with more colorful lifestyles.

In accordance with this basic policy, we are endeavoring to build malls as community centers that help develop the local economy and culture and that will be indispensable to the local community.

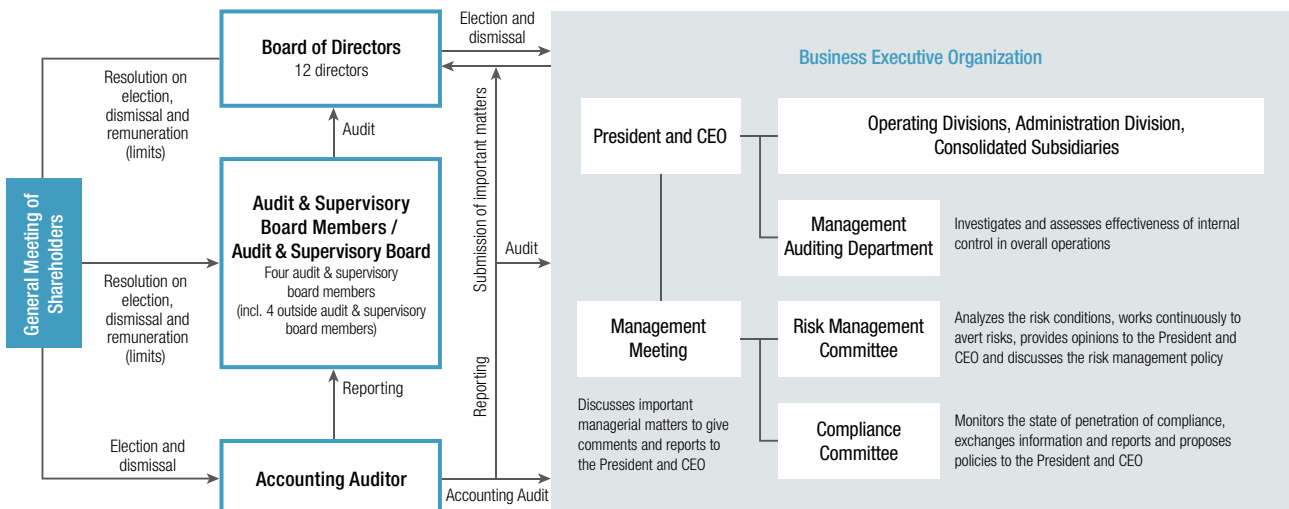
Through corporate activities based on these policies and business administration executed by a management team comprising chiefly directors familiar with the retail business, we will boost our strength as a shopping mall and commercial developer originating from the retail sector, while maintaining and improving management soundness with the help of our audit & supervisory board members. We believe that fulfilling our responsibility to customers, local communities, business partners, shareholders, employees and other stakeholders through

these efforts will enable the long-term and stable enhancement of corporate value. To achieve this, we are striving to enhance corporate governance and the speed of decision making to increase our competitiveness. We are committed to improving managerial transparency and efficiency and to strengthening compliance and risk management so that our system of corporate governance becomes ever stronger.

Relationship with Parent Company

AEON Co., Ltd., the parent company of AEON Mall, reorganized itself into a pure holding company on August 21, 2008. While focusing on the retail business centering on the general merchandising store (GMS) business, AEON Co., Ltd. operates multiple businesses including general finance services and developer services. AEON Mall is defined as a core company in its developer business. AEON Co., Ltd. holds 50.17% of the voting rights of AEON Mall and its affiliates, including 48.85% under its direct ownership*. However, AEON Mall makes managerial decisions on day-to-day business operations independently, while consulting with AEON Co., Ltd. or reporting to it with respect to significant issues concerning business operations. AEON Mall makes decisions on economic and other conditions for transactions with AEON Co., Ltd. and its affiliates in the

Corporate Governance Organization Chart (as of Feb. 28, 2014)



same manner as for general transactions and they are subject to the approval process of the Board of Directors and other relevant bodies. AEON Mall mutually respects autonomy and independence with AEON Co., Ltd. and other companies in the AEON Group while maintaining close ties with them in an effort to achieve continued growth and development and to increase financial results.

* As of the end of fiscal 2013

Management Structure and Activities

1 Board of Directors

Discusses important managerial matters, policies and key issues concerning business operations. To strengthen its managerial supervisory functions, the President and CEO chairs the Board and it meets at least once a month, with the attendance of four outside directors.

2 Audit & Supervisory Board

Exchanges information and opinions with the Management Auditing Department as an internal auditing body and with the accounting auditor to increase the effectiveness of auditing. Two of the four outside audit & supervisory board members are independent officers.

3 Accounting Auditor

AEON Mall contracts with Deloitte Touche Tohmatsu LLC to carry out accounting audits under the Companies Act and those under the Financial Instruments and Exchange Act. AEON Mall has no special relationship of interest with

Deloitte Touche Tohmatsu LLC or with any of its executive officers who are involved in auditing AEON Mall.

Facts on Accounting Auditor (FY 2013)

Name of Accounting Auditor	Deloitte Touche Tohmatsu LLC
Remuneration for fiscal year under review*1	61 million yen
Total amount payable from AEON Mall to the accounting auditor including remuneration*2	68 million yen

*1 The figure specifies the total amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act.

*2 The figure specifies the total amount of monetary and other asset gains that AEON Mall and its subsidiaries owe to the accounting auditor.

4 Management Meeting

Serves as an advisory body for the President and CEO and discusses, coordinates and makes decisions on matters to be referred to the Board of Directors, matters to be resolved by the President and CEO and important matters concerning business operations to ensure effective management. Comprises full-time directors and heads of divisions, business departments and administrative functions, it meets once a week in principle. For governance purposes, one full-time audit & supervisory board member attends every session.

5 Management Auditing Department

To facilitate the execution and control of business operations, seven dedicated personnel collaborate with the heads of individual divisions to investigate and assess internal control on overall operations in terms of its effectiveness and functionality. This department is independent of any on-site operating department.

Remuneration for Directors and Audit & Supervisory Board Members (FY 2013)

Category	Total amount incl. remuneration (million yen)	Number of officers in the category
Directors (excl. outside directors)	217	10
Audit & Supervisory Board Members (excl. outside audit & supervisory board members)	n/a	0
Outside officers	25	5

Sessions Convened by the Board of Directors, the Audit & Supervisory Board and the Management Meeting (FY 2013)

Body		No. of sessions	Main members and attendees
Board of Directors	Chaired by the President and CEO and at least one meeting to be convened each month	17	Directors and audit & supervisory board members
Audit & Supervisory Board		12	Audit & supervisory board members
Management Meeting	An advisory body to the President and CEO, consisting mainly of directors at the levels of managing directors and higher and full-time audit & supervisory board members, at least one meeting to be convened each week in principle	37	President and CEO, directors

Corporate Governance

Election of Outside Officers

Outside directors have a role of ensuring transparency of the Board of Directors by supervising inside directors and giving advice to the management on the basis of their views. Audit & supervisory board members participate in meetings of the Board of Directors at a position distant from the management to request detailed explanations about directors' operations as needed to improve the

effectiveness of the managerial supervision.

We have no specific stipulated independence criteria for the election of outside directors, but they are elected in accordance with a basic concept according to which outside directors must have knowledge and experience requisite to the auditing of directors' compliance and operational control and must have no risk of a conflict of interest with general shareholders.

Activities of Outside Audit & Supervisory Board Members (FY 2013)

	Name	No. of sessions attended		Activity Descriptions
		Board of Directors	Audit & Supervisory Board	
Outside Audit & Supervisory Board Members	Hiroyuki Hamasaki* ¹	14/14	10/10	Made the necessary remarks as appropriate for ensuring the lawfulness of decision making, calling on his ample experience as director and audit & supervisory board member at AEON Group companies.
	Yotoku Hiramatsu ¹	13/14	8/10	Made the necessary remarks as appropriate based on his many years of experience in business management at AEON Co., Ltd. and at the administration divisions of AEON Group companies.
	Mami Taira* ²	15/17	11/12	Made the necessary remarks as appropriate from an impartial point of view with the use of the expertise in accounting she has developed as certified public accountant and tax accountant.
	Yoshihiro Machida* ²	17/17	12/12	Made the necessary remarks as appropriate from extensive perspectives with the use of his advanced knowledge as a specialist in internal control and theories on auditing and accounting and his experience as audit & supervisory board member for other companies.

Notes: *¹ For officers marked with an asterisk (*), the figure specified as denominator indicates the number of sessions of the Board of Directors or the Audit & Supervisory Board convened after his or her assumption of the post.

*² Meets requirements for independent directors set out by the Tokyo Stock Exchange

Holding of Concurrent Position of Outside Directors and Audit & Supervisory Board Members, Reasons for Election, etc. (FY 2014)

	Name	Organization	Concurrent Position	Relationship with AEON Mall	Reasons for Election
Outside Director	Mami Taira* ¹ * ³	Hayakawa & Taira Certified Public Tax Accountants' Corporation	Partner	No transactional relations	Ms. Taira is elected as she is deemed capable of fulfilling the duties from an impartial standpoint using the accounting expertise she has accumulated as a certified public accountant and tax accountant. She has three years experience as an outside audit & supervisory board member with AEON Mall. She worked at Deloitte Touche Tohmatsu LLC from 1987 to 1990. Since then, she has worked at an independent tax accounting office. She has no special relationship of interest with AEON Mall and is considered to have no risk of conflict of interest with general shareholders.
Outside Audit & Supervisory Board Member	Hiroyuki Hamasaki	Shimoda Town Co., Ltd. Hiwada Shopping Mall Co., Ltd.	Outside Audit & Supervisory Board Member	Subsidiaries	Mr. Hamasaki is elected as he is deemed capable of using his rich experience as a director and audit & supervisory board member for different companies in the AEON Group for the benefit of our business management.
	Yotoku Hiramatsu	AEON Financial Service Co., Ltd. AEON Retail Co., Ltd.	Full-Time Audit & Supervisory Board Member Audit & Supervisory Board Member	Group Companies	Mr. Hiramatsu is elected as he is deemed capable of using his extensive experience in AEON Co., Ltd. and other group companies and his knowledge as audit & supervisory board member of AEON Mall's management.
	Yoshihiro Machida* ³	Aoyama Gakuin University Graduate School of Professional Accountancy Ebara Corporation	Professor Outside Audit & Supervisory Board Members	No transactional relations No transactional relations	Mr. Machida is a specialist member of the Business Accounting Council of the Financial Services Agency. He is elected as he is deemed capable of using his advanced knowledge on internal control and theories on auditing and accounting as well as his experience as audit & supervisory board member at other companies for the benefit of AEON Mall's management. He has not been involved in corporate management before, but he is expected to properly fulfill the duties of an outside audit & supervisory board member for the reasons mentioned above. As he is not from any of AEON Mall's major shareholders or major business partners, he has no special relationship of interest with AEON Mall and is therefore deemed appropriate as an independent officer.
	Yumiko Ichige* ² * ³	Nozomi Sogo Attorneys at Law Mizusawa Industrial Chemicals, Ltd. NEC Networks & System Integration Corporation	Partner Outside Audit & Supervisory Board Member Outside Director	No transactional relations No transactional relations No transactional relations	Ms. Ichige has experience and technical knowledge as lawyer specializing in corporate law. She is elected as she is deemed capable of fulfilling her duties as audit & supervisory board member from an objective perspective as legal expert. She has not previously been involved in corporate management, but she is expected to fulfill the duties of outside audit & supervisory board member for the reasons mentioned above. As she is not from any of AEON Mall's major shareholders or major business partners, she has no special relationship of interest with AEON Mall and is therefore deemed appropriate as an independent officer.

*¹ Retired as outside audit & supervisory board member on May 22, 2014 and appointed as outside director *² Appointed as outside audit & supervisory board member on May 22, 2014

*³ Meets requirements for independent directors set out by the Tokyo Stock Exchange

A Message from an Outside Director



Serving to maximize corporate value while minimizing managerial risks by capitalizing on experience gained as outside corporate audit & supervisory board member and independent officer

Mami Taira Outside Director (Independent Officer*)

From AEON Mall's first outside audit & supervisory board member and independent officer to its first outside director

Since I was appointed outside audit & supervisory board member and independent officer for AEON Mall in May 2011, I have not only performed accounting audits but I have also given advice and suggestions from a neutral standpoint in different managerial decision-making processes including those concerning the implementation of development projects. In doing so, I have used the knowledge and experience I have gained as a certified public accountant and tax accountant.

This was my first time serving as audit & supervisory board member. And possibly as I was AEON Mall's first independent officer, the company and I were somewhat uncertain about each other at first. However, I believe that the presence of an outsider's eyes had the effect of lending a healthy sense of tension to management.

I regularly attended sessions of the Audit & Supervisory Board and the Board of Directors to gain a more profound insight into business and strategies. Gradually, I became capable of proactively making comments. In recognition of these developments, I retired as audit & supervisory board member and was appointed as an outside director when AEON Mall introduced that position.

Aspiring to make more significant contribution to the growth of AEON Mall

In the past, audit & supervisory board members' duties centered on checking comments and decisions made by members of the management team. In the future, I will be more deeply involved in business administration as director by practicing my motto of *viewing things from the customers' point of view and thinking and acting together*.

My three years of experience have given me the perception that AEON Mall has a unique or unmatched strength in managerial swiftness. The company faces key

issues it must quickly tackle in terms of organizational development and human resources development in the context of accelerating mall development in Japan and overseas. It is my duty to make objective remarks about these issues and to encourage prior action to respond with them. I hope that this will help enhance the functions of managerial supervision and further improve transparency.

Especially from foreign investors, there have been comments on the protection of minor shareholders' interests in connection with the listing of the shares of the parent company and its subsidiaries. AEON Mall has very solid corporate governance, but I will give all possible support to minimizing risks that would concern investors while maximizing the company's corporate value. I believe that this will help increase the value of the AEON Group.

Developing the power of female staff into a driving force of AEON Mall

I understand that the original intention behind my appointment as outside audit & supervisory board member was to more actively introduce the perspectives of women to business administration. I have tried my best to make remarks from the points of view of women and consumers. Going forward, I would like to make a greater contribution to encouraging female staff members in the company.

I have to date had some opportunity to talk with female staff on the occasion of mall visits. In the future, as a director, I will seek more opportunities to positively communicate with them to help boost their motivation for their own development. Given that many of the customers served by the malls that the company runs are women, encouraging female staff should be a driving force of further growth. I will be delighted if my presence motivates female staff and leads to the appointment of female officers from among insiders and to an increase in women in managerial positions.

* An outside director or audit & supervisory board member without the risk of a conflict of interest with minority shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

Internal Control System

We have established an internal control system that we continue to operate and improve on an ongoing basis to ensure that we carry out operations appropriately, in accordance with legislation and our own Articles of Incorporation.

Information management and storage

With respect to records on directors' decision making, we create and properly store and manage decision documents, minutes of meetings and other information required by executive directors in performing their duties in accordance with the internal rules. To manage these records, the departments responsible for them as stipulated in the rules take the steps necessary to prevent unauthorized disclosure.

Efficient performance of duties

The Board of Directors meets regularly once a month and holds extraordinary meetings as needed. Any matter requiring the decision of the president or higher level that may generate a material risk to the company is discussed from many different viewpoints at a Management Meeting, which is an advisory body to the President and CEO, before a decision is made by the President and CEO or by the Board of Directors. Rules for Job Position Management, Rules for the Division of Duties, Rules for Authority, and Rules for Asking Approval have been established to allocate the authority necessary for the performance of duties and to make clear who has responsibility for management. They also provide for details about responsibility and procedures for implementation.

Compliance Structure

To build better relations with local communities and to fulfill our corporate social responsibility, we emphasize compliance-based management and observes the AEON Code of Conduct.

As an internal reporting system, we have set up a Compliance Committee under the Management Meeting as well as the Helpline AEON Mall Employees' 110 hotline. The AEON Mall labor union has separately launched Union 110. When this helpline receives a report from a whistleblower, the Compliance Committee examines the details and if it finds any violation, it will take the necessary steps in accordance with the internal rules. It will also independently develop measures to prevent a recurrence or instruct the relevant department to do so and ensure that the measures are implemented

across the Company.

It will report important matters to the Audit & Supervisory Board.

Ensuring of Appropriate Business Operations by the Corporate Group Comprising the Company, its Parent Company and Subsidiaries

In the event of entering into any transaction with the parent company or undertaking any business in which we compete with the parent company and which could lead to an effective conflict in interest between the parent company and our Company, the details will be considered by the Board of Directors. Action will only be taken with the Board's approval.

We manage our subsidiaries in accordance with the Rules for Managing Affiliate Companies and establish a system of cooperation for ensuring that they operate properly.

For transactions with AEON Group companies, we apply appropriate conditions based on market prices. In this event, we will strive to obtain third-party evaluation documents and other objective evaluations that will be helpful to pricing.

Auditing and Monitoring System

As an internal auditing organization, we have the Management Auditing Department, consisting of seven members. Under the direct control of the President and CEO, this department performs operating audits of all departments in the company and its subsidiaries to ensure that internal control is fully in effect and to play a part in verifying its effectiveness. The results of operating audits are reported to the President and CEO with each audit and are regularly reported to the Management Meeting and to the audit & supervisory board members.

No employee is appointed as assistant to audit & supervisory board members. The full-time audit & supervisory board member seeks to maintain the effectiveness of auditing operations by directly performing auditing operations, including the creation of auditing plans and auditing budgets and the performance of audits themselves. The full-time audit & supervisory board member also regularly receives reports

on internal audit statuses from the Management Auditing Department and from accounting auditors.

If any audit & supervisory board member requires any employee to be appointed to assist in his or her operations in the future, the Board of Directors will discuss with the Audit & Supervisory Board the number of such assistants required and will make the appointments.

The Management Auditing Department collaborates closely with the Audit & Supervisory Board to help achieve efficiency in audit & supervisory board members' auditing operations, for example by arranging the details of audits on a timely basis.

If any employee appointed as assistant to a audit & supervisory board member receives an instruction required for auditing operations from the audit & supervisory board member, the employee must not be under the command of any other director or employee with respect to the instruction. Personnel appraisals of the employee appointed as assistant will be subject to consultation among the audit & supervisory board members and any personnel transfer or disciplinary action against the employee will require the prior approval of the Audit & Supervisory Board.

If any director discovers any matter that may affect AEON Mall's operations or financial results or any compliance violation or other compliance-related issue that could cause serious damage to the company, he or she will swiftly notify the Audit & Supervisory Board. At the request of any audit & supervisory board member for a report on the status of the discharge of his or her duties, the director must quickly and sincerely respond with priority over other matters.

Risk Management

To address disaster-, environment-, compliance-related and other business risks, we have established the Risk Management Committee under the Management Meeting. In charge of risk management for the entire Company, it identifies all risks in the Company and gathers information to draft a proposal on the policy for developing a response.

In accordance with this policy, separate departments responsible for different duties specified in the Rules for the Division of Rules will institute rules and handling procedures and regularly revise them.

We will make them known to staff members across

the company by means of education on the occasion of internal regular training and through the electronic bulletin board.

In the event of any emergency or serious risk of loss, we will implement appropriate communication and decision-making processes in accordance with the Management Crisis Control Regulations to take appropriate action, for instance, to minimize damage.

Efforts to Eliminate Antisocial Forces

Basic Stance

From the perspectives of the strict implementation of compliance management and the protection of the company, we are aware that it is our corporate social responsibility to have no relations with antisocial forces, to take a firm attitude towards their unreasonable demands and to reject such demands.

Readiness to Eliminate Antisocial Forces

In the event of any unreasonable demand from any antisocial force, no individual staff member should deal with it on their own. It is stipulated that we will give an organizational response, including the possibility of civil or penal legal action, after building close collaboration with outside experts and investigative authorities.

We are a member of the *Bouryokudan Tsuiho Chiba Kenmin Kaigi* (Chiba Prefectural Citizen Committee Against Organized Crime Groups). In close collaboration with the police, crime prevention associations and other organizations, we will strive to gather information about antisocial forces and gather together information from across the Company, including information collected from our individual business offices. We will also undertake in-house activities to build awareness.

Other

To execute our corporate action policy in the aspects of society, the environment and ethics, we have established the AEON Mall Corporate Social Responsibility (CSR) Council and adopted codes of conduct and standards for statutory compliance, environmental conservation and social contribution. We are taking steps to make these rules known and observed within the Company and to manage their operation.

Directors and Audit & Supervisory Board Members (as of May 31, 2014)

Directors



Chairman
Noriyuki Murakami

Date of birth April 3, 1951

Profile
 March 1974: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 May 2000: Director, GM, General Manager, Merchandising Division, JUSCO Co., Ltd.
 February 2002: Director, General Manager, SSM Merchandising Division, AEON Co., Ltd.
 May 2003: Managing Executive Officer, AEON Co., Ltd.
 February 2004: Managing Executive Officer, Sales Planning, AEON Co., Ltd.
 May 2006: Senior Managing Director, Sales, AEON MALL Co., Ltd.
 April 2007: President and CEO, AEON MALL Co., Ltd.
 May 2011: Chairman, AEON MALL Co., Ltd. (to present)
 March 2012: Senior Executive Vice President, Advisor to CEO, AEON Co., Ltd.
 Representative, Tohoku, AEON Co., Ltd.
 March 2014: Executive Vice President, AEON Co., Ltd.
 Representative, Tohoku, AEON Co., Ltd.
 May 2014: Corporate Advisor, AEON Co., Ltd.
 Representative, Tohoku, AEON Co., Ltd. (to present)



President and CEO
Soichi Okazaki

Date of birth October 10, 1958

Profile
 March 1981: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 July 1995: Director, Guangdong JUSCO Team Stores Co., Ltd. (now Guangdong AEON Team Co., Ltd.)
 June 2001: President, Jaya Jusco Stores Sdn. Bhd. (now AEON Co. (M) Bhd.)
 May 2005: Vice President, AEON Co., Ltd.
 July 2005: General Manager, Supercenter Business Division, AEON Co., Ltd.
 November 2005: Director and President, AEON SUPERCENTER Co., Ltd.
 April 2009: General Manager, Corporate Marketing Department, AEON Co., Ltd.
 April 2009: Director, General Manager, Sales Planning Division, AEON Retail Co., Ltd.
 April 2009: Director, AEON Retail Co., Ltd.
 April 2010: Operating Officer, AEON Retail Co., Ltd.
 May 2011: President and CEO, AEON MALL Co., Ltd. (to present)
 March 2012: Vice President, CEO, Shopping Center Development Business, AEON Co., Ltd.
 March 2013: Senior Executive Vice President, CEO, Shopping Center Development Business, AEON Co., Ltd.
 March 2014: Senior Executive Vice President, CEO, GMS Business and Shopping Center Development Business, and Chief, Asian Shift, AEON Co., Ltd. (to present)

Important concurrent position
Executive Vice President



Senior Managing Director
Kaoru Iwamoto

Date of birth August 7, 1954

Profile
 April 1977: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 April 2001: General Manager, Kinki Development Department, SC Development Division, JUSCO Co., Ltd.
 March 2005: General Manager, Western Japan Development Department, Development Division, AEON Co., Ltd.
 April 2008: Supervisor, Development Division, AEON MALL Co., Ltd.
 May 2008: Director, Deputy General Manager, Development Division, AEON MALL Co., Ltd.
 May 2009: Director, General Manager, Development Division, AEON MALL Co., Ltd.
 May 2010: Managing Director, General Manager, Development Division, AEON MALL Co., Ltd.
 May 2012: Senior Managing Director, General Manager, Development Division, AEON MALL Co., Ltd. (to present)



Senior Managing Director
Seiichi Chiba

Date of birth July 28, 1955

Profile
 April 1978: Joined The Dai-ichi Kangyo Bank, Limited (now Mizuho Bank, Ltd.)
 September 1993: Assistant Manager, New York Branch, The Dai-ichi Kangyo Bank, Limited
 April 2002: Deputy Manager, Credit Department No. 3, Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
 October 2002: General Manager, Corporate Department No. 4, Mizuho Corporate Bank, Ltd.
 May 2003: General Manager, Global Corporate Department No. 2, Mizuho Corporate Bank, Ltd.
 April 2005: Executive Officer, General Manager, Corporate Restructuring Division No. 1, Mizuho Corporate Bank, Ltd.
 April 2007: Managing Executive Officer, Mizuho Corporate Bank, Ltd.
 May 2010: Vice President, AEON Co., Ltd.
 May 2010: Vice President CFO, AEON Group, Manager in Charge of Finance, AEON Group
 May 2010: Audit & Supervisory Board Member, AEON MALL Co., Ltd.
 March 2011: Vice President CFO, AEON Group
 May 2013: Senior Managing Director, General Manager, Finance & Accounting Division, AEON MALL Co., Ltd. (to present)

Important concurrent position
Chairman, AEON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.



Senior Managing Director
Hiroshi Iwamoto

Date of birth March 2, 1954

Profile
 April 1977: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 March 1992: Seconded to Japan Chain Stores Association, General Manager, General Affairs Department and General Manager, Environment Department
 October 1994: Deputy Chief, President's Office, AEON Co., Ltd.
 February 2002: Manager, Leasing Division, AEON MALL Co., Ltd.
 November 2004: General Manager, New Formats Development Department, Development Division, AEON MALL Co., Ltd.
 July 2006: General Manager, Leasing Division, AEON MALL Co., Ltd.
 August 2007: General Manager, International Business Planning Department, AEON MALL Co., Ltd.
 May 2008: Director, General Manager, Tenant Leasing Division, AEON MALL Co., Ltd.
 May 2009: Director, General Manager, Leasing Management Department, Sales Division, AEON MALL Co., Ltd.
 April 2011: Director, General Manager, East Japan Business Department, Sales Division, AEON MALL Co., Ltd.
 May 2012: Managing Director, General Manager, Sales Division, AEON MALL Co., Ltd.
 May 2013: Senior Managing Director, General Manager, Sales Division, AEON MALL Co., Ltd.
 April 2014: Senior Managing Director, Sales Division, AEON MALL Co., Ltd. (to present)



Managing Director
Yoshiharu Umeda

Date of birth October 8, 1955

Profile
 March 1978: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 August 2007: General Manager, AEON Mall Sakaitahanada prou, AEON MALL Co., Ltd.
 May 2009: General Manager, AEON Mall Hanyu, AEON MALL Co., Ltd.
 May 2011: Director, General Manager, West Japan Business Department, Sales Division, AEON MALL Co., Ltd.
 August 2012: Director, Administration, AEON MALL Co., Ltd.
 April 2013: Director, General Manager, Administration Division, AEON MALL Co., Ltd.
 May 2013: Managing Director, General Manager, Administration Division, AEON MALL Co., Ltd. (to present)

Important concurrent position
Director, Shimoda Town Co., Ltd.



Managing Director
Akio Yoshida

Date of birth May 26, 1960

Profile
 April 1983: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 September 2005: General Manager, Tohoku Development Department, AEON Co., Ltd.
 March 2008: General Manager, Kanto Development Department No.1, AEON Co., Ltd.
 September 2009: General Manager, Kanto Development Department, AEON Retail Co., Ltd.
 February 2011: General Manager, Management Department, International Planning Department, AEON MALL Co., Ltd.
 March 2011: Director, AEON (CHINA) CO., LTD. (to present)
 March 2011: General Manager, China Development Management Department, China Division, AEON MALL Co., Ltd.
 March 2012: General Manager, China Division, AEON MALL Co., Ltd.
 April 2014: General Manager, Sales Division and in charge of China, AEON MALL Co., Ltd.
 May 2014: Managing Director, General Manager, Sales Division and in charge of China, AEON MALL Co., Ltd. (to present)

Important concurrent position
Director, AEON (CHINA) CO., LTD.



Director and Advisor
Motoya Okada

Date of birth June 17, 1951

Profile
 March 1979: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 May 1990: Director, JUSCO Co., Ltd.
 February 1992: Managing Director, JUSCO Co., Ltd.
 May 1995: Senior Managing Director, JUSCO Co., Ltd.
 June 1997: President, JUSCO Co., Ltd.
 May 1998: Director, AEON MALL Co., Ltd.
 May 2002: Director and Advisor, AEON MALL Co., Ltd. (to present)
 May 2003: Director and President and Representative Executive Officer, AEON Co., Ltd.
 March 2012: Director and President and Representative Executive Officer, Group CEO, AEON Co., Ltd. (to present)

Important concurrent position
Director and President and Representative Executive Officer, Group CEO, AEON Co., Ltd. (to present)

Directors



Director
Mitsugu Tamai

Date of birth July 5, 1962

Profile

July 1999: Joined AEON Credit Service Co., Ltd.
 March 2002: Manager, Finance & Accounting Department, AEON Credit Service Co., Ltd.
 February 2005: General Manager, Finance & Accounting Management Department, AEON Credit Service Co., Ltd.
 May 2006: Director, General Manager, Finance & Accounting Management Department, AEON Credit Service Co., Ltd.
 April 2007: Director, General Manager, Finance & Accounting Division, AEON Credit Service Co., Ltd.
 April 2009: Director, General Manager, Business Promotion Division, AEON Credit Service Co., Ltd.
 March 2010: Director, General Manager, Affiliate Management Division, AEON Credit Service Co., Ltd.
 May 2011: Executive Officer, General Manager, Administration Department, Affiliate Management Division, AEON Credit Service Co., Ltd.
 March 2012: Aide to the Group Control and Accounting Officer, AEON Co., Ltd.
 May 2012: Audit & Supervisory Board Member, AEON Kyushu Co., Ltd.
 May 2012: Audit & Supervisory Board Member, AEON Delight Co., Ltd.
 August 2012: General Manager, Administration Division, AEON MALL Co., Ltd.
 April 2013: General Manager, ASEAN Division, AEON MALL Co., Ltd.
 May 2013: Director, General Manager, ASEAN Division, AEON MALL Co., Ltd. (to present)



Director
Masato Murai

Date of birth January 5, 1955

Profile

April 1978: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 May 2005: General Manager, Sales Division No. 2, AEON MALL Co., Ltd.
 May 2006: Director, General Manager, Sales Division No. 2, AEON MALL Co., Ltd.
 August 2007: Director, General Manager, Kinki Sales Department, SC Sales Division, AEON MALL Co., Ltd.
 May 2009: Director, General Manager, Chubu & Kinki Business Department, Sales Division, AEON MALL Co., Ltd.
 May 2010: Director, General Manager, Revitalization Promotion Management Department, Sales Division, AEON MALL Co., Ltd.
 April 2011: Director, General Manager, Corporate Social Responsibility Management Department, Sales Division, AEON MALL Co., Ltd.
 December 2011: Director, General Manager, Makuhari New City Promotion Department, Sales Division, AEON MALL Co., Ltd.
 December 2013: Director, General Manager, Makuhari New City Business Department, Sales Division, AEON MALL Co., Ltd. (to present)



Director
Akio Mishima

Date of birth November 8, 1958

Profile

April 2000: Joined AEON MALL Co., Ltd.
 July 2006: General Manager, Existing Store Management Department, Leasing Division, AEON MALL Co., Ltd.
 July 2007: General Manager, AEON Mall Kisogawa, AEON MALL Co., Ltd.
 May 2009: General Manager, Kanto & Tohoku Leasing Department, Leasing Management Department, Sales Division, AEON MALL Co., Ltd.
 April 2011: General Manager, Leasing Management Department, Sales Division, AEON MALL Co., Ltd.
 May 2012: Director, General Manager, Leasing Division, AEON MALL Co., Ltd.
 April 2013: Director, General Manager, Leasing Management Department, Sales Division, AEON MALL Co., Ltd. (to present)



Outside Director / Independent Director*
Mami Taira

Date of birth February 20, 1962

Profile

October 1987: Joined Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC)
 October 1990: Joined Yoshio Hayakawa Tax Accountant Office
 September 1991: Registered as a certified public accountant
 April 1992: Registered as a certified tax accountant
 October 2002: Partner, Taira Tax & Accounting Consulting Group (to present)
 May 2011: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd.
 May 2014: Outside Director, AEON MALL Co., Ltd. (to present)

Important concurrent position

Partner, Taira Tax & Accounting Consulting Group

Audit & Supervisory Board Members



Full-time Outside Audit & Supervisory Board Member
Hiroyuki Hamasaki

Date of birth May 4, 1950

Profile

March 1973: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 March 1997: General Manager, Administration Management Department, AEON Fantasy Co., Ltd.
 May 1998: Director, AEON Fantasy Co., Ltd.
 March 1999: Administration Management Group Chief Manager, AEON Fantasy Co., Ltd.
 May 2000: Managing Director, AEON Fantasy Co., Ltd.
 May 2003: Senior Managing Director, AEON Fantasy Co., Ltd.
 March 2005: General Manager, Administration Division and in charge of Risk Management, AEON Fantasy Co., Ltd.
 May 2006: Full-time Audit & Supervisory Board Member, MINISTOP Co., Ltd.
 June 2006: Audit & Supervisory Board Member, MAXVALU CHUBU Co., Ltd.
 May 2007: Audit & Supervisory Board Member, MINISTOP Co., Ltd.
 October 2007: Full-time Audit & Supervisory Board Member, AEON BANK, Ltd.
 May 2013: Audit & Supervisory Board Member, AEON BANK, Ltd.
 May 2013: Full-time Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)

Important concurrent positions

Outside Audit & Supervisory Board Member, Shimoda Town Co., Ltd.
 Outside Audit & Supervisory Board Member, Hiwada Shopping Mall Co., Ltd.



Outside Audit & Supervisory Board Member
Yotoku Hiramatsu

Date of birth November 8, 1950

Profile

March 1974: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)
 March 1998: Manager, Finance Department, JUSCO Co., Ltd.
 March 1999: General Manager, Control Department, JUSCO Co., Ltd.
 February 2002: General Manager, Aomori-Iwate Business Department, AEON Co., Ltd.
 February 2003: Director, General Manager, Administration Division, MAXVALU KYUSHU Co., Ltd.
 April 2006: Manager, Keihan Business Division, AEON Co., Ltd.
 September 2007: Vice President, Kanto Company, AEON Co., Ltd.
 April 2009: Manager, Management Auditing Office, AEON Retail Co., Ltd.
 November 2012: Full-time Audit & Supervisory Board Member, MARUNAKA Co., Ltd.
 May 2013: Audit & Supervisory Board Member, AEON Retail Co., Ltd. (to present)
 May 2013: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)
 June 2013: Full-time Audit & Supervisory Board Member, AEON Financial Service Co., Ltd. (to present)

Important concurrent positions

Full-time Audit & Supervisory Board Member, AEON Financial Service Co., Ltd.
 Audit & Supervisory Board Member, AEON Retail Co., Ltd.



Outside Audit & Supervisory Board Member / Independent Director*
Yoshihiro Machida

Date of birth May 25, 1967

Profile

April 1992: Assistant, School of Commerce, Waseda University
 April 1997: Associate Professor, Faculty of Business Administration, Tokyo Keizai University
 April 2000: Assistant Professor, Faculty of Business Administration, Tokyo Keizai University
 April 2005: Professor, Aoyama Gakuin University Graduate School of Professional Accountancy (to present)
 June 2007: Audit & Supervisory Board Member, EBARA CORPORATION (to present)
 May 2011: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)

Important concurrent positions

Professor, Aoyama Gakuin University Graduate School of Professional Accountancy
 Audit & Supervisory Board Member, EBARA CORPORATION



Outside Audit & Supervisory Board Member / Independent Director*
Yumiko Ichige

Date of birth March 13, 1961

Profile

April 1989: Registered as an attorney
 April 1989: Joined IBM Japan, Ltd.
 December 2007: Partner, NOZOMI SOGO Attorneys at Law (to present)
 April 2009: Deputy Chairman, Daini Tokyo Bar Association
 June 2010: Outside Audit & Supervisory Board Member, MIZUSAWA INDUSTRIAL CHEMICALS, LTD. (to present)
 September 2010: Deputy Secretary General, Japan Federation of Bar Associations
 June 2012: Outside Director, NEC Networks & System Integration Corporation (to present)
 May 2014: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)

Important concurrent positions

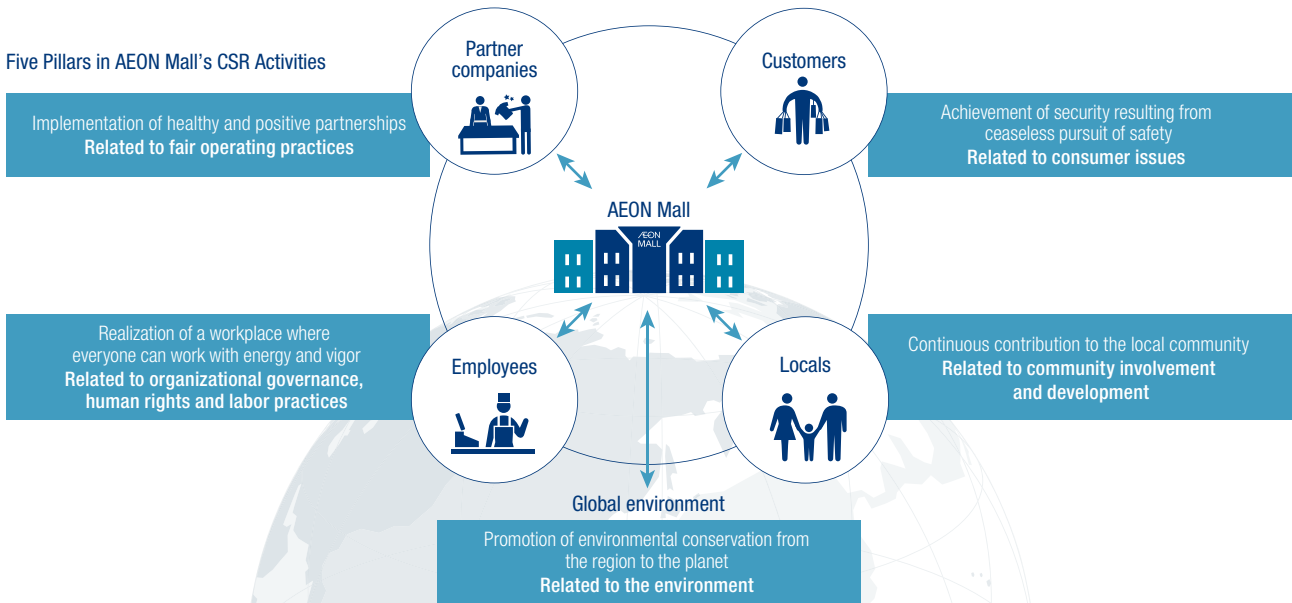
Partner, NOZOMI SOGO Attorneys at Law
 Outside Audit & Supervisory Board Member, MIZUSAWA INDUSTRIAL CHEMICALS, LTD.
 Outside Director, NEC Networks & System Integration Corporation

* An outside director or audit & supervisory board member without the risk of a conflict of interest with minority shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

CSR Activities

To continue sustainable development together with society, we are working to build good relations with our stakeholders.

Basic Stance



To make a continuous contribution to the local community, it is vital to achieve security resulting from the ceaseless pursuit of safety, so that customers can visit AEON Mall's facilities without anxiety. For this purpose, we must respect employees by creating a workplace in which everyone can work with energy and vigor and build healthy and positive partnerships in which we maintain

fair relations with partners. In addition, we will work to conserve the environment, both local and global. In so doing, we will continue our policy of sustainable development together with local residents.

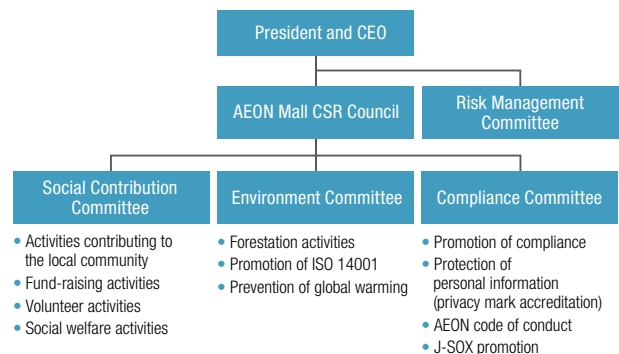
On the basis of this stance, we are carrying out CSR activities with five pillars in line with the ISO 26000, which is the first international standard on social responsibility.

The seven core subjects in ISO 26000

1. Organizational Governance
2. Human Rights
3. Labor Practices
4. The Environment
5. Fair Operating Practices
6. Consumer Issues
7. Community Involvement and Development

CSR Implementation Structure Chart

We understand that we have a social responsibility to develop shopping malls that coexist in harmony with the environment and with the community and that our fulfillment of this responsibility leads to the continued growth of shopping malls in local communities. Advancing our policy on corporate activities in social, environmental and ethical aspects, the AEON Mall CSR Council holds monthly meetings chaired by the president and CEO to manage the progress of CSR activities and make swift decisions to resolve any issues. For individual social, environmental and ethical issues, dedicated committees are set up to encourage activities.



Main Activities

Continuous contribution to the local community

Shopping malls that grow with communities

We create several thousand stable jobs in a community and help stimulate the local economy through an increase in tax revenues and in population. Individual malls engage in fund-raising activities and serve as bases for social contribution.

Results of fund-raising activities for FY 2013

(Amount in yen received from customers at shopping malls operated by AEON Mall)
(Yen)

Fund-Raising for Supporting Disability Manufacturing	From Feb. 23, 2013 to Mar. 11, 2013	3,045,854
Fund-Raising for Supporting Recovery from the Great East Japan Earthquake	From Apr. 20, 2013 to May 12, 2013	1,823,163
Fund-Raising in the AEON UNICEF Safe Water Campaign	From Apr. 6, 2013 to Jun. 9, 2013	4,666,125
Fund-Raising in Africa Aid Campaign – Red Cup for Africa * At the shopping malls in Kanagawa Pref. only	From Apr. 1, 2013 to May 31, 2013	41,785
Fund-Raising for 24-Hour Television Charities	From Jun. 15, 2013 to Sep. 1, 2013	56,279,447
Fund-Raising for Supporting School Construction in Myanmar	From Sep. 13, 2013 to Nov. 17, 2013	6,178,745
Emergency Fund-Raising for Philippines Typhoon Disaster Relief	From Nov. 13, 2013 to Nov. 24, 2013	9,238,072
Christmas Charity Fund-Raising	From Nov. 16/17/25, 2013 to Dec. 25, 2013	6,389,483
Total		87,662,674

Example of regional contribution at different places

We respect local festivals and other traditional events and civic cultural activities at individual location and offer support beyond the framework of commercial facilities. We also make a range of local contributions outside Japan.

Achievement of security resulting from the ceaseless pursuit of safety

Development of shopping malls that give reassurance to all visitors

We have been introducing universal design since 2005 so that all kinds of visitors, ranging from infants to the elderly, can feel comfort at our shopping malls. We have instituted our own strict rules on food hygiene control in the persistent pursuit of safety.



Parking spaces for shoppers with disabilities

Ensuring of safety and reassurance in the event of disasters

As our shopping malls receive large numbers of visitors, we regularly carry out disaster drills in preparation for

disasters. We are working to improve the aseismic performance of the facilities and to ensure that they function as bases for recovery in the wake of possible future disasters, making the facilities more disaster-resistant.



Scene from a disaster drill

Realization of a workplace where everyone can work with energy and vigor

Providing an environment and systems that allow diverse human resources to display their potential

In a collaboration between labor and management, we established the Women Success Promotion Committee with the aspiration of enabling competent human resources irrespective of gender to display their skills. In addition, we launched a childcare support system, a re-entry system and a community employee system to help achieve work-life balance. We are thus taking steps to create workplaces that cater to a diverse range of people.

Employee Data

(Employees)

	FY 2012	FY 2013
Number of employees (Other employees*)	1,042 (493)	1,689 (1,187)
New employees (male/female)	83 (29/54)	82 (45/37)
Disabled employees*2	16	19
Employees who have received childcare leave (of which male)	7 (1)	16 (1)

*1 Number of other employees represent the average number during the term.

*2 As of the end of FY 2013, the disability employment rate stood at 1.48%. We will continue to recruit job seekers with disabilities in an effort to raise the figure.

Pushing ahead with globalization of human resources

In China and ASEAN countries, we are rapidly advancing the globalization of human resources in accordance with our basic policy of having our malls operated by local staff. We are increasing opportunities for human exchange, including short-term training sessions at shopping malls in Japan.

Local subsidiary staff

(as of February 28, 2014)

(Employees)

China	291
Cambodia	13
Vietnam	66
Indonesia	22

Implementation of healthy and positive partnerships

Partnership Project

For partnerships with tenant firms, we have introduced a Partnership Project in which we aim to encourage collaboration not only between stores but between firms. By creating multiple channels with tenant companies, we will communicate more closely with them and we are thinking of carrying out different collaborative projects.

CSR Activities

A stress-free workplace environment and skill development

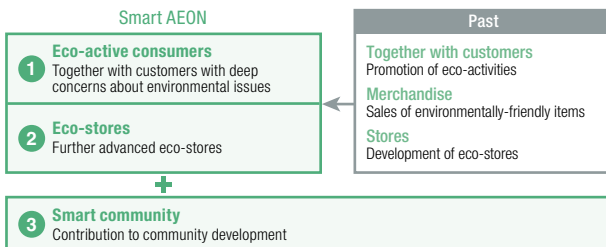
We will place a box that encourages employees to offer comments and inquiries. We are successively increasing the number of shopping malls with sufficient resting spaces, convenience stores exclusively for staff, and powder rooms. In addition, AEON Doyutenkai (Store Association) organizes a nationwide role playing contest in an effort to improve staff's customer service skills.

Promotion of environmental conservation from the region to the planet

Towards advanced eco-malls

Operation of Smart AEON

Smart AEON is a new model of commercial facilities formed by integration of advanced eco-stores to help build sustainable communities. AEON Mall Makuhari New City is working to create a smart community on AEON's initiative, to make maximum use of natural energy, and to erect a base of a business continuity plan (BCP) with decentralized power supply.



Increase in electric vehicle (EV) rechargers

We are installing more electric vehicle rechargers at individual shopping malls to help increase the use of electric vehicles that emit no carbon dioxide as well as plug-in hybrid vehicles.



An EV recharger

Continued activities for AEON Hometown Forest Program

At the time of inaugurating a new shopping mall, we plant seedlings of trees that grow naturally at the location, as it is best suited to the local natural environment. After the planting at AEON Mall Makuhari New City, the number of trees planted as a result of AEON forestation activities reached 10 million.



The monument commemorating planting of the 10 millionth tree

Environmental activities with the use of natural energy

Solar power generation

Individual shopping malls in Japan and overseas are introducing solar power generation systems to cover part of their power demand.

Wall greening and planting

Greening on the wall surfaces of shopping malls not only improves the view but also helps suppress the rise in indoor temperatures during summer to reduce energy consumption for air conditioning.



Wall greening at AEON Mall Makuhari New City

Day-to-day activities at individual shopping malls

Water quality conservation

To prevent the discharge of oil and garbage, we oblige all eating and drinking establishments to regularly perform grease trap cleaning in their kitchens in order to comply with the effluent standards. In preparation for oil spillage, we regularly carry out drills to prevent oil from spreading to the exterior.



An oil protection wall in a garbage storage

Environmental communication

We distribute pamphlets and post notices on the bulletin board in the backyard to call on specialty store staff to cooperate in environmental activities.

Inside the facilities we make environmental communications through eco-stations and eco-benches and ask visitors to carry reusable shopping bags and to cooperate in recycling.



Eco Information in a mall

Waste reduction through visualization

Individual shopping malls are introducing systems according to which waste is basically classified into 17 different categories and weighed on a category-by-category basis. For fiscal 2013, the recycling rate for the entire company reached 82.8%.



Waste measuring system

Financial Section

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ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet February 28, 2014

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
CURRENT ASSETS:			
Cash and cash equivalents (Notes 4,15, and 21)	¥ 59,096	¥ 39,293	\$ 579,942
Time deposits (Notes 4 and 17)	5,471	2,020	53,688
Receivables:			
Trade accounts (Notes 15 and 21)	2,907	2,262	28,532
Other (Notes 15 and 21)	15,713	11,865	154,204
Deferred tax assets (Note 13)	2,228	994	21,867
Prepaid expenses and other	4,618	6,662	45,316
Total current assets	90,033	63,096	883,549
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Notes 7, and 8)	185,905	177,066	1,824,389
Buildings and structures (Notes 6, 7, 8, and 10)	474,321	429,853	4,654,765
Machinery and equipment	2,863	1,149	28,098
Furniture and fixtures	22,380	20,085	219,629
Construction in progress (Note 7)	37,698	13,747	369,950
Total	723,167	641,900	7,096,831
Accumulated depreciation	(165,607)	(169,531)	(1,625,195)
Net property, plant, and equipment	557,560	472,369	5,471,636
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	1,349	1,165	13,238
Lease deposits to lessors (Note 15)	50,687	52,793	497,421
Long-term prepaid expenses	46,735	30,709	458,635
Deferred tax assets (Note 13)	5,098	5,016	50,029
Other (Note 15)	7,783	5,739	76,377
Total investments and other assets	111,652	95,422	1,095,700
TOTAL	¥ 759,245	¥ 630,887	\$ 7,450,885

*Shares 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.

<u>LIABILITIES AND EQUITY</u>	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u> <u>(Note 1)</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8 and 15)	¥ 10,567	¥ 31,397	\$ 103,696
Current portion of corporate bonds (Notes 8 and 15)	23,000	10,000	225,711
Payables:			
Trade accounts (Note 15)	11,024	4,432	108,185
Construction (Note 15)	80,864	12,398	793,561
Other	1,429	1,496	14,021
Deposits received (Note 15)	31,804	46,162	312,111
Income taxes payable	17,782	9,502	174,509
Accrued expenses	2,254	3,470	22,121
Provision for store closing expenses	660		6,474
Current portion of lease deposits from lessees (Notes 8 and 15)	1,013	1,014	9,943
Other	3,973	3,744	38,997
Total current liabilities	184,370	123,615	1,809,329
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	131,599	130,549	1,291,457
Corporate bonds (Notes 8 and 15)	25,200	48,200	247,301
Liability for retirement benefits (Note 9)	199	199	1,956
Lease deposits from lessees (Notes 8, 15 and 21)	109,326	103,634	1,072,871
Asset retirement obligations (Note 10)	7,705	6,235	75,612
Provision for store-closing expenses		300	
Deferred tax liabilities (Note 13)	131	136	1,281
Other	2,188	242	21,475
Total long-term liabilities	276,348	289,495	2,711,953
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 17)			
EQUITY (Notes 11, 12, 20, and 22):			
Common stock — authorized, 320,000,000 shares in February 28, 2014 and 2013; issued, 227,876,667 shares in 2014 and 181,156,907 shares in 2013*	42,196	16,692	414,091
Capital surplus	42,505	17,000	417,121
Stock acquisition rights	165	142	1,618
Retained earnings	196,723	177,791	1,930,546
Treasury stock - at cost, 35,585 shares in 2014 and 10,710 shares in 2013*	(92)	(28)	(904)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	429	330	4,212
Foreign currency translation adjustments	13,364	3,261	131,150
Total	295,290	215,188	2,897,834
Minority interests	3,237	2,589	31,769
Total equity	298,527	217,777	2,929,603
TOTAL	¥ 759,245	¥630,887	\$ 7,450,885

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended February 28, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING REVENUE (Note 21)	¥ 176,932	¥161,427	\$ 1,736,325
OPERATING COSTS (Notes 9 and 14)	<u>117,118</u>	<u>105,831</u>	<u>1,149,335</u>
Gross profit	59,814	55,596	586,990
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9, 14 and 21)	<u>17,586</u>	<u>13,852</u>	<u>172,588</u>
Operating income	<u>42,228</u>	<u>41,744</u>	<u>414,402</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 21)	664	500	6,515
Foreign exchange gains	273		2,683
Interest expense	(2,422)	(2,655)	(23,764)
Gain on sales of property, plant, and equipment (Notes 4 and 17)	6,994	235	68,634
Loss on sales of property, plant, and equipment (Note 18)	(5,723)		(56,159)
Loss on impairment of long-lived assets (Note 6)	(1,072)	(746)	(10,516)
Provision for store closing expenses	(360)	(300)	(3,531)
Other - net (Note 4)	<u>(53)</u>	<u>(452)</u>	<u>(530)</u>
Other (expenses) income - net	<u>(1,699)</u>	<u>(3,418)</u>	<u>(16,668)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>40,529</u>	<u>38,326</u>	<u>397,734</u>
INCOME TAXES (Note 13):			
Current	18,369	17,339	180,267
Deferred	<u>(1,377)</u>	<u>(954)</u>	<u>(13,511)</u>
Total income taxes	<u>16,992</u>	<u>16,385</u>	<u>166,756</u>
NET INCOME BEFORE MINORITY INTERESTS	23,537	21,941	230,978
MINORITY INTERESTS IN NET INCOME	<u>106</u>	<u>76</u>	<u>1,039</u>
NET INCOME	<u>¥ 23,431</u>	<u>¥ 21,865</u>	<u>\$ 229,939</u>
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 3 and 20):			
Basic net income* ¹	¥ 106.96	¥ 109.73	\$ 1.05
Diluted net income* ¹	106.91	109.68	1.05
Cash dividends applicable to the year* ²	22.00	22.00	0.22

*¹ Basic net income and diluted net income have been restated, as appropriate, to reflect a 1.1-for-1 stock split effected on August 1, 2013.

*² Cash dividends 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 Comprehensive Income Year Ended February 28, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 23,537	¥ 21,941	\$ 230,978
OTHER COMPREHENSIVE INCOME (Note 19):			
Unrealized gain on available-for-sale securities	99	66	975
Foreign currency translation adjustments	<u>9,827</u>	<u>3,402</u>	<u>96,435</u>
Total other comprehensive income	<u>9,926</u>	<u>3,468</u>	<u>97,410</u>
COMPREHENSIVE INCOME	<u>¥ 33,463</u>	<u>¥ 25,409</u>	<u>\$ 328,388</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 33,632	¥ 25,143	\$ 330,052
Minority interests	(169)	266	(1,664)

See notes to consolidated financial statements.

ÆON Mall Co., Ltd. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended February 28, 2014

	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			Minority Interests	Total Equity (Deficit)
							Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total		
BALANCE, FEBRUARY 21, 2012	181,139	¥ 16,684	¥ 16,992	¥ 125	¥ 159,911	¥ (27)	¥ 264	¥ (141)	¥ 193,808	¥ 666	¥ 194,474
Net income					21,865				21,865		21,865
Exercise of stock options	8	8	8						16		16
Cash dividends, ¥22.0 per share*					(3,985)				(3,985)		(3,985)
Purchase of treasury stock	(1)					(1)			(1)		(1)
Net change in the year				17			66	3,402	3,485	1,923	5,408
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 11)	26,000	25,501	25,501						51,002		51,002
Cash dividends, ¥22.0 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

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings (Loss)	Treasury Stock	Accumulated other comprehensive income			Minority Interests	Total Equity (Deficit)	
						Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total			
BALANCE, FEBRUARY 28, 2013	\$ 163,803	\$ 166,833	\$ 1,392	\$ 1,744,757	\$ (276)	\$ 3,238	\$ 32,011	\$ 2,111,758	\$ 25,406	\$ 2,137,164	
Net income				229,939				229,939		229,939	
Exercise of stock options	35	35						70		70	
Issuance of new shares (Note 11)	250,253	250,253						500,506		500,506	
Cash dividends, \$0.22 per share*				(44,150)				(44,150)		(44,150)	
Purchase of treasury stock					(628)			(628)		(628)	
Net change in the year			226			974	99,139	100,339	6,363	106,702	
BALANCE, FEBRUARY 28, 2014	\$ 414,091	\$ 417,121	\$ 1,618	\$ 1,930,546	\$ (904)	\$ 4,212	\$ 131,150	\$ 2,897,834	\$ 31,769	\$ 2,929,603	

*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, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 40,529	¥ 38,326	\$ 397,734
Adjustments for:			
Income taxes - paid	(10,344)	(15,271)	(101,508)
Payments for losses from a natural disaster		(1,493)	
Gain on sales of property, plant and equipment (Note 4)	(6,994)	(235)	(68,634)
Loss on sales of property, plant and equipment	5,723		56,159
Depreciation and amortization	23,946	21,621	234,993
Loss on impairment of long-lived assets	1,072	746	10,516
Changes in assets and liabilities:			
(Increase) decrease in receivables - trade accounts	(497)	1,088	(4,880)
Increase (decrease) in payables - trade accounts	6,325	(792)	62,071
(Decrease) increase in deposits received	(14,665)	17,009	(143,918)
Decrease in allowance for doubtful accounts	(14)	(30)	(140)
Decrease (Increase) in liability for retirement benefits		33	
Other – net (Note 4)	(699)	2,225	(6,848)
Total adjustments	3,853	24,901	37,811
Net cash provided by operating activities	44,382	63,227	435,545
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(102,822)	(53,536)	(1,009,044)
Proceeds from sales of property, plant and equipment	64,570	2,140	633,665
Purchases of long-term prepaid expenses	(12,037)	(14,424)	(118,130)
Payments of lease deposits to lessors	(6,856)	(1,261)	(67,280)
Reimbursement of lease deposits to lessors	3,745	2,325	36,753
Proceeds from sales of guarantee deposits	4,593		45,077
Repayment of lease deposits from lessees	(8,142)	(6,134)	(79,905)
Proceeds from lease deposits from lessees	13,683	5,063	134,282
Other	(3,877)	(3,924)	(38,060)
Net cash used in investing activities	(47,143)	(69,751)	(462,642)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings		(12,655)	
Proceeds from long-term debt	15,499	54,934	152,096
Repayment of long-term debt	(35,279)	(29,458)	(346,208)
Proceeds from issuance of corporate bonds		25,000	
Proceeds from issuance of common stock	50,760		498,133
Repayment of corporate bonds	(10,000)		(98,135)
Dividends paid	(4,499)	(3,985)	(44,150)
Proceeds from issuance of subsidiaries' stock to minority shareholders	821	1,664	8,061
Other	(70)	(7)	(688)
Net cash provided by financing activities	17,232	35,493	169,109

ÆON Mall Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended February 28, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>5,332</u>	<u>1,883</u>	<u>52,328</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,803	30,852	194,340
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>39,293</u>	<u>8,441</u>	<u>385,602</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 59,096</u>	<u>¥ 39,293</u>	<u>\$579,942</u>
MAJOR NONCASH TRANSACTIONS:			
Asset retirement obligations recorded in the consolidated balance sheet	¥ 1,343		\$ 13,182

See notes to consolidated financial statements.

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 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥101.90 to \$1, the approximate rate of exchange at February 28, 2014. 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. CHANGE IN FISCAL CLOSING DATE

At the regular general shareholders' meeting held on May 15, 2012, it was resolved to change the fiscal closing date of the Company from February 20 to the end of February, in order to align the year-end with ÆON Co., Ltd. (the parent company). Accordingly, the fiscal period ended February 28, 2013 of the consolidated financial statements was 12 months and 8 days.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation** - The consolidated financial statements as of February 28, 2014, include the accounts of the Company and its 25 (21 in 2013) subsidiaries (together, the "Group"). The following companies have been included in the consolidated financial statements for the year ended February 28, 2014, since they were newly established or acquired during the year.

HANGZHOU YUHANG LIANGZHU MALL REAL ESTATE DEVELOPMENT CO., LTD.
PT. AMSL DELTA MAS
AEON MALL (CHINA) CO., LTD.
AEON MALL (ZHEJIANG) BUSINESS MANAGEMENT CO., LTD.
AEON MALL (WUHAN) BUSINESS MANAGEMENT CO., LTD.

H.M.J. CO., LTD., has been excluded in the consolidated financial statements for the year ended February 28, 2014, since it was merged with HIWADA SHOPPING MALL CO., LTD. during the year.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

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 (the "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: (1) 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; (2) financial statements prepared by foreign subsidiaries in accordance

with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items 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 that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008.

- 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 acquisition.
- d. **Inventories** —Supplies are stated at the lower of cost determined by the last invoice method.
- e. **Investment Securities**—Investment securities are classified and accounted for, depending on management's intent, as follow: available-for-sale securities, which are not classified as either of the aforementioned 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.

- f. **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.
- g. **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.
- h. **Intangible Assets** – Software is amortized over five years.
- i. **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.
- j. **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.
- k. **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.
- l. **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.

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

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

The Company applied this accounting standard effective February 21, 2011.

- p. 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 nonemployees 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 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.
- q. 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 issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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 to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases, which 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.

- r. **Bonuses to Directors and Employees** - Bonuses to directors and employees are accrued at the year-end to which such bonuses are attributable.
- s. **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 laws to the temporary differences.
- t. **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 consolidated 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.
- u. **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 consolidated 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.
- v. **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 which 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.

- w. **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, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and 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.

The share and per share calculations for which the basis date falls before August 1, 2013, do not reflect the effect of the 1.1-for-1 stock split. Assuming the stock split was effected at the beginning of the year ended February 28, 2013 (March 1, 2012), shares and per share figures would have been as follows:

2014	2013
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Cash dividends per share applicable to the year	¥ 22.00		¥ 20.00	
Common stock issued	227,876,667	shares	199,272,598	shares
Treasury stock	35,585		11,781	

- x. **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 accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in Presentations*

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. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

y. **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, 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 asset (asset for retirement benefits).

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

The revised accounting standard would not change how 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 working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be

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 expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on March 1, 2014, and for (c) above from the beginning of the annual period beginning on March 1, 2015, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

4. CHANGES IN PRESENTATION

Consolidated Balance Sheet

Prior to March 1, 2013, "Time deposits" was included in "Cash and cash equivalents" in the current assets section of the consolidated balance sheet. Since during the fiscal year ended February 28, 2014, the amount increased significantly, such amount is disclosed separately in the current assets section for the fiscal year ended February 28, 2014. The amount included in "Cash and cash equivalents" in the current assets section for the fiscal year ended February 28, 2013 was ¥2,020 million.

Consolidated Statement of Income

Prior to March 1, 2013, gain on sales of property, plant, and equipment was included in "other - net" in the other income (expenses) section of the consolidated statement of income. Since during the fiscal year ended February 28, 2014, the amount increased significantly, such amount is disclosed separately in the other income (expenses) section for the fiscal year ended February 28, 2014. The amount included in "other - net" in the other income (expenses) section for the fiscal year ended February 28, 2013, was ¥235 million.

Consolidated Statement of Cash Flows

Prior to March 1, 2013, gain on sales of property, plant, and equipment was included in "other - net" in the operating activities section of the consolidated statement of cash flows. Since during the fiscal year ended February 28, 2014, the amount increased significantly, such amount is disclosed separately in the operating activities section for the fiscal year ended February 28, 2014. The amount included in "other - net" in the operating activities section for the fiscal year ended February 28, 2013, was ¥235 million.

5. INVESTMENT SECURITIES

Investment securities as of February 28, 2014 and 2013, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Investment securities:			
Marketable equity securities	¥ 993	¥ 839	\$ 9,744
Other	<u>356</u>	<u>326</u>	<u>3,494</u>

Total	<u>¥ 1,349</u>	<u>¥ 1,165</u>	<u>\$ 13,238</u>
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The costs and aggregate fair values of investment securities at February 28, 2014 and 2013, were as follows:

	Millions of Yen			
	2014			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Available-for-sale - Equity securities	¥ 328	¥ 665		¥ 993

	Millions of Yen			
	2013			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Available-for-sale - Equity securities	¥ 328	¥ 512	¥ (1)	¥ 839

	Thousands of U.S. Dollars			
	2014			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Available-for-sale - Equity securities	\$ 3,214	\$ 6,534	\$ (4)	\$ 9,744

Available-for-sale securities whose fair values are not readily determinable as of February 28, 2014 and 2013, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Available-for-sale: Equity securities	¥ 356	¥ 326	\$3,494

There was no impairment loss for the year ended February 28, 2014. The impairment loss on available-for-sale equity securities for the year ended February 28, 2013, was ¥8 million.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 28, 2014 and 2013. As a result, the Group recognized impairment loss on the following long-lived assets in February 28, 2014 and 2013.

Use	Type of Assets	Location	Thousands of U.S. Dollars	
			<u>Millions of Yen</u> <u>2014</u>	<u>2014</u>
Parking lot	Buildings and structures and others	Chiba	¥ 887	\$ 8,704
Online shop	Long-term prepaid expenses and others	Chiba	<u>185</u>	<u>1,812</u>
Total			<u>¥ 1,072</u>	<u>\$ 10,516</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 cost 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.

<u>Use</u>	<u>Type of Assets</u>	<u>Location</u>	<u>Millions of Yen</u> <u>2013</u>
Shopping mall	Buildings and structures and others	Osaka	¥ 746
Total			<u>¥ 746</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 plan to replace the building in Osaka with a new one, the book value of the shopping mall 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 by value in use.

The value in use is based on the discounted present value of expected cash flows. The discount rate for the fiscal year ended February 28, 2013 was 7.0%.

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and guidance are applicable to investment property and related disclosures at the end of the fiscal year ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective for the fiscal year ended February 20, 2011.

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 ¥30,522 million (\$299,533 thousand) for the fiscal year ended February 28, 2014, and ¥35,299 million for the fiscal year ended February 28, 2013. Impairment loss was ¥736 million (\$7,231 thousand) for the fiscal year ended February 28, 2014, and ¥746 million for the fiscal year ended February 28, 2013.

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

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

Millions of Yen			
<u>February 21, 2012</u>	<u>Carrying Amount</u> <u>Increase/Decrease</u>	<u>February 28, 2013</u>	<u>Fair Value</u> <u>February 28, 2013</u>
¥ 408,522	¥ 33,426	¥ 441,948	¥ 701,633

Thousands of U.S.Dollars

March 1, 2013	Carrying Amount		Fair Value
	Increase/ Decrease	February 28, 2014	February 28, 2014
\$ 4,337,076	\$ 941,297	\$ 5,278,373	\$ 7,336,785

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, 2014, was primarily attributable to newly acquired properties of ¥178,377 million (\$1,750,506 thousand), which was partially offset by selling, disposal properties of ¥65,930 million (\$647,007 thousand), and depreciation expense of ¥18,384 million (\$180,415 thousand). Increase during the fiscal year ended February 28, 2013, was primarily attributable to newly acquired properties of ¥54,469 million, which was partially offset by depreciation expense of ¥18,446 million.
- 3) Fair value of properties is mainly measured based on evaluations based on real estate appraisal value.

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

Short-term borrowings, long-term debt, and corporate bonds at February 28, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks and insurance companies, due through 2020 with interest rates ranging from 0.27% to 5.10% (2014) and from 0.27% to 5.10% (2013):			
Collateralized	¥ 9,709	¥ 11,852	\$ 95,280
Unsecured	132,457	150,094	1,299,873
Total	142,166	161,946	1,395,153
Less current portion	(10,567)	(31,397)	(103,696)
Long-term debt, less current portion	¥131,599	¥130,549	\$1,291,457

Annual maturities of long-term debt as of February 28, 2014, were as follows:

Year Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 10,567	\$ 103,696
2016	24,710	242,490
2017	37,177	364,838
2018	51,237	502,817
2019	16,090	157,900
2020 and thereafter	2,385	23,412
Total	¥142,166	\$1,395,153

Corporate bonds at February 28, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Issued by AEON Mall Co., Ltd.:			
Unsecured 1.60% yen corporate bond, due 2013		¥ 10,000	
Unsecured 1.54% yen corporate bond, due 2014	¥ 23,000	23,000	\$ 225,711

Unsecured 0.50% yen corporate bond, due 2017	10,000	10,000	98,135
Unsecured 0.80% yen corporate bond, due 2019	15,000	15,000	147,203
Issued by HIWADA SHOPPING MALL CO., LTD.:			
Unsecured 0.64% yen corporate bond, due 2016	200	200	1,963
Total	<u>48,200</u>	<u>58,200</u>	<u>473,012</u>
Less current portion	<u>(23,000)</u>	<u>(10,000)</u>	<u>(225,711)</u>
Corporate bonds, less current portion	<u>¥ 25,200</u>	<u>¥ 48,200</u>	<u>\$ 247,301</u>

Annual maturities of corporate bonds as of February 28, 2014, were as follows:

<u>Year Ending February 28 or 29</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2015	¥ 23,000	\$ 225,711
2016	200	1,963
2017	10,000	98,135
2019 and thereafter	<u>15,000</u>	<u>147,203</u>
Total	<u>¥ 48,200</u>	<u>\$ 473,012</u>

Collateralized long-term debt and other at February 28, 2014, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Current portion of long-term debt	¥ 2,238	\$ 21,962
Current portion of lease deposits from lessees	75	739
Long-term debt	7,471	73,318
Lease deposits from lessees	<u>1,358</u>	<u>13,322</u>
Total	<u>¥ 11,142</u>	<u>\$ 109,341</u>

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other at February 28, 2014, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land	¥ 17,292	\$ 169,691
Buildings and structures - net of accumulated depreciation	<u>41,618</u>	<u>408,422</u>
Total	<u>¥ 58,910</u>	<u>\$ 578,113</u>

9. 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.

The liability for employees' retirement benefits at February 28, 2014 and 2013, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>

Projected benefit obligation	¥ (1,554)	¥ (1,511)	\$ (15,245)
Fair value of plan assets	1,250	1,121	12,262
Unrecognized actuarial gain	<u>105</u>	<u>191</u>	<u>1,027</u>
Net liability	<u>¥ (199)</u>	<u>¥ (199)</u>	<u>\$ (1,956)</u>

The components of net periodic retirement benefit costs for the years ended February 28, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Service cost	¥ 69	¥ 63	\$ 678
Interest cost	29	28	282
Expected return on plan assets	(13)	(13)	(125)
Recognized actuarial gain	41	75	407
Other (see Note)	<u>155</u>	<u>141</u>	<u>1,523</u>
Net periodic costs	<u>¥ 281</u>	<u>¥ 294</u>	<u>\$ 2,765</u>

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

Assumptions used for the years ended February 28, 2014 and 2013, are set forth as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	1.9%	1.9%
Expected rate of return on plan assets	1.13%	1.33%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	Amortized fully as incurred	Amortized fully as incurred

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended February 28, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Balance at beginning of year	¥ 6,235	¥ 6,114	\$ 61,189
Additional provisions associated with the acquisitions of property, buildings, and equipment	1,343		13,182
Reconciliation associated with passage of time	127	121	1,241
Balance at end of year	<u>¥ 7,705</u>	<u>¥ 6,235</u>	<u>\$ 75,612</u>

11. 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, such as (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 is prescribed as one year rather than two years of normal 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 the 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

	U.S. Dollars		Thousands of U.S. Dollars		
	Paid Amount (Issue Price) per Share		Aggregate Paid Amount	Increase in Common Stock	Increase in Capital Surplus
Public Offering	\$ 19.25		\$ 452,380	\$ 226,190	\$ 226,190

Third-party allotment to Nomura Securities Co.,Ltd.	19.25	48,126	24,063	24,063
Total		\$ 500,506	\$ 250,253	\$ 250,253

12. STOCK OPTIONS

The stock options outstanding as of February 28, 2014 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

*The number of options granted have 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)
<u>Year Ended February 28, 2013</u>						
Nonvested:						
February 20, 2012 – outstanding						
Granted					22,330	
Canceled						
Vested					(22,330)	
February 28, 2013 – outstanding						
Vested:						
February 20, 2012 – outstanding	12,870	23,980	22,000	19,580		
Vested					22,330	
Exercised	(3,740)	(3,410)			(1,760)	
Canceled						
February 28, 2013 – outstanding	9,130	20,570	22,000	19,580	20,570	
<u>Year Ended February 28, 2014</u>						
Nonvested:						
February 28, 2013 – outstanding						
Granted						10,890
Canceled						
Vested						10,890
February 28, 2014 – outstanding						
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
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥2,733 (\$27)	¥2,969 (\$29)	¥2,969 (\$29)			
Fair value price at grant date	¥2,500 (\$25)	¥1,089 (\$11)	¥1,583 (\$16)	¥1,609 (\$16)	¥1,473 (\$14)	¥2,763 (\$27)

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.

The Assumptions Used to Measure Fair Value of 2012 Stock Options:

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	42.00%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥22 per share
Risk-free interest rate:	0.44%

13. INCOME TAXES

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at February 28, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Payables and accrued expenses	¥ 570		\$ 5,596
Accrued enterprise tax	1,306	¥ 670	12,822
Property, plant, and equipment	4,952	4,877	48,600
Long-term prepaid expenses	634	542	6,219
Liability for retirement benefits	73	73	715
Asset retirement obligation	2,735	2,214	26,842
Long-term deferred revenue	450		4,413
Tax loss carryforwards of subsidiaries	1,120		10,991
Other	1,197	798	11,749
Less valuation allowance	<u>(2,140)</u>		<u>(21,000)</u>
Total deferred tax assets	<u>10,897</u>	<u>9,174</u>	<u>106,947</u>
Deferred tax liabilities:			
Property revaluation	131	136	1,281
Lease deposits to lessors and long-term prepaid expenses	573	523	5,624
Deferred capital gains on property	226	234	2,219
Special depreciation on property	765	859	7,511
Asset retirement obligation removal expense	1,771	1,366	17,379
Unrealized gain on available-for-sale securities	<u>236</u>	<u>182</u>	<u>2,318</u>
Total deferred tax liabilities	<u>3,702</u>	<u>3,300</u>	<u>36,332</u>
Net deferred tax assets	<u>¥ 7,195</u>	<u>¥ 5,874</u>	<u>\$ 70,615</u>

The difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended February 28, 2014 and February 28, 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	37.9%	40.6%
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	1.2	2.0
Change in valuation allowance	1.6	
Tax effect related to consolidated adjustment	0.8	
Lower income tax rates applicable to income in certain foreign countries	0.2	
Other – net	<u>0.0</u>	<u>(0.1)</u>
Actual effective tax rate	<u>42.0%</u>	<u>42.8%</u>

The Ministry of Finance in Japan established 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 will be 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 years beginning on or after April 1, 2014. However, there is no change in the effective statutory tax rate for calculating deferred tax assets and liabilities on temporary differences that are expected to be realized in the fiscal years beginning on or after April 1, 2015. Had the new statutory tax rate been applied in the fiscal year ended February 28, 2014, the effect of this change would have increased deferred

taxes on the consolidated balance sheet as of February 28, 2014, by ¥7 million and to decrease income taxes—deferred in the consolidated statement of income for the year then ended by ¥7 million.

14. 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, 2014 and 2013, were ¥42,954 million (\$421,532 thousand) and ¥40,048 million, respectively.

As discussed in Note 2.q, 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, 2014 and 2013, was as follows:

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

	Millions of Yen		
	2013		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 42	¥ 458	¥ 500
Accumulated depreciation	41	429	470
Net leased property	¥ 1	¥ 29	¥ 30

	Thousands of U.S. Dollars		
	2014		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost		\$ 348	\$ 348
Accumulated depreciation		194	194
Net leased property		\$ 154	\$ 154

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 4	¥ 16	\$ 36
Due after one year	13	17	132
Total	¥ 17	¥ 33	\$ 168

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Depreciation expense	¥ 10	¥ 181	\$ 95
Interest expense	1	4	6
Total	<u>¥ 11</u>	<u>¥ 185</u>	<u>\$ 101</u>
Lease payments	<u>¥ 11</u>	<u>¥ 197</u>	<u>\$ 107</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, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 31,098	¥ 25,182	\$ 305,183
Due after one year	<u>201,589</u>	<u>140,718</u>	<u>1,978,305</u>
Total	<u>¥ 232,687</u>	<u>¥ 165,900</u>	<u>\$ 2,283,488</u>

Note:

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.

The total for the year ended February 28, 2013, includes the Group's land use rights in China, amounting to ¥4,963 million (\$53,650 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, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 573	¥ 511	\$ 5,624
Due after one year	<u>5,474</u>	<u>5,754</u>	<u>53,717</u>
Total	<u>¥ 6,047</u>	<u>¥ 6,265</u>	<u>\$ 59,341</u>

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *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 avoided by deconcentration of due dates or maturity dates. Although certain of the 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 16 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, which includes monitoring of 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		
	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 (included in investments and other assets—other), including current portion	394	393	¥ (1)
Investment securities	993	993	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	<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>

	Millions of Yen		
	2013		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 39,293	¥ 39,293	
Time deposits	2,020	2,020	
Receivables—Trade accounts	2,262	2,262	
Long-term loans (included in investments and other assets—other), including current portion	473	472	¥ (1)
Investment securities	839	839	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	<u>54,978</u>	<u>53,596</u>	<u>(1,382)</u>
Total	<u>¥ 99,865</u>	<u>¥ 98,482</u>	<u>¥ (1,383)</u>
Payables—Trade accounts	¥ 4,432	¥ 4,432	
Payables—Construction	10,879	10,879	
Deposits received	46,162	46,162	
Income taxes payable	9,502	9,502	
Long-term debt, including current portion	161,946	163,776	¥ (1,830)
Corporate bonds, including current portion	58,200	58,997	(797)
Lease deposits from lessees, including current portion	<u>104,648</u>	<u>104,559</u>	<u>89</u>

Total	<u>¥ 395,769</u>	<u>¥ 398,307</u>	<u>¥ (2,538)</u>
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	Thousands of U.S. Dollars		
	2014		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	\$ 579,942	\$ 579,942	
Time deposits	53,688	53,688	
Receivables—Trade accounts	28,532	28,532	
Long-term loans (included in investments and other assets—other), including current portion	3,870	3,859	\$ (11)
Investment securities	9,744	9,744	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	<u>513,571</u>	<u>490,713</u>	<u>(22,858)</u>
Total	<u>\$ 1,189,347</u>	<u>\$ 1,166,478</u>	<u>\$ (22,869)</u>
Payables—Trade accounts	\$ 108,185	\$ 108,185	
Payables—Construction	793,561	793,561	
Deposits received	312,111	312,111	
Income taxes payable	174,509	174,509	
Long-term debt, including current portion	1,395,153	1,411,140	\$ (15,987)
Corporate bonds, including current portion	473,012	479,867	(6,855)
Lease deposits from lessees, including current portion	<u>1,082,814</u>	<u>1,079,424</u>	<u>3,390</u>
Total	<u>\$4,339,345</u>	<u>\$4,358,797</u>	<u>\$ (19,452)</u>

(a) The methodologies 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 (included in investments and other assets—other), including current portion, and Lease deposits to lessors, including current portion

The fair values of long-term loans (included in investments and other assets—other), including current portion, and lease deposits to lessors, including current portions 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 current portion

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

Long-term debt, including current portion

The fair values of long-term debt, including 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 current portion

The fair values of lease deposits from lessees, including 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 16.

(b) Financial instruments whose fair value cannot be reliably determined as of February 28, 2014 and 2013, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 356	¥ 326	\$ 3,494

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

	Millions of Yen			
	2014			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 64,567			
Long-term loans (included in investments and other assets—other), including current portion	79	¥ 306	¥ 8	¥ 1
Lease deposits to lessors *1	1,645	5,849	7,879	20
Corporate bonds	23,000	10,200	15,000	
Long-term debt	10,567	129,213	2,386	
Lease deposits from lessees *2	1,013	2,438	389	27

	Thousands of U.S. Dollars			
	2014			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	\$ 633,630			
Long-term loans (included in investments and other assets—other), including current portion	780	\$ 3,006	\$ 78	\$ 5
Lease deposits to lessors *1	16,150	57,404	77,322	192
Corporate bonds	225,711	100,098	147,203	
Long-term debt	103,696	1,268,065	23,412	
Lease deposits from lessees *2	9,943	23,924	3,823	265

*1 Lease deposits to lessors with no defined redemption schedule of ¥36,939 million (\$362,503 thousand) are not included in the above table.

*2 Lease deposits from lessees with no defined redemption schedule of ¥106,472 million (\$1,044,859 thousand) are not included in the above table.

16. DERIVATIVES

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

All derivative transactions are entered to 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, 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, 2013</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	¥ 33,088	¥ 19,138	*

<u>February 28, 2014</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	\$ 269,086	\$ 252,035	*

*The above interest rate swaps which 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).

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

The figure for the year ended February 28, 2014, includes ¥6,994 million (\$68,633 thousand) of gain on the sale of three commercial facilities to Aeon REIT Invest Corporation.

18. LOSS ON SALES OF PROPERTY, PLANT, and EQUIPMENT

The figure for the year ended February 28, 2014, includes ¥5,721 million (\$56,148 thousand) of loss on the sale

of three commercial facilities to Aeon REIT Invest Corporation, and others.

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended February 28, 2014 and 2013 were as follows:

	<u>Millions of Yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>2014</u>
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 154	\$ 1,511
Reclassification adjustments to profit or loss	<u>154</u>	<u>1,511</u>
Amount before income tax effect	<u>(55)</u>	<u>(536)</u>
Income tax effect		
Total	<u>¥ 99</u>	<u>\$ 975</u>
Foreign currency translation adjustments—		
Gains arising during the year	<u>9,827</u>	<u>96,435</u>
Total other comprehensive income	<u>¥ 9,926</u>	<u>\$ 97,410</u>
	<u>Millions of Yen</u> <u>2013</u>	
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 94	
Reclassification adjustments to profit or loss	<u>8</u>	
Amount before income tax effect	<u>102</u>	
Income tax effect	<u>(36)</u>	
Total	<u>¥ 66</u>	
Foreign currency translation adjustments—		
Gains arising during the year	<u>3,402</u>	
Total other comprehensive income	<u>¥ 3,468</u>	

20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted EPS for the years ended February 28, 2014 and 2013 is as follows:

<u>Year Ended February 28, 2014</u>	<u>Millions</u> <u>of Yen</u> <u>Net</u> <u>Income</u>	<u>Thousands</u> <u>of Shares</u> <u>Weighted-Average</u> <u>Shares*</u>	<u>Yen</u>	<u>U.S. Dollars</u> <u>EPS*</u>
Net income	¥ 23,431			
Basic EPS - Net income available to common shareholders	¥ 23,431	219,058	<u>¥ 106.96</u>	<u>\$ 1.05</u>
Effect of dilutive securities - Warrants	<u> </u>	<u>100</u>		
Diluted EPS - Net income for computation	<u>¥ 23,431</u>	<u>219,158</u>	<u>¥ 106.91</u>	<u>\$ 1.05</u>

Year Ended February 28, 2013

Net income	¥ 21,865		
Basic EPS - Net income available to common shareholders	¥ 21,865	199,254	<u>¥ 109.73</u>
Effect of dilutive securities - Warrants		<u>95</u>	
Diluted EPS - Net income for computation	<u>¥ 21,865</u>	<u>199,349</u>	<u>¥ 109.68</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.

21. RELATED-PARTY DISCLOSURES

Transactions with the parent company and its subsidiaries for the years ended February 28, 2014 and 2013, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Deposits kept at the cash pool account of the parent company	¥ 9,000	¥ 8,000	\$ 88,322
Interest income from the parent company	37	20	367
Revenue from leases of shopping malls to the parent's subsidiary	22,443	19,998	220,247
Credit fee paid to ÆON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	3,305	2,810	32,431

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

The balances due to/from the parent company and its subsidiaries at February 28, 2014 and 2013, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Cash equivalents—deposits kept at the cash pool account of the parent company	¥ 17,000	¥ 8,000	\$ 166,830
Receivables—trade accounts from the parent's subsidiary	512	430	5,029
Lease deposits received from the parent's subsidiary	14,707	14,874	144,333
Receivables—other from ÆON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	6,926	5,616	67,970

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

22. SUBSEQUENT EVENTS

a. Bond Issuance

The Company issued unsecured bonds at March 24, 2014.

- (1) Title of bonds: AEON Mall Co., Ltd. unsecured bonds (with special pari passu conditions among bonds), Series 5.
- (2) Total amount of bonds: ¥20,000 million (\$196,271 thousand).
- (3) Interest rate: 0.903%.
- (4) Date of issuance: March 24, 2014.
- (5) Date of maturity: March 22, 2024.
- (6) Collateral: The bonds are not secured or guaranteed. No assets are reserved for the bonds.

b. Appropriation of Retained Earnings

The appropriation of retained earnings at February 28, 2014, approved at the Company's Board of Directors' meeting held on April 8, 2014, is as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥11.00 (\$0.11) per share	¥ 2,506	\$ 24,593
	* * * *	

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 consolidated subsidiaries as of February 28, 2014, 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 consolidated subsidiaries as of February 28, 2014, 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, 2014

Corporate Data (As of February 28, 2014)

Company Name	AEON MALL Co., Ltd.	
Date Established	November 1911	
Capital Stock	¥42,195,000,000	
Headquarters	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan TEL: 81-(43)-212-6450 FAX: 81-(43)-212-6737	
Offices	Sendai Office	Mitsumaru Building 7F, 3-3-3 Chuo, Aoba-ku, Sendai-shi, Miyagi 980-8442, Japan
	Nagoya Office	Aizo building 6F, 5-25-1 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-0002, Japan
	Osaka Office	Kurabo Annex Building 12F, 2-4-11 Kyutaromachi, Chuo-ku, Osaka-shi, Osaka 541-0056, Japan
	Fukuoka Office	Sankyo Fukuoka Building 3F, 2-9-11 Hakataekiminami, Hakata-ku, Fukuoka-shi, Fukuoka 812-0016, Japan
	Hiroshima Office	1-3-52 Danbara-minami, Minami-ku, Hiroshima-shi, Hiroshima 732-0814, Japan
	Beijing Resident Office	Room 1601 Asia-Pacific Building, Yabao Road No. 8, Chaoyang District, Beijing, China P.C. 100020
	Shanghai Resident Office	Room 1204, An-Tai Building, 107 Zunyi Road, Changning District, Shanghai, China P.C. 200051
	Suzhou Resident Office	A 1205, Global188 Building, No. 88 Suhui Rd., Suzhou Industrial Park Jiangsu pro. China P.C. 215000
	Jinan Resident Office	Room B 1601 YUQUAN SIMPSON HOTEL 68 Luo Yuan Road, Jinan, Shandong pro., China P.C. 250063
	Wuhan Resident Office	Room Number 319 Wuhan MeiLian Holiday Hotel-City Centre 868 Jie Fang Da Dao, Hankou, Wuhan, Hubei pro., China P.C. 430022
	Guangzhou Resident Office	502, East Tower, Fortune Plaza, No. 118, Tiyu Dong Road, Guangzhou, Guangdong pro., China P.C. 510620
	Hangzhou Resident Office	Room 2402, 25A Floor, Guangli Building, 136 Qingchun Road, Xiacheng District, Hangzhou, Zhejiang pro., China P.C. 310003
	Qingdao Showroom	Room 1106, Bao-Men building, No. 19 Zhangzhou 2 Road, Shinan District, Qingdao, Shandong pro., China P.C. 266073
Number of Shopping Malls	138 (incl. overseas)	
Business Activities	Development of large-scale shopping malls, tenant leasing and operation/management	
Number of Employees	1,689	
Stock Listings	The First Section of the Tokyo Stock Exchange (Securities code 8905)	
Transfer Agent	Mizuho Trust and Banking Co., Ltd. 2-1, Yaesu 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan	
Independent Auditors	Deloitte Touche Tohmatsu LLC Shinagawa Intercity Tower, 2-15-3, Konan, Minato-ku, Tokyo 108-6221, Japan	

Investor Information (As of February 28, 2014)

Stock Information

Number of Shares Authorized 320,000,000

Number of Shares Outstanding 227,876,667

Number of Shareholders 22,710

Major Shareholders

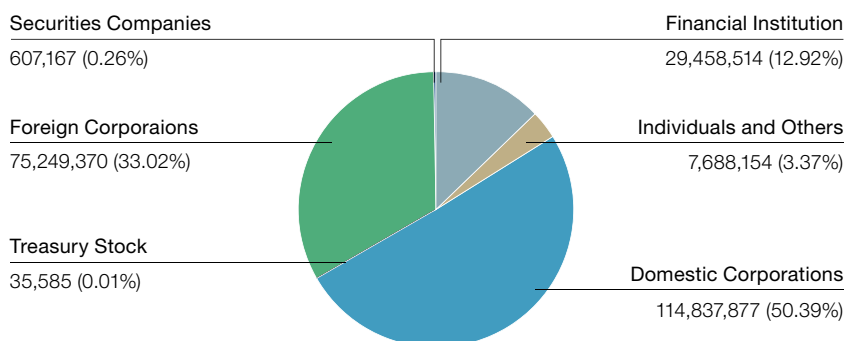
Shareholders' Names	Number of Shares (Thousands)	Percentage of voting rights (%)
AEON Co., Ltd.	111,162	48.78
THE BANK OF NEW YORK MELLON AS AGENT BNYM AS EA DUTCH PENSION OMNIBUS 140016	6,028	2.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,664	2.48
STATE STREET BANK AND TRUST COMPANY	5,335	2.34
Japan Trustee Services Bank, Ltd. (Trust Account)	4,461	1.95
SAJAP	3,570	1.56
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	3,554	1.55
STATE STREET BANK AND TRUST COMPANY 505223	2,998	1.31
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENTION	2,367	1.03
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	2,022	0.88

Notes:

1. Shareholdings are rounded down to the nearest 1,000 shares.

2. Percentages of voting rights are calculated after deducting treasury stock of 35,585 shares, and rounded down to 3 decimal places.

Distribution of Shareholders



ÆON MALL CO., LTD.

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Forward-Looking Statements

This annual report contains forward-looking statements such as the future business performance of AEON Mall. As these statements are based on the currently available information at the time of the creation of the annual report, the actual results may differ materially due to various factors. Earnings forecasts and other projections in this annual report were formulated and announced as of July 2014.