

Financial Review of the Fiscal Year ended February 29, 2016

Content of Business and the Scope of Consolidation

AEON MALL Co., Ltd. ("the company") is a core company that engages in the developer business of the AEON Group, of which AEON Co., Ltd. is the parent company. The company is a commercial developer that comprehensively operates malls in all areas from the development and leasing of shopping malls to the management and operation after opening.

The AEON MALL Group ("the Group"), of which the company is the parent company, carries out the shopping mall business in Japan and overseas. It also rents out stores at its malls to general tenants and AEON Group companies.

In the consolidated settlement of accounts for the fiscal year ended February 29, 2016, the company and its 34 consolidated subsidiaries and two equity-method affiliates were included in the scope of consolidation.

Overview of Business Performance

Business environment

During the fiscal year under review, the Japanese economy showed some positive signs, such as improvements in corporate earnings and employment conditions. However, the future outlook remained uncertain, due in large part to concerns about the deceleration of the economy in China and other parts of the world. Although personal consumption has picked up in some areas, consumer spending on a whole has remained stagnant.

Meanwhile in China, personal consumption continued to exhibit double-digit growth, while GDP followed on a downward trend. The Chinese government also shifted to growth driven by domestic demand, launching a plan in November 2015 to double the national income from the 2010 level by the year 2020.

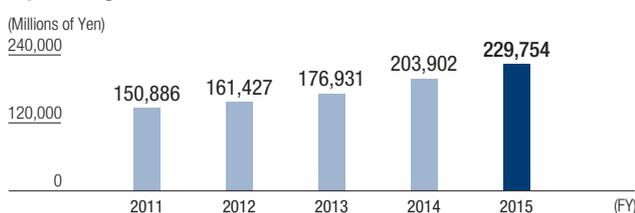
In this environment, the Group opened five new malls and renovated 12 existing malls in Japan by pushing forward with the development of concept malls in line with regional characteristics.

In China and the ASEAN region, the Group strived to further improve its ability to attract customers at existing malls. It also opened six new malls in China, one mall in Indonesia, and one mall in Vietnam.

Operating revenue and gross profit

Operating revenue increased 12.7% year on year, to ¥229,754 million. The strong performance of some of the existing malls overseas and the opening of 13 new malls in Japan and other countries contributed to the significant double-digit increase in revenue. Because operating costs increased 15.5% year on year in relation to the expansion of the business scale, gross profit rose 6.2% year on year, to ¥66,317 million. The gross profit margin was 28.9%.

Operating revenue

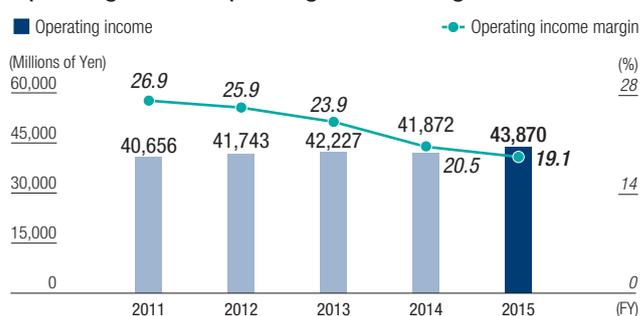


Operating income

As a result of a 9.1% year-on-year rise in selling, general and administrative expenses, operating income increased 4.8% year on year, to ¥43,870 million, recovering from the income decline in the previous fiscal year and hitting a record high. The operating income margin was 19.1%.

Growth in operating income has been slowing since the fiscal year ended February 28, 2013 because selling, general and administrative expenses continued to increase as prior costs associated with the promotion of growth measures. In the fiscal year under review, growth in selling, general and administrative was restrained because the strengthening of the organization in Japan and overseas had run its course. This in turn helped to boost income.

Operating income/Operating income margin

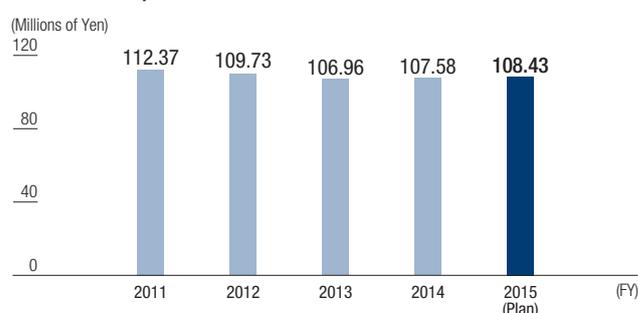


Profit before income taxes and net income

As a result of recording other income and expenses, such as interest expenses, gains on the sales of non-current assets due to the transfer of assets to REITs, losses on the retirement of non-current assets associated with the renovation of existing malls, and expenses related to the closure of AEON MALL Neyagawa (Osaka Prefecture) and AEON MALL Fujiidera (Osaka Prefecture) that are to be scrapped and built, profit before income taxes declined 3.1% year on year, to ¥41,037 million.

Net income after subtracting income taxes and minority interests in net income from profit before income taxes was ¥24,639 million, up 0.5% year on year, and net income per share was ¥108.43.

Net income per share



* AEON MALL issued 23,500 thousand new shares on June 19, 2013 and 2,500 thousand new shares on July 12, 2013. On August 1, 2013, AEON MALL executed a 1.1-for-1 split of common shares. As a result, the net income per share has been calculated on the assumption that the share split took place at the beginning of fiscal 2012.

Performance by Segment

■ Domestic Business

In the domestic business, operating revenue increased 8.8% year on year, to ¥214,006 million, and operating income rose 6.4%, to ¥49,322 million.

In Japan, we opened five new malls. All were concept malls developed based on unique ideas that took into account the location and characteristics of the market area.

Existing malls made efforts to increase their ability to attract customers by holding sales promotion projects in line with social events and holding their own events. In addition, 11 malls conducted renovations by replacing tenants, while AEON MALL Chikushino (Fukuoka Prefecture) conducted renovations that involved floor expansion. Chikushino also introduced new tenants and updated 182 stores, or 90% of all stores, through the relocation and remodeling of existing tenants. Sales increased significantly by 50% year on year, while the leasable area expanded 16%.

■ Overseas Business

The Group regards China and the ASEAN region as an area that will become a future growth driver, given expectations for the expansion of the suburban market associated with progress in motorization and an increase in middle-income earners. Although they are still in the stage of prior investment are not able to contribute to profits, both existing and new malls are making progress as planned towards getting on the path to growth.

China Business

The China business recorded operating revenue of ¥11,506 million, an increase of 89.7% year on year. However, it recorded an operating loss of ¥4,448 million, compared with an operating loss of ¥3,529 million in the previous fiscal year.

In the fiscal year under review, we opened six malls, including AEON MALL Suzhou Yuanqu Hudong and AEON MALL Wuhan Jingkai, flagship malls in the area for which the land and building are owned by the company, AEON MALL Guangzhou Panyu Square, the first mall in Guangdong Province, and AEON MALL Suzhou Xinqu, the third mall in Jiangsu Province, bringing the total number of malls in China to 12. All the new malls performed well, and sales at Suzhou Yuanqu Hudong, which opened May 2015, are showing a double-digit increase compared to that of the plan. At Wuhan Jingkai, which opened December 2015, sales during the period of the Lunar New Year were the highest of the China business.

ASEAN Business

In the ASEAN business, operating revenue increased 257.2% year on year, to ¥4,241 million, and an operating loss came to ¥1,013 million, compared with ¥944 million in the previous fiscal year.

In the fiscal year under review, we opened AEON MALL BSD CITY (Tangerang, Banten), the first mall in Indonesia, and AEON MALL Long Bien (Hanoi), the third mall in Vietnam and the first mall in the Hanoi area. This brought the total number of malls in the ASEAN region to five.

With the number of visitors to BSD CITY in the first 10 months after it opened reaching 10 million and those to Long Bien in its first six months reaching 5 million, both malls made a good start.

Operating revenue by segment

(Millions of yen)

	FY2/2015	FY2/2016
Consolidated	203,902	229,754
Domestic Business	196,650	214,006
China Business	6,065	11,506
ASEAN Business	1,187	4,241

Operating income (loss) by segment

(Millions of yen)

	FY2/2015	FY2/2016
Consolidated	41,872	43,870
Domestic Business	46,346	49,322
China Business	△3,529	△4,448
Consolidated	△944	△1,013

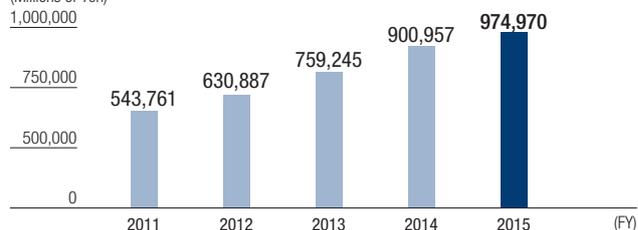
Analysis of Financial Position

■ Assets

Total assets stood at ¥974,970 million, up ¥74,012 million from the end of the previous fiscal year. This was chiefly attributable to an increase of ¥64,896 million in property, plant and equipment due to the opening of new malls and the prior acquisition of land for development in the future and an increase of ¥17,137 million in long-term prepaid expenses due to the acquisition of land-use rights in China.

Total assets

(Millions of Yen)

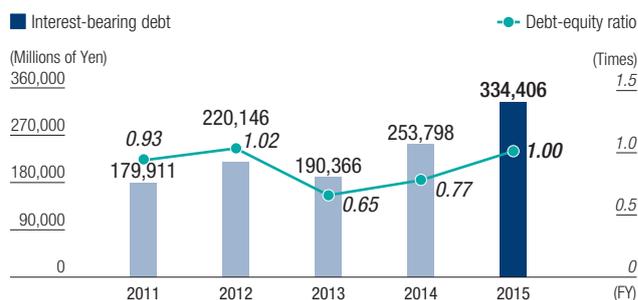


■ Liabilities

Total liabilities stood at ¥635,120 million, up ¥66,699 million from the end of the previous fiscal year. This was mainly due to a ¥42,268 million increase in long-term loans payable (including the current portion of long-term loans payable) and a ¥30,000 million increase in bonds (including the current portion of bonds).

Interest-bearing debt increased ¥80,607 million from the end of the previous fiscal year, to ¥334,406 million. The debt-equity ratio was 1.0, staying at a level of 1 time or less, which the Group regards as a soundness indicator.

Interest-bearing debt/Debt-equity ratio

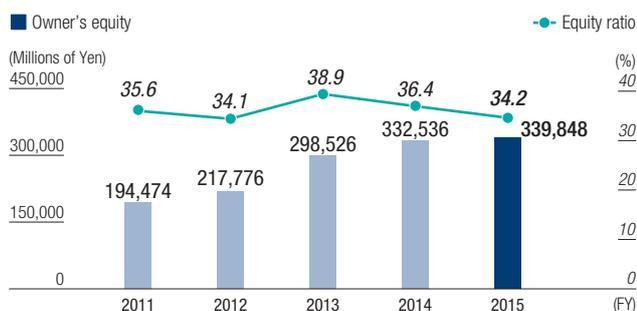


■ Net Assets

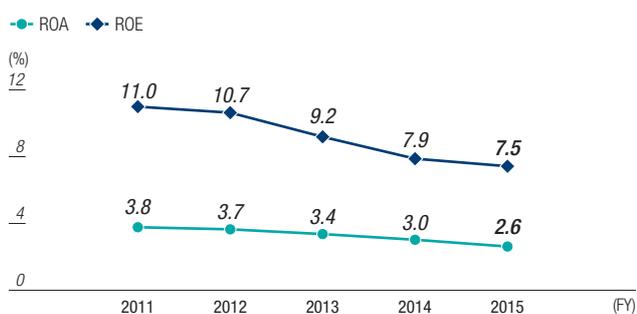
Net assets totaled ¥339,849 million, up ¥7,313 million from the end of the previous fiscal year. This was primarily attributable to an increase in retained earnings due to the recording of net income and a rise of ¥7,725 million in foreign currency translation adjustment.

The equity ratio was 34.2%, staying at 30% or more, which the Group regards as a soundness indicator.

Owner's equity/Equity ratio



ROA/ROE

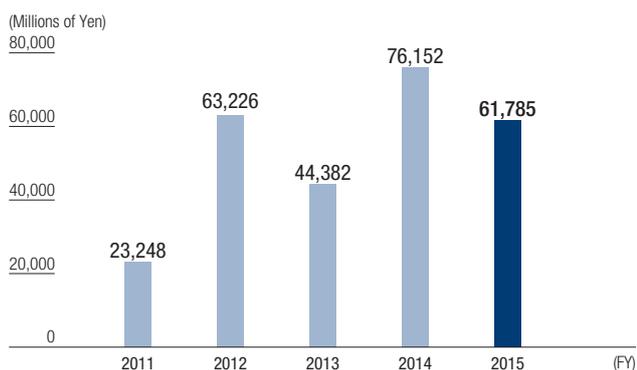


Analysis of Cash Flows

■ Cash flows from operating activities

Net cash provided by operating activities amounted to ¥61,785 million, declining ¥14,366 million from the previous fiscal year. The primary factor for this decline was a decrease in deposits received from specialty stores of ¥14,876 million due to the fact that the return of deposits received from specialty stores was postponed to the fiscal year under review because the last day of the previous fiscal year was a non-business day for banks. When this factor is excluded, the substantive cash flows from operating activities would have increased from the previous fiscal year.

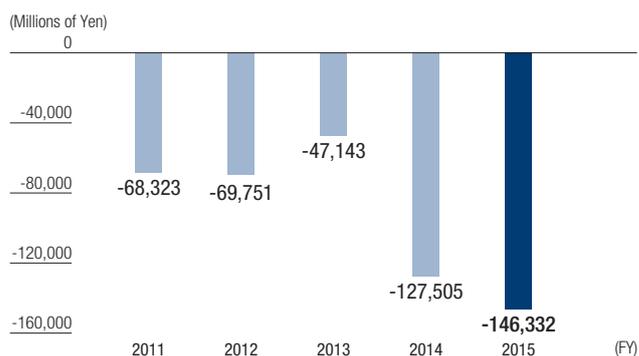
Cash flows from operating activities



■ Cash flows from investing activities

Net cash used in investing activities stood at ¥146,332 million, increasing ¥18,827 million from the previous fiscal year. The major factors for this increase were the proceeds from the sale of property, plant and equipment of ¥55,442 million due to transfer to REITs, the purchase of property, plant and equipment of ¥19,415 million due to payments for equipment at AEON MALL Kisarazu (Chiba Prefecture), AEON MALL Tamadaira Woods (Tokyo), and AEON MALL Okinawa Rycom (Okinawa Prefecture), and the purchase of long-term prepaid expenses of ¥12,899 million for land-use rights overseas.

Cash flows from investing activities

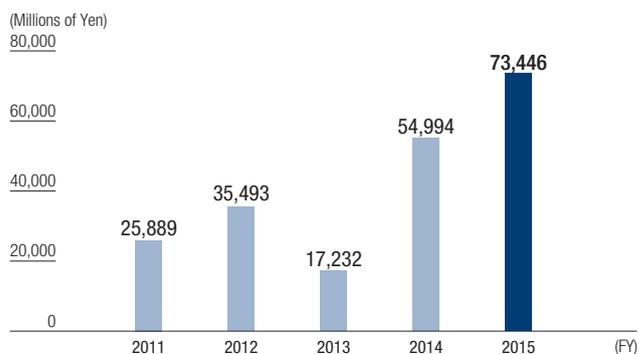


■ Cash flows from financing activities

Net cash provided by financing activities was ¥73,446 million, up ¥18,451 million from the previous fiscal year. This was chiefly attributable to proceeds from issuance of bonds of ¥30,000 million (net amount after offsetting redemption of bonds), short-term bank loans and commercial papers of ¥8,440 million, and the proceeds from long-term loans payable of ¥43,654 million (net amount after offsetting repayments of long-term loans payable).

As a result of taking into account the effect of exchange rate fluctuations and other factors, cash and cash equivalents as of February 29, 2016 amounted to ¥53,652 million, down ¥13,569 million from February 28, 2015.

Cash flows from financing activities



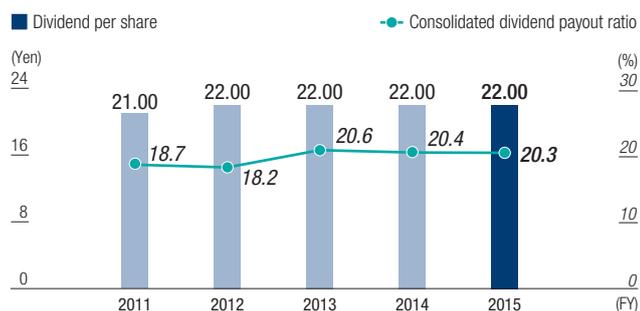
Basic Policy on Income Distribution and Dividends for Fiscal Years Ended February 29, 2016 and Ending February 28, 2017

AEON MALL considers the return of profits to shareholders through the expansion of its earnings power to be a key management priority. The company's basic policy on income distribution emphasizes the maintenance of steady dividend payments to shareholders, while the company determines dividends by considering the demand for the investment funds needed to enhance the business structure and strengthen the operating base.

Taking these factors into account, the company paid annual dividends of ¥22 per share (interim dividends of ¥11 and year-end dividends of ¥11). The consolidated dividend payout ratio will be 20.3%. The company plans to pay annual dividends of ¥27 per share for the fiscal year ending February 28, 2017, up ¥5 from the fiscal year under review. The consolidated dividend payout ratio is forecast to be 22.7%.

As for the consolidated financial results for the fiscal year ending February 28, 2017, we expect operating revenue to increase 21.9%, to ¥280 million, operating income to rise 6.0%, to ¥46.5 million, and net income attributable to owners of parent to climb 9.6%, to ¥27 million.

Dividend per share/Consolidated dividend payout ratio



Outlook for the Fiscal Year Ending February 28, 2017

■ Domestic Business

In the fiscal year ending February 28, 2017, we plan to open six malls, including AEON MALL Sakai Teppochō (Osaka Prefecture) that opened in March 2016. We will conduct large-scale renovations at 21 existing malls, and enhance our earnings power through measures such as by holding events in cooperation with companies and local governments and responding to inbound demand.

We will also work to expand earnings in the fashion buildings business of OPA Co., Ltd., which became a subsidiary on March 1, 2016. OPA manages and operates fashion buildings in midtown areas and has a complementary relationship in development and leasing with the company, which operates large shopping malls mainly in the suburbs. We will strengthen the development, management, and operation of urban stores as part of the shift to downtown areas, one of the Group strategies, by integrating the expertise of both companies.

■ Overseas Business

In the fiscal year ending February 28, 2017, we plan to promote the opening of dominant malls in each area, and put 10 of our 17 malls into the black by further improving the operation of malls, which is one of the strengths of the company.

China Business

Although we only plan to open one mall in the fiscal year ending February 28, 2017, we have already started to build seven malls and will work to develop properties in four main areas: Beijing and Tianjin, Jiangsu Province and Zhejiang Province, Hubei Province, and Guangdong Province. At the same time, we will strive to improve expertise in managing and operating the existing malls to expand earnings.

ASEAN Business

We will open AEON MALL Binh Tân (Ho Chi Minh City), the fourth AEON MALL in Vietnam and the third one in the Ho Chi Minh area. In Vietnam, Cambodia, and Indonesia, we will take steps to expand earnings at our existing malls and open new facilities.

Outlook for FY2/2017

	FY2/2016 Results	FY2/2017 Forecasts	Year-on-year (%)
Operating revenue (billion yen)	229.7	280.0	121.9
Operating income (billion yen)	43.8	46.5	106.0
Net income (billion yen)	24.6	27.0	109.6
Net income per share (yen)	108.43	119.94	—
Capital expenditures (billion yen)	187.3	150.0	80.1
Depreciation (billion yen)	32.0	40.0	125.0
Dividend per share (yen)	22.00	27.00	—
Consolidated dividend payout ratio (%)	20.3	22.7	—