

Reports by Business Segment (Japan)

AEON MALL continues to renovate and open new malls in Japan, tailored purposefully to the character of each local community.

Overview of FY2018

We are increasing the number of malls that are dominant in their respective regions of Japan. This high level of customer support creates a stronger competitive advantage throughout the Japanese shopping mall market.

Our medium-term management plan (FY2017–FY2019) calls for expanding floor space at eight malls, renovating 32 malls, and opening 10 new malls. In FY2017, we expanded two malls, renovated 12 malls, and opened five new malls. In FY2018, we expanded two malls, renovated six malls, and opened four new malls.

In March 2018, we reopened the AEON MALL Miyazaki (Miyazaki Pref.) after an expansion and remodel. The mall features a new wing built on the south side of the mall, which had formerly been a parking lot. A total of 63 specialty stores opened in the new wing. Major renovations to the existing wing of the mall covered a total of 92 stores. As a result, the mall now has a total rentable area of 84,000m² (an increase of 14,000m²) and room for 250 tenants (increase of 70 stores) total.

AEON MALL Kumamoto (Kumamoto Pref.) reopened in stages following the Kumamoto earthquakes of April 2016. The earthquake-damaged anchor tenant zone on the west side of the mall was enlarged significantly and opened as an expanded wing in July 2018. As a result, the mall now has a total rentable area of 84,000m² (an increase of 11,000m²), with space for 200 tenants (an increase of 45 stores). To prevent damage from disasters like large-scale earthquakes, we reassessed the materials and construction methods for facilities within the mall to improve safety and strengthen earthquake resistance in our buildings.

Expanded floor space at each of the two malls mentioned above has secured an overwhelmingly strong position as the dominant mall in their respective regions, building upon already sizable market shares. Our tenants enjoyed solid sales performance in the 22 existing malls where we expanded

floor space or conducted renovations in FY2017 and FY2018. Specialty store sales grew a strong 8.0% compared to the same period in the prior fiscal year.

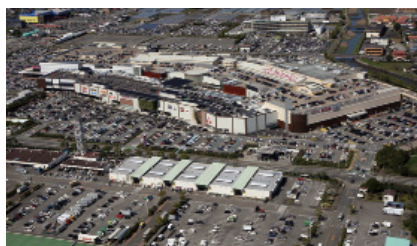
We opened four new malls in FY2018: AEON MALL Zama (Kanagawa Pref.) in March, THE OUTLETS HIROSHIMA (Hiroshima Pref.) in April, AEON MALL Iwaki Onahama (Fukushima Pref.) in June, and AEON MALL Tsu-Minami (Mie Pref.) in November.

For AEON MALL Zama, we used part of the grounds of Nissan Motor Co., Ltd.'s Zama Operation Center, which allowed us to reduce the mall's impact on the environment. Solar panels on the building roof and walls generate up to one megawatt of electricity, enough to power 300 ordinary households for a year. Using LED lights throughout the mall has reduced the use of electricity by 40% compared to lighting in a conventional mall.

THE OUTLETS HIROSHIMA will draw customers from a wide area as it targets not only customers in Hiroshima Prefecture, but also tourists from other parts of Japan and overseas. Features include an amusement facility developed in collaboration with a local professional baseball team and a zone offering a variety of regional foods and specialties. These features and others combine to provide visitors an opportunity to experience the local flavor of Hiroshima.

One major feature of AEON MALL Iwaki Onahama is its function as a disaster-ready mall. In the event of an earthquake or other disaster, the mall's inside walkways, halls, and rooftop can be opened to house evacuees temporarily, even after business hours. The most important sections of the facility are built above the level of the highest anticipated waves in the case of tsunami flooding. In addition to disaster-preparedness, the mall sponsors localization initiatives in partnership with a nearby aquarium and other tourist facilities, with local businesses, and with educational institutions. These events are effective in promoting the attractiveness of the surrounding community.

AEON MALL Tsu-Minami was rebuilt on the site of the former AEON Tsu-Minami Shopping Center SUNVALLEY, which first opened in 1978. The mall was closed in 2016 for the expansion project and grand reopening. The mall's event space offers the latest in digital content, with a large 270-inch LED display. Nearly 60 digital signs are located throughout the building, providing visitors with the latest in digital content.



AEON MALL Miyazaki (Miyazaki Pref.)



AEON MALL Kumamoto (Kumamoto Pref.)

In addition to floor space expansions, renovations, and new mall openings, we are taking measures to increase customer drawing power. These measures include Happiness

Mall initiatives to attract new customer segments and sales promotions to make the mall a more familiar part of the community.



AEON MALL Zama (Kanagawa Pref.)



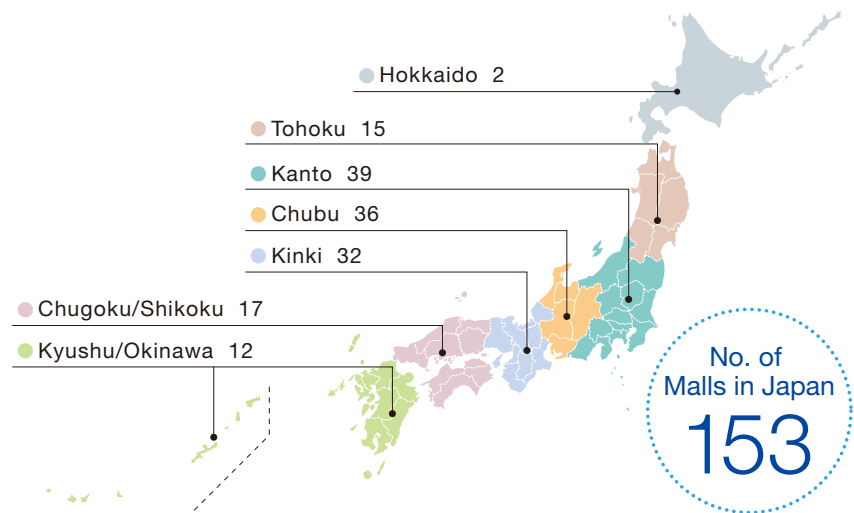
THE OUTLETS HIROSHIMA (Hiroshima Pref.)



AEON MALL Iwaki Onahama (Fukushima Pref.)



AEON MALL Tsu-Minami (Mie Pref.)



AEON MALL Shopping Centers Awarded ABINC Certification

THE OUTLETS HIROSHIMA and AEON MALL Zama have both earned ABINC Certification. ABINC certification is given in recognition for initiatives such as the creation of biodiversity-friendly green areas. The Association for Business Innovation in Harmony with Nature and the Community (ABINC) oversees third-party evaluations and certifications of such efforts based on the Guidelines for Sustainable Business Sites, which was created and registered by the Japan Business Initiative for Biodiversity (JBIB). The two new certifications give the company a total of nine certified facilities.



Domestic Business Road Map

	Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019			2020 ... 2025		
	2014	2015	2016	2017	2018	2019 (Plan)	2020	...	2025
New Openings	7	5	5	5	4	1			
No. of Malls	139	144	147	150	153	154	Become the Overwhelmingly Dominant Mall in Each Region		
Operating Revenue (JPY, bn)	196.8	214.0	244.0	255.4	268.3	326.0			
Operating Income (JPY, bn)	46.3	49.3	48.7	50.0	52.4	62.0			

Reports by Business Segment (Overseas)

The AEON MALL overseas business reported net profits for the year, leveraging brand power and area-dominant store openings in China and ASEAN.

Overview of FY2018

Our overseas business has become a growth driver, poised for future profit growth in response to new store openings, renovations timed to tenant changes in existing malls, planned expansions, and initiatives to improve our level of operations.

Although economic growth has slowed in China, we continue working to keep our malls feeling updated. We are taking advantage of the managing and operating expertise developed in Japan to bolster customer drawing power through sales promotions and events designed to encourage purchases. At the same time, we ensure that our Chinese malls are as clean, safe, and comfortable as those in Japan. Further, we have timed mall renovations to extensive, strategic turnover in mall tenants. Thanks to these efforts, specialty store sales at our 17 existing malls have grown in the double digits.

Our current medium-term management plan (FY2017–FY2019) calls for opening eight new malls in China. We opened four malls in FY2017. In FY2018, we opened two more malls: AEON MALL Yantai Jinshatan in May (Yantai City, Shandong), our first mall in Shandong Province, and AEON MALL Guangzhou Jinsha in November (Guangzhou City, Guangdong), our third mall in Guangdong Province and second in Guangzhou City.

The ASEAN nations are expected to experience a



AEON MALL Sen Sok City (Cambodia)

growing middle-income class and a rising population of new families. We are anticipating future market needs in the region, offering not only physical merchandise, but also the latest in amusement facilities, services, and regional infrastructure functions.

Our current medium-term management plan calls for opening four new malls in ASEAN. We opened one mall in Indonesia in FY2017. In May of FY2018, we opened AEON MALL Sen Sok City (Phnom Penh City), our second mall in Cambodia.

In Vietnam, we began construction on AEON MALL Ha Dong in Hanoi City (fifth mall in Vietnam; scheduled to open in FY2019) and AEON MALL Hai Phong Le Chan in Hai Phong City (sixth mall in Vietnam; scheduled to open in FY2020). In addition, AEON MALL Tan Phu Celadon (Ho Chi Minh City), our very first mall in Vietnam, is scheduled to reopen in the first half of FY2019 after an expansion and renovation. The mall will offer a total 70,000m² of total rentable area (an increase of 35,000m²), with room for 210 tenants (increase of 90 stores).

In Indonesia, we are currently constructing AEON MALL Sentul City (West Java), which is scheduled to open in FY2019. This will be our third mall in Indonesia. We have now secured tenants for AEON MALL Tanjung Barat (southern Jakarta district; scheduled for an FY2020 opening), our fourth mall in Indonesia.



AEON MALL Yantai Jinshatan (China)



AEON MALL Guangzhou Jinsha (China)

Promoting and Developing Local Talent

As our overseas business expands, the AEON MALL Group is doing more to hire local staff and facilitate interaction among Japanese and overseas staff.

We have established a fair and highly transparent system

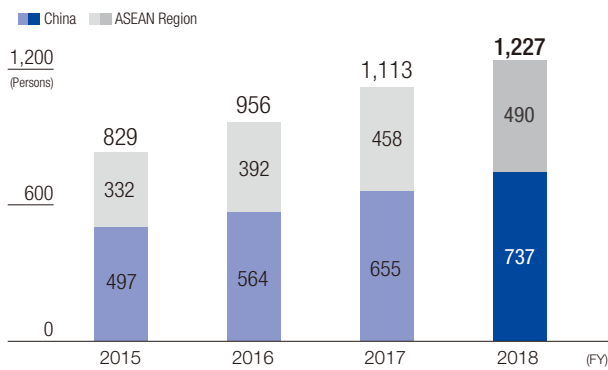
to hire and promote employees without regard to nationality or gender. This system guides our effort to secure and develop excellent talent to help our group grow.

Under one of our development programs, we send staff from Japan to China or ASEAN as trainees on year-long assignments. Designed primarily for younger staff, the

aim of the program is to develop leadership in culturally and historically varied settings, helping trainees acquire knowledge and skills needed to work effectively at overseas locations. As a result of these initiatives, we have expanded the number of local staff at overseas subsidiaries to more than 1,000 in China and the ASEAN region combined.

● No. of Local Staff Overseas

(China/ASEAN Region)



● China Business Road Map

	Medium-Term Management Plan 2011–2013			Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019			2020	...	2025
	2011	2012	2013	2014	2015	2016	2017	2018	2019 (Plan)			
New Openings	0	1	1	2	6	1	4	2	2			
No. of Malls	2	3	4	6	12	13	17	19	21	Existing Mall Renovations Mall Openings in New Regions		
Operating Revenue (JPY, bn)	1.0	1.7	3.0	6.0	11.5	18.9	23.8	33.3	—			
Operating Income (JPY, bn)	-0.8	-1.4	-2.3	-3.5	-4.4	-3.4	-1.1	-0.4	—			

● ASEAN Business Road Map

	Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019			2020	...	2025
	2014	2015	2016	2017	2018	2019 (Plan)			
New Openings	3	2	1	1	1	2			
No. of Malls	3	5	6	7	8	10	Existing Mall Renovations Mall Openings in New Regions		
Operating Revenue (JPY, bn)	1.1	4.2	6.7	8.7	11.2	—			
Operating Income (JPY, bn)	-0.9	-1.0	-0.3	0.2	0.9	—			