



AEON MALL CO., LTD.



New Phase, New Growth

ANNUAL REPORT 2015





**Our Value 1** Amid growing expectations for Regional Revitalization

## **Creating local charm with local communities**

AEON Mall Okayama aims to function as a focal point for local culture and information.

AEON Mall Okayama is the first commercial facility in the area to proceed with cooperation with local communities.

Creating new local charm with local communities.

Our pursuit of new challenges beyond the framework of traditional commercial facilities has already begun.

# HAREMACHI ATELIER

AEON Mall Okayama  
Haremachi Special Zone 365



**Our Value 2** In response to the need for steady regional development

## Coping with the changing times, we will ensure thriving local communities

AEON Mall has undertaken 140 urban development projects in Japan. However, given changes in the times, our development project will not end. We will continue changing and growing in tandem with changes in local communities and people's life stages.



AEON LakeTown  
after large-scale renovations



**Our Value 3** Amid the growth of the middle-income earners in Asia

# As the basis of people's lifestyles, looking to achieve progress in motorization

Various regions in Asia are now seeing progress in motorization amid the growth of the middle-income earners.

AEON Mall is building our own markets in suburbs in China, Vietnam and Indonesia.

We will contribute to people's lifestyles through our concerted initiatives for town creation with the countries and regions of Asia.



AEON Mall Suzhou Yuanqu Hudong



**Our Value 4** Amid people's growing needs for safety and comfort

## As an advocate of the development of safe, comfortable communities

Guiding signs that are easy for all customers to understand, from children to the elderly.

From building facilities that are barrier-free and environmentally friendly to tree planting and regional disaster prevention activities with local communities.

We will continue our efforts hand in hand with local customers.





# Life Design Developer.

## Creating a “life for the future” with local communities

As one of Japan's leading commercial developers, we will move toward a new phase of growth with an eye to the year 2020 on the basis of our expertise in shopping mall development and in our operations, which we have developed over a long period of time. We have commenced our new attempts in the growing Asian market.





## Basic Philosophy

### Customers First

#### Management Philosophy

### **AEON Mall is a Life Design Developer that creates a “life for the future” with local communities.**

Life Design means designing the future of people's lives by transcending the framework of commercial facilities and improving a range of functions, not only in shopping but also in terms of meeting people and fostering local culture, with an eye to each person's life stages.

#### Growth Strategy

1. Development of malls in Japan based on a new concept
2. Promotion of the remodeling of existing malls
3. Aggressive openings in China and the ASEAN region

## INDEX

<b>Performance Review, Vision and Strategy</b>	
Financial Highlights .....	7
Key Performance Assessment Indicators and Description .....	9
Highlights by Business Segment .....	11
Message from the President .....	13
<b>Business Model and Strengths</b>	
Conversation .....	17
<b>Operational Overview and Forecast</b>	
Domestic Business .....	23
Overseas Business .....	31
<b>Corporate Governance and CSR</b>	
Corporate Governance .....	39
Messages from Independent Officers .....	45
Directors and Audit & Supervisory Board Members .....	47
CSR Activities .....	49
Corporate Data/Investor Information .....	55





# Financial Highlights

AEON Mall Co., Ltd. and its subsidiaries  
Consolidated fiscal year ended February 28, 2015

	Millions of Yen					Thousands of U.S. Dollars (Note)
	2010	2011	2012	2013	2014	2014
<b>For the year:</b>						
Operating revenue	¥ 145,117	¥ 150,886	¥ 161,427	¥ 176,931	¥ 203,902	\$ 1,709,733
Operating income	39,651	40,656	41,743	42,227	41,872	351,104
Net income	22,379	20,355	21,865	23,430	24,513	205,543
Capital expenditures	54,762	73,044	53,536	114,859	181,953	1,525,683
Depreciation and amortization	19,721	20,739	21,621	23,945	29,574	247,982
Operating cash flows	53,007	23,248	63,226	44,382	76,152	638,543
Investing cash flows	(35,907)	(68,323)	(69,751)	(47,143)	(127,505)	(1,069,140)
Financing cash flows	(27,315)	25,889	35,493	17,232	54,994	461,134
Free cash flows	17,100	(45,075)	(6,525)	(2,761)	(51,353)	(430,597)
<b>Per share data (yen and U.S. dollars):</b>						
Net income	¥ 123.55	¥ 112.37	¥ 109.73	¥ 106.96	¥ 107.58	\$ 0.90
Cash dividends	20.00	21.00	22.00	22.00	22.00	0.18
<b>At year-end:</b>						
Total assets	¥ 517,218	¥ 543,761	¥ 630,887	¥ 759,245	¥ 900,957	\$ 7,554,561
Total equity	177,617	194,474	217,776	298,526	332,536	2,788,328
Interest-bearing debt	143,691	179,911	220,146	190,366	253,798	2,128,107
<b>Ratio:</b>						
Equity ratio (%)	34.2	35.6	34.1	38.9	36.4	—
ROE (Return on equity) (%)	13.4	11.0	10.7	9.2	7.9	—
ROA (Ratio of net income to total assets) (%)	4.4	3.8	3.7	3.4	3.0	—
Debt-equity ratio (times)	—	—	—	—	4.9	—
PER (times)	0.81	0.93	1.02	0.65	0.77	—
PBR (times)	17.8	16.4	19.0	26.3	21.5	—
	2.2	1.7	1.9	2.2	1.6	—

Note: For the convenience of readers, the value in U.S. dollars is calculated with the estimated exchange rate as of February 28, 2015 at 119.26 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.

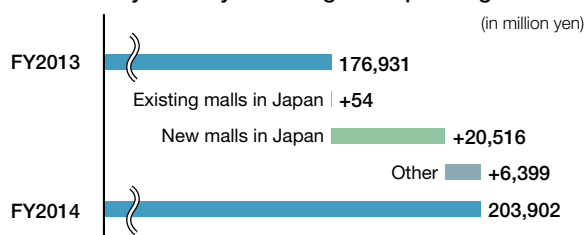


## Increased earnings from new malls helped to achieve double-digit growth from a year earlier. (Operating income was up 15.2%, or by 26,971 million yen.)

While sales at specialty stores in existing malls totaled 98.2% of those in the previous year due to a reactionary fall after the consumption tax hike and lower real wages based on higher commodity prices, as well as other factors, operating income at existing malls increased 100.0% year on year, to 54 million yen thanks to the effects of revised rents and incidental income from events.

Operating income at 12 new malls (five opened in FY2013 and seven opened in FY2014) increased by 20,516 million yen. In addition, earnings from overseas business and other segments rose by 6,399 million yen, and total operating income increased by 26,971 million yen, or 115.2% year on year.

### Factors for year-on-year changes in operating revenue

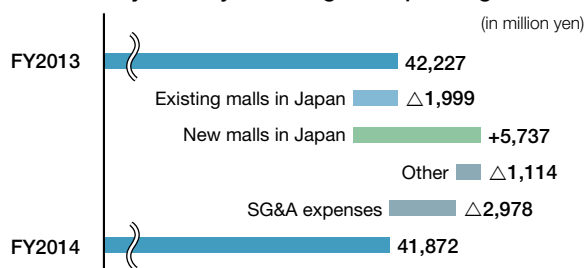


## There was a slight fall from a year earlier due to a rise in selling, general and administrative (SGA) expenses associated with increased mall openings. (Operating income was down 0.8%, or by 354 million yen)

While operating income at new malls increased by 5,737 million yen, operating income at existing malls declined 1,999 million yen from a year earlier, owing to higher expenses for sales promotion incurred during the first half of the fiscal year, which had been implemented as a measure against the consumption tax hike. SGA expenses rose 2,978 million yen as a consequence of strengthening the organization by accelerating mall openings in and outside of Japan, and total operating income decreased by 0.8% year on year, to 41,872 million yen.

Operating income at existing malls has been gradually climbing since the fourth quarter as the expenses for selling six malls in November 2013 to REIT and leasing them back have come to an end. The SGA expense ratio is expected to decline, as earnings will increase from the next fiscal year due to completion of the improvement of the domestic and overseas organizations.

### Factors for year-on-year changes in operating income



## Actively promoted investment in growth in Japan, China, and ASEAN countries (Capital expenditure was up 58%, or by 67,094 million yen)

We are actively investing to increase earnings, and total capital expenditure amounted to 181,953 million yen (up 58% year on year), which were made up of 138,034 million yen in Japan and 43,918 million yen overseas for opening new malls.

We will continue to make capital investments in opening new malls and other facilities, and capital expenditure for FY2015 is scheduled to reach 170,000 million yen.

The pieces of property on the right-hand side of the table were sold to Aeon REIT Investment Corporation.

### Breakdown of Capital Expenditure

In Japan		138,034 million yen
Overseas	China	20,029 million yen
	ASEAN	23,889 million yen
Total		181,953 million yen

### Malls sold in FY2014

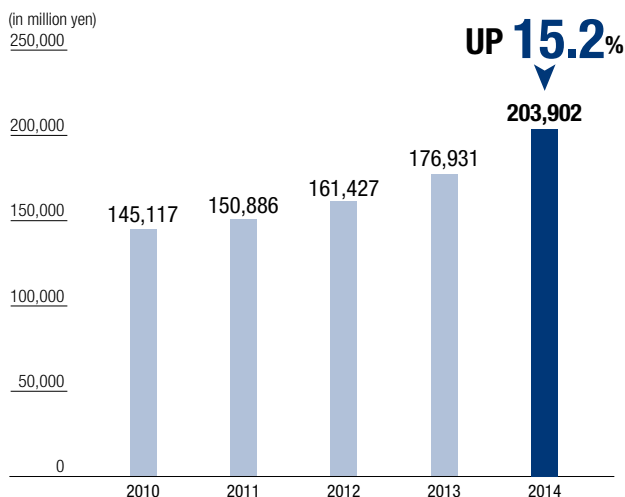
Company	Aeon REIT Investment Corporation
Office Name	Aeon Mall Kyoto
Location	Minami-ku, Kyoto, Kyoto Pref.
Description of property	Land, buildings, etc.
Book Value	20,532 million yen
Appraised NOI yield	5.1%



# Key Performance Assessment Indicators and Description

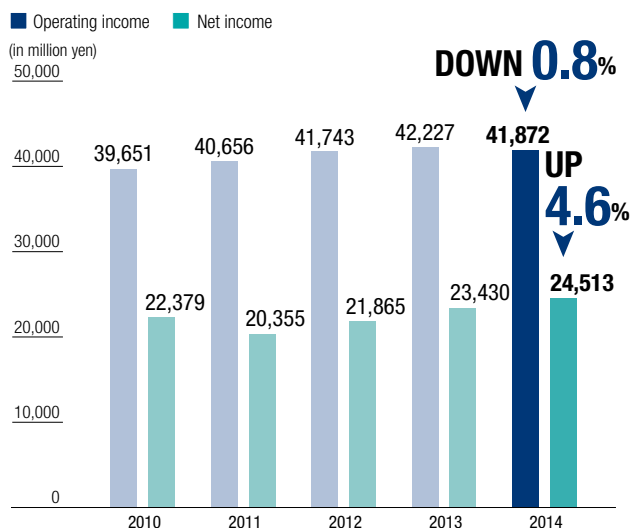
AEON Mall Co., Ltd. and its subsidiaries  
Consolidated fiscal year ended February 28, 2015

## Operating Revenue



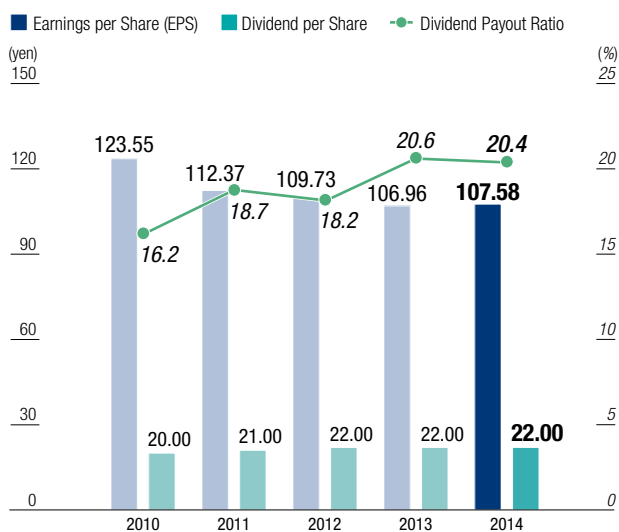
Aeon Mall has been steadily continuing the opening of new malls each year and achieving a consecutive increase in revenue since the fiscal year ended February 2003, during which the company's shares began to be publically traded. In FY2014 (ended February 2015), the company opened 11 malls inside and outside of Japan based on its medium-term business plan that started in the same year, which resulted in operating revenue of 203,902 million yen (up 15.2% year on year).

## Operating Income and Net Income



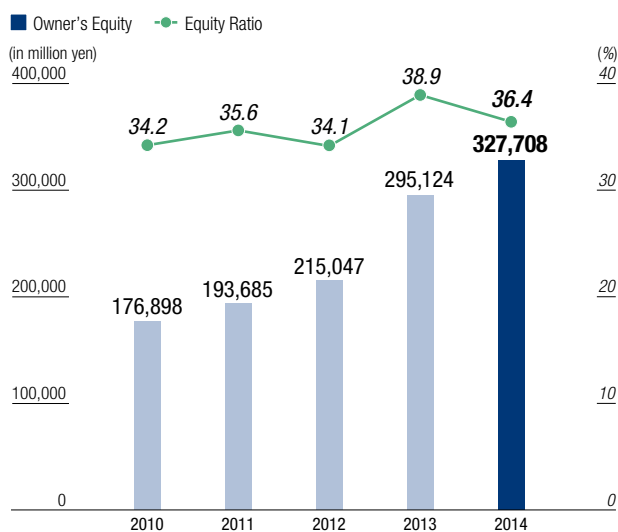
While operating income had been consistently growing since FY2010, increased expenses for expanding malls both in Japan and overseas resulted in a fall in operating income by 0.8% year on year, to 41,872 million yen in FY2014. Net income for FY2014 of 24,513 million yen, up 4.6% year on year, was achieved through gains on the sale of fixed assets and investment securities.

## Earnings per Share (EPS)/Dividend per Share/Dividend Payout Ratio



Earnings per share in FY2014 rose slightly from a year earlier to 107.58 yen. The dividend was 22 yen and the dividend payout ratio was 20.4%.

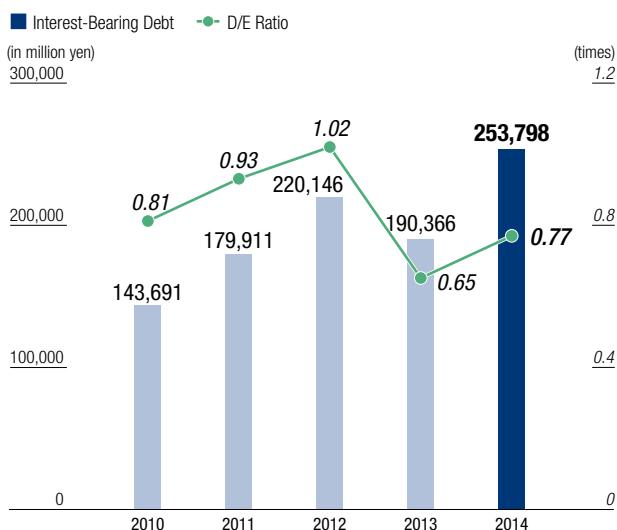
## Owner's Equity/Equity Ratio



Owner's equity grew by 32,583 million yen from a year earlier as a result of an increase in retained earnings based on net income recognized for FY2014 and a rise in the foreign currency translation adjustment. Equity ratio declined 2.5 points year on year, to 36.4%, due primarily to increased total assets as a result of the purchase of property, plant and equipment.

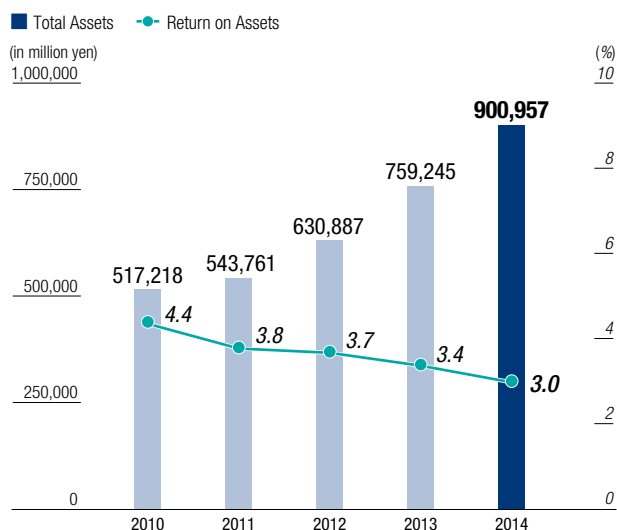


## Interest-Bearing Debt/Debt Equity (D/E) Ratio



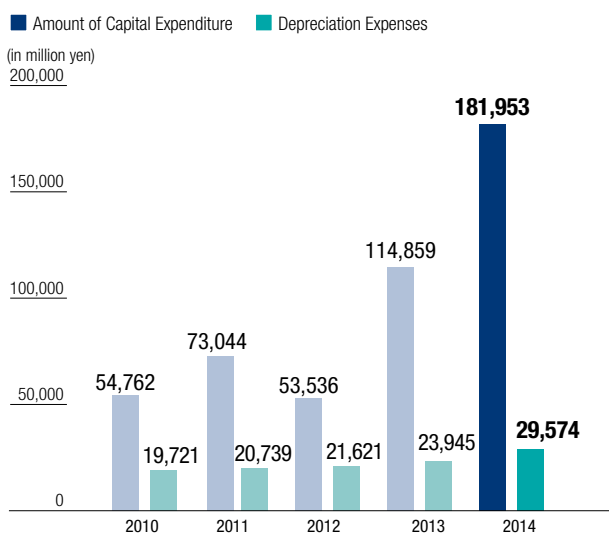
In FY2014, interest-bearing debt climbed 63,432 million yen from a year earlier largely as a consequence of growth in long-term borrowings associated with new mall openings. With additional owner's equity, however, the debt equity ratio was maintained at an increase of 0.12%, to 0.77 times.

## Total Assets/ROA (Ratio of net income to total assets)



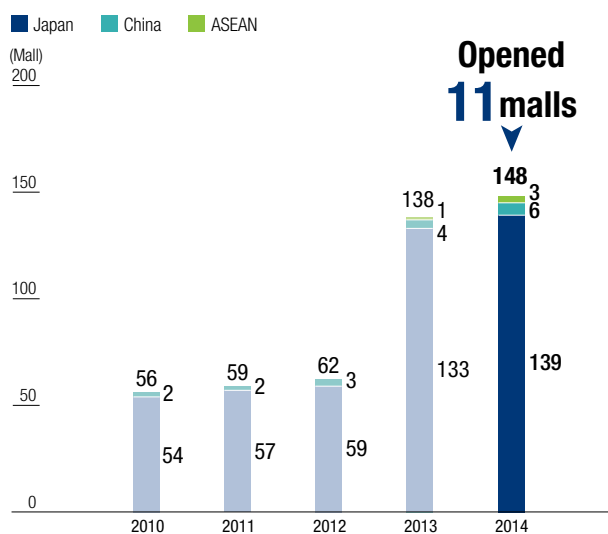
In FY2014, purchase of property, plant and equipment and increased cash and deposits resulted in an 18.6% year-on-year growth of total assets, to 900,957 million yen. Net income remained unchanged from a year earlier, and ROA fell by 0.4% year on year.

## Capital Expenditure/Depreciation Expenses



Capital expenditure was chiefly associated with the opening of new malls. Strategic investment based on active new mall openings from FY2013 caused capital expenditures to significantly increase, which reached 181,953 million yen in FY2014. This also caused depreciation expenses to gradually increase.

## Changes in The Number of Malls in and outside of Japan



In FY2013, the Company dealt with the management and operation of 69 malls of Aeon Retail, a company in the Aeon Group. Since FY2014, the Company has been accelerating the pace of opening new malls in Japan and overseas, based on the Medium-Term Business Plan. In FY2014, the Company opened seven malls in Japan and two malls each in China and the ASEAN region.



## Highlights by Business Segment

### Business Overview

#### Domestic Businesses



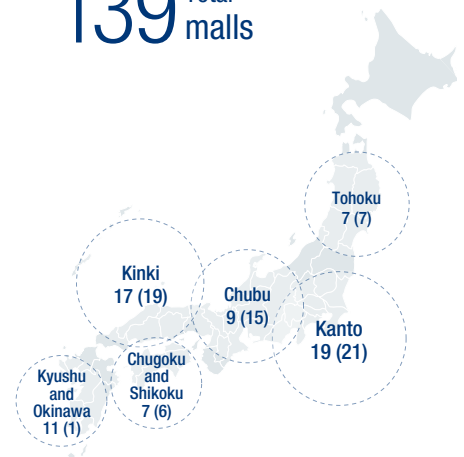
As the leading commercial developer in Japan who has gained an expertise over many years from the perspective of customers, we will develop a comprehensive mall business covering everything from site development to planning, developing, tenant leasing, and the management and operation of shopping malls. As of the end of February 2015, we operate 139 shopping malls\* across Japan.

We have been achieving growth based on suburban shopping malls with large parking lots to cater to the growing motorization. In recent years, with the spread of shopping malls throughout Japan, we are now focusing on the perspective of localization and developing malls with new concepts, taking into account the characteristics unique to each community.

\* Includes 69 malls of which management and operation have been entrusted from Aeon Retail since November 2013.

#### Grouping and the Number of Shopping Malls in Japan

139 Total malls



\* Numbers in parentheses represent the number of malls that have entrusted management and operation from Aeon Retail.

\* The number of malls listed above is as of February 28, 2015.

#### Overseas Businesses

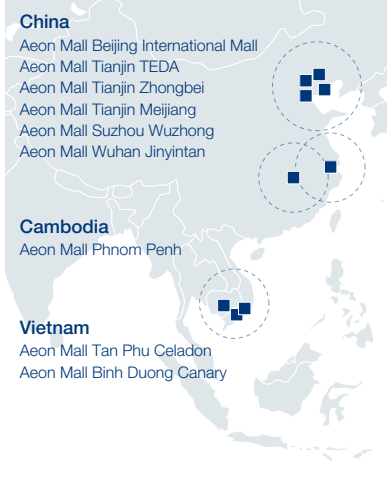


We are developing our overseas business as a new growth driver and accelerating new mall openings in emerging Asian markets such as China and ASEAN countries. Using our strengths in shopping mall development and operation gained in Japan, we are offering new, fulfilling lifestyles to our overseas customers by developing shopping malls with large parking lots suited for local characteristics.

After the first mall opened in Beijing, China in November 2008, we are developing malls in regions with a rapidly growing middle-income population. Currently, we are focusing on four areas, including the Beijing and Tianjin area, the Jiangsu and Zhejiang area, the Hubei area, and the Guangdong area, to accelerate the opening of new malls. In ASEAN countries, we have opened Aeon Malls in Cambodia and Indonesia following the opening of the first mall in Vietnam in January 2014.

#### Number of Overseas Malls

9 Overseas malls





## Overview of FY2014

### New Malls

- Seven new malls were opened based on new concepts that take into account local characteristics.
- Aeon Mall Okayama, which was planned to be a new flagship mall, was opened in front of Okayama Station. Within the mall there are also facilities such as a TV studio and various other new functions, with the mall aiming to be a base of cultural creation and information distribution.

(▶ See P. 25–26 for details)

### Existing Malls

- Implementation of renovations, such as the introduction of new tenants, changing business conditions and transferring existing tenants has been carried out in the existing eight malls.
- We took measures to increase Aeon Malls' ability to attract customers by carrying out sales promotions using the Aeon Card and WAON, conducting events that customers participated in, and other projects, in addition to nationwide simultaneous discounts launched by the Aeon Group.



Aeon Mall Okayama

### China

- Two new malls, Aeon Mall Suzhou Wuzhong, the first mall in Jiangsu Province, and Aeon Mall Wuhan Jinyintan, the first mall in Hubei Province and in the inland area, opened in FY2014.
- The existing four malls maintained both the number of visitors and sales at specialty stores at levels above the year-on-year growth in retail sales of China as a whole. (▶ See P. 36 for details)

### ASEAN

- The first mall in Vietnam, Aeon Mall Tan Phu Celadon, that was the first mall opening in the ASEAN region, is celebrating its one-year anniversary and the annual number of visitors exceeded 12 million.
- The first mall in Cambodia, Aeon Mall Phnom Penh, and the second mall in Vietnam, Aeon Mall Binh Duong Canary, opened in FY2014.



Aeon Mall Wuhan Jinyintan



Aeon Mall Binh Duong Canary

## Outlook for FY2015

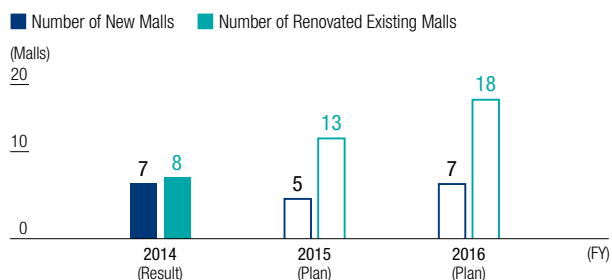
### New Malls

- Opening of five malls are planned as new development projects.
- Establishment of new know-how through the development of concept malls making use of local characteristics such as the full-scale resort mall Aeon Mall Okinawa Rycom.

### Existing Malls

- In three years, from 2014, more than 60% of existing malls are planning to implement major renovations, and 13 malls, including Aeon Lake Town, are planning large-scale renovations in FY2015. (▶ See P. 27–28 for details)
- Facilities and services for foreign visitors such as multilingual support will be improved in order to meet the demand for foreign travelers to Japan. We will also strengthen promoting to overseas consumers.

### Changes in the Number of New Malls/ Renovated Existing Malls



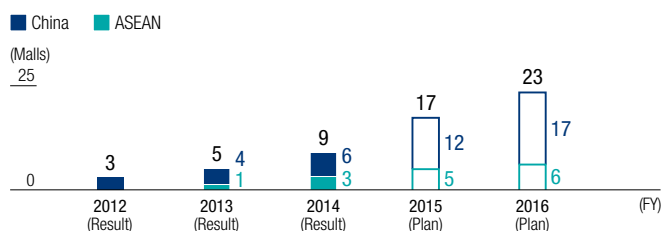
### China

- The second mall in Jiangsu Province, Aeon Mall Suzhou Yuanqu Hudong, opened in May 2015 and has been performing well since it opened.
- Opening of six new malls in China, including another one in Suzhou and one in Wuhan, is being planned with an aim to achieve "dominant mall openings."

### ASEAN

- The first mall in Indonesia, Aeon Mall BSD City, opened in the suburbs of Jakarta in May 2015.
- The third mall in Vietnam, Aeon Mall Long Bien, is scheduled to open in Hanoi in the fall of 2015. Mall openings particularly in the Ho Chi Minh City area and the Hanoi area will be accelerated in the future.

### Changes in the Number of Overseas Malls (including scheduled changes)



## From “town development” to “producing future ways of living”

Developing distinctive malls  
in line with the life stages of local customers  
Stepping up expansion of overseas stores  
Taking on new challenges based on  
a new management philosophy

Akio Yoshida  
President and CEO



There are also movies available on our website.  
<http://www.aeonmall.com/en/ir/annual/index.html>

Q1

How would you rate the company's performance in fiscal 2014 (year ending February 2015)?

A1

**Although it was a tough year, with income down despite an increase in revenue, we have successfully laid the foundations for growth from fiscal 2015 onwards.**

Business conditions remained difficult during fiscal 2014, due in part to a decline in consumer confidence following a hike in the consumption tax. Nonetheless, we managed to increase operating revenue thanks to a sustained year-on-year performance at existing malls and contributions from new malls. Although operating income was down slightly on the previous year, following an increase in promotional costs aimed at boosting sales,

we still managed to increase ordinary and net income (►Figure 1). From fiscal 2015 onwards, we intend to switch to value-led marketing, as opposed to price-led promotions in response to increased taxes.

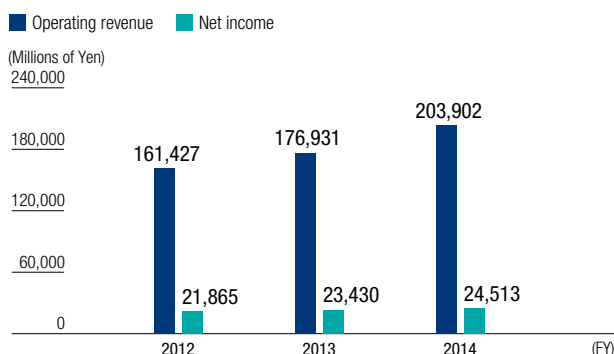
In spite of these difficult conditions, we were able to open a number of new malls that will serve as growth models for the future, both at home and overseas. In Japan, we opened AEON Mall Okayama (►See P. 25–26 for details), based on the brand new concept of a local hub for cultural expression and information. Overseas, we opened AEON Mall Wuhan Jinyintan (►See P. 31–32 for details), our first mainland mall in Hubei province and sixth in China. Given the tremendous response to both of these malls, we intend to use them as models for the future. Rolling out similar initiatives will help to ensure the success of other new malls, and will also assist with renovations to existing malls.



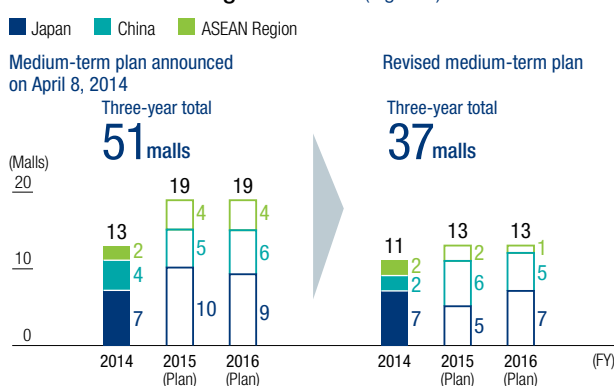
“Achieve growth with the community  
in the mature mall market through  
the development of malls with a focus on localization.”

We have revised the projected number of mall openings under our three-year Medium-Term Management Plan, announced in April 2014, due to a shortage of personnel in the domestic construction industry, which has led to construction periods being extended. We have also altered the number of overseas malls that we intend to open under our three-year plan, in light of factors such as foreign exchange risks and tightening regulations on foreign investment (►Figure 2). Nonetheless, our policy of accelerating domestic and overseas openings remains unchanged.

#### Operating revenue and net income (Figure 1)



#### Projected new openings under our Medium-Term Management Plan (Figure 2)



Q2

What prompted you to adopt a new management philosophy and what are you aiming to achieve?

A2

We are aiming to create malls that cater more precisely to the needs of local customers and grow hand-in-hand with the local community.

We started the new fiscal year by formulating and unveiling a new management philosophy, based on recent changes in the business environment.

Previously, we had focused on developing malls with an emphasis on towns, which meant getting involved in local development projects based on the philosophy “Towns with Vitality.” Although shopping malls themselves had a certain novelty value initially, the mall business has matured in recent years as similar mall facilities have sprung up all over Japan.

To achieve further growth within such an environment, we have set out a new management philosophy based on establishing ourselves as a Life Design Developer that works with communities and produces ways of living for the future. Based on this philosophy, we intend to develop distinctive malls that tie in effectively with regional characteristics all over the world, with an emphasis on localization. Our guiding principle will be to help improve customers' lifestyles and to contribute to the development of local communities. It is through this approach that we are aiming to improve revenue, enhance corporate value and strengthen our management foundations, in order to achieve further growth.

Q3

What are your forecasts like for the company's domestic business from fiscal 2015 onwards?

A3

We intend to reinforce profitability by developing malls in line with regional characteristics and breathing new life into existing malls.

In terms of new openings, we intend to continue developing new concept malls in line with regional characteristics. A prime example is AEON Mall Okinawa Rycom (►See P. 29 for details), which opened in April 2015. Our aim is for the mall to grow hand-in-hand with the local area, as a fully-fledged resort mall showcasing the region's appeal as a tourist destination and offering a range of services targeted at tourists.

#### AEON Mall Okinawa Rycom



As well as offering one of the largest selections of restaurants in Okinawa, the mall will host daily events designed to give a feel for Okinawan culture. It will also provide tourist-oriented services such as a concierge service and currency exchange machines.

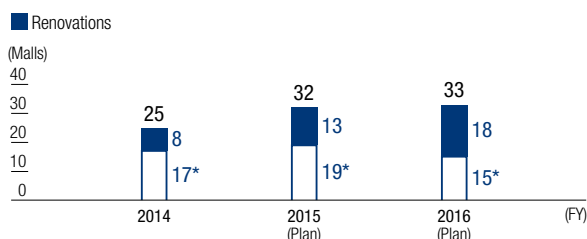
“Aiming for further progress with the “three arrows” of opening malls under new concepts, breathing new life into existing malls, and expanding overseas.”

We operate approximately 140 malls<sup>(\*)</sup> around Japan, all of which are assets unlike anything operated by other companies. We intend to continually renovate these malls and expect to see further growth in the future.

Having continued to accelerate openings since the 2000s, most of our existing malls have seen changes in social and economic conditions since they were first opened, with local customers entering different stages in their lives too. With this in mind, we intend to continually renovate existing malls in line with changing needs at the local level, in order to boost profitability. Specific initiatives include actively replacing tenants so as to give the mall “fresh” appeal, and improving non-shopping capabilities such as childcare, medical and local government facilities.

(\*) 141 domestic malls as of May 31, 2015

#### Mall renovations (Figure 3)



We are planning to renovate at least 60% of our existing malls over the course of three years from fiscal 2014 (►Figure 3).

Although we carried out renovations at eight malls in fiscal 2014, the overall scale of renovations was relatively small, meaning that they only had a limited impact. We are planning to undertake larger scale renovations from fiscal 2015 onwards. AT [AEON Lake Town](#) (►See P. 27–28 for details) in Koshigaya, Saitama prefecture, we have already carried out improvements at 430 out of 710 stores, including physical alterations to improve circulation inside facilities, with the aim of improving the mall’s appeal on a broader basis for spring and fall 2015.

Renovations such as these are meaningless if they are just temporary measures. We are committed to developing malls that will continue to be loved by their local communities in the future. That is why we regularly engage in area marketing and are constantly monitoring changes in the life stages of local customers, so that we can provide them with the services and tenant lineup they want.

Q4

What are your forecasts like for the company’s overseas business from fiscal 2015 onwards?

A4

**We are aiming to harness the strengths we have built up domestically to ensure growth in overseas markets.**

The wealth of expertise we have built up in the mall business in Japan gives us a competitive advantage as part of our overseas operations in China and the ASEAN region too.

Although we are working to open malls in suburban areas where development is already underway, priority is given to efficient land use in China. For example, this means that open car parks for commercial facilities have to be very small scale. As China is being swept by a wave of rapid motorization however, on an even larger scale than Japan, customers are increasingly shifting to cars as their chosen means of transport. Equipping our malls with large open car parks similar to those in Japan not only increases convenience for customers, but it brings other crucial benefits such as helping to reduce traffic congestion in the surrounding area.

The quality of our customer-oriented services has proved incredibly popular with customers, offering a high-level shopping in an environment unlike anything that was previously available locally. This is thanks to our precise attention to detail, including polite customer service and mall cleanliness, which is one of our key strengths as a company that earns income from managing and operating malls, as opposed to overseas developers. Asserting unique strengths such as these enables us to ensure healthy growth once overseas malls are open.

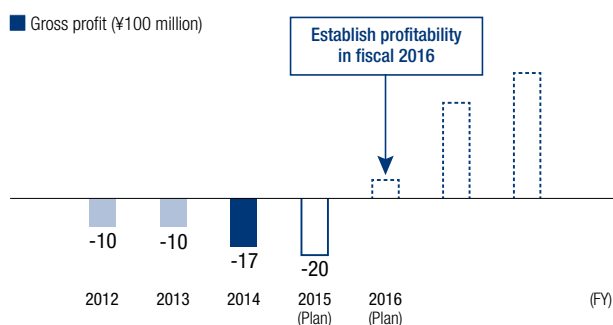
In terms of planned openings, we are focusing on [opening dominant malls](#) (►See P. 33–35 for details) in four areas in China—Beijing/Tianjin, Jiangsu/Zhejiang provinces, Hubei province and Guangdong province—and in Cambodia, Vietnam and Indonesia in the ASEAN region. With our sights set on areas that offer strong growth potential, establishing dominant stores will increase recognition of our brand within those areas, which will give us an advantage when it comes to attracting customers. Standardization in areas such as promotions, events, operations and management meanwhile enables us to increase efficiency and cut costs. With six new malls planned for China, one in Vietnam and one in Indonesia, fiscal 2015 will be the first year in which we will open more overseas malls than domestic, making it a crucial year in terms of our





overseas strategy. We are expecting our profits to remain in line with projections, as existing and new malls alike establish growth trajectories. As motorization continues apace and the number of middle income earners continues to increase, the suburban mall market in China and the ASEAN region is expected to keep on growing. As we continue to actively expand our operations, we can expect to see our performance improve accordingly. Furthermore, we are looking to increase profitability from sources such as increased land and building ownership in fiscal 2015, with the aim of establishing overall profitability on a mall basis in fiscal 2016 (► Figure 4).

#### Overseas profit projections (Figure 4)



**Q5** How do you intend to respond to the introduction of the Corporate Governance Code?

**A5** We have appointed an outside director and are working hard to strengthen corporate governance.

As our management team revolves around directors who are familiar with the retail business, we are in a unique position to hone our expertise as a commercial developer with origins in the retail industry. We have also continued to maintain and improve sound management practices via our corporate auditor system.

In the run-up to the introduction of the Corporate Governance Code in June 2015, we established an internal project team from an early stage and continued to work on initiatives to strengthen governance.

We intend to increase the number of outside directors from one to two (► See P. 43–44 for details), as we continue to improve management transparency and efficiency in the future, alongside our commitment to compliance and risk management.

**Q6** Finally, do you have a message for the company's shareholders and investors?

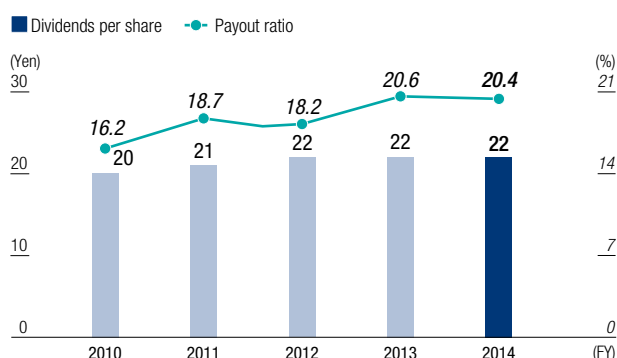
**A6** Expect steady growth over the medium to long term.

We intend to forge ahead with active growth strategies and are committed to developing malls that will grow hand-in-hand with their local communities from a medium- to long-term perspective, both at home and overseas, based on our new management philosophy.

In terms of giving back to our shareholders, our basic policy is to prioritize stable dividends on an ongoing basis, while using retained earnings to invest in growth sectors, new businesses and our business structure, in an effort to strengthen our operating base. Having increased our dividend payout ratio from 15% in fiscal 2013 to over 20%, we paid out interim and end-of-year dividends at the rate of ¥11 per share in fiscal 2014, making for an overall annual dividend of ¥22. We are once again planning to pay out dividends at ¥22 per share in fiscal 2015 (► Figure 5).

We will continue to improve profitability so that we can give back more to our shareholders in the future, so I would encourage everyone to expect continued growth. I hope we can continue to rely on your support and advice in the future.

#### Dividend per Share and Payout Ratio (Figure 5)



President

*Shiro Yoshida*

## Akio Yoshida President and CEO

Born in 1960, Yoshida joined JUSCO (now AEON) in 1983. Having served as General Manager of the Kanto Development Department at AEON Retail, Director at AEON (CHINA) Co., Ltd., and General Manager of the China Division at AEON Mall, he worked as Managing Director and Sales Division General Manager and Chief China Business Officer from May 2014, before being appointed President and CEO in February 2015.

PROFILE



In  
conversation  
with  
an analyst

## AEON Mall's strategy for medium- to long-term growth hand-in-hand with the community

AEON Mall has continued to achieve growth on the back of a business model unlike any other company in the world, based on providing a total range of services for shopping malls, from development through to operations and management.

With the domestic market reaching maturity, AEON Mall has set out its own unique medium- to long-term growth strategy for both domestic and overseas markets, with the aim of maintaining sustainable growth in the future. We invited leading international analyst Kazutaka Kuroda to come in and share his opinions.

### Drawing strength from a unique business model and high quality operations

**Kuroda:** First of all, I would say that AEON Mall's business model is unique because you set out to make a profit from operating and managing malls, as opposed to European and US developers/REIT-real estate investment funds, who acquire real estate, develop it to add value, and then sell it on.

**Yoshida:** Indeed, our [comprehensive operations](#) (▶ See P. 20 for details) cover every aspect of business in relation to malls, from location surveys, planning, development and tenant leasing, all the way through to managing, operating and continually renovating malls once they are up and running. I don't know of any similar business models out there, especially overseas.

**Kuroda:** The typical "sell-off" approach to business in Europe and the US makes it easy to secure a profit in the short term. On the other hand, a business that actually involves management and operations, like AEON Mall, has its own appeal due to the prospect of stable growth

over the long term.

**Yoshida:** To put a growth model like that into practice, it's essential that you approach mall development from the perspective of local customers. That's why we focus particularly on day-to-day management and operations after developing our malls. We make the most of the unique expertise we have built up in the retail industry, from tangible elements such as creating pleasant, stress free facilities for our customers to use, to intangible elements such as providing training for tenants' employees. This enables us to create malls that customers will really get behind.

**Kuroda:** I would say that your operational capabilities are a key strength, especially in overseas markets, because they are grounded in the Japanese culture of hospitality. I actually live in the UK and only come back to Japan every now and then. When I go shopping here, it really makes me appreciate the attention to detail in terms of customer service. I'm sure overseas customers must be impressed when they experience service like





## Kazutaka Kuroda Co-Chair, SFM Japan WG

Having previously worked as a Japanese stock strategist at Okasan Securities, and as a senior analyst at a UK-based corporate research institute, Kuroda was ranked fourth in the world for SRI and corporate governance research in a list of ESG analysts in 2012. He also plays an active role as Co-Chair of the Japan Working Group (WG) at Sustainable Financial Markets (SFM), and is a Chartered Member of the Security Analyst Association of Japan (SAAJ).

### PROFILE

that for the first time.

**Yoshida:** Thank you. In fact, the high standard of service you just mentioned is proving very popular in China and ASEAN countries at the moment, and our malls are all doing very well as a result.



**Kuroda:** Looking at it from a different angle, there is a risk that the “sell-off” approach to business will no longer work once the market reaches saturation. For example, imagine that commercial facilities within a certain area have reached saturation point. Even if you develop new facilities, nobody will want to buy them. In that sense, operating and managing facilities directly, like AEON Mall, makes it possible to maintain and enhance the value of the mall, by renovating it to reflect changes in the surrounding environment for instance.

**Yoshida:** The fact that we manage and operate malls ourselves, combined with our accumulated experience, is what enables us to keep on adding appeal to our malls, as the leading malls in their area. There are countless commercial facilities being built all over China at the moment, but you come across facilities where tenants have moved out and left empty units behind, because the mall wasn’t managed and operated effectively after opening. Once the Chinese market starts to recognize our expertise in this area, we may get facilities such as these contacting us for our property management (PM) services.

**Kuroda:** So by basing your business model on managing and operating malls directly, you have the opportunity to expand your business even after markets reach maturity, as well as during growth phases.

## Implementing business strategies in line with specific domestic and overseas environments, based on a new management philosophy

**Kuroda:** You recently unveiled a new management philosophy. How is that different from your mall development operations to date?

**Yoshida:** Our decision to formulate a new management philosophy was driven by changes in the domestic market. Shopping malls began to open at an accelerated pace during the early part of 2000s, which is now regarded as the beginning of the modern shopping center era. Around 2007, when we launched under our new structure, malls had a certain novelty values as new facilities. That’s why we were able to grow in scale so rapidly, by opening malls that brought together specialty stores from a wide range of industries all over Japan.

**Kuroda:** The mall business has so much potential that it is bound to attract other companies to enter the market too. So your solution was to simultaneously develop malls nationwide. That has also had the effect of changing how customers view malls.

**Yoshida:** Shopping centers themselves have become increasingly similar, so once a customer has experienced a mall, it loses its novelty value. Until now, we have always developed malls on the basis of creating our own markets and developing locations. We develop malls in key regional towns and cities. This brings in people and creates a community, which breathes life into the area and increases the value of real estate in the vicinity of the mall. To do that however, malls have to play a key role in the everyday lives of local customers, based on an in-depth understanding of the market. It’s a question of creating a way of life, rather than creating a town itself. Our business is changing, from merely selling products to offering a full range of services for customers’ everyday

lives, including eating out, leisure activities, and even medical and government services.

**Kuroda:** So that's why you're talking about producing life designs for your customers as a "Life Design Developer."

**Yoshida:** Exactly. In the future, we intend to focus on localization and develop distinctive malls based on the characteristics of each region and local needs, underpinned by our new philosophy. At the same time, we are also looking to carry out bold renovations to existing malls, to give them more "fresh" appeal in line with the changing life stages of local customers.

**Kuroda:** I understand the motivation behind your new philosophy. I do wonder however if the term "life design" covers the differing values that people want from their malls, from Japan's aging population on one hand to growing populations in overseas markets on the other. What sort of strategy have you got in mind for overseas markets?

**Yoshida:** Whilst making the most of the expertise and success stories we have built up in Japan, we recognize that there are clear differences in overseas markets, in terms of people's lifestyles and business practices. That's why we consider it important to have the right tenant composition and range of products for the local community. For example, our malls in China have a higher percentage of catering tenants than in Japan, because Chinese customers tend to eat out more frequently.

**Kuroda:** When you talk about the expertise you have built up in Japan, I assume you will be drawing on your high standard of service, as mentioned earlier, as one of your key strengths?

**Yoshida:** Definitely. Having previously had a hand in our mall business in China, I really appreciate that developing malls from the customer's perspective is a popular approach with tenant companies, because it gives customers peace of mind and a greater sense of trust. At the recently opened AEON Mall Suzhou Wuzhong for instance, we have provided both tangible and intangible services at a higher level than anything that was available in the area previously, in terms of cleanliness, children's toilets and powder rooms, as well as customer service. The mall has also been rated as the safest mall to take children, based on social networking services and other such sources.

**Kuroda:** Living overseas really makes you appreciate the level of trust that people place in the words "made in Japan," with regard to quality and safety.



Children's toilets

Do you find that there is a sense of expectation of product quality when people come to a mall operated by a Japanese company?

**Yoshida:** It's true that customers seem to like Japanese products in China and the ASEAN region. Having established a network of tenants in Japan, we use that network to attract quality Japanese tenants that will go down well in other Asian countries. I think that's another of our key strengths.

**Kuroda:** If you can translate all of the strengths you have mentioned so far into growth potential, I'm sure you can expect to see considerable growth in overseas markets in the future. At the same time however, you could say that growth has been on the decline in recent years, as evidenced by the dip in China's GDP growth rate, falling from 10% to 7%. How would you rate China as an attractive market?

**Yoshida:** The growth rate may be lower than previously, but it's still a market with a population of 1.3 billion people, so it's always going to be attractive. Also, if you look at a breakdown of GDP, consumer spending only accounts for around 35%. Given that the total in countries such as Japan and the US is more like 60-70%, it's fair to say that there is still tremendous potential for the mall business. In fact, we have recently opened our first mall in Wuhan and our second mall in Suzhou ([▶ See P. 33-35 for details](#)), both of which have attracted more customers than previous new malls and achieved record sales. There is a real sense that consumer confidence is at an all-time high.

### **Achieving sustainable growth in partnership with society, with an emphasis on contributing to the community and the environment**

**Kuroda:** Your new management philosophy suggests that you will also be focusing more on contributing to the community. Do you have a specific strategy along those lines?

**Yoshida:** Wherever we open a mall, it has an economic impact, including creating local jobs, increasing tax revenue for the local government and offering business opportunities for local commerce. In addition to that however, we also try to establish our malls as centers, as an essential part of the local community. As well as improving public services for the local area, we also sign comprehensive agreements with local authorities ([▶ See P. 50 for details](#)) at the majority of the malls that we operate. These agreements enable our malls to serve as local disaster prevention facilities, by providing evacuation shelters in the event of an emergency for example. Agreements include support for sales of local specialty



## AEON Mall's Business Model

### 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 developing malls that contribute to the local area and continue to enhance value, so that we can maintain sustainable growth hand-in-hand with the local community.

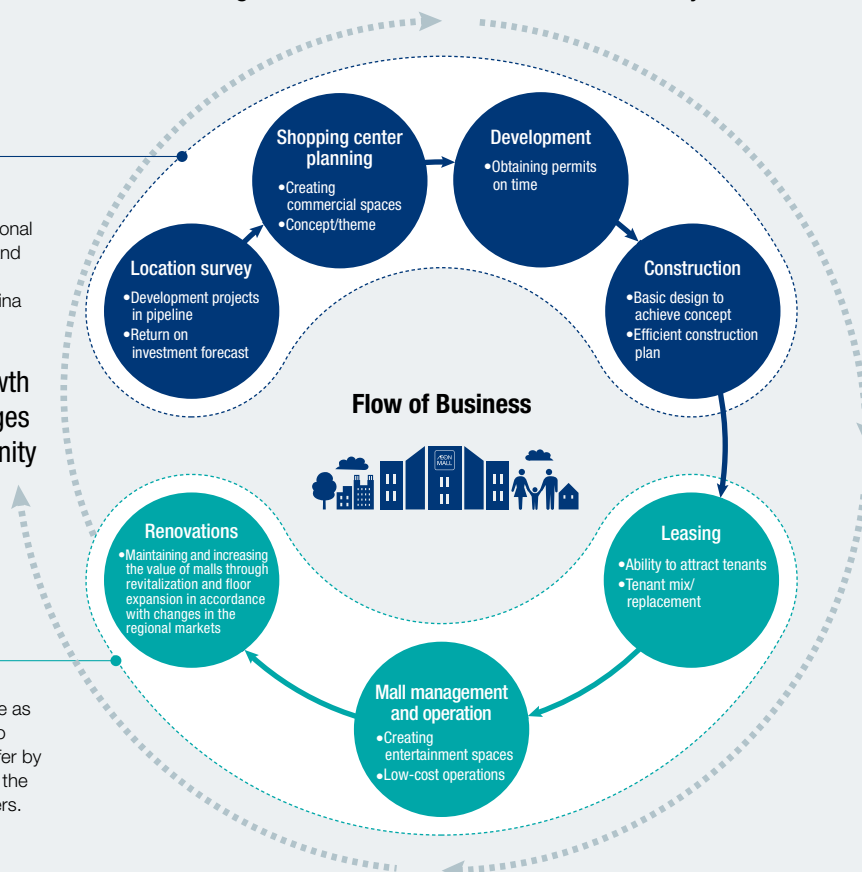
#### Development

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

Sustained growth  
in line with changes  
in the local community

#### Operation

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 the changing life stages of our customers.



## Mall Earnings Structure

### Operating Revenue =

#### Fixed Rent Income + Percentage-based Rent Income

The majority of our operating revenue comes from rental income. This consists of "fixed rent income" and "percentage-based rent income" in line with tenants' retail sales, meaning that the more tenants' sales increase, the higher our revenue. Operating costs include personnel costs for employees stationed at malls on a permanent basis, facility maintenance, utilities, rent payable to land and building owners, and depreciation of mall facilities.

### AEON Mall Earnings Structure (FY 2014)

Fixed income 53.2%	Percentage-based income 46.8%
Operating costs 69.4%	
SG&A expenses 10.1%	
Operating income 20.5%	

## Procurement Policy

### Maintaining a sound financial structure and leveraging debt

We are constantly working to maintain a sound financial structure, based on cash flow from managing and operating malls, and continue to use our borrowing capacity (D/E ratio of 1 or lower) so that we can push ahead with our financial strategy. Selling off assets, in the form of land and buildings, to REIT enables us to secure funding for further growth. Along with developmental leases, this enables us to flexibly implement growth strategies, accelerate return on investment and improve asset efficiency.



products too. Not only do we promote “local production for local consumption,” but we also use our network to offer a wider range of sales channels. We might sell renowned products from Okinawa at our malls in Hokkaido for instance.

**Kuroda:** Your contribution to society covers an even wider range than I’d thought! Initiatives based on “local production for local consumption” are attracting attention in other countries as a means of minimizing transport and reducing environmental impact, as well as promoting local industry. What are your thoughts on environmental measures like that?

**Yoshida:** The AEON Group itself has been carrying out environmental preservation activities (▶ See P. 53 for details) since the early days. Given that malls are such large facilities, reducing electricity, water and other forms of environmental impact is a particularly important priority for us. That is why we are working to install technology such as solar power facilities and LED lighting (▶ See P. 53 for details) at all of our malls, measures which also have financial benefits thanks to reduced electricity bills.

**Kuroda:** AEON Mall’s environmental initiatives have been publically acclaimed, from securing funding via the Development Bank of Japan (DBJ) as an environmentally rated developer in 2005, to obtaining LEED international environmental building certification (▶ See P. 54 for details) for your flagship mall AEON Mall Makuhari New City. LEED in particular has a high level of recognition amongst overseas investors, so I know just how much it means to obtain certification. I think that is a major selling point for you as an environmentally advanced company.

**Yoshida:** As well as appealing to customers and investors, I think that our environmental initiatives send out a message to society. Given the countless customers who come to visit our malls, providing information via channels such as “Eco Information” should help to raise environmental awareness throughout society to some extent.

**Kuroda:** The fact that you are maintaining the same



Eco Information

consideration for the environment in areas such as China and the ASEAN region, where environmental legislation is still taking shape, is no doubt also significant in terms of educating local communities.

**Yoshida:** AEON Mall Suzhou Wuzhong, which we opened last year, has been certified with a two-star rating under the environmental assessment standard system (▶ see P. 54 for details) operated by the Chinese Ministry of Construction. We have had a great response to that, partly because it is rare for a commercial facility to be granted certification. Levels of environmental awareness are only going to increase in China and the ASEAN region, and regulations are bound to be brought into effect too. Taking the initiative in demonstrating the importance of protecting the environment gets us involved with society as a whole. I regard that as part of our contribution to society.

**Kuroda:** You also have a CSR Council, which holds regular meetings every month and is focused on promoting CSR management, including the social contribution initiatives and environmental measures we have been talking about.

**Yoshida:** All of our directors attend CSR Council meetings, myself included. Rather than merely checking progress, we share information on specific measures at individual malls and clarify schedules for individual

### Stepping up global human resource development to enable further progress overseas

initiatives, to help promote sound CSR management.

**Kuroda:** Whether it’s managing and operating malls, which is what your growth potential depends on, or contributing to society or protecting the environment, all of those things rely on people. I assume you will need to develop global human resources as you continue to expand overseas. What are your thoughts on that subject?

**Yoshida:** When it comes to developing global human resources (▶ See P. 51 for details) capable of making a real difference overseas, whilst always maintaining a customer-oriented perspective, there are two main options. The first is to send Japanese employees overseas while they are young so that they can gain experience. Personally, I learned a great deal from my experience of setting up a business in the Chinese market. On a companywide basis however, we still have relatively few employees with overseas experience at the moment. That is something we hope to step up in the future.

**Kuroda:** Yes, you need more than just training to acquire the skills and expertise to succeed in business in a different environment, in terms of language, culture



and business practices. The best way of developing those skills is to actually experience things first-hand.

**Yoshida:** The other option is to recruit and train local human resources, and to actively delegate authority. Locally trained human resources have the advantage of being better acquainted with the market than we would be. If we can get them to internalize the ways of thinking unique to AEON Mall, including our basic customer-first philosophy that lies at the heart of AEON Mall's DNA, they could become powerful weapons to help us achieve business success overseas.

**Kuroda:** Developing local human resources is important in terms of setting out life designs for local communities. Although having said that, it takes a certain amount of courage to delegate authority to local staff like that, irrespective of human resource development.

**Yoshida:** Delegating mall management and operations to local employees will enable us to develop human resources who are capable of handling managerial positions and will also help to improve motivation amongst local employees in general. In fact, we already have local employees working as mall managers at our third store in China (► See P. 36 for details). That has been extremely useful when renovating overseas malls and has also contributed to profit growth.

**Kuroda:** There are lots of Japanese companies with operations in Europe. I have heard people talk about a lack of motivation amongst local employees however, because they come up with ideas from a local perspective but they rarely get through to the company's head office in Japan. If you want more vibrant organizations at the local level, it's important that you listen to what local employees have to say and genuinely delegate authority to them.

**Yoshida:** Overseas employees are delighted when they are given the opportunity to manage and operate a mall in the local area where they grew up. The knock-on effect of that is evident in their performance too. In the future, I'd like to take things a step further and appoint local employees to top management positions at overseas companies. If we can do that, I expect that we would start to see even greater changes.

### Stepping up communication with shareholders and investors in an effort to share our medium- to long-term growth strategy

**Kuroda:** There has been a trend towards investors focusing on long-term interests in recent years. That applies to rating companies' growth potential from a more long-term perspective too, as well as holding on to shares for an extended period. Given that you are looking to



grow AEON Mall over the medium to long term, I imagine this is something you would welcome.

**Yoshida:** As I mentioned before, our business model is all about up-front investment, meaning that we don't see a return until five or ten years later. That requires us to adopt a medium- to long-term outlook so that we can determine the growth potential of our business. To put it another way, we take pride in the fact that our business model is highly attractive to investors from a medium- to long-term perspective.

**Kuroda:** I think it's fair to say that AEON Mall is a very attractive proposition for investors over the medium to long term, in terms of harnessing your assets (malls) to generate ongoing profits, and also in terms of generating a sizeable profit for the future through advance investment in overseas growth markets. Having said that, it's difficult to convey a growth strategy like that based on financial data alone. I'd like to see you communicating in greater depth with investors, so that they take non-financial information into account when making investment decisions, such as your social contribution or human resource development activities.

**Yoshida:** In fact, I have been working to actively create opportunities for communication with investors, including those outside Japan, since I was appointed president in February. You could say our conversation today is part of that.

**Kuroda:** There are investors who are focused primarily on short-term gains, but I don't think people like that look at the company's underlying approach when deciding which shares to buy to make a profit in the short term. In that respect, this trend towards long-term interests is important for the sustainable growth of stock markets too. I suspect that companies will start to be more selective about their investors in the future, so I'm particularly interested to see how AEON Mall presents its medium- to long-term growth strategy to investors with a more long-term outlook.

**Yoshida:** It has been very helpful talking to you today, so thank you for that. We intend to stay in close communication with stock markets in the future, so that we can live up to your expectations.

## Domestic Business



## Growth based on a balance between opening new malls and breathing new life into existing malls

As well as focusing on developing new concept malls in line with regional characteristics, we are always aiming to achieve further growth by breathing new life into existing malls.

### Market Trends

An industry reaching maturity, with 3,169 shopping centers in total

The number of new shopping centers opened in Japan went into decline after peaking in 2007. It increased to 65 new shopping centers in 2013 however, and remained at 55 in 2014, with around 50 new centers projected to open in 2015. The average area for new shopping centers meanwhile stood at 15,702 m<sup>2</sup> in 2014. Few companies have plans to launch large shopping centers, given that land use has been restricted under the City Planning Act, which was revised in 2007 to discourage large commercial facilities from being opened in suburban areas. If companies wish to develop large shopping centers, they need the planning capabilities to enable them to also revitalize the local community. There have been a growing number of cases in which companies have signed up to local government development projects, involving land readjustment for instance, and have had to spend five to ten years applying for a change of land use.

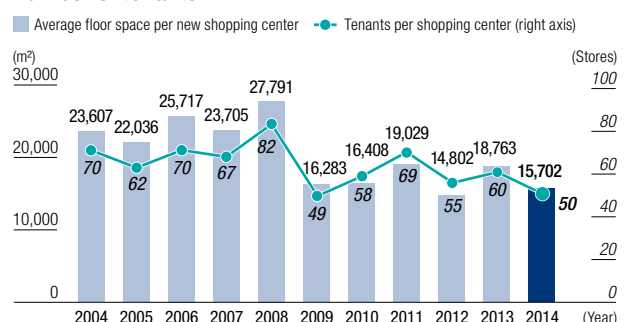
As the industry reaches maturity, with the total number of centers now exceeding 3,000, shopping centers are already starting to become too similar. We expect to see an increasing gap between centers in the future, in terms of their ability to select and rearrange tenant companies. In other words, there is going to be growing demand for developers with the necessary expertise to open large shopping centers based on region-specific concepts and renovate centers in line with customers' changing needs.

### New shopping centers opened and total number of shopping centers



\* 2015 Shopping Center White Paper, published by the Japan Council of Shopping Centers, and information submitted via notifications 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: 2015 Shopping Center White Paper, published by the Japan Council of Shopping Centers



## Overview of Fiscal 2014

### New malls

Seven new malls reflecting regional characteristics, including new flagship mall AEON Mall Okayama

In an effort to expand new facilities in Japan, we opened seven new malls in fiscal 2014 as planned. AEON Mall Okayama is designed to be a focal point for promoting local culture and providing information. This includes "Haremachi Special Zone 365" where people can experience items crafted by local creators, and an Internet TV studio, which is the first of its kind for a domestic commercial facility and home to local broadcaster Okayama Broadcasting.

Elsewhere, we have opened a number of other malls with distinctive concepts, including tourist malls and multi-anchor malls, in line with regional or location-specific characteristics, focusing particularly around Japan's three major metropolitan areas.

### New malls developed in fiscal 2014

Name	Location	Features
AEON Mall Wakayama	Wakayama prefecture	Includes an "auto mall," designed to make the most of the mall's split level site
AEON Mall Tendo	Yamagata prefecture	"Tourist shopping mall" designed to capitalize on the area's tourist credentials
AEON Mall Nagoya Chaya	Aichi prefecture	Part of City of Nagoya's first ever "Development Improvement Promotion Area" scheme
AEON Mall Kyoto Katsuragawa	Kyoto prefecture	Designed to incorporate traditional elements reflecting Kyoto's role as Japan's former capital
AEON Mall Kisarazu	Chiba prefecture	Multi-anchor mall facility, designed to make the most of its large site
AEON Mall Tamadaira Woods	Tokyo	Certified as a Facility in Harmony with Nature and the Community®, making the most of its rich natural surroundings
AEON Mall Okayama	Okayama prefecture	Flagship mall designed to promote local culture and provide information

### Existing malls

Making a concerted effort to attract customers through renovations and sales promotions, in order to maintain year-on-year operating revenue in spite of a dip in consumer confidence

Although sales of specialty stores at our 58 existing malls\* were down to 98.2%, we were able to maintain a 100% rate year on year in terms of operating revenue at existing malls. This was thanks to revised rent levels, supplementary revenue from events, and renovations at eight malls, including bringing in new tenants, changing business categories and relocating existing tenants. We also focused on improving our ability to attract customers, through nationwide group sales, promotions using tools such as the AEON Card and WAON e-money card, and by organizing customer participation events.

\* Total excluding malls that AEON Mall has taken over from AEON Retail, and new malls opening from fiscal 2013 onwards

### Malls renovated in fiscal 2014

Name	Location	Tenants	New Tenants
AEON Mall Nogata	Fukuoka prefecture	140	16
AEON Mall Kawaguchi Maekawa	Saitama prefecture	170	35
AEON Mall Kisogawa	Aichi prefecture	160	21
AEON Mall Hinode	Tokyo	160	68
AEON Mall Yamato	Kanagawa prefecture	90	25
AEON Mall Fukuoka	Fukuoka prefecture	200	99
AEON Mall Suzuka	Mie prefecture	180	35
AEON Mall Okazaki	Aichi prefecture	170	100

## Forecast for Fiscal 2015

### New malls

Due to open five malls, focusing particularly on distinctive concept malls

We are planning to open five new malls in fiscal 2015. We are focusing on development of concept malls that reflect the characteristics of their local region, including AEON Mall Okinawa Rycom, which will be a fully-fledged resort mall, and AEON Mall Tokoname, which will work with Chubu Centrair International Airport to provide overseas visitors with a taste of Japanese hospitality. Our aim is to develop new malls based on new concepts, in line with regional characteristics and customers' needs across a wide range of age groups, including seniors. We will also continue to work on developing new locations.

### New openings planned for fiscal 2015

Name	Location	Due to open	Site area	Gross leasable area	Parking
AEON Mall Asahikawa Ekimae	Hokkaido	March 2015	28,300	28,800	900
AEON Mall Okinawa Rycom	Okinawa prefecture	April 2015	175,000	78,000	4,000
AEON Mall Tonami	Toyama prefecture	July 2015	65,000	33,000	1,800
AEON Mall Shijonawate	Osaka prefecture	Fall 2015	159,000	79,000	4,100
AEON Mall Tokoname	Aichi prefecture	Winter 2015	202,000	65,000	4,400

\* See P29-30 for more details on the features of individual malls.

### Existing malls

Large-scale renovations make it possible to increase "fresh" appeal and increase revenue

When the time comes to renew tenants' fixed-term lease agreements, we implement bold rezoning measures throughout our malls and take steps to optimize our tenant mix, so that we can maintain the same "fresh" appeal as new malls and increase revenue. We are planning to breathe new life into at least 60% of the malls that we manage and operate through large-scale renovations over the course of three years from fiscal 2014 onwards. In fiscal 2015, we intend to renovate 13 malls, considerably more than the eight we renovated the previous year.

We also intend to place a greater emphasis on localization in line with precise changes in the local environment, in order to harness the distinctive character of each of our malls.

## TOPICS

### Large-scale renovations at AEON Lake Town in April 2015

We are planning renovations in two phases, the first being in April and the second in the fall. We intend to renovate approximately 430 stores, roughly 60% of the overall total, with the aim of adding value to the mall as a whole

(► See P27-28 for details).



## Special Feature

1

## Developing New Concept Malls

# AEON Mall Okayama Opens as the Largest Flagship Mall in Western Japan

Opened in December 2014, AEON Mall Okayama is the largest scale flagship mall in western Japan. It is located adjacent to Okayama Station, which acts as a key intersection for transport, culture and information throughout the Chugoku and Shikoku areas. Based on the concept of “haremachī\* – build a city with a brilliant future,” we have worked with local companies to create a next-generation mall unlike anything that has gone before, in fusion with local culture.

\*“haremachī” means to build the future of “I (Okayama)” at the AEON Mall Okayama.

## haremachī



**Location:** 1-2-1 Shimoishii, Kita-ku, Okayama, Okayama prefecture **Site area:** Approx. 46,000 m<sup>2</sup> **Gross leasable area:** Approx. 92,000 m<sup>2</sup>  
**Parking:** Approx. 2,500 vehicles **Specialist stores:** 365

## POINT

1

### Working with local shopping centers to breathe new life into Okayama

We got together with local shopping street and signed a cooperative agreement to work together on promoting regional development, with the aim of creating a mall that would attract visitors to the area, and contribute to economic and local development. Together, we are committed to breathing new life into the local area and improving standards of living, through activities such as promoting peaches as a community focal point for regional development.



## POINT

2

### Creating and sharing local culture in partnership with local people

The mall features a whole host of facilities aimed at helping to create and share local culture. These include Okayama Mirai Hall, which can be used for a wide range of events, a four-storey open public space called Mirai Square, and Haremachī Special Zone 365, where people can experience items crafted by local creators.



## おかやま未来ホール

### Okayama Mirai Hall

A full-scale multipurpose hall featuring 600 moveable seats, with applications ranging from mall signage to live Internet TV broadcasts







**OHK**  
OHK 岡山放送  
**ミルン**

#### POINT

**3**

**Sharing a wide range of information, including via local TV broadcasts**

As well as being home to a local terrestrial TV station, the mall is also the first commercial facility in Japan to have its own Internet TV studio, enabling it to share a wide range of information from Okayama with people all over the country.



**DARTS & CAFE DAD**

#### POINT

**4**

**The region's leading commercial hub, the first of its kind in the area or the prefecture**

We have created entire floors for fashion, and for food and drink, the largest of their kind anywhere in the Chugoku and Shikoku regions. The mall has already proved immensely popular on the basis that customers can now enjoy shopping locally, rather than having to travel long distances to Kyoto, Osaka or Kobe as previously.

#### Voice

**We came up with the concept of development in cooperation with the local area to ensure success, in the face of new challenges stemming from a city center location.**



**Hisakazu Takeda** General Manager, AEON Mall Okayama

As the mall is located centrally, adjacent to a major station, rather than out in the suburbs as usual, we had to develop everything based on a brand new concept. Revolving around its historic castle, Okayama acts as a key intersection for the Chugoku and Shikoku areas. That is what inspired us to come up with the concept of "haremachi," capturing our desire to breathe new life into the region and the city itself, as a city center mall that will act as a gateway welcoming countless customers from all over the region.



**HAREMACHI**  
HAREMACHI  
特 区 3 6 5

#### Haremachi Special Zone 365

A zone where people can experience items crafted in Okayama, offering a range of around 70 local brands at any one time

Special  
Feature

2

## Renovating Existing Malls

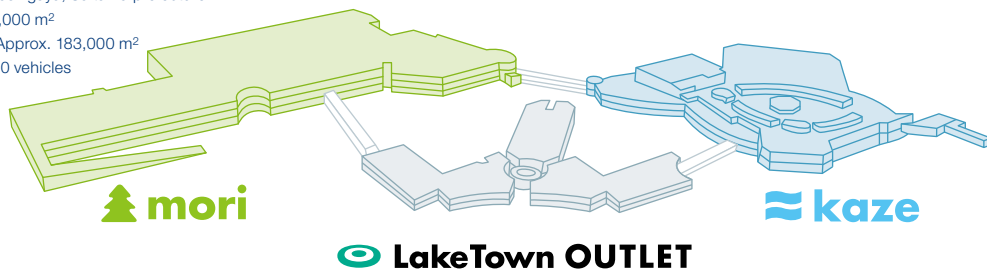
 **AEON LakeTown**

# AEON Lake Town

## Renovating and Upgrading Japan's Largest Mall!

Consisting of three individual malls – *Kaze* urban mall, *Mori* lifestyle mall and Lake Town Outlet – AEON Lake Town is among the largest shopping mall in Japan. Around seven years since it first opened in October 2008, we are undertaking large-scale renovations to make the mall even more attractive, with the first phase of renovations running from fall 2014 to April 2015 and the second phase starting in fall 2015.

**Location:** Laketown, Koshigaya, Saitama prefecture  
**Site area:** Approx. 340,000 m<sup>2</sup>  
**Gross leasable area:** Approx. 183,000 m<sup>2</sup>  
**Parking:** Approx. 11,000 vehicles  
**Specialist stores:** 710



## POINT

1

### Renovating around 430 stores, over 60% of all stores

Over the course of both phases of renovations, we will be upgrading around 430 stores, equivalent to over 60% of all stores at the mall. We have brought in 193 stores during the first phase, including 96 stores that are opening in the area for the first time, and have also relocated or remodeled 159 stores. The mall's anchor store AEON Style Lake Town meanwhile will be transformed into the very latest AEON Style store.

#### First phase of renovations

	Renovated stores	New stores	First time in area
Kaze	155	96	48
Mori	183	85	46
Outlet	14	12	2
Total	352	193	96

Half of  
new stores opening  
in the area  
for the first time!





## Boosting profitability at existing stores through continual renovations

Our network of around 140 malls nationwide is a unique asset that other companies simply cannot match. We continually carry out renovations to breathe new life into our malls. This enables us to offer “fresh” appeal through new store lineups and also helps to increase revenue.

Malls tend to experience a slowdown in retail sales around four to five years after opening. As we sign six-year contracts with our tenants however, we can carry out renovations to coincide with contract renewal, enabling us to invest more efficiently and take the initiative in replacing tenants.

When carrying out renovations to increase floor space, we also review zoning and try to optimize tenant mix throughout the mall, not just in new areas. This enables us to breathe new life into the mall and increase revenue from the same point of view as a new mall. Renovations without increasing floor space on the other hand enable us to minimize investment and secure a return within a shorter space of time. We pay close attention to the environment surrounding each mall to ensure that we choose the best possible option.



POINT

3

### Fully renovating Kaze and Mori food courts

We have renovated our food courts in line with individual concepts for each mall. Kaze now features Gourmet Square, designed to offer a wide range of options when eating out. Mori meanwhile has Forest Table, a space for family groups to enjoy themselves.



POINT

2

### Reconfiguring spaces to give Kaze and Mori a new look

We have created attractive spaces that are designed to give both malls a new look, including installing chandelier art in the open space running through the center of Kaze, and creating a new gathering space on the south side of the second floor of Mori.



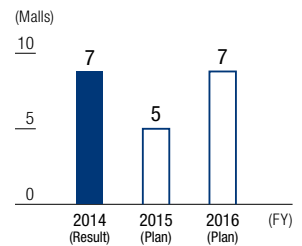


## New Openings from Fiscal 2015 Onwards

# Promoting Distinctive Mall Development in Line with Regional Characteristics

We are planning to open five newly developed malls in fiscal 2015, and intend to keep on opening malls throughout Japan after that too. In each case, we will be developing malls based on distinctive new concepts in line with the characteristics and needs of the surrounding area, with an emphasis on localization.

Projected new openings for the current three-year period



### AEON Mall Asahikawa Ekimae (Hokkaido)

Opened March 27, 2015

#### Offering new lifestyle solutions for the main city in northern Hokkaido

Making the most of its central location, adjoining the main station in Hokkaido's second city of Asahikawa, the mall has brought a fresh sense of excitement to the surrounding urban area by offering a new style of living revolving around food, beauty and health. It is also expected to help promote tourism, thanks to initiatives such as providing sightseeing information and selling duty free products.



### AEON Mall Okinawa Rycom (Okinawa prefecture) Opened April 25, 2015

#### Aiming to become Asia's number one resort mall, showcasing everything that Okinawa has to offer

We have developed this into a full-scale resort mall, ideally suited to one of Japan's leading tourist destinations, attracting over seven million visitors from Japan and overseas. As well as a whole host of entertainment options, including events based around Okinawan culture and a giant fish tank for visitors to enjoy, the mall provides services aimed at travellers and is helping the prefecture to reach its goal of attracting 10 million tourists.





## Initiatives targeting the inbound market

Stepping up initiatives in anticipation of 20 million overseas visitors coming to Japan by 2020

### ■ Infrastructure development

Having earmarked 37 malls for accelerated promotion of inbound business in fiscal 2015, we are working to improve conditions at each of the relevant facilities, including multilingual capabilities, offering yen-based services for credit cards issued overseas, accepting China Union Pay cards, and providing telephone interpreting services.



### ■ Duty free products

As well as increasing the number of stores selling duty free products, we established and started operating duty free counters at two of our malls – AEON Mall Okinawa Rycom and AEON Mall Narita – in May this year, following the introduction of revised legislation in April.



### ■ Stepping up promotions

From September, we will be launching a PR campaign via overseas media, including in-flight magazines and local guide books, ahead of promotions for the Anniversary of the Founding of the People's Republic of China.



### AEON Mall Tonami (Toyama prefecture)

Opened July 14, 2015

#### Meeting the daily needs of three-generation families with children as the most important factor

As well as highlighting everything Tonami has to offer, as a city rich in nature, history and culture, the mall offers an extensive range of services that are essential to people's everyday lives, with the aim of contributing to development based on comfort, vitality and relaxation.

### AEON Mall Shijonawate (Osaka prefecture)

Scheduled to open in fall 2015

#### Creating a creative lifestyle hub based on the concept of quality time for adults

Straddling the cities of Shijonawate and Neyagawa in the northeastern part of Osaka prefecture, in an area blessed with beautiful green scenery and convenient transport links, we are developing this mall with the aim of providing inspiration for quality, enriched lifestyles.



### AEON Mall Tokoname (Aichi prefecture)

Scheduled to open in winter 2015

#### Making the most of extensive tourist resources to create a new landmark for the Chukyo area

Making the most of the extensive tourist resources Tokoname has to offer, including its popularity as a pottery town and its beautiful natural surroundings, we are developing this mall based on the concept of an "entertainment park where you can enjoy the sea and the sky 120%." With improved access via Chubu Centrair International Airport, it will also help to attract overseas visitors coming to Japan.



### Openings scheduled for 2016 onwards

- AEON Mall Sakai Teppocho (Osaka prefecture) (tentative name)  
Scheduled to open in March 2016

- AEON Mall Imabari New City (Ehime prefecture) (tentative name)  
Scheduled to open in spring 2016

- AEON Mall Takasaki Ekimae (Gunma prefecture) (tentative name)  
Scheduled to open in fiscal 2016

Plus another four malls (in the Tokai, Kinki, Chugoku and Shikoku regions)

## Overseas Business



## Developing Dominant Malls in China and the ASEAN Region to Accelerate Growth

We are enhancing our local brand value by developing dominant malls in suburban areas where the number of middle-income earners is growing and motorization is progressing on the back of economic growth and the population increase.

### Market Trends

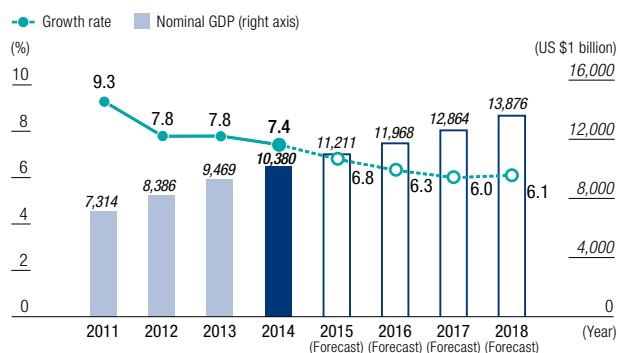
#### Moves to Lure Commercial Facilities Gaining Momentum in China and the ASEAN Region on the Back of Economic Growth

There is a sense that China's economic growth is slowing, but the country's economy is still predicted to continue growing at around 7% year on year. The Chinese government has positioned the expansion of domestic demand as a key economic policy. Retail sales (the total retail sales of consumer goods) rose at a year-on-year rate of 12.0% in 2014. Moreover, personal consumption accounts for only 35% of China's GDP, compared with 60% in Japan and 70% in the United States. Personal consumption in China is expected to continue expanding faster than the country's GDP.

In the ASEAN region, there are also concerns that a slowdown in the growth rate will occur in the short term. However, the average ages of the citizens in ASEAN nations are somewhere between 20 and 29. These countries with young populations are forecast to sustain high growth rates in the medium and long term.

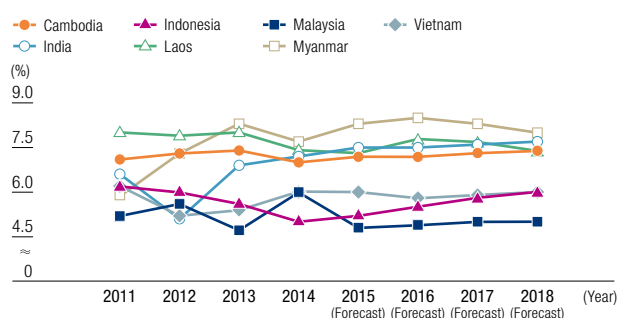
Middle-income earners are expected to grow in number and increase their interest in shopping with this economic growth in the background. They represent an important market for AEON Mall. We are committed to expanding our operations further in order to tap into growth throughout this region.

### Economic Growth and Forecast for China



\* Source: IMF World Economic Outlook Database (April 2015)

### Growth Rate and Forecasts for Other Asian Countries



\* Source: IMF World Economic Outlook Database (April 2015)



## Overview of Fiscal 2014

### China

#### Opened Two Additional Malls in Inland and Other Areas; Existing Malls Sustained Strong Performance

The number of visitors and sales of specialty stores at our three existing malls – AEON Mall Beijing International Mall, AEON Mall Tianjin TEDA and AEON Mall Tianjin Zhongbei – rose 21.4% year on year and 17.9% year on year, respectively, surpassing the growth ratios of all retail stores in China. Results were also strong for AEON Mall Tianjin Meijiang, which we opened for business in January 2014.

In addition to these malls, we opened AEON Mall Suzhou Wuzhong, our first mall in Jiangsu Province, in April 2014, and AEON Mall Wuhan Jinyintan, our first mall in an inland area, in Wuhan, Hubei Province, in December 2014 (► See P33-35 for details). These two new malls performed favorably, as demonstrated by their parking lots being packed to capacity on weekends.



AEON Mall Suzhou Wuzhong

#### Year-on-Year Changes in Retail Sales in China and Sales at Existing Malls

	Cumulative figures for January 2014 to December 2014	Figures for January 2015 to May 2015
Retail sales in China*1	112.0%	110.4%
Sales of specialty stores at AEON Malls*2	117.9%	128.0%
Number of visitors to AEON Malls*2	121.4%	114.2%

\*1: Source: the National Bureau of Statistics of China

\*2: Figures for January 2014 to December 2014 are calculated on the basis of three malls. Those for January 2015 to May 2015 are calculated on the basis of four malls.

### ASEAN

#### Opened First Mall in Cambodia in Addition to Second Mall in Vietnam

The number of annual visitors surpassed 12 million at AEON Mall Tan Phu Celadon, the first mall we opened in Vietnam and in the ASEAN region in January 2014. Its sales are experiencing two-digit expansion year on year.

In addition to this mall, AEON Mall Phnom Penh, our first mall in Cambodia, opened in Phnom Penh, the country's capital, in June 2014, and attracted more than 15 million visitors in its first year of business. We added a parking lot for 800 cars to this mall, as many visitors travel there by car. We also opened AEON Mall Binh Duong Canary, our second mall in Vietnam, in November 2014. The number of customers who visited this mall reached 4 million just four months after its opening.



AEON Mall Phnom Penh



AEON Mall Binh Duong Canary

## Forecast for Fiscal 2015

### China

#### Planning to Develop Dominant Malls in Four Areas Where Demand Is Anticipated

In China, we are planning to develop dominant malls in four areas where active consumption is forecast on the back of economic growth and population increases – the Beijing-Tianjin area, Jiangsu and Zhejiang Provinces, Hubei Province and Guangdong Province (► See P33-35 for details). In fiscal 2015, we are planning to open two malls in Suzhou and one mall in Wuhan, where we opened our first local mall in fiscal 2014. In 2011, we signed a cooperation agreement on opening five or more large shopping malls within five years with the Wuhan Municipal People's Government in Wuhan and the Tianjin Commission of Commerce in Tianjin. We are scheduled to continue mall openings in these two cities based on this agreement.

#### New Openings Planned for Fiscal 2015



### ASEAN

#### Opened First Mall in Indonesia, Accelerating Openings in Vietnam and Cambodia in Addition to Indonesia

In the ASEAN region, we opened AEON Mall BSD CITY, our first mall in Indonesia, in May 2015, following our openings in Vietnam and Cambodia. In the fall of 2015, we plan to open AEON Mall LongBien, which will be our third mall in Vietnam and our first mall in Hanoi, the country's capital. In addition to opening these malls, we will build business foundations, including administrative and operating expertise, and establish systems for making prompt decisions and ensuring growth in the respective areas.

#### New Openings Planned for Fiscal 2015



Special Feature

## 1 Accelerating the Dominant Strategy in China

## Connecting the Results of the First Mall with Success in the Area

AEON Mall adopts the dominant strategy as a basic policy for its overseas business. Our dominant strategy means opening malls intensively in growth areas to enhance our business efficiency and brand value.

As an example of this strategy, we introduce our initiatives in Jiangsu Province, one of the areas with the highest growth potential in the Chinese market.

Jiangsu Province

AEON Mall Hangzhou Liangzhu Xincheng  
Scheduled to open in fiscal 2015

AEON Mall Suzhou Xinqu  
Scheduled to open in fiscal 2015

AEON Mall Suzhou Yuanqu Hudong

AEON Mall Suzhou Wuzhong

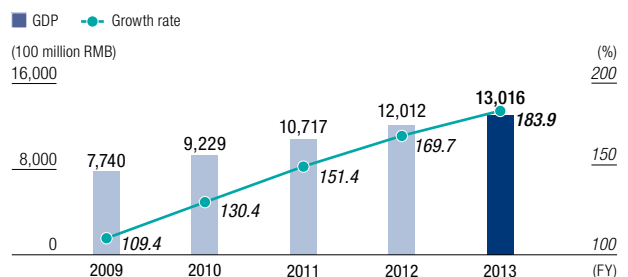
## Establishing a Dominant Position in an Area Where Growth Has Been Rapid in China

Jiangsu Province is among the areas with the highest growth potential in China, where consumption is expected to grow. Located near the massive market of Shanghai, Jiangsu Province and neighboring Zhejiang Province have a combined population of 50 million in a 100-kilometer radius. The potential of this area on the basis of its population size is highly attractive for mall business operators.

A central belt highway is scheduled to be established in this area by the end of 2015. The ratio of local residents who own cars is increasing year by year. Responding to motorization is one of our basic policies for business development. At present, we are working to make our operation more efficient and disseminate our brand image by proceeding with intensive mall openings in areas along the belt highway.

China is a large country that does not permit generalization. Different conditions exist in different parts of Jiangsu and Zhejiang Provinces. We are advancing mall development in each area, bearing the local characteristics in mind.

## Changes in total production for Suzhou



## AEON Mall Suzhou Wuzhong, Our First Mall in the Area That Has Won High Ratings

Opened in April 2014, AEON Mall Suzhou Wuzhong, is our first mall in Jiangsu Province. It is also the first suburban mall in the province. We found it difficult to obtain the understanding of local governments and corporate tenants while this mall was under development, because it was an unprecedented project. AEON Mall Suzhou Wuzhong has won high ratings from all directions. It has been rated the “most successful mall in China” on an influential Chinese website on shopping malls, in addition to receiving an award for excellent store design from the China Chain Store & Franchise Association.

These evaluations came as a result of the satisfaction of local demand with the suburban mall development knowhow cultivated in Japan, such as the establishment of large parking lots in response to advancing motorization, and meticulous Japanese-style customer service that did not previously exist in China.

The success of this first mall provided momentum to our dominant strategy. As a matter of fact, the increased visibility and evaluations of the AEON brand have had positive effects on our efforts to attract customers and negotiate with corporate tenants in our second and subsequent mall projects in China.



AEON Mall Suzhou Wuzhong

## Sho Saito

Chief Executive Officer  
AEON MALL (Jiangsu)  
Business Management  
Co., Ltd.







### AEON Mall Suzhou Yuanqu Hudong, Our New Challenge Making the Most of Our Strength

Opened in May 2015, AEON Mall Suzhou Yuanqu Hudong is our second mall in Jiangsu Province. It is also the first mall in China where we own both the land and the building. Compared with the lease method, land and building ownership enables us to operate malls from a long-term perspective because it frees us from the need to renew lease contracts periodically. We will work to develop such malls that grow with local communities through operations that make the most of these advantages. This is our strength.

This mall is located in an urban area adjacent to a subway terminal, where competition is likely. We are seeking to differentiate the mall by increasing options for experience-based consumption, such as dining and amusement, targeting young families with a strong consumption orientation, in addition to enhancing its appeal by taking advantage of event spaces such as the Entrance Dome.

Thanks to the popularity of these initiatives, AEON Mall Suzhou Yuanqu Hudong got off to a favorable start, recording the highest sales in our history in its first month of operation.



AEON Mall  
Suzhou Yuanqu Hudong

### Advancing Genuine Operational Localization to Sustain Growth

In Jiangsu and Zhejiang Provinces, we are planning to open AEON Mall Suzhou Xinqu and AEON Mall Hangzhou Liangzhu Xincheng, the first mall in the Zhejiang Province where we will own both the land and the building, by the end of fiscal 2015. With these new additions and two other malls already in service in the center, we will work to enhance the value of the AEON Mall brand through a higher level of customer satisfaction, in addition to solidifying local management foundations. The sustained education of personnel, including tenant employees, and greater localization are essential to these efforts. We believe that the training and appointment of local employees are indispensable to realizing the administration and operation of malls in a manner that is rooted in local cultures and customs, in addition to securing cost advantages over the training and appointment of workers hired and sent from Japan.

We are keeping in mind the possibility of localizing our management team in China in the future, as well as the general managers of these malls. For this purpose, too, we will work to strengthen our cooperation with local employees and disseminate the business knowhow we have cultivated in Japan and the ways of thinking peculiar to the AEON Group, including our basic philosophy of customers first.

### Message from the Officer in Charge of Development

#### Good Malls, Good Customers and Good Communities as Principles

The wealthy class once accounted for the greater part of consumption in Jiangsu Province. However, demand has risen among middle-income earners in recent years. Consumers have begun to seek a wide range of added values, such as a feeling of comfort in commercial spaces and ecological considerations, in addition to commercial value. Such market maturation is a significant tailwind for the display of expertise in developing and operating shopping malls, in which we have an advantage. Our policy is to open more malls, bringing their number in the area to ten. We are still on our way. We intend to first solidify our footing in Suzhou, a core city. We plan to expand our mall operations into surrounding areas after becoming a mall operator that is sought by customers and local communities alike.

Fumihiko Endo

Chief Development Officer and Director, AEON MALL (Jiangsu) Business Management Co., Ltd.



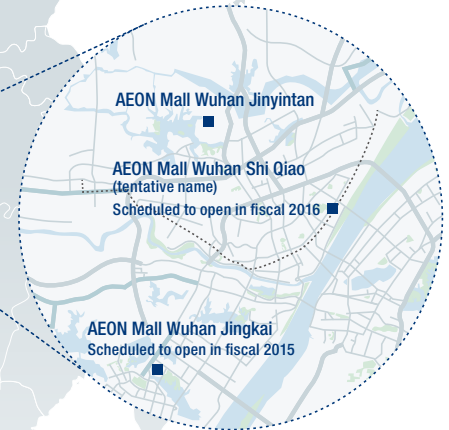
Special  
Feature1 Accelerating the Dominant  
Strategy in China

# Attempt to Make Inroads into an Inland Area with Hidden New Potential

Growth areas in which AEON Mall is advancing its dominant strategy are expanding from coastal regions to inland areas, where potential for development has been growing.

We are introducing our initiatives in Hubei Province, where we are planning intensive mall openings in cooperation with local governments.

## Hubei Province



## Planning to Open Five Malls in Wuhan, an Inland City Undergoing Rapid Growth

Development in the Chinese market is beginning to shift its geographical axis from the coast to inland. Among the developing areas in China, Wuhan, a city in Hubei Province with a population of 10 million, has shown the highest economic growth rate over the last 10 years. Industries such as steel and automobiles are growing rapidly in Wuhan, where demand for consumption is brisk among the growing number of middle-income earners. In particular, interest in safe, reliable Japanese products has grown extremely high. In 2011, we signed a cooperation agreement with the Wuhan Municipal People's Government on opening five or more large shopping malls within five years. We decided to open our first mall in the area based on this agreement in the Dong Xi Hu District in northwest Wuhan, where many foreign-affiliated companies have set up their operations. The District lies adjacent to the Wuhan Economic & Technological Development Zone, which is experiencing a remarkable population increase.

## AEON Mall Wuhan Jinyintan Attracted a Total of 3 Million People in its First 100 Days of Operation

Opened in December 2014, AEON Mall Wuhan Jinyintan, our first mall in Hubei Province, was developed with lifelong partnership as its concept based on our policy of offering opportunities to enjoy spending time in malls.

In addition to operating a 15,000-square-meter dining zone, the largest such area at AEON Malls in China, we focused on service training to offer our customers the kinds of hospitable services filled with smiles that we have cultivated in Japan. We also arranged for many popular brands to open stores in the mall, including their first outlet in the area, in a bid to offer affluent lifestyles to local customers.

Supported by the popularity of these actions, AEON Mall Wuhan Jinyintan got off to a good start, attracting 3 million visitors in its first 100 days of operation.



## Planning to Establish a Dominant Position in an Inland Area with Five Malls

The success of the first mall has been a major tailwind for our plan to advance the development, construction and leasing of our second and subsequent malls in the area.

We position AEON Mall Wuhan Jingkai, which is scheduled to open in the state-designated Wuhan Economic & Technological Development Zone by the end of 2015, as our flagship mall. AEON Mall Wuhan Jingkai will be one of the largest commercial facilities operated by the AEON Group in China. We are also advancing the construction of AEON Mall Wuhan Shi Qiao (tentative name), our third mall in the area, in a central commercial area of Wuhan, based on our plan to open it for business in fiscal 2016. We will increase the visibility of AEON Mall and enhance its brand value in this inland area based on our dominant strategy, which includes the fourth and fifth malls we plan to open in the area.



Kiyonari Isogawa

Chief Executive Officer  
and Director  
AEON Mall (Hubei) Business  
Management Co., Ltd.



## Special Feature 2 Localizing and Vitalizing Existing Malls

### AEON Mall Beijing International Mall, a Mall that Continues to Evolve

AEON Mall Beijing International Mall is the first mall we opened in China. Seven years after it commenced operation, the mall is continuing to improve its business results steadily. AEON Mall Beijing International Mall is keeping itself fresh with constant renewals and approaches to localization.

#### “Something New” as a Source of Year-on-Year Growth at an Average Rate of over 120%

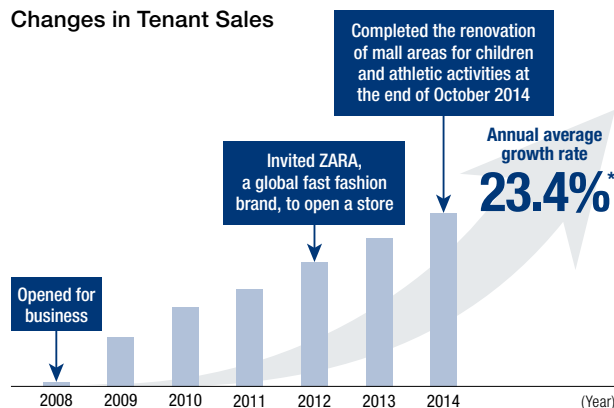
Opened in November 2008, AEON Mall Beijing International Mall has ceaselessly improved its business levels in order to gain the support of customers in Beijing, where competition has been fierce.

In AEON Mall Beijing International Mall's second year of operation, we invited ZARA, a global fast fashion brand that is well known in China, to open a store in the mall, and renovated the floor completely to suit ZARA's brand image. We also bolstered the mall tenants offering food and drinks in an attempt to increase the frequency of visits by young people who drop by to check out the store. In the subsequent period, we continued to renew this mall in response to changes in the surroundings, with actions including the buildup of mall areas for children and athletic activities by family groups in view of the advanced condominium construction in the area. The vitalization of the mall through this series of initiatives produced a virtuous circle of greater employee motivation and enhanced customer service.

#### Localizing Management to Make Our Malls More Competitive

In addition to the continuous renewals, we worked to localize the operation of this mall with steps including the appointment of a local employee as the general manager, or the official responsible for the administration of the mall. The appointment of local personnel has enabled us to understand points such as the requirements, ways of

#### Changes in Tenant Sales



thinking and business practices of local customers, and has provided us with a number of advantages, including the greater motivation of local employees and efficient negotiations with local tenants.

With these initiatives in Beijing as models, we will advance operational localization in all overseas markets in the future.

#### Voice

##### “The Best Team Produces the Best Results”

As the first locally hired mall manager in China for the AEON Group, I attach a great deal of importance to our teamwork. I believe that an extremely good team of Japanese and Chinese employees who have maintained strong mutual communication since the opening of this mall has been one of the reasons for its success. I think that Chinese employees can achieve further growth by taking part in the management of Chinese subsidiaries and increasing the level of teamwork throughout China in due course.



Wang Yong  
General Manager  
AEON Mall Beijing International Mall

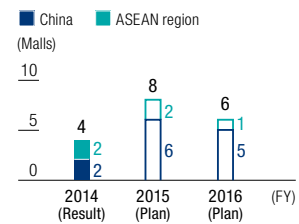


## New Openings from Fiscal 2015 Onwards

Further accelerating mall developments in **China**, the **ASEAN** region, and other locations where urban development is in progress.

Advancing new mall developments in suburbs where urban development is progressing amid the growth of the middle-income class and the furtherance of motorization.

### Progress and Projections in the Three-Year New Openings Plan



## China

### AEON Mall Beijing Fengtai

Scheduled to open in fiscal 2015  
Location: Ke Ji Da Dao, Feng Tai Qu, Beijing  
Site area: Approx. 63,800 m<sup>2</sup>  
Floor space: Approx. 150,000 m<sup>2</sup>  
Parking: Approx. 2,000 vehicles



### AEON Mall Hebei Yanjiao

Scheduled to open in fiscal 2016  
Location: Yanjiao Economic & Technological Development Zone, Sanhe City, Hebei  
Site area: Approx. 84,000 m<sup>2</sup>  
Floor space: Approx. 175,000 m<sup>2</sup>  
Parking: Approx. 2,800 vehicles



### AEON MALL Wuhan Jingkai

Scheduled to open in fiscal 2015  
Location: WEDZ, Wuhan, Hubei  
Site area: Approx. 130,000 m<sup>2</sup>  
Floor space: Approx. 275,000 m<sup>2</sup>  
Specialty stores: Approx. 280  
Parking: Approx. 5,000 vehicles



### AEON Mall Guangzhou Panyu Square

Scheduled to open in fiscal 2015  
Location: Qinghe Road, Panyu District Road, Guangdong  
Site area: Approx. 51,000 m<sup>2</sup>  
Floor space: Approx. 173,000 m<sup>2</sup>  
Parking: Approx. 1,700 vehicles



### AEON MALL Suzhou Xinqu

Scheduled to open in fiscal 2015  
Location: Gaoxinqu, Suzhou, Jiangsu  
Site area: Approx. 153,000 m<sup>2</sup>  
Floor space: Approx. 162,000 m<sup>2</sup>  
Parking: Approx. 3,200 vehicles

### AEON Mall Suzhou Yuanqu Hudong

Opened May 29, 2015  
Location: 238 Suzhou Industrial Park, Su Zhou, Jiangsu  
Site area: 99,300 m<sup>2</sup> Floor space: 218,000 m<sup>2</sup>  
Parking: 3,000 vehicles Specialty stores: 230



### AEON Mall Hangzhou Liangzhu Xincheng

Scheduled to open in fiscal 2015  
Location: Gudun Road, Yuhang District, Hangzhou City, Zhejiang  
Site area: Approx. 95,000 m<sup>2</sup>  
Floor space: Approx. 176,000 m<sup>2</sup>  
Parking: Approx. 3,200 vehicles



### AEON Mall Wuhan Shiqiao

Scheduled to open in fiscal 2016  
Location: Shi Qiao Cun Cheng Zhong Cun, Jiang'an District, Wuhan Hubei  
Site area: Approx. 46,000 m<sup>2</sup>  
Floor space: Approx. 121,000 m<sup>2</sup>  
Parking: Approx. 1,900 vehicles



### AEON Mall Guangzhou Jinshazhou

Scheduled to open in fiscal 2016  
Location: Baiyun, Guangzhou, Guangdong  
Site area: Approx. 85,000 m<sup>2</sup>  
Floor space: Approx. 188,000 m<sup>2</sup>  
Parking: Approx. 3,600 vehicles



# ASEAN

## AEON MALL Cambodia No. 2

**Scheduled to open in fiscal 2018**

Location: PONG PEAY CITY Project site, Phnom Penh, Kingdom of Cambodia

Site area: Approx. 100,000 m<sup>2</sup>

Floor space: Approx. 151,000 m<sup>2</sup>

(including multi-story parking lot)

Gross leasable area: Approx. 70,500 m<sup>2</sup>

Parking: Approx. 2,000 motorcycles/

Approx. 2,500 cars



## 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. 96,000 m<sup>2</sup>

Floor space: Approx. 110,000 m<sup>2</sup>

Gross leasable area: Approx. 73,000 m<sup>2</sup>

Specialty stores: Approx. 180

Parking: Approx. 4,000 motorcycles/1,000 cars

## AEON Mall BSD City

**Opened May 30, 2015**

Location: Jl. BSD Raya Utama Kelurahan Pagedangan, Kecamatan Pagedangan kabupaten Tangerang, Banten

Site area: 100,000 m<sup>2</sup>

Floor space: 177,000 m<sup>2</sup>

Gross leasable area: 77,000 m<sup>2</sup>

Specialty stores: 280

Parking: 2,300 motorcycles/2,100 cars



## AEON MALL Binh Tan

**Scheduled to open in fiscal 2016**

Location: Lot PT1, Hi-tech Healthcare Park, 532A Kinh Duong Vuong, Binh Tri Dong B ward, Binh Tan District, HCMC

Site area: Approx. 46,800 m<sup>2</sup>

Floor space: Approx. 114,000 m<sup>2</sup>

Gross leasable area: Approx. 59,000 m<sup>2</sup>

Specialty stores: Approx. 160

Parking: Approx. 4,000 motorcycles/1,500 cars



## 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

Our management philosophy is to be a “Life Design Developer” that creates future lifestyles with local communities based on the principle of putting customers first. We define “Life Design” as expanding various functions to suit the life stages of local customers beyond the framework of commercial facilities and designing future lifestyles that include not only shopping, but getting to know people, developing cultures, and other activities. Basing on our management philosophy, we seek to contribute to the improvement of people’s lifestyles and the development of local communities by creating malls in Japan and overseas that are unique to each region in view of localization.

We continue to develop shopping centers that contribute to the growth of local economies and cultures and become an integral part of local communities according to this basic policy. We believe that taking responsibility for our shareholders, customers, business partners, local communities, employees, and other stakeholders through corporate activities in light of such management policies will lead to the long-term and steady improvement of Aeon Mall’s corporate value. To achieve this, we will strive to improve our corporate governance and increase our competitiveness through efficient decision making.

Aeon Mall is enhancing its strengths as a commercial developer in the retail industry based on management led by directors with a comprehensive knowledge of the retail business, and is strengthening and maintaining management soundness by employing an auditor system.

Aeon Mall hires auditors, and its Audit & Supervisory Board comprises four outside auditors (including one independent director). The auditors observe the audit standards established by the Audit & Supervisory Board, audit policies, division of duties, etc., communicate with the directors, the internal audit department, and other

employees, attend the Board of Directors’ meetings and other important meetings, receive reports from the directors, employees, and other individuals on their duties, and investigate the operation and property of the head office and other offices, aiming to improve the company’s corporate governance, and express their opinions as necessary.

Under this system, we will increase our management transparency and efficiency and ensure legal compliance and risk control to further enhance the company’s corporate governance system.

### Management Structure and Activities

We have established an auditor system and as of the date of submission, we have 11 directors (two outside directors) and four auditors (four outside auditors). Aeon Mall seeks to improve and maintain its management efficiency by configuring the Board of Directors with members who have a profound knowledge of the company’s businesses, and to strengthen and maintain management soundness by enhancing the auditors’ function. As a general rule, the Board of Directors and the Audit & Supervisory Board both meet once a month.

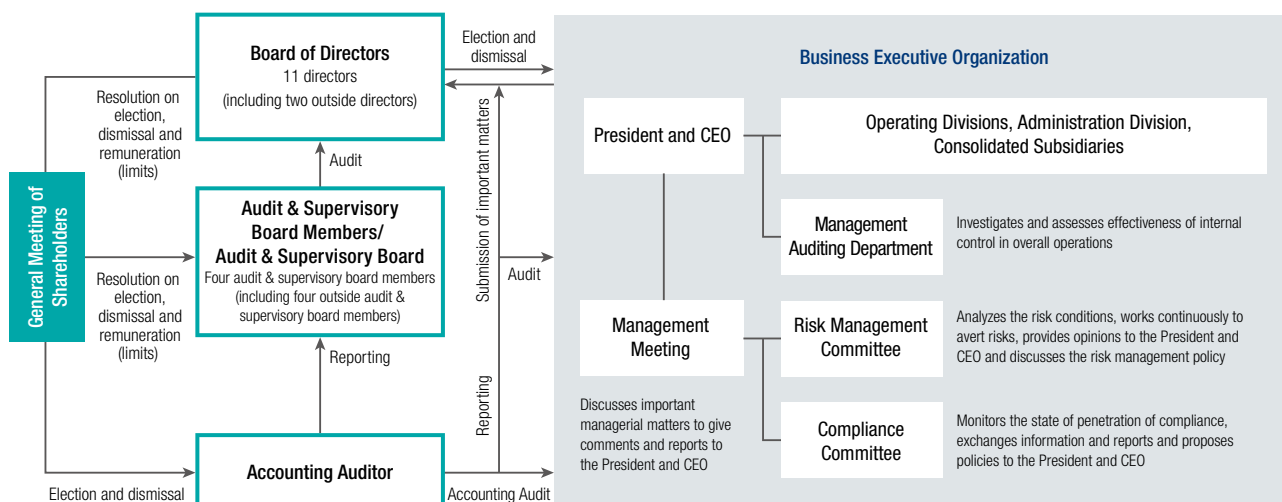
#### 1 Board of Directors

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. One of the four outside audit & supervisory board members is an independent officer.

Corporate Governance Organization Chart (as of Feb. 28, 2015)





### 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 2014)

Name of Accounting Auditor	Deloitte Touche Tohmatsu LLC
Remuneration for fiscal year under review <sup>*1</sup>	65 million yen
Total amount payable from AEON Mall to the accounting auditor including remuneration <sup>*2</sup>	98 million yen

<sup>\*1</sup> The figure specifies the total amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act.

<sup>\*2</sup> The figure represents the total amount of the economic benefits of Aeon Mall and its subsidiaries.

### 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 outside directors, 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.

#### Sessions Convened by the Board of Directors, the Audit & Supervisory Board and the Management Meeting (FY 2014)

Body	No. of sessions	Main members and attendees
Board of Directors	17	Chaired by the President and CEO and at least one meeting to be convened each month Directors and audit & supervisory board members
Audit & Supervisory Board	15	Audit & supervisory board members
Management Meeting	37	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 President and CEO, directors

### 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 handling the developer business as a core company of the AEON Group. AEON Co., Ltd. holds 50.17% of the voting rights of AEON Mall and its affiliates, including 49.27% 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 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 2014

### Remuneration for Executives

The following shows the total remuneration for each type of executive, the total amount of each type of remuneration, and the number of executives who receive compensation.

#### Remuneration for Directors and Audit & Supervisory Board Members (FY 2014)

Category	Total amount incl. remuneration (million yen)	Total amount for each type of compensation (in million yen)			Number of officers in the category
		Basic remuneration	Stock options	Expected amount of executive bonuses	
Directors (excl. outside directors)	242	146	41	54	11
Audit & Supervisory Board Members (excl. outside audit & supervisory board members)	—	—	—	—	—
Outside officers	31	31	—	—	6

<sup>\*1</sup> The above includes two directors who retired at the close of the 103rd (FY2013) Ordinary General Meeting of Shareholders held on May 22, 2014 and one auditor who resigned, and does not include two directors who receive no remuneration.

<sup>\*2</sup> Based on the resolution of the General Meeting of Shareholders, the maximum monetary remuneration of a director is 600,000,000 yen per year (resolution of the General Meeting of Shareholders held on May 17, 2007); the maximum remuneration based on stock options is 100,000,000 yen per year (resolution of the General Meeting of Shareholders held on May 17, 2007); the maximum remuneration of an auditor is 50,000,000 yen per year (resolution of the General Meeting of Shareholders held on May 8, 2002).

<sup>\*3</sup> The total amounts of remuneration shown above include the following:  
 • Expected executive bonuses of 54 million yen (for nine directors employed by the company as of February 28, 2015, which does not include two directors and an outside director who receive no remuneration)  
 • Remuneration based on stock options of 41 million yen (for ten directors employed by the company as of April 21, 2014, which does not include two directors who receive no remuneration)

### Policy for determining the amounts of executive remuneration

The amounts of directors' remuneration are determined within the ranges resolved by the General Meeting of Shareholders, taking into account the positions, performance, etc. The amounts of auditors' remuneration are determined within the ranges resolved by the General Meeting of Shareholders after a deliberation of the auditors.

## IR Activities

The following describes the investor relations activities of Aeon Mall.

### Prepare and announce the company's disclosure policy

We prepare our disclosure policy and announce our basic policies, standards for information disclosure, method of disclosing information, and "IR Quiet Period."

### Hold periodical briefings for individual investors

We hold company briefings for individual investors.

### Hold periodical briefings for analysts and institutional investors

We hold quarterly briefings for the President and CEO and IR personnel of organizations.

### Hold periodical briefings for foreign investors

We prepare English versions of the company's annual reports, IR website, and other reference materials and publish them at the same time as the Japanese versions. Additionally, we hold quarterly telephone conferences for foreign investors and regularly participate in conferences held in Japan for foreign investors.

### Post IR information on the company website

In addition to information on financial results, timely disclosure of materials other than financial data, securities reports, quarterly reports, and shareholders news, we post audio recordings of financial results briefings on our website.

### Establish a department for (personnel in charge of) investor relations

We have established the IR Group as a full-time section responsible for information disclosure. (Phone: 043-212-6733)

### Other

We hold individual meetings for domestic and foreign investors and securities analysts. In addition, we provide Aeon Mall tours and other events at appropriate times.

## Basic Concept and Development of Internal Control System

### System to store and manage information on directors' execution of duties

We prepare written approvals, meeting minutes, and other documents required for executive directors and employees to perform their duties based on internal regulations. Documents that have been prepared are stored and managed in a secure, searchable format appropriate for each storage medium, and are maintained in a viewable form as necessary.

The management division specified in the Document Management Rules takes charge of the management of such records and prevents leakage to external parties.

### Rules for controlling the risk of operating loss incurred by Aeon Mall and its subsidiaries ("the Company Group") and other systems

Aeon Mall designates its President and CEO as the general director of risk management and its heads of divisions as directors in charge of risk management, and develops a system and environment to ensure business continuity and the safety of human lives. The Company Group has established Risk Management Rules with the aim of preventing risks and minimizing the damage from any crisis that has occurred, and strives to reduce danger and damage. It has also designated a management division for each risk category to control the entire Company Group's risk of loss, thereby preventing damage to its brand value and increasing its corporate value. The Group will respond appropriately to any risk of urgent and serious loss that has arisen through appropriate communication and decision making based on the Risk Management Rules to minimize the damage.

The Risk Management Committee, headed by the Director of the Administration Division, has been established as an organization in charge of the Company Group's risk management, which discusses solutions to issues in the risk management of the entire Company Group and reports the proceedings of the Risk Management Committee to the Management Meeting, acting as an advisory body to the President and CEO, consisting of directors at the level of managing director and above, full-time Audit & Supervisory Board members, and persons appointed by the President. Important issues are reported to the Board of Directors.

The department responsible for internal auditing performs internal audits according to the Internal Auditing Rules to increase the effectiveness of risk management.



**System to ensure the efficiency of duties performed by the company's directors, directors of the company's subsidiaries, executive officers, employees who carry out operations, personnel who perform duties as specified in Article 598-1 of the Companies Act, and other persons equivalent to such personnel ("subsidiaries' directors, etc.")**

The Board of Directors holds meetings once a month, and occasionally when necessary. Decisions requiring the approval of the President or someone higher, which may cause a serious risk that affects the Company Group, are discussed by the Management Meeting and are subsequently approved by the President or resolved by the Board of Directors. In the performance of duties, management responsibility is clarified by providing the authority required for the performance of duties based on the Rules for Job Position Management, Rules for the Division of Duties, Rules for Authority, and Rules for Asking Approval, and Rules for the Management of Affiliates.

As a system to ensure the efficiency of the performance of duties of the subsidiaries' directors, etc., the Company approves a Group Medium-term Management Plan, annual management goals, budget distribution, etc. that include subsidiaries at the meetings of the Board of Directors, inspects the progress of business strategies and measures in line with such plan and goals on a quarterly basis, and receives reports on other important information.

**System to ensure compliance in the performance of duties of the company's directors and employees and subsidiaries' directors, etc. and employees with laws and regulations and the Articles of Incorporation**

The company focuses on compliance management and complies with Aeon Code of Conduct, the code of conduct of the Aeon Group, to build better relationships with local communities and fulfill its corporate social responsibility.

A Compliance Committee headed by the Director of Administration Division has been established, which ensures the Company Group's compliance with laws and regulations, the Articles of Incorporation, and internal rules, points out problems, and discusses solutions. The proceedings of the Compliance Committee are reported to the Management Meeting, and important issues are reported to the Board of Directors. As a contact point for reporting internal problems that prevent disadvantages for the informant, the company has established the Helpline Aeon Mall Employees' 110 hotline (the AEON Mall labor union has separately launched Union 110 hotline). We will also establish a helpline equivalent

to that of Aeon Mall within its subsidiaries. If any violation of legal compliance regarding these helplines is reported to Aeon, the department responsible will carefully investigate the case, take the necessary measures for a confirmed violation based on the internal rules, develop measures to prevent recurrence or have the relevant department develop such measures and implement them throughout the company, and report on the progress to the Compliance Committee.

**System to ensure the appropriate operations of the corporate group, comprising the company, its parent, and subsidiaries**

Transactions that may cause a conflict of interest in essence between the company and its parent or transactions in a competitive relationship with the parent are examined in detail by the Management Meeting and carried out after being approved by the Board of Directors.

For transactions with Group companies that also include subsidiaries, the department carrying out such transactions performs its duties under the appropriate conditions based on market prices, which does not reduce the profits of the company. In terms of pricing, the company obtains written third-party assessments or other information if an objective evaluation is available and submits the information required for assessment to the Board of Directors and the Management Meeting.

As a system of reporting matters concerning the performance of duties of the subsidiaries' directors, etc. to the company, the company requires the subsidiaries to report their monthly business performance, financial results, and other details required by the company to the Management Meeting based on the Rules for the Management of Affiliates established by the company. The internal audit department inspects the company and its subsidiaries based on the Internal Auditing Rules to ensure the appropriate operations of the company and its subsidiaries and reports to the President and the Audit & Supervisory Board by means of a written internal audit report.

**Matters concerning employees who provide assistance with the duties of the company's auditors ("Assistants") when the auditors decide to hire such Assistants, matters concerning the independence of the Assistants from the company's directors, and matters related to ensuring the effectiveness of the instructions provided to the Assistants**

The company selects and appoints Assistants for the auditors upon consultation with the Audit & Supervisory Board. The Assistants will not receive orders or instructions from the directors or any other employees.

The personnel appraisal of Assistants is performed through consultation with the auditors, and personnel changes and reprimanding of Assistants require the advance agreement of the Audit and Supervisory Board.

**System of reporting to the company's auditors**

As a system for the company's directors and employees and subsidiaries' directors, etc. and employees to make reports to the company's auditors, the directors and employees report on the management situation, business operation, financial position, progress of internal audits, status of risk management and compliance, and other matters at a meeting of the Board of Directors or the Management Meeting attended by the auditors.

If the company's directors or employees or the subsidiaries' directors, etc. or employees discover matters that affect the operations or business performance of the company or its subsidiaries, violations of laws and regulations, or other issues concerning legal compliance, which may cause serious damage to the company or its subsidiaries, or these have been reported by any of such persons, they shall immediately report to the company's Audit & Supervisory Board. The company and its subsidiaries are prohibited from treating a person who has made such a report in an unfair manner because they have made a report, and will ensure that this rule is clearly communicated to the company's directors and employees and the subsidiaries' directors, etc., auditors, and employees.

**Matters concerning policies for the advance payment of expenses required for the performance of duties of the company's auditors and reimbursement and other procedures for the treatment of expenses or obligations associated with the performance of such duties**

When the company receives a request for the advance payment, etc. of expenses from auditors based on Article 388 of the Companies Act, the company shall pay such expenses without delay based on the internal rules. The

responsible department takes measures regarding the budget required for such payment in every fiscal period.

**Other systems to ensure the effective auditing of the company's auditors**

The internal audit department works closely with the Audit & Supervisory Board by, for instance, discussing the details of internal audits with the auditors as appropriate, and performs audit operations in cooperation to contribute to effective auditing by the auditors.

**Basic concept and process for eliminating 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**

- (1) 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.
- (2) 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.
- (3) The company investigates any involvement of its business partners with antisocial forces and eliminates such forces based on the Transaction Management Rules.



## 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 director and outside auditors (FY2014)

Title	Name	No. of sessions attended		Activity Descriptions
		Board of Directors	Audit & Supervisory Board	
Outside Director	Mami Taira <sup>*1</sup>	13/13 <sup>*2</sup>	4/4	Made the necessary remarks as appropriate based on good judgment as an accounting expert developed as a certified public accountant and tax accountant and experience as an auditor for other companies.
Outside Audit & Supervisory Board Members	Hirofumi Hamasaki	17/17	15/15	Made the necessary remarks as appropriate for ensuring the lawfulness of decision making, calling on his ample experience as a director and audit & supervisory board member at AEON Group companies.
	Yotoku Hiramatsu	17/17	15/15	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.
	Yoshihiro Machida	16/17	15/15	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.
	Yumiko Ichige	13/13 <sup>*2</sup>	11/11	Made the necessary remarks as appropriate based on his extensive experience as a director and auditor for other companies and his expertise as an attorney.

<sup>\*1</sup> Resigned from the position of outside auditor and was appointed as an outside director on May 22, 2014. The number refers to Audit & Supervisory Board meetings held before her resignation from the position of outside auditor.

<sup>\*2</sup> For officers marked with an asterisk (<sup>\*2</sup>), 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.

### Holding of Concurrent Position of Outside Directors and Audit & Supervisory Board Members, Reasons for Election, etc. (as of May 23, 2015)

	Name	Organization	Concurrent Position	Relationship with AEON Mall	Reasons for Election
Outside Directors	Mami Taira <sup>*</sup>	Hayakawa & Taira Certified Public Tax Accountants' Corporation	Partner	No transactional relations	She was elected in the expectation that she will use her good judgment as an accounting expert that she developed as a certified public accountant and tax accountant and her experience as an auditor for other companies in the management of our company. Although she does not have past experience of involvement in the direct management of a company, we have determined that she is capable of performing her duties appropriately as an outside director for the above reasons. She is not from any of Aeon Mall's major shareholders or major business partners, and therefore has no special interest in the company, and we consider that she is qualified as an independent director.
		Suzuden Corporation	Outside Audit & Supervisory Board Member		
	Masao Kawabata <sup>*</sup>	Eiken Foundation of Japan	Advisor	No transactional relations	He has extensive experience as a business manager of an overseas subsidiary and was elected in the expectation that he will use his experience in the company's overseas expansion and risk management. He is not from any of Aeon Mall's major shareholders or major business partners and therefore has no special interest in the company, and we consider that he is qualified as an independent director.
		Brainwoods Corporation, Ltd.	Advisor		
Outside Audit & Supervisory Board Members	Junichi Suzuki	—	—	—	He has ample experience at an overseas subsidiary of a company in the Aeon Group and was elected in the expectation that he will use his experience in the company's management, including its business in China and ASEAN region.
	Yotoku Hiramatsu	AEON Financial Service Co., Ltd.	Full-Time Audit & Supervisory Board Member	Group Companies	He was elected in the expectation that he will use his vast experience and good judgment as an auditor that he developed with Aeon and Aeon Group companies in the management of the company.
		AEON Retail Co., Ltd.	Audit & Supervisory Board Member	Entered as a tenant (group company)	
	Yumiko Ichige <sup>*</sup>	Nozomi Sogo Attorneys at Law	Partner	No transactional relations	She has experience and expertise as an attorney for corporate legal affairs and was elected in the expectation that she will use her perspective as a legal expert in the management of the company. Although she does not have past experience of involvement in the direct management of a company, we have determined that she is capable of appropriately performing her duties as an outside auditor for the above reasons. She is not from any of Aeon Mall's major shareholders or major business partners, and therefore has no special interest in the company, and we consider that she is qualified as an independent director.
		NEC Networks & System Integration Corporation	Outside Director		
		Sanyo Trading Co., Ltd.	Outside Audit & Supervisory Board Member		
	Makoto Fukuda	Aeon Co., Ltd.	Financial Department Manager	Group Companies	He was elected in the expectation that he will use his extensive experience in the financial management of Group companies and his experience as an auditor for other companies.
		Claire's Nippon Co., Ltd.	Outside Auditor	Entered as a tenant (group company)	

<sup>\*</sup> Meets requirements for independent directors set out by the Tokyo Stock Exchange

## Messages from Independent Officers

The Company has an Audit & Supervisory Board and has built a corporate governance system in which the Board of Directors and audit & supervisory board play a central role. The Company elects outside directors and outside audit & supervisory board members, including independent officers considered to have no risk of conflicts of interest, to achieve management objectivity and transparency while strengthening corporate governance.

Before the enforcement of the Corporate Governance Code in June 2015, the general meeting of shareholders held in May 2015 decided to increase the number of outside directors from one to two and appointed three independent officers: two outside directors and an outside audit & supervisory board member.

The three independent officers are a certified public accountant, a management executive, and a lawyer. All have sophisticated expertise and extensive experience in their field. We expect that they will provide suggestions and recommendations from an objective and professional perspective when the Company develops and pursues initiatives for growth in its efforts to increase its corporate value.

### A Message from an Outside Director

Becoming more deeply involved in management as a director by capitalizing on my experience gained as outside corporate audit & supervisory board member



Mami Taira  
Outside Director (Independent Officer)

Since I was appointed independent outside audit & supervisory board member for AEON MALL in May 2011, I have given advice and suggestions, using the knowledge and experience I have gained as a certified public accountant and tax accountant. With these three years of experience, I acquired a deeper insight into the Company's business and strategies and sought to make comments more proactively. In recognition of this, in May 2014, I stepped down as an audit & supervisory board member and was appointed as the Company's first outside director.

I have tended to emphasize finance and accounting, my field of expertise, but will be more conscious of my position as a director under the new management system and aim to contribute to building an organization as the foundation for the Company's medium- to long-term growth.

Since the Company has originated from the retail sector, most of the management team have had experience in the retail industry and have been developing operations rapidly in Japan and overseas. I feel that we should strengthen our administration, including finance and accounting, which supports business operations. Meanwhile, I have been working to increase communication with female staff members. I feel that if female staff have sufficient opportunities, they will be a driving force for further growth. In this way, I would like to help strengthen the administration system and cultivate human resources.

To be more committed to business administration as a director, I need to not only be involved in finance and accounting, my field of expertise, but also to have an administrative perspective. I am very encouraged by the appointment of a person with broad experience in senior management as an outside director. If we independent officers, including an outside audit & supervisory board member, cooperate with each other and share our knowledge, we will be able to make a significant contribution to the Company's growth.



## A Message from an Outside Director

Helping AEON Mall grow by making the most of my extensive experience in management, including at overseas companies

### Masao Kawabata

Outside Director (Independent Officer)



With the introduction of the Corporate Governance Code, corporate governance and management transparency are attracting attention. In this environment, I have been appointed as an independent outside director at AEON Mall. I am strongly aware of the expectations and responsibility that accompany this appointment.

For more than 40 years, I have worked for an electronics manufacturer, which has given me a broad range of experience. Having been involved in supplying consumer products in the market, I have learned the importance of quality and of the customer's perspective. I have helped manage overseas affiliates in five countries, mainly in Europe and the United States. Through that experience, I have realized the difficulty of succeeding in business in other societies where the cultures, customs, languages, religions, and values are different. I believe that there will be opportunities to take advantage of this experience at the Company, which is expanding its shopping mall business overseas. A model for success in Japan cannot always be used overseas, and it can be very difficult to hire and train local staff. I will actively give advice to help the Company achieve steady growth, making the most of my expertise to take on the challenges of overseas operations.

An outside director is like one of the eyes of a chameleon, which move separately from each other. As the president and management look at medium- to long-term goals, I will be the other eye and will look at the Company's strategies and initiatives from a different perspective, so that I can offer useful advice. I believe that my mission and responsibility as an outside director is to help AEON Mall enhance its corporate value in this way.

## Message from an Outside Audit & Supervisory Board Member

Helping with decision-making in consideration of risk by applying the knowledge that I have acquired as a business lawyer

### Yumiko Ichige

Outside Audit & Supervisory Board Member (Independent Officer)



My background is as a lawyer involved in corporate legal affairs. I have been an in-house lawyer, an outside auditor, and an outside director. In recognition of this experience, I was appointed outside audit & supervisory board member of AEON Mall in May 2014.

I believe that the role of a legal expert as an independent officer is controlling risk as management promotes "aggressive governance." A company's initiatives for growth involve a range of risks, including legal risk and tax risk. My role as a business lawyer is to ensure that management has the correct understanding of the degrees of risk and approaches for avoiding risk. That may look as if my role is putting the brakes on corporate growth. However, the faster a vehicle, the higher the performance of its brakes. Making risks visible will enable management to make the right decision with respect to whether to take risks and take on challenges or to avoid risks and apply the brakes.

If you do not take risks, you will not grow. When management takes a risk-based approach and makes a decision, I would request them to draw up not only an "aggressive scenario" but also a "defensive scenario," and to explain both scenarios to investors and other stakeholders. I believe that only by communicating in this way can management meet the expectations of stakeholders and earn their trust.

I hope that more women will participate in decision-making bodies. Female officers from within the Company will boost the motivation of female employees and the Company's appeal to women, who account for half of its customers. This will, in turn, contribute significantly to the Company's growth.

# Directors and Audit & Supervisory Board Members (as of May 23, 2015)

## Directors



**Noriyuki Murakami**  
Chairman

**Date of birth** April 3, 1951

**Profile**

March 1974: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
May 2000: Director, 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)  
Representative, Tohoku, AEON Co., Ltd.  
Advisor to CEO, 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)



**Akio Yoshida**  
President and CEO

**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.  
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 Chief China Business Officer, AEON MALL Co., Ltd.  
May 2014: Managing Director, General Manager, Sales Division and Chief China Business Officer, AEON MALL Co., Ltd.  
February 2015: President and CEO, AEON MALL Co., Ltd. and Chief China Business Officer, AEON MALL Co., Ltd.  
April 2015: President and CEO, AEON MALL Co., Ltd. (to present)

**Important concurrent position**

Director, AEON (CHINA) CO., LTD.



**Kaoru Iwamoto**  
Senior Managing Director

**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, West 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)



**Seiichi Chiba**  
Senior Managing Director

**Date of birth** July 28, 1955

**Profile**

April 1978: Joined The Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)  
September 1993: Assistant Manager, New York Branch, The Dai-ichi Kangyo Bank, Ltd.  
April 2002: Deputy Manager, Credit Department No. 3, Mizuho Corporate 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 Chief Financial Officer, 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/Chief Financial Officer, AEON MALL Co., Ltd.  
April 2015: Senior Managing Director, General Manager, Finance & Accounting Division/Chief Financial Officer, and Chief ASEAN Business Officer (to present)



**Yoshiharu Umeda**  
Managing Director

**Date of birth** October 8, 1955

**Profile**

March 1978: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
August 2007: General Manager, AEON Mall Sakaikitanahada 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.  
April 2015: Managing Director, General Manager, Administration Division and Chief China Business Officer, AEON MALL Co., Ltd. (to present)

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



**Motoya Okada**  
Director and Advisor

**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)  
February 2015: Director and Advisor, AEON Retail Co., Ltd. (to present)



**Akio Mishima**  
Director

**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.  
April 2015: Director, General Manager, Leasing Division, AEON MALL Co., Ltd. (to present)



**Mitsugu Tamai**  
Director

**Date of birth** July 5, 1962

**Profile**

July 1999: Joined 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.  
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)

## Directors



**Mitsuhiro Fujiki**  
Director

**Date of birth** November 21, 1960

**Profile**

April 1985: Joined AEON MALL Co., Ltd.  
April 2011: General Manager, AEON Mall Niihama, AEON MALL Co., Ltd.  
November 2012: General Manager, AEON Mall Miyazaki, AEON MALL Co., Ltd.  
April 2013: General Manager, West Japan Business Department, Sales Division, AEON MALL Co., Ltd.  
September 2014: General Manager, Chugoku & Shikoku Business Department, Sales Division, AEON MALL Co., Ltd.  
February 2015: Deputy General Manager, Sales Division, AEON MALL Co., Ltd.  
April 2015: General Manager, Sales Division, AEON MALL Co., Ltd.  
May 2015: Director, General Manager, Sales Division, AEON MALL Co., Ltd. (to present)



**Mami Taira**  
Outside Director/  
Independent Officer\*

**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)  
June 2014: Outside Audit & Supervisory Board Member, Suzuden Corporation (to present)



**Masao Kawabata**  
Outside Director/  
Independent Officer\*

**Date of birth** August 10, 1948

**Profile**

April 1971: Joined Pioneer Corporation  
November 1996: President, Pioneer GB Ltd.  
June 2004: Senior Executive Officer in charge of PR/IR and risk management, Pioneer Corporation  
April 2008: Chairman and CEO, Pioneer North America, Inc.  
June 2009: Advisor, Pioneer Corporation  
July 2010: Secretary-General, Foundation for the Advancement of Music Appreciation  
July 2012: Advisor, Eiken Foundation of Japan (to present)  
September 2014: Advisor, Brainwoods Corporation, Ltd. (to present)  
May 2015: Outside Director, AEON MALL Co., Ltd. (to present)

## Corporate Auditors



**Junichi Suzuki**  
Outside Audit &  
Supervisory Board  
Member

**Date of birth** August 9, 1956

**Profile**

April 1980: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
September 1996: Store Manager, JUSCO Sakasagawa, JUSCO Co., Ltd. (now AEON Co., Ltd.)  
September 1998: General Manager, Administration Division, Siam-JUSCO Co., Ltd. (now AEON (Thailand) Co., Ltd.)  
April 2002: Director, General Manager, Administration Division, AEON (Thailand) Co., Ltd.  
May 2008: Group Human Resources Department, AEON Co., Ltd.  
May 2009: Director, Vice President, General Manager of Administration Division, AEON (China) Co., Ltd.  
July 2011: General Manager, Administration Division, AEON Stores (Hong Kong) Co., Ltd.  
May 2012: Director, Vice President, AEON Stores (Hong Kong) Co., Ltd.  
May 2015: Outside Audit & Supervisory Board Member (permanent), AEON MALL Co., Ltd. (to present)



**Yotoku Hiramatsu**  
Outside Audit &  
Supervisory Board  
Member

**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: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)  
May 2013: Audit & Supervisory Board Member, AEON Retail Co., Ltd. (to present)  
June 2013: Full-time Audit & Supervisory Board Member, AEON Financial Service Co., Ltd. (to present)



**Yumiko Ichige**  
Outside Audit &  
Supervisory Board  
Member/Independent  
Officer\*

**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  
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)  
December 2014: Outside Audit & Supervisory Board Member, Sanyo Trading Co., Ltd. (to present)



**Makoto Fukuda**  
Outside Audit &  
Supervisory Board  
Member

**Date of birth** April 23, 1974

**Profile**

April 2001: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
April 2009: Secretariat Division, JUSCO Co., Ltd. (now AEON Co., Ltd.)  
May 2013: Outside Audit & Supervisory Board Member, Zwei Co., Ltd.  
June 2013: Manager, Financial Planning Division, AEON Co., Ltd.  
February 2015: Manager, Finance Division, AEON Co., Ltd. (to present)  
May 2015: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)  
May 2015: Outside Audit & Supervisory Board Member, Claire's Nippon, Co., Ltd. (to present)

\* An outside director or auditor without the risk of a conflict of interest with minority shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

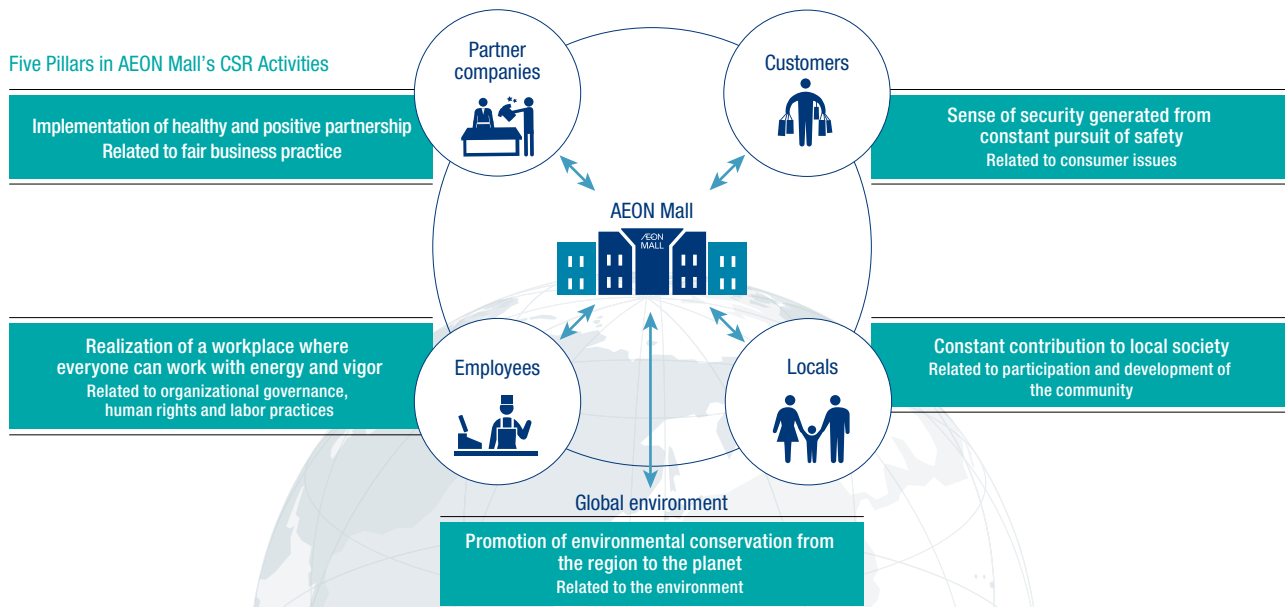


## CSR Activities

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

### Basic Stance

We continue to fulfill our social responsibility based on the “five pillars” in line with ISO 26000.



Our new management philosophy of “AEON MALL is a life design developer that works with communities and produces ways of living for the future” applies not only to our business activities, but also to our CSR activities. On the basis of this stance, we are carrying out CSR activities with the five pillars shown in the diagram, taking into account ISO 26000, an international standard on social responsibility, and relationships with various stakeholders.

In order to make “constant contributions to local society,” it is essential to make our customers feel safe when they visit our malls by creating a “sense of security generated from the constant pursuit of safety.” This requires respect for employees through the “realization of a workplace where everyone can work with energy and vigor,” and requires

building sustainable and fair relationships with partners through the “implementation of a good, healthy partnership.” In our business activities, it is also important in terms of the “implementation of environmental conservation, from region to planet.”

We will maintain our sustainable growth together with local residents by carrying on these five activities.



#### FTSE4Good

Used as an international index for socially responsible investment (SRI) for nine consecutive years.



#### DBJ Environmental Ratings

AEON MALL was rated the highest two consecutive times and granted an environmental rating loan.

### CSR Promotion System

We understand that we have a social responsibility to develop shopping malls that coexist in harmony with the environment and with communities, and that our fulfillment of this responsibility leads to continuous growth of shopping malls in local communities. Advancing our policy on corporate activities in social, environmental and ethical

aspects, 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 issues related to social, environmental and ethical aspects, dedicated committees are set up to promote activities.



## Continuous contribution to the local community

### Revitalizing local economies by opening malls

Opening a new shopping mall creates several thousand stable jobs, increases tax revenue, and promotes population growth in the surrounding area. AEON MALL invites approximately one third of the specialty stores as mall tenants from neighboring areas to stimulate the local economy, and outsources various operations such as cleaning and distribution to local companies to share the economic effects on a wider scale.

### Expansion of public services

AEON MALL sets up various public services inside its malls that customers can use when they go shopping, such as post offices, medical facilities, local government offices, banks, and money exchange machines. It also provides a multipurpose hall "AEON Hall" as a venue for coming-of-age ceremonies, collective final return filing, voting in elections, and other local public events.



Post office

### Clean & Green activities

As part of the "Clean & Green" activities carried out by the AEON Group since 1991, we clean sidewalks, parks, roadside tree areas, and other areas around the malls with the employees of mall tenants on AEON Day, which is the 11th of each month.



Cleaning activities

### Donation activities

As the base for social contribution activities, we ask customers who visit our malls for their cooperation in our donation activities. Each year we gain the understanding and support of our customers.

#### Results of donation activities in FY2014

Activities	Period	Total Amount Collected
Donations for disaster restoration and disabled people	Feb. 20 – Mar. 11, 2014	2,286,060 yen
AEON UNICEF Safe Water Campaign	Apr. 5 – Jun. 8, 2014	5,156,619 yen
24 Hour Television Charity	Jun. 20 – Sep. 7, 2014	33,252,461 yen
Donations for Hiroshima landslide disaster relief assistance	Aug. 26 – Oct. 31, 2014	7,222,006 yen
Donations for school construction support project in Myanmar	Sep. 13 – Nov. 16, 2014	6,303,534 yen
<b>Total</b>		<b>54,220,680 yen</b>

### Community contribution activities in various regions

As a member of local communities, AEON MALL respects traditional events such as local festivals and cultural activities of citizens, and provides support that goes beyond the framework of commercial facilities. In addition to Japan, the company also contributes to a range of community activities in other countries, such as China and ASEAN countries.

## **FOCUS** Supporting Ono-station Sato (hometown) Project "Ono Kun" in Higashi Matsushima City, Miyagi Prefecture

As part of its activities to support the communities that were devastated by the Great East Japan Earthquake, AEON Group launched the "Project AEON Joining Hands." Involving management and employees, the project conducts ongoing local volunteer activities and other activities in communities. As a part of these efforts, AEON MALL supports the production of sock monkeys "Ono Kun" created at the temporary housing in front of Rikuzen Ono Station in Higashi Matsushima City, Miyagi Prefecture. This sock monkey is a handmade doll made of donated socks, and purchasers of Ono Kun are called "foster parents." Ono Kun was created in the hope that the "foster parents" would return to disaster-affected Higashi Matsushima with Ono Kun in the future.

We started up the Ono Kun Production Support Project

as an effort to promote and expand the scope of support for the disaster victims. In March 2014, we placed boxes to collect Ono Kun materials, such as unused socks and handicraft cotton wool, at AEON MALLs across Japan. We have been donating materials for approximately 1,000 Ono Kun dolls every month.



Sock monkey Ono Kun

## CSR Activities

### Implementation of healthy and positive partnerships



#### Enhancing support for specialty stores

We consider tenants at AEON MALL to be important partners, and have established "AEON Association Shops Community" consisting of 8,000 companies that have signed a tenant agreement with us. Through this association, we aim to grow together and work to achieve a common goal. AEON Association Shops Committee engages in wide-ranging activities, such as sharing information among tenant companies, joint human resource development, the issuing of bulletins, and website operation. It also takes part in other PR activities and social contribution activities.

In fiscal year 2014, we launched a new Partnership Project (renamed the Partnership Department in April 2015) to further strengthen our ties with specialty stores. We have achieved an even closer level of communication by constructing multiple channels with tenant companies and implementing a variety of collaboration projects.



AEON Association Shops Committee members' website

#### Comfortable work environment and skill development for employees

We strive to create a comfortable work environment for the employees of AEON MALL tenants. We have set up boxes in which tenant employees can submit questions and opinions, and are gradually increasing the number of malls that have resting spaces, convenience stores, powder rooms, and other facilities exclusively for employees.

In addition, a number of events are held for tenant employees. These include nationwide role-playing contests organized by AEON Association Shops Committee to help employees improve their customer-service skills and visual presentation contests to help them create more attractive stores.



Nationwide role-playing contest

### 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

We are creating an environment that allows human resources of diverse nationalities, gender, generations, and other backgrounds to work with shared values. In collaboration with 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. We have actively launched various other programs as well, including a childcare support system, a re-entry system, and a community employee system to help achieve work-life balance.



Kurumin Mark

#### Employee Data (as of February 28, 2015)

	FY 2013	FY 2014
Number of employees (including the number of temporary workers)	2,876 (1,187)	3,334 (1,310)
New employees (male/female)	82 (45/37)	82 (34/48)
Disabled employees (Percentage of disabled employees)	19 (0.7%)	27 (0.8%)
Employees who have received childcare leave (of which male)	16 (1)	18 (1)

#### Promoting the globalization of human resources

At AEON MALLs operating in China and ASEAN countries, our basic policy is to place local staff in charge of establishing our philosophy in the local communities in a way that is adapted to the respective languages and customs of each country.

In fiscal year 2015, we hired one new college graduate of a foreign nationality as a full-time employee. The number of local employees exceeded 500, and we are increasing opportunities for human exchange, including short-term training sessions at AEON MALLs in Japan.

#### Local subsidiary staff (as of December 31, 2014)

	FY 2014
China	374
Cambodia	40
Vietnam	127
Indonesia	39
Total	580





## Sense of security generated from constant pursuit of safety

### Ensuring safety and security during disasters

As AEON MALLs, we, including tenant employees, regularly carry out disaster drills in preparation for disasters so that we can secure customers' safety. The majority of AEON MALLs in Japan have signed agreements with local governments on cooperation in disaster control activities, and the company is acquiring functions as a disaster control base of the communities such as by setting up sources of drinking water, portable toilets, and large tents called balloon shelters for emergency evacuation, etc. are also working to make AEON MALLs more resistant to earthquakes.



Balloon shelter

### Evolving universal design

We adopted full-scale universal design in 2005 ahead of other commercial facilities, and have developed and implemented our original AEON MALL Universal Design Guidelines at each AEON MALL. We are making efforts to develop shopping malls where all customers, including disabled people, pregnant women, and foreign customers, can feel safe and comfortable.



Children's bathrooms designed especially for small children

## FOCUS Received the Award for Excellence at Japan Resilience Awards 2015

We have been enhancing AEON MALLs' quake resistance and functions as restoration bases so that the malls can serve as disaster control bases in emergencies and act as lifelines for an extended period of time.

In recognition of these multifaceted efforts, we received an Award for Excellence at the First Japan Resilience Awards announced by the Association for Resilience Japan on March 15, 2015. This association was founded in July 2014 to meet the aims of the National Resilience Basic Plan proposed by the government by consolidating the expertise of the industrial, academic, and public and private sectors, and

maximizing the synergy of public- and private-sector investments in disaster mitigation and prevention. Through the Resilience Awards, the association aims to help build strong and resilient communities and industries by recognizing advanced activities for mitigating and preventing disasters carried out across Japan.



Awards Ceremony

### Overview of positively received initiatives

<b>1</b> Ensuring emergency power supply	Installed energy-efficient cogeneration systems that supply gas from an earthquake-resistant, medium-pressure gas pipes.
<b>2</b> Ensuring drinking water supply	Made water receiving tanks durable and earthquake-resistant, and used water from tanks by installing temporary feed-water inlets.
<b>3</b> Increased earthquake resistance	Reduced instances of falling objects by changing to a membrane ceiling or skeleton ceiling, and increased earthquake resistance of equipment and facilities.
<b>4</b> Comprehensive cooperation agreement or disaster control agreement	Established agreements with approx. 600 local governments, including 44 prefectures and 10 ordinance-designated cities.
<b>5</b> Goods supply agreement with Self-defense Forces	Established an agreement with Ground Self-defense Force regarding requests to supply goods during a disaster.
<b>6</b> Disaster control cooperation with NHK and FM Tokyo	Established an agreement on cooperation in disaster control.
<b>7</b> Emergency drills	Conduct Group-wide earthquake emergency drills twice a year. Each mall also conducts periodic emergency drills.
<b>8</b> Tree-planting activities	Enclosed malls with "AEON Hometown Forests Program" so that they can function as firewalls that prevent the spread of fires in an emergency and as a seawall that weakens impacts of a tsunami.
<b>9</b> BCMS	Participated in model project of the METI Business Continuity Management System (BCMS).

## CSR Activities

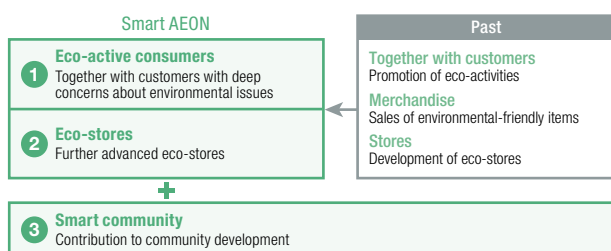
### Implementing environmental conservation, both regionally and globally



#### Towards advanced eco-malls

##### Operation of Smart AEON

We operate the next-generation eco store “Smart AEON,” aiming for sustainable town development that meets the standards specified by AEON Eco Project, which expresses the environmental goals of the AEON Group. Smart AEON is a new model of commercial facilities that supports sustainable community development through activities such as increasing energy efficiency and implementing disaster control. AEON MALL Makuhari New City is working to create a smart community, to make maximum use of natural energy, and to erect a base of a business continuity plan (BCP) with decentralized power supply.



##### Increasing installation of battery chargers for electric vehicles (EV)

We are installing more electric vehicle chargers at AEON MALLs to help increase the use of electric vehicles that emit no carbon dioxide as well as plug-in hybrid vehicles. Many customers use these chargers.



An EV charger

##### Continued activities for AEON Hometown Forest Program

We have been implementing AEON Hometown Forests Program since it started in Malaysia in 1991. When a new AEON MALL is opened, we plant seedlings of trees that grow naturally at the location, as it is best suited to the local natural environment, together with our customers. As of the end of February 2015, the total number of trees that have been planted reached approximately 10,870,000 (AEON Group total).



Tree planting ceremony

##### Environmental activities with the use of natural energy

###### • Solar power generation

We are introducing solar power generation systems ahead of other commercial facilities. These systems have been installed in AEON MALLs in Japan and overseas to cover part of their power demand.

###### • Wall greening and planting

Greening on the wall surfaces of shopping malls helps suppress the rise in indoor temperatures during summer to reduce energy consumption of air conditioning. AEON MALL Okayama has created Haremachu Garden to provide customers with a green space where they can relax.



Wall greening

#### Day-to-day activities at individual shopping malls

##### Energy-saving efforts

We are replacing lights in AEON MALLs with more energy-efficient and longer lasting LEDs. In addition, we are introducing advanced energy-saving technologies such as ice thermal storage systems, which store ice by using night-time electricity with a low power load and use it for air-cooling during business hours, and air-conditioning cold water cascade systems, which consist of multiple air-conditioning machines positioned in cascade to boost air-conditioning efficiency.



LED lighting

##### Recycling and reducing waste

With the cooperation of AEON MALL tenants, each mall calculates the recycling rate by category, aiming to reduce the amount of waste discharged. For fiscal 2014, the recycling rate increased from 82.8% in fiscal 2013 to 84.3%.

##### Environmental communication

We introduce our environmental activities inside malls through Eco-Information and Eco-Bench, and ask customers to carry reusable shopping bags and cooperate with recycling efforts. We also request tenant employees to help us distribute pamphlets.

## FOCUS Promoting the Acquisition of Environmental Assessment Certification for Buildings

### Four AEON MALLs obtained accreditation for environmental performance assessment

AEON MALL Makuhari New City, which opened in 2013, has installed the newest LED lighting facilities, a renewable power generation system, water-saving hygiene equipment, a kitchen abatement system, and other facilities. All four buildings of AEON MALL Makuhari New City obtained LEED accreditation<sup>\*1</sup>, an international system of assessing environmental performance of buildings.

We are also striving to continuously improve the environmental performance of existing AEON MALLs. AEON MALL Musashimurayama and AEON MALL Tsurumi Ryokuchi, which opened in 2006, received the S rank, which is the highest in the CASBEE Real Estate Certification<sup>\*2</sup>, while AEON MALL Itami, which opened in

2002, received the A rank. Japan Retail Fund Investment Corporation, the owner of these buildings, was also awarded the same rankings. CASBEE Real Estate Certification is the best known environmental assessment system in Japan.



AEON MALL Makuhari New City



LEED Gold Rank

<sup>\*1</sup> A voluntary certification system developed in 1996 under the auspices of the U.S. Green Building Council (USGBC), LEED is the most popular system in the world for evaluating the environmental performance of buildings and other areas. The assessment is made based on a total of seven assessment criteria related to energy-saving and environmental impact, ranging from the planning and design of the entire building to the building construction, operation, and maintenance.

<sup>\*2</sup> The system is the most recognized in Japan for assessing as well as rating the environmental performance of buildings. It comprehensively evaluates a building's environmental performance based on criteria that include consideration for the scenery of the surrounding area as well as aspects aimed at reducing the environmental impact, such as saving energy and resources and recycling capabilities.

### AEON MALL Tamadaira Woods becomes the first shopping mall to acquire the ABINC Certificate, the certificate for facilities supporting biodiversity conservation

Each AEON MALL makes efforts to protect the biodiversity of its surrounding area. AEON MALL Tamadaira Woods, which opened in November 2014, transplanted and stored 50 trees that were originally on the construction site. Using these trees, it developed a green belt called "*Komorebi no Hiroba*" (open space with sunlight shining through the trees)" and created a biotope called "*Oka No Harappa*"



Green belt "*Komorebi no Hiroba*"



Biotope "*Oka No Harappa*"

(field on a hill)" on the fourth floor (roof floor). The mall is taking a number of other steps, such as setting up "*Ame No Niwa* (rain gardens)" that can permeate and purify rainwater, and facilities that allow all the rainwater on the premises to penetrate the ground.

Following in the footsteps of AEON MALL Toin that opened in 2013, AEON MALL Tamadaira Woods acquired the ABINC Certificate based on a comprehensive assessment of such efforts. ABINC is a third-party organization that evaluates and certifies office buildings and commercial facilities for their biodiversity conservation activities, such as landscape designing with greeneries, based on the JBIB Guidelines for Sustainable Business Sites specified by the Japan Business Initiative for Biodiversity (JBIB).

### AEON MALL Suzhou Wuzhong obtains the Green Building Label certification, the environmental assessment standards of the Chinese Ministry of Construction

The entire area surrounding AEON MALL Suzhou Wuzhong, which opened in 2014, was developed as a model scenic city called AEON Green Island. Solar panels, LED lights, and green walls are used in the mall, which became the first mall of AEON Group China to obtain the "Green Building Label" certification based on the environmental standards of the Chinese Ministry of Construction. AEON MALL Suzhou Yuanqu Hudong, which opened in May 2015, has also received the Green Building Label certificate.



AEON MALL Suzhou Wuzhong



Green Building Label certificate



<b>Company Name</b>	AEON MALL Co., Ltd.	
<b>Date Established</b>	November 1911	
<b>Capital Stock</b>	¥42,207,430,000	
<b>Headquarters</b>	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan	
<b>Phone and Facsimile Numbers</b>	TEL: 81-(43)-212-6733 FAX: 81-(43)-212-6779	
<b>Offices</b>	<b>Sendai Office</b>	Mitsumaru Building 2F, 3-3-3 Chuo, Aoba-ku, Sendai-shi, Miyagi 980-8442, Japan
	<b>Nagoya Office</b>	Aizo building 6F, 5-25-1 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-0002, Japan
	<b>Osaka Office</b>	Kurabo Annex Building 12F, 2-4-11 Kyutaromachi, Chuo-ku, Osaka-shi, Osaka 541-0056, Japan
	<b>Hiroshima Office</b>	1-3-52 Danbara-minami, Minami-ku, Hiroshima-shi, Hiroshima 732-0814, Japan
	<b>Fukuoka Office</b>	Sankyo Fukuoka Building 5F, 2-9-11 Hakataekiminami, Hakata-ku, Fukuoka-shi, Fukuoka 812-0016, Japan
	<b>Beijing Resident Office</b>	Room 1601 Asia-Pacific Building, Yabao Road No. 8, Chaoyang District, Beijing, China P.C. 100020
	<b>Shanghai Resident Office</b>	Room 1204, An-Tai Building, 107 Zunyi Road, Changning District, Shanghai, China P.C. 200051
	<b>Suzhou Resident Office</b>	A 1205, Global188 Building, No. 88 Suhui Rd., Suzhou Industrial Park Jiangsu pro. China P.C. 215000
	<b>Jinan Resident Office</b>	Room B 1601 YUQUAN SIMPSON HOTEL 68 Luo Yuan Road, Jinan, Shandong pro., China P.C. 250063
	<b>Wuhan Resident Office</b>	Room Number 319 Wuhan MeiLian Holiday Hotel-City Centre 868 Jie Fang Da Dao, Hankou, Wuhan, Hubei pro., China P.C. 430022
	<b>Guangzhou Resident Office</b>	502, East Tower, Fortune Plaza, No. 118, Tiyu Dong Road, Guangzhou, Guangdong pro., China P.C. 510620
	<b>Hangzhou Resident Office</b>	Room 2402, 25A Floor, Guangli Building, 136 Qingchun Road, Xiacheng District, Hangzhou, Zhejiang pro., China P.C. 310003
	<b>Qingdao Showroom</b>	Room 1106, Bao-Men building, No. 19 Zhangzhou 2 Road, Shinan District, Qingdao, Shandong pro., China P.C. 266073
<b>Number of Shopping Malls</b>	148 (incl. overseas)	
<b>Business Activities</b>	Development of large-scale shopping malls, tenant leasing and operation/management	
<b>Number of Employees</b>	2,024	
<b>Stock Listings</b>	The First Section of the Tokyo Stock Exchange (Securities code 8905)	
<b>Transfer Agent</b>	Mizuho Trust and Banking Co., Ltd. 2-1, Yaesu 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan	
<b>Independent Auditors</b>	Deloitte Touche Tohmatsu LLC Shinagawa Intercity Tower, 2-15-3, Konan, Minato-ku, Tokyo 108-6221, Japan	

## Stock Information

Number of Shares Authorized	320,000,000
Number of Shares Outstanding	227,890,747
Number of Shareholders	32,978

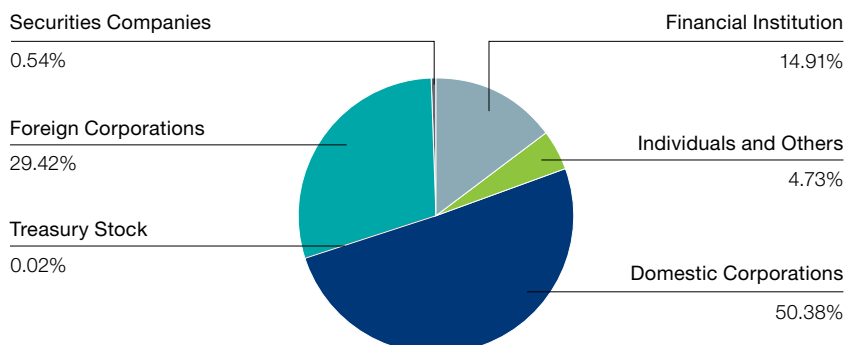
## Major Shareholders

Shareholders' Names	Number of Shares (Thousands)	Percentage of voting rights (%)
AEON Co., Ltd.	112,114	49.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,800	2.98
The Bank of New York Mellon Corporation 140030	5,542	2.43
Japan Trustee Services Bank, Ltd. (Trust Account)	3,642	1.60
SAJAP	3,570	1.57
STATE STREET BANK AND TRUST COMPANY 505223	2,729	1.20
JPMorgan Chase Bank, N.A. 385174	2,394	1.05
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	2,126	0.93
JAPAN RE FIDELITY	1,906	0.84
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,851	0.81

Notes:

1. Shareholdings are rounded down to the nearest 1,000 shares.
2. The ratio of shareholdings to the total number of issued shares is rounded off to 2 decimal places.

## Distribution of Shares (shareholders ratio)



## **ÆON MALL CO., LTD.**

1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan

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<http://www.aeonmall.com/en>

### **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 2015.