



2013 Annual Report

Year ended February 28, 2013

ÆON MALL CO., LTD.



Japan's Biggest and Leading Mall Developer – AEON Mall

AEON Mall Co., Ltd. is the only developer in Japan specializing in malls. We provide an integrated approach to all business aspects related to malls, from planning and development, construction, and leasing, to operations and maintenance.

AEON Mall is the central company of the AEON Group's developer business. We aim to be the leading global developer in Asia, and are making efforts to establish a management foundation to secure sustainable growth and profitability.

The AEON Group is working to enhance synergies through a reorganization to eliminate the duplication and decentralization of business domains and functions across companies in the corporate group. At the same time, to realize rapid growth for the corporate group, the AEON Group is pursuing growth strategies aimed at transitioning to a new growth stage by 2020.

AEON Mall formulated a three-year Medium-Term Management Plan launched in fiscal 2011 (ended February 2012). Under this plan, we are bolstering our business foundation in Japan by expanding business bases and strengthening earnings capacity, as well as working to build a foundation for business development in the promising growth markets of China and the ASEAN region.

In addition, we are working to enhance mall competitiveness and develop new properties in Japan and overseas. Our efforts include integration of duplicate functions in the AEON Group's mall business, consolidation of marketing and development functions in AEON Mall, conducting of promotional campaigns utilizing the AEON Group's more than 120 malls nationwide, and strengthening ties with tenants.

During fiscal 2013 (ending February 2014), the final year of this plan, we will consolidate leasing functions in AEON Mall, integrate AEON Mall's sales and leasing organization into a single unit, enhance effectiveness through such means as the introduction of specialty shops adapted to the market, and conduct sales campaigns that draw customers. We will also expand earnings through further acceleration of efforts to support specialty shops and raise customer satisfaction, and by putting in place a development structure for the steady development of new properties in Japan, strengthening the support structure for overseas businesses, and enhancing human resources training and development, we will establish a management foundation to support future growth.

Note: From fiscal 2012 (ended February 2013), AEON Mall Co., Ltd. and its consolidated subsidiaries in Japan changed their fiscal closing date from February 20 to the last day in February. Consequently, the fiscal period for fiscal 2012 is 12 months and eight days.

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Financial Highlights

Main points from FY2012 consolidated business results

➤ Increase in both revenues and earnings, with record high operating income

Operating revenues increased 7.0% from the previous fiscal year. In terms of earnings, we made prior investments to expand the business scale in line with the Medium-Term Management Plan, and further reformed the cost structure. Operating income increased 2.7% to a record high level, with net income up 7.4% from a year earlier.

➤ Emphasis on management indices to strengthen profitability and the financial structure

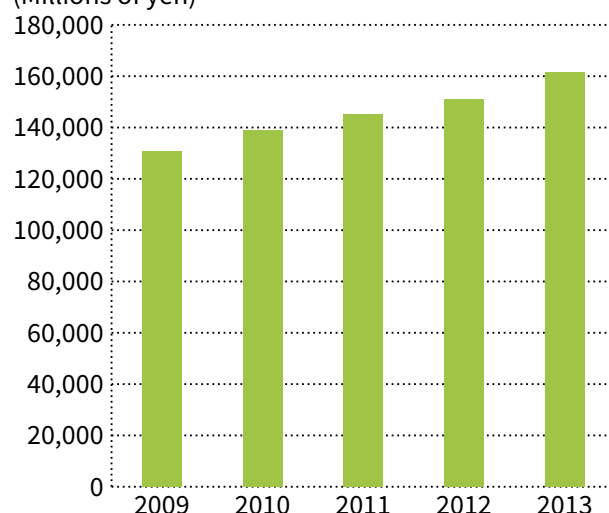
In fiscal 2012, AEON Mall achieved an equity ratio of 34.1%, and the D/E ratio was nearly on target at 1.02 times, though ROA was 3.7% as a result of the increase in assets from prior investments.

➤ Annual dividend increased by ¥1 from previous fiscal year to ¥22 per share

AEON Mall recognizes that the return of earnings through improved profitability is an important management policy, and has set a target annual payout ratio of 15% (20% or higher following the capital increase through public offering in June 2013). For fiscal 2012, we increased our interim dividend payment by ¥1 per share, for an annual dividend of ¥22 per share, and a payout ratio of 18.2%.

■ Operating Revenue

(Millions of yen)



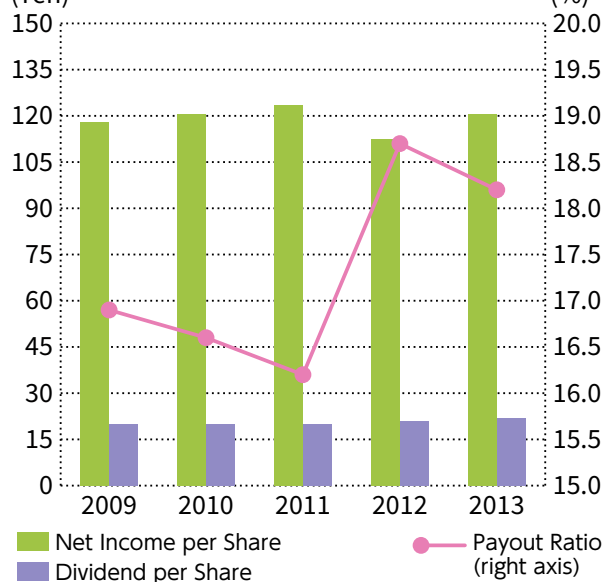
■ Operating Income and Net Income

(Millions of yen)



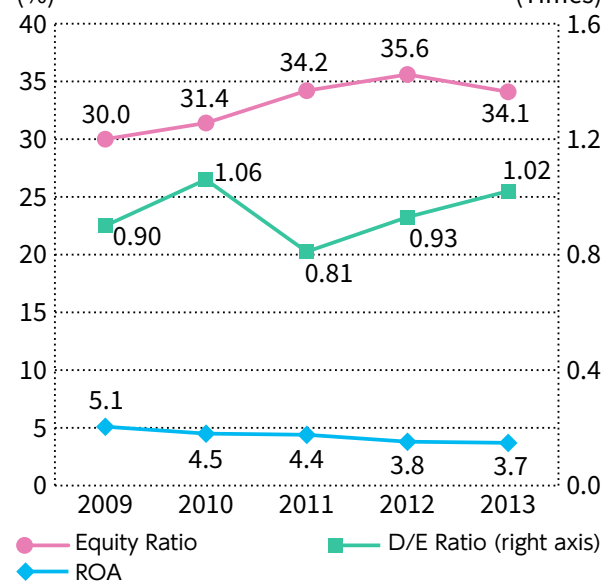
■ Net Income per Share, Dividend per Share and Payout Ratio

(Yen)



■ Equity Ratio, ROA and D/E Ratio

(%)



We absorbed up-front investment costs for our growth strategies, and secured gains in both revenue and earnings.

Operating Results for Fiscal 2012

> Record high levels of operating revenue and operating income

Operating revenue for fiscal 2012 (ended February 28, 2013) rose 7.0% year on year to ¥161,427 million. Operating income increased 2.7% to ¥41,744 million, despite higher operating costs stemming from expansion of overseas business locations to accelerate business development in China and the ASEAN region in line with our three-year Medium-Term Management Plan, as well as a rise in up-front costs to secure development projects in Japan and overseas. Net income rose 7.4% year on year to ¥21,865 million.

Net income per share amounted to ¥120.70, up from ¥112.37 in the previous fiscal year. We paid a year-end dividend of ¥11.00 per share, in line with initial forecasts, which together with the interim dividend of ¥11.00 per share amounted to a full-year dividend of ¥22.00 per share.



> Expanding business bases in line with plan

AEON Mall opened three new malls during fiscal 2012, two in Japan and one in China. We consolidated the marketing and development functions for the AEON Group's mall business within AEON Mall Co., Ltd. as part of an effort to merge duplicate functions, and took steps to enhance the competitiveness of malls, including conducting promotional campaigns utilizing the more than 120 malls in the AEON Group, and strengthening ties with mall tenants. To achieve further growth, we developed new projects in Japan, and strengthened our foundations for developing the mall business in China and the ASEAN region.

> Business in Japan

AEON Mall opened two new malls in Japan during fiscal 2012, making a total of 59 malls nationwide.

For existing malls, we expanded floor space and renovated five malls. We also conducted joint sales at our more than 120 malls nationwide (the AEON Group's mall-type shopping centers in Japan are all called "AEON Mall"), and implemented measures to attract customers on the strength of brands. As a result, 54 of our existing malls recorded an increase in the number of customers and sales from the previous fiscal year.

> Business in China and the ASEAN region

In China, in April we opened our third location, AEON Mall Tianjin Zhongbei (Tianjin), and are continuing to acquire new development projects.

In the ASEAN region, the groundbreaking ceremony for the first AEON Mall in Cambodia was held in December 2012, and construction began with a planned opening in 2014. In Indonesia we plan to open AEON Mall BSD (tentative name) in Tangerang, Banten (a suburb of Jakarta) in 2014, and in Vietnam we expect to open AEON Mall Long Bien (Hanoi) in 2015.

Accelerating Further Growth

During fiscal 2013 (ending February 28, 2014), we will continue to expand our network of business bases in Japan, and strengthen the earnings capacity of malls. We will also move forward with building a business foundation in the promising growth markets of China and the ASEAN region.

On April 1, 2013, AEON Mall implemented a series of structural reforms aimed at strengthening our marketing capabilities, and accelerating store openings both in Japan and abroad. These reforms bolstered the management structure that supports growth.

Structural reforms implemented on April 1, 2013

- | | | |
|--|--|---|
| 1. Integration of sales and leasing structures to strengthen earnings capacity | 2. Establishment of development structures to cope with the accelerating pace of property development in Japan | 3. Strengthening of the support structure for overseas business |
|--|--|---|

Five new malls are being opened in Japan during fiscal 2013. These include AEON Mall Kasukabe (Saitama Prefecture) and AEON Mall Tsukuba (Ibaraki Prefecture), both of which opened in March, along with AEON Mall Toin (Mie Prefecture) to open in November, and AEON Mall Makuhashi New City (Chiba Prefecture), which will open in December as a flagship mall incorporating the collective strengths of the AEON Group.

Kobe Harborland umie (Hyogo Prefecture), for which AEON Mall is handling property renewal and management operations under contract as a property management project, was opened in April.

For existing malls in Japan, we are planning renovations for 13 malls, and will make efforts to enhance customer appeal and expand earnings through promotional activities using the infrastructure of the AEON Group, including nationwide sales campaigns, the AEON Card, and WAON electronic money.

In China, we will open two new malls, AEON Mall Tianjin Meijiang (Tianjin) and AEON Mall Guangdong Qing He (Guangzhou). We will further seek to open malls under development as early as possible, and pursue new property developments.

In the ASEAN region, we will continue to work toward opening our first location, AEON Mall Phnom Penh (Cambodia), and to move forward with our new development projects in Indonesia and Vietnam. We also plan to begin a new business development project in Myanmar.

In addition, we plan to establish a holding company in China to centralize business investment and management functions, as well as to expand the workforces at our local subsidiaries in Cambodia, Indonesia, and Vietnam in order to strengthen the management structure for business expansion.

AEON Group's Developer Business to Be Consolidated into AEON Mall

The AEON Group is pursuing consolidation and restructuring of its business domains and functions, and the promotion of "one brand per business category" and "specialization" strategies, in an effort to achieve self-sustained growth for each business, and the generation of group synergies. To realize rapid growth for the corporate group, the AEON Group is pursuing growth strategies aimed at transitioning to a new growth stage by 2020.

As part of this effort, the development functions of the developer business are being consolidated into AEON Mall. This integration will accelerate the pace of store openings in Japan and drive new location development, as well as establish new mall functions to adapt to a shift in consumption centered on utility value over things, and meet the needs of the growing number of seniors and other customers across a broad age range. It will also support measures to expand mall openings in China and the ASEAN region.

In April 2013 the AEON Group's leasing functions were consolidated into AEON Mall, broadening the support structure for tenants by strengthening ties with tenant corporations, and expanding earnings. The AEON Group is also considering consolidating its mall management operations under AEON Mall through a property management contract system, in a bid to further enhance business efficiency.

AEON Mall Designated a Sector Leader for Retail in the GRESB Environmental Responsiveness Survey

Our environmental conservation efforts were recognized internationally in September 2012, when AEON Mall was selected as the sector leader in retail for the Asia region in the 2012 environmental responsiveness survey conducted by Global Real Estate Sustainability Benchmark (GRESB)*, established to enhance shareholder value in real estate companies and real estate funds.

AEON Mall received high praise for its environmental performance, particularly for measures to reduce energy consumption, and coordinated efforts with tenant companies.

In addition, new malls opened since 2012 have incorporated construction methods with greater earthquake resistance, enhancing their capacity to serve as reconstruction bases in the event of disaster.

*GRESB was founded primarily by European pension fund group companies. It is supported by institutional investors around the world (36 companies as of the end of December 2012, with \$3.5 trillion in capital under management), as well as representative industry organizations in various countries, including European Public Real Estate Association (EPRA), National Association of Real Estate Investment Trusts (NAREIT), and the Asia Pacific Real Estate Association (APREA), and such international institutions as the United Nations Principles for Responsible Investment (UNPRI).

Message to Shareholders

Fiscal 2013, the current fiscal year ending February 2014, is the final year of our three-year Medium-Term Management Plan. We are achieving our strategy for this plan of broadening the business foundation in Japan through expansion of business bases, and strengthening earnings capacity. We plan to open five new malls during fiscal 2013, and ten new malls in both fiscal 2014 and fiscal 2015. To realize this ambitious investment plan, we decided to conduct a capital increase through a public offering of 23.5 million shares in June 2013. We have procured approximately ¥50.7 billion in capital through this offering, which will be allocated to facilities investment for new stores.

AEON Mall considers the return of profits to shareholders to be an important management policy. Considering that the issuance of new shares for our recent public offering will dilute earnings per share (EPS), for shareholders as of July 31, 2013, we have decided to conduct a stock split at a ratio of 1.1 shares for each share. Further, while we had previously sought to provide a consolidated payout ratio of 15% or higher, going forward this will be raised to an annual rate of 20% or higher.

For the fiscal year ending February 28, 2014, considering the expansion from new stores and efforts to stimulate business at existing locations, we are forecasting operating revenue of ¥180.0 billion, with operating income of ¥43.0 billion, and net income of ¥22.5 billion. In terms of shareholder returns, we are planning an annual dividend of ¥22.00 per share, which as a result of the stock split noted previously, is in effect a 10% increase from the previous fiscal year.

We at AEON Mall recognize that our continued growth depends on the support we receive from shareholders and investors, as well as members of the community, tenant companies, and all stakeholders. We will continue to embrace the challenge of seeking new growth in order to meet expectations.



President and CEO

AEON Mall's management philosophy and vision plays an active role in revitalizing communities

AEON Mall provides customers with an experience that transcends shopping, filled with “surprises, excitement and fun,” while at the same time is a “community creator” generating jobs locally*, and enjoying support and appreciation as a company where people want to work.

AEON Mall, as a developer specializing in malls, will continue through the development, administration and operation of malls to contribute to the growth of local communities, and to the realization of a richer and fuller lifestyle.

* The opening of a new mall creates on average 2,000 new jobs, contributing to community development and higher tax revenue for local governments.

Basic Philosophy: Customer First

- (1) AEON Mall has consistently made the needs of customers and their communities the focus of all stages of its mall business, from planning, development and construction to leasing and operation.
- (2) AEON Mall and its partners have succeeded by ensuring that these "customer first" values are shared by everyone involved in mall operations, including tenant staff and cleaning and security personnel.
- (3) The key to sustainable success is a value chain in which all AEON members meet the expectations of their customers, thereby raising further expectations and again responding to those.

Management Philosophy: AEON Mall will create "Towns with Vitality."

Along with our partners, we will continue in our endeavors to create towns filled with vitality, to enrich the lives of their people.

We define a town with vitality as a community that has gained a new and vibrant sense of energy following the creation of a new focal point for excitement, fun and lifestyle enhancement by AEON Mall.

Our partners are all stakeholders in town development, including local communities, government, non-profit organizations, tenant companies, suppliers, landowners and investors.

Management Vision: Challenge 2017

- 2017: Have an international network of 150 malls, and be the fifth largest mall developer globally
- 2017: Be the leading company and mall where people want to work
- 2017: Be the undisputed leader in new business fields beyond the RSC business model*
- 2017: Be the most popular spot by offering the highest level of service with “surprises, excitement and fun”
- 2017: Be the mall industry leader in environmental management

* Business model centered on regional shopping centers (RSC).

RSCs include large shopping centers encompassing a broad business area, shopping malls with an anchor store such as a general merchandise store (GMS) or department store, or malls with a second anchor, such as a movie theater, volume electronics retailer or other facility with strong customer drawing power, and a mall between them.

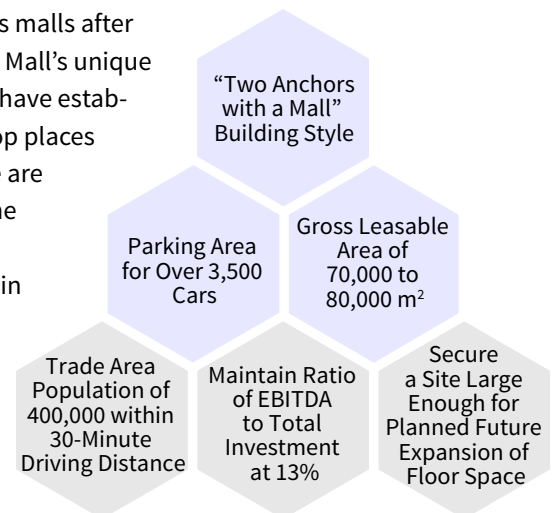
ÆON Mall, as a leading company in the mall business, steadily develops its business operations in line with the times and global trends, with a look forward to new markets.

Basic Format for ÆON Mall

ÆON Mall's mission is to continually improve the earnings in its malls after opening, and to enhance their value. In seeking to create ÆON Mall's unique style of communities with "surprises, excitement and fun," we have established a basic format for ÆON Mall, and have worked to develop places that provide a one-stop solution for customers. In effect, these are the several special characteristics and standards that create the unique feel of an ÆON Mall.

To adapt to the major changes in the business environment in recent years, the ÆON Group is shifting its focus to the four growth areas of Asia, seniors, large urban areas, and e-commerce, as outlined in its three-year Medium-Term Management Plan. Based on this growth strategy, we are currently developing plans for malls that use our basic format as a foundation, while adding new elements to enhance their appeal.

Going forward, we will continue to draw on our expertise to expand our close partnership with tenants, implement various measures to enhance customer drawing power, and make efforts to increase the level of customer satisfaction by creating safe and comfortable malls.



"Two Anchors with a Mall" Building Style

The basic style of the buildings is "Two Anchors with a Mall": a two or three-story low-rise building that contains at least two anchor stores (typically a Japanese-style GMS*, department store, or large-scale specialty store) placed at either end and linked by specialty stores.

Having anchor stores that attract customers at each end of the building makes it easier for customers to move around the mall and eliminates blind spots for tenants. This synergy with anchor stores helps to improve sales for specialty stores.

* A combination of supermarket and U.S.-style general merchandise store under one roof.

Trade Area Population of 400,000 within 30-Minute Driving Distance

We assume that customers will access our malls primarily by car. For this reason, as a rule we select outlying and suburban areas for mall development that lie within a 30-minute drive of major cities and regional centers, and that have populations of at least 400,000.

In the future, ÆON Mall will add to its large-scale malls near cities and in suburbs by strengthening the opening of malls in densely populated urban areas and areas near stations. This move reflects the general trend of people returning to city centers and metropolitan areas.

Parking Area for Over 3,500 Cars

Enabling easy access by car is essential for drawing in customers. This requires securing a large parking area that can handle more than 3,500 cars.

There are parking spaces reserved for disabled drivers, along with facilities for people with special needs, such as a special remote control for parking.

Secure a Site Large Enough for Planned Future Expansion of Floor Space

At the development stage, AEON Mall plans for the space needed for future floor expansion to continuously enhance the mall's revenues, then takes steps to secure a site expansive enough to accommodate this plan.

Swiftly responding to customer needs, we implement planned renovations and increase floor space with a view to improving profitability and the ability to pull in customers, including by actively introducing trendy specialty stores.

Gross Leasable Area of 70,000 to 80,000 m²

As a rule, the gross leasable area of our commercial facilities is 70,000 to 80,000 m² to allow AEON Mall to create spaces that will attract customers and provide them with one-stop solutions that embody four experiences—entertainment, community, ecology and shopping.

Buildings are designed with careful attention to the facilities to be included, as well as the impact on the environment and traffic. At the same time, we proactively employ building styles that complement the features of the particular region where the mall is set to open.

Maintain Ratio of EBITDA to Total Investment at 13%

AEON Mall's preference for mall development is a model of leasing the site and owning the building, with an eye to expanding growth in cash flow. Our standard for investment profitability is a ratio of EBITDA to total investment of more than 13%.

In terms of investment in fiscal 2012, on a 27 mall basis, excluding properties for securitization for which there was hardly any investment, we are maintaining an average of 13.2%.

* Results for malls opened since 2000.

The Four "Experiences" Provided by ÆON Mall

(The Four "Experiences" Provided by ÆON Mall_1/2)

Incorporating the needs of our customers, ÆON Mall aims to have the most competitive shopping malls in the region, with facilities embodying four experiences.

ÆON Mall is bolstering the four experiences that shape its shopping centers: entertainment, community, ecology and shopping. Through this strengthening, ÆON Mall intends to create shopping malls that are not only the most competitive in their respective regions, but that are considered a hub of the local community. By offering the newest products and services, as well as the most up-to-date information, ÆON Mall is developing malls that constantly evolve, together with changing lifestyles, and thereby offer one-stop solutions for all our customers' daily needs.

Entertainment—Our malls provide entertainment services that enable our customers to enjoy their time at the mall

Rather than viewing a mall as simply a collection of stores, ÆON Mall aims to create "Towns with Vitality" that are full of "surprises, excitement and fun." Accordingly, our shopping malls offer more than just a place to eat and shop. There are many entertainment options, including cinemas, fitness centers, and facilities providing instruction in cultural activities. Local club organizations also hold regular concerts and events involving customer participation. This element of our malls is designed to create a relaxing, comfortable space in which customers can spend a whole day with their family, friends, or partners. In this way, ÆON Mall shopping malls offer value that supports more comfortable living.



In addition to music concerts, we hold a variety of events to create a space where family and friends can enjoy spending time together.



We offer services designed to help customers enjoy spending time at the mall, including cinema complexes, amusement areas, and cultural activities.

Community—A base for the local community including public facilities

ÆON Mall shopping malls are aggressively introducing a number of public facilities, such as bank and post office branches, as well as healthcare facilities and branch offices of local government. The goal here is to continue to raise the value of malls as "towns" in their own right to the furthest extent possible. Our malls also serve an active role in local communities for a host of functions, including for local festivals, traditional arts, and cultural activities, not to mention providing venues for blood donation drives, tax return filing centers, and early voting sites. ÆON Mall is also entering into cooperative disaster



Our malls feature a number of high-demand public services that local residents need, such as bank and post office branches, healthcare facilities and local government service corners.

response agreements with local governments and other entities in the regions where it develops to help secure lifeline services in case of an emergency, thus increasing further the importance of our malls as one pillar of local social infrastructure.



AEON Mall shopping malls have stockpiles of drinking water, portable toilets, and large-sized tents (balloon shelters), enabling malls to function as evacuation sites in emergencies.

Ecology—Creating Shopping Malls that Coexist with the Environment

At AEON Mall, we are taking proactive steps to curb our carbon emissions and preserve local environments, with our eventual goal being the development of “zero emission shopping malls.” To this end, we have introduced a number of energy saving technologies, such as ice thermal storage systems for air conditioning, solar power generation systems, and LED lighting, as well as promoting the active utilization of recycled materials and recycling of all waste generated by our malls. Another example of such steps is the “AEON Hometown Forests Program” in which we plant saplings from local species of flora within the grounds of each shopping mall.



An example of an initiative where we work with the local community to preserve the environment is the “AEON Hometown Forests” program, a social contribution activity in which AEON Mall and local residents take part in a sponsored tree-planting event.



AEON Mall is vigorously adopting solar power generation systems. Twenty-seven malls, including three in China, currently have these systems in place, providing a portion of the electricity used on the premises.

Shopping—A Consistently Attractive and Sophisticated Tenant Mix

Our shopping malls are home to a wide variety of specialty stores catering to every possible need, from fashion, general merchandise, and services, as well as restaurants, to food and daily goods at the GMS anchor store. When selecting specialty stores, we consider very carefully the balance of nationwide chain stores, local retailers, and stores making their first foray into that local market. In this way, we believe that the tenant mix at our malls remains fresh yet familiar, and in tune with the lifestyle patterns of our customers, and creates an ideal atmosphere conducive to comfortable, enjoyable shopping.



In addition to national chain stores, we seek to strike a good balance for specialty stores in our malls between stores new to the area and local retailers. The end result is malls where customers can enjoy both the latest trends and offerings from well-established stores.

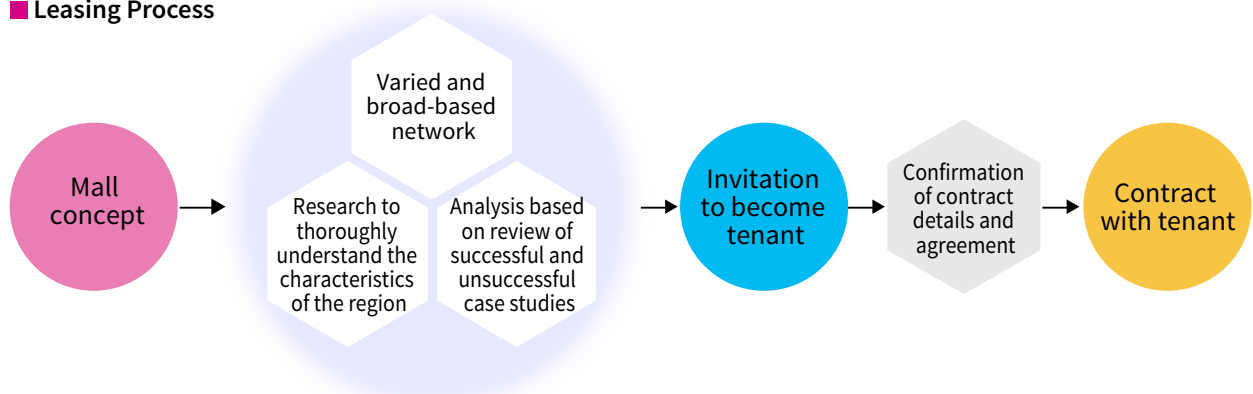
ÆON Mall's strength is its close partnerships and a shared vision to create the ideal mall space. We are enhancing our leasing operations to be the preferred mall of specialty retailers.

Achieving Mall Spaces with Exceptional Customer Drawing Power

To create comfortable mall spaces that will keep customers coming back time and again, ÆON Mall draws on the expertise it has acquired over many years as a professional mall developer, as well as its varied network with tenant companies and meticulous regional marketing, to realize a unique style of leasing (attracting and concluding contracts with specialty stores) with exceptional customer drawing power.

We conduct a thorough review of candidates before concluding contracts, utilizing a checklist that includes not only sales and other economic factors, but also the tenant company's policies regarding social contributions and environmental conservation, efforts and approach to improving customer service, and status of compliance with laws and regulations. Our aim is to develop local communities and improve the lifestyle and culture of customers, and we create ideal mall spaces together with specialty stores that share these goals.

■ Leasing Process



Strengthening Leasing Functions

ÆON Mall, in accordance with its basic philosophy of placing the customer first, strives to maintain and enhance the freshness of its malls. In addition to strengthening products and services for seniors, who account for the majority of consumer spending in Japan, as well as to adapting to the trend toward consumption of “experiences” over “things,” it is necessary for us to achieve a competitive tenant mix to support our business shift toward Asia.

As part of the concerted effort to achieve this, in February 2012 ÆON Mall launched the “ÆON Doyutenkai (store association),” one of the largest associations of specialty stores in Japan with over 8,000 member companies.

In addition, on April 1, 2013, we reorganized the Leasing Division to be part of the Sales Division, unifying the sales and leasing structures. This will enhance efficiency in such areas as bringing in specialty shops right for the market, and will allow for sales with greater customer drawing power.



Explanatory meeting for leasing

Support for Specialty Shops as a Developer Knowledgeable about Retail

The specialty stores that set up shop in ÆON Mall are our valued business partners. As a developer with extensive experience in retail, we provide operational support that includes advice on designing retail spaces, training to improve customer interaction, and the collection and analysis of sales data using IT. We also make efforts to create a good work environment, such as by providing convenience stores specifically for employees, and comfortable break spaces. By building close partnerships we have gained a reputation as a preferred mall in which to open stores.

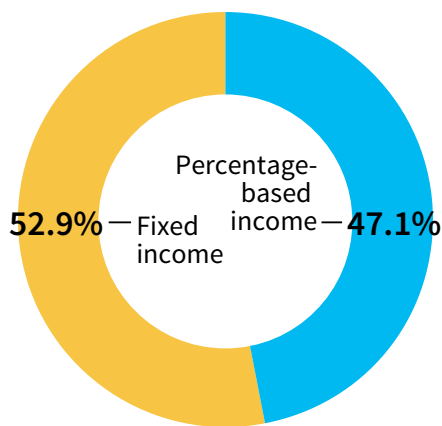
The basis for operating revenues is “fixed-rate rent income” + “percentage-based rent income” = “real estate lease income.”



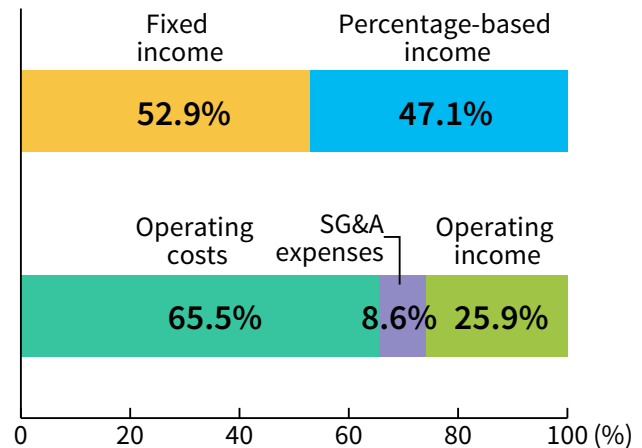
Fixed and Variable Percentages of Operating Revenue, Operating Costs, SG&A Expenses, and Percentage of Operating Income

The majority of “income from real estate lease” within AEON Mall operating revenue comes from “income from fixed rent” and “income from percentage rent,” the latter being determined in accordance with sales achieved by mall tenants. Consequently, when tenant sales increase, so too does the operating revenue for AEON Mall. In many cases, AEON Mall sets the minimum sales for each tenant on a monthly or yearly basis; therefore, despite their designation, percentage rents comprise an extra fixed rent component. The result is that AEON Mall is not immediately impacted by lower tenant sales. Operating costs are costs directly related to mall management, comprised of personnel costs for employees stationed onsite for mall management and operating expenses related to mall facilities. Operating expenses are mainly comprised of facility maintenance expenses, water, lighting and heating expenses, rents paid to owners of mall land and buildings, and depreciation of mall facilities.

Composition Ratio of Fixed and Variable Income



Earnings Structure Image



Note: FY2013/2 results

Real Vacancy Rates and Percentage of Rents at AEON Mall Shopping Malls Accounted for by Tenant Sales*

	2008/2	2009/2	2010/2	2011/2	2012/2	2013/2
Real vacancy rate* (end of period)	—	—	0.7%	0.4%	0.2%	0.1%
Percentage of rent at AEON Mall shopping malls accounted for by tenant sales	10.6%	10.8%	10.9%	10.5%	9.7%	10.9%

* Real vacancy rate: The actual area of a mall vacant (excluding space reserved for incoming tenants based on gross leasable area).

* The real vacancy rates were omitted for fiscal 2008/2 and fiscal 2009/2 as no figures were compiled.

* Including anchor stores

ÆON Mall, while drawing on its experience with the mall business in Japan, has established the following standards for mall openings and investment profitability in conducting its mall business in China.

Mall Opening Strategy



Area for Opening Malls

- Pursue a dominant presence in central locations of first-rate cities
- Priority development in provincial capitals and major cities
- Population of over five million
- Household disposable income of 6,000 to 10,000 yuan per month (¥96,000 to ¥160,000)

1 yuan = ¥16



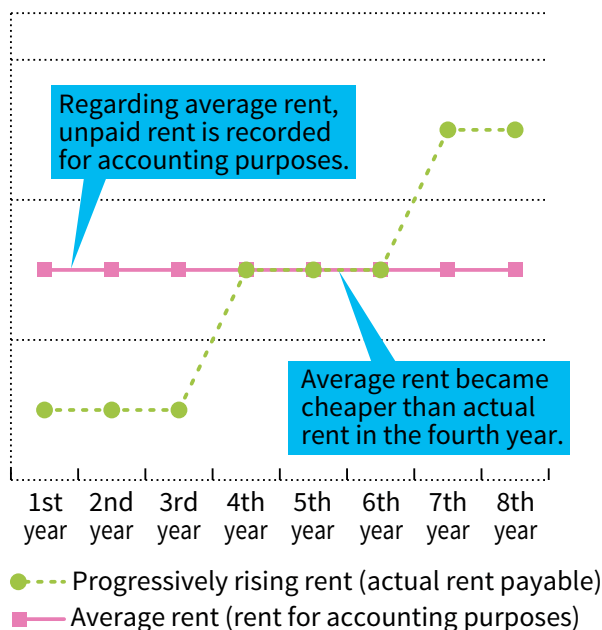
Scale of Malls

- Suburban location with convenient road access
- One mall serving a trade area population (within 20 minutes by car) of one million
- Site area of 80,000 to 100,000 m²
- Commercial floor space of 100,000 m², and gross leasable area of 70,000 to 80,000 m²
- Parking for more than 3,000 vehicles

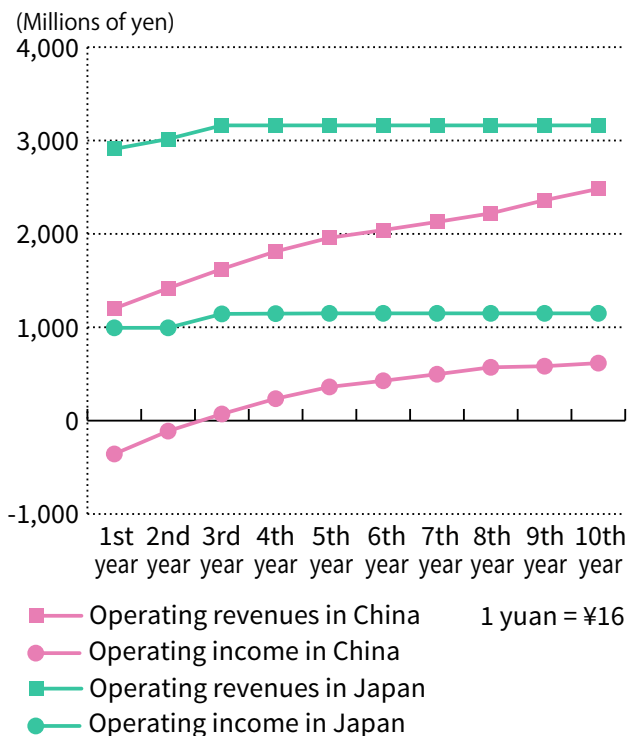
Investment Profitability

- Investment cost approximately 60% of that in Japan
- Open malls based on a master lease through a local developer for land and building
- Rent income approximately 40% of that in Japan

■ Average Rent and Progressively Rising Rent



■ Model Comparing Revenues and Profits in Japan and China



AEON Mall is expanding its business foundation in Japan and actively accelerating business development in China and the ASEAN region, targeting four areas with potential new growth opportunities.

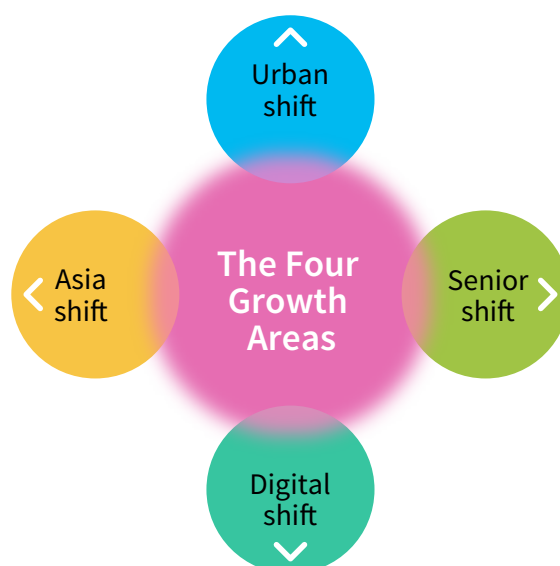
AEON Group's Common Strategy: Shift to the Four Growth Areas

The AEON Group has achieved steady growth by recognizing the new growth opportunities presented by changes in the business environment, and reforming itself accordingly. For the next stage of growth, the AEON Group is implementing a three-year Medium-Term Management Plan that began in fiscal 2011 (ended February 2012), which will reform the corporate group's structure, and optimize allocation of management resources in growth fields.

To adapt to the major changes in the business environment we have faced in recent years, we are shifting focus to the four growth areas of Asia, seniors, large urban areas, and online commerce.

As part of the shift to Asia, under which we are aiming for dramatic growth in China and the ASEAN region, the AEON Group is employing a global management policy combining both an international and local perspective. With the aim of strengthening management foundations to accelerate growth as an integrated corporate group, in China we established the AEON Group China Headquarters on February 29, 2012, and in November the AEON Group ASEAN Headquarters. This established a base with three regional head offices in Japan, China, and the ASEAN region.

For revision of the group structure, to enhance corporate value and generate group synergies, the AEON Group is eliminating redundancies and dispersal among businesses to allow each company to concentrate on its main business. We are also working to raise brand awareness through a "one brand per business category" strategy, as well as to fully cultivate community-oriented management rooted in local areas and supported by local customers.



AEON Mall's Initiatives

AEON Mall, in accordance with the AEON Group's strategies, is accelerating the opening of new malls, enhancing profitability by renovating existing malls, and integrating the functions of the AEON Group's developer business, planned for fiscal 2013. Through these initiatives we will broaden our business base in Japan, and actively accelerate business development in China and the ASEAN region.

AEON Mall is also considering new capital procurement for the implementation of these business strategies. We will procure funds while maintaining our debt/equity (D/E) ratio at one (times).



Asia Market

In addition to opening new malls in Japan, AEON Mall will expand business operations in the Asia region, which is experiencing population increases and significant economic growth. We will build a foundation for growth in China and the ASEAN region, and expand business to new areas and countries in a concerted effort with AEON Group companies to accelerate business development in Asia.



Senior Market

AEON Mall will pursue innovation in malls to meet the needs of the growing senior population. We will attract specialty shops serving seniors and renovate facilities, as well as expand functions for seniors, including introducing general clinics, and financial services such as asset management consultation.



Urban Market

In addition to our conventional strategy of developing mainly large-scale malls in suburban areas, in response to the trend of people returning to city centers and the concentration of populations in metropolitan areas, we will also strengthen development of malls in heavily populated areas and near train stations.



Digital Market

AEON Mall will pursue ecommerce utilizing the Internet and other IT technologies. We will combine the malls that comprise our unique business foundation with the Internet, and generate new businesses in collaboration with AEON Group companies.

■ Mall Developments (figures from FY2014/2 are forecasts)

		2012/2	2013/2	2014/2	2015/2	2016/2
New Mall Constructions	Japan	2	1	4	10	10
	Overseas	0	1	2	8* ²	13
Renovations		9	5	13	10	10
Property Management Contracts* ¹		1	1	1	—	1

Notes

1. The property management business is a management service in which AEON Mall operates malls under contract from the owner of an investment property or asset management company acting on behalf of the owner. AEON Mall provides management and operational expertise without owning the property.
2. Includes two properties managed and operated under contract.

Expanding our Business Bases by Accelerating New Mall Openings

ÆON Mall plans to open five new malls in fiscal 2013 (ending February 2014), and will further accelerate the pace of development in fiscal 2014. There are three main factors behind this expansion.

- Integration of ÆON Group developer business functions under ÆON Mall.
- In addition to conventional suburban large-scale malls, development of urban malls in densely populated areas and areas near train stations.
- Mall development promotion in the Tohoku region in conjunction with full-scale reconstruction efforts.

■ ÆON Mall Kasukabe (Saitama Prefecture)

This mall is our eighth in Saitama Prefecture. It presents local customers with a new type of ÆON Mall, the realization of a next-generation mall that along with shopping offers convenience, enjoyment, and new experiences.

Opened March 5, 2013



Site area	around 83,000 m ²
Floor area	around 124,000 m ²
Gross leasable area	around 56,000 m ²
Parking	around 2,900
Tenants	around 180
Anchor store	ÆON (GMS)
Number of employees	around 2,400
Trade area population	30-min. drive radius, around 450,000 people (around 170,000 households)

■ ÆON Mall Tsukuba (Ibaraki Prefecture)

This is our fourth mall in Ibaraki Prefecture. It is located near an expressway junction, on a site where the road from Tsukuba Science City crosses the national highway, providing excellent access for both the local community and a broader area. Taking advantage of the large site, we built three external buildings along with the mall, to create a new type of mall that offers not only shopping, but also experiences that cannot be gained anywhere else.

Opened March 15, 2013



Site area	around 200,000 m ²
Floor area	around 105,000 m ²
Gross leasable area	around 64,000 m ²
Parking	around 4,000
Tenants	around 200
Anchor store	ÆON (GMS)
Number of employees	around 2,560
Trade area population	30-min. drive radius, around 630,000 people (around 230,000 households)

■ Kobe Harborland umie (Hyogo Prefecture)

ÆON Mall is handling property renewal and management operations for this mall under contract as a property management project. It is located in a seaside tourism spot characteristic of the international city of Kobe, and will attract visitors from the Kobe and broader Kansai area, as well as tourists from around the world.

Opened April 18, 2013



Floor area	around 198,000 m ²
Gross leasable area	around 85,000 m ²
Parking	around 3,000
Tenants	225
Number of employees	around 2,500
Trade area population	10 km radius, around 930,000 people (around 410,000 households)

■ ÆON Mall Makuhari New City (Chiba Prefecture)

This mall is located in the Toyosuna district of Makuhari New City, a large-scale development straddling Mihami Ward in Chiba City, and Narashino City. The area is just 1 kilometer from Kaihin-Makuhari Station on the JR Keiyo Line, and is close to Makuhari Messe convention center, Chiba Marine Stadium (QVC Marine Field), and several highly practical commercial facilities. Combined with excellent road access, the mall is expected to draw customers from a broad area.

This will be our first large-scale shopping mall in Chiba City, where ÆON Mall's headquarters is located. Accordingly, we are concentrating the collective power of the ÆON Group into the project with the aim of making this mall our flagship location.

Opening planned for December 2013



Site area	around 192,000 m ²
Floor area	around 420,000 m ²
Gross leasable area	around 135,000 m ²
Parking	around 7,200
Tenants	around 350

Building C

Spa & beauty zone

Plan for warm bathing facilities with a health and beauty theme, including spas, saunas and beauty salons

Building D

Lifestyle mall for kids and families

Plans for a kids and edutainment zone, primarily a theme park where children and parents can enjoy learning, including clothing, food and lifestyle goods for three generations of a family focused on children

Building E

Sports lifestyle mall

Plans for one of Japan's biggest and most comprehensive sports and cycling zones and home appliance zones with an agglomeration of content and information provision functions

JR Keiyo Line

Building B

Pet lifestyle mall

Plans for one of Japan's biggest pet-related facilities with an agglomeration of content and information provision functions

Building A

Lifestyle mall for adults

Plans for a mall to propose fulfilling lifestyles for adults and offer a range of entertainment in a stylish environment where they can experience rest and slow living

Around 500m

Around 1,000m

■ AEON Mall Okayama (Okayama Prefecture)

This mall is located at Okayama Station, the crossroads for the Chugoku and Shikoku regions. It is a large, urban-style mall with eight floors above ground and two below, and will be our flagship store for Western Japan. Okayama Broadcasting Co., Ltd. is establishing a full-fledged TV studio for news and information programming at the site, making the building the first in Japan to also function as an information transmission site, and offering a new lifestyle for Okayama.

Opening planned for November 2014



Site area	around 46,000 m ²
Floor area	around 250,000 m ²
Gross leasable area	around 88,000 m ²
Parking	around 2,500
Tenants	around 350

■ AEON Mall Tendo (Yamagata Prefecture)

This is an urban-style mall located in the city center of Tendo City, and was developed to complement the lovely town in harmony with the local community. Tendo City has excellent transportation access, including the Yamagata Shinkansen, airport and expressway, and has experienced an increase in population in recent years.

Opening planned for spring 2014

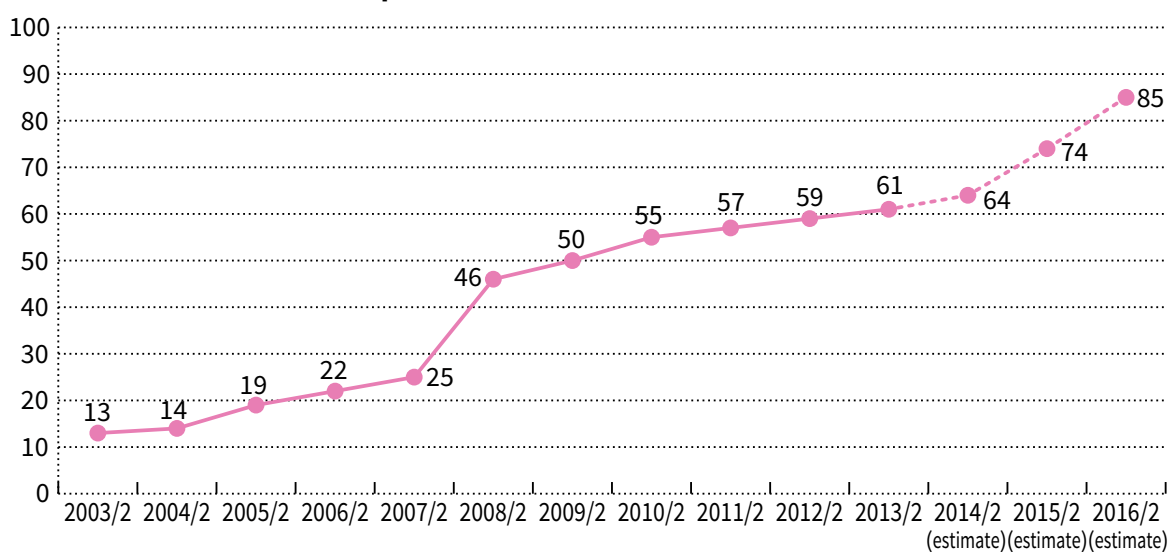


Site area	around 79,000 m ²
Floor area	around 68,000 m ²
Gross leasable area	around 45,000 m ²
Parking	around 2,215

Planned Mall Openings

Mall Name	Location	Scheduled Opening Date
ÆON Mall Toin	Mie Prefecture	November 2013
ÆON Mall Makuhari New City	Chiba Prefecture	December 2013
ÆON Mall Tamadaira woods	Tokyo	Spring of 2014
ÆON Mall Wakayama	Wakayama Prefecture	Spring of 2014
ÆON Mall Nagoya Chaya	Aichi Prefecture	Spring of 2014
ÆON Mall Tendo	Yamagata Prefecture	Spring of 2014
ÆON Mall Kyoto Katsuragawa	Kyoto	October 2014
ÆON Mall Kisarazu	Chiba Prefecture	Autumn of 2014
ÆON Mall Okayama	Okayama Prefecture	November 2014
ÆON Mall JR Asahikawa	Hokkaido	Spring of 2015
(Tentative name) ÆON Mall Kitanakagusuku	Okinawa Prefecture	Spring of 2015
(Tentative name) ÆON Mall Higashimatsumoto	Nagano Prefecture	Autumn of 2016

Number of ÆON Malls in Japan



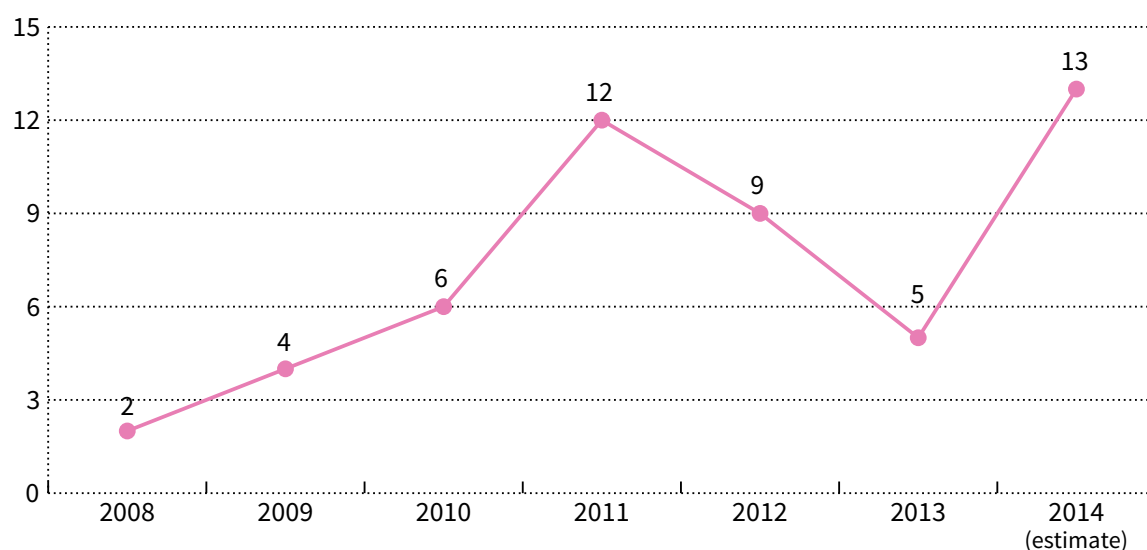
Improved Profitability through Renovation of Existing Malls

We are aggressively renovating existing malls. AEON Mall plans to renovate 13 malls in fiscal 2013. In this way, we will continue to raise the profitability of existing malls, which form the foundation of our business.

■ Tenant Refurbishment/Relocation in Fiscal 2013

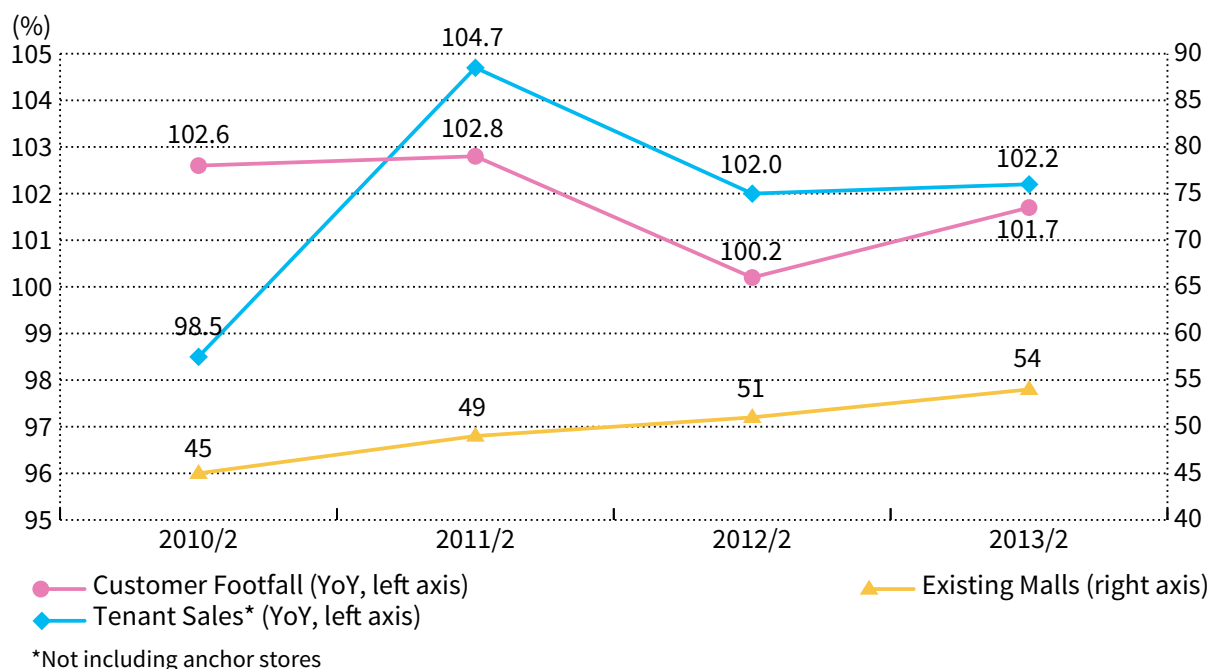
Mall name	Location	Date of refurbishment/relocation	Tenants	New stores	New stores into local markets	Stores refurbishment/relocation	Percent refurbishment/relocation
AEON Mall Takasaki	Gunma Prefecture	March 15	170	43	41	76	70.0%
AEON Mall Musashi-murayama	Tokyo	March 19	180	35	7	46	45.0%
AEON Mall Tsurumi-ryokuchi	Osaka	March 20	160	25	7	43	42.5%
AEON Mall Kobekita	Hyogo Prefecture	March 22	165	14	4	47	37.0%
AEON Mall Natori	Miyagi Prefecture	April 19	170	24	12	36	35.3%
AEON Mall Ota	Gunma Prefecture	April 19	170	18	10	38	32.9%
AEON Mall Kochi	Kochi Prefecture	April 26	140	30	26	52	58.6%
AEON Mall Shimoda	Aomori Prefecture	June 7	120	16	1	5	17.5%

■ Number of Renovated Malls



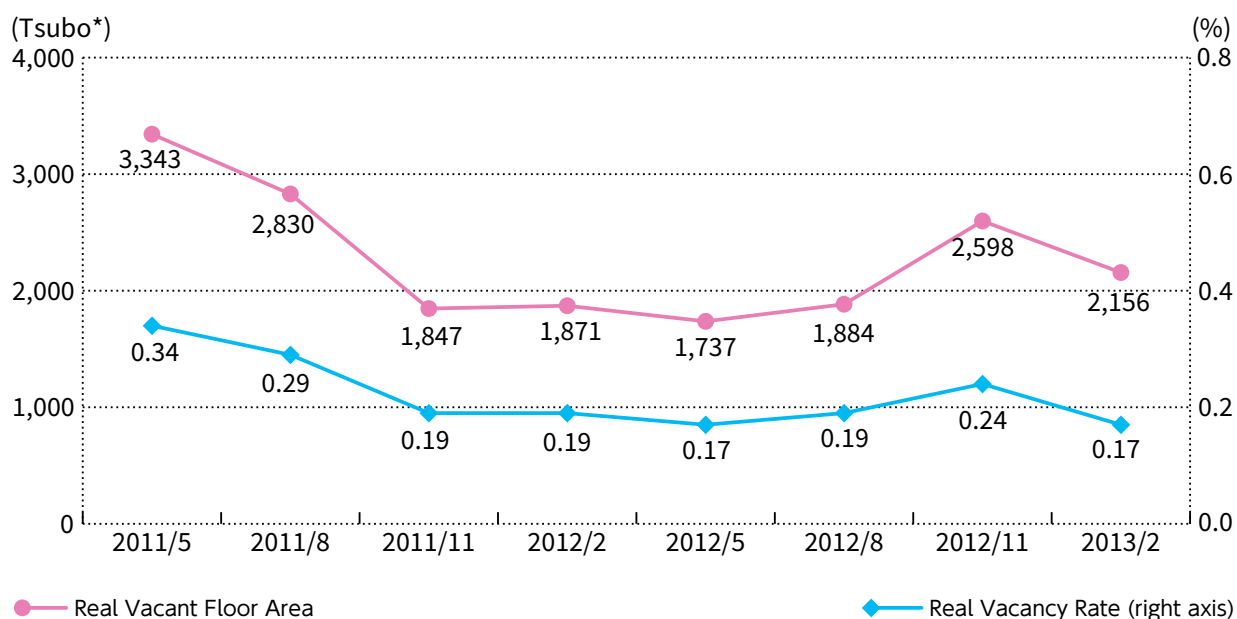
AEON Mall periodically renovates existing malls in order to attain sustainable growth by enhancing the ability of these facilities to attract customers. Going forward, we will on average renovate 40 to 60% of the tenants in a given mall in pursuit of increased revenues. To this end, we will mainly bring in exciting new tenants and make major changes to the location or format of existing tenants when the leases of our tenants expire, along with systematically expanding the floor space of our malls.

■ AEON Mall's Customer Footfall at Existing Malls (YoY)



The number of customers at the Company's existing malls fell sharply in March and April 2011 following the Great East Japan Earthquake in March 2011, but rose year on year from May 2011. Particularly strong were sales of small and medium-sized specialty merchandise stores, which account for the majority of the Company's specialty store tenants. We attribute growth in customer numbers to our ongoing mall renovations and efforts to attract popular tenants.

■ Real Vacant Floor Area and Real Vacancy Rate



The real vacant floor area is the vacant floor area less the area where the opening of new stores has been determined.

* 1 tsubo = approx. 3.3 m²

The real vacancy rate refers to the actual vacant area of a mall and the vacancy rate after excluding space reserved for incoming tenants on a contractual basis. To ensure malls remain open for business during renovation work, vacant space is temporarily increased through tenant replacement and other means. Nevertheless, the real vacancy rate in fiscal 2012 improved from 0.19% the previous year to 0.17%.

Integration of the Developer Business Functions to Strengthen Competitiveness

The functions of the AEON Group's developer business are being integrated into AEON Mall in order to accelerate overseas business development. This will strengthen competitiveness and enhance efficiency, and expand our business foundation in Japan.

It is also necessary for us to strengthen products and services for seniors, who account for the majority of consumer spending in Japan, as well as to adapt to the trend toward consumption of "experiences" over products, and to ensure a highly competitive tenant mix to support our shift toward Asia.



Specific measures

■ Unification of the AEON Mall brand

Based on the brand established by the more than 120 AEON Mall locations, we are pursuing efficient cost management through shared promotion, and developing a media business utilizing mall space.

■ Strengthening of leasing functions

In April 2013, we strengthened leasing functions by transferring the "Doyuten" Management Department, comprising over 8,000 tenant companies, to the Sales Division.

■ Cost structure reforms that reflect the integration of functions

AEON Mall will merge back office structures and functions to reflect the integration of functions in its cost structure reforms.

* The "AEON Doyutenkai (store association)" was launched in February 2012 as a collective association for the tenants with stores in the commercial facilities of the AEON Group. Over 8,000 tenant companies participate in this association, and we are working together with tenant companies to strengthen competitiveness through such means as adapting to the needs of seniors, and introducing new concepts to alter the tenant mix.

Three Malls in the Beijing/Tianjin Area

ÆON Mall is accelerating its Asia strategy in coordination with other ÆON Group companies. In China, we opened the ÆON Mall Beijing International Mall (Beijing) in 2008, followed by the ÆON Mall Tianjin TEDA (Tianjin) in 2010, and the ÆON Mall Tianjin Zhongbei (Tianjin) in 2012. All of these malls are recording steady improvement in operating performance.



ÆON Mall Tianjin Zhongbei

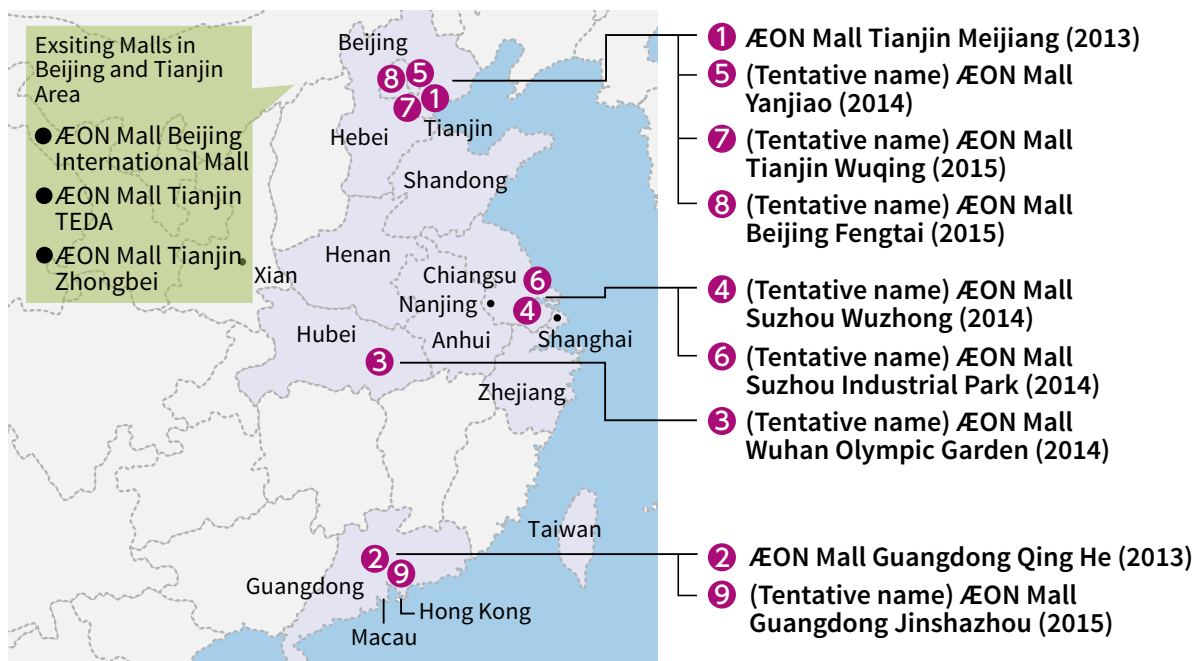
Cooperative Agreement Concluded with Tianjin Commerce Committee and Wuhan City Government

ÆON Mall concluded cooperative agreements in 2012 with the cities of Tianjin and Wuhan, and is moving forward with the development of shopping malls in more than five locations within the next five years. In Tianjin, we plan to open our third location, ÆON Mall Tianjin Meijiang, in 2013, and ÆON Mall Tianjin Wuqing (tentative name) in the latter half of fiscal 2014.

Mall Openings in Eight Provinces beyond the Beijing/Tianjin Area

From our initial malls in the Beijing/Tianjin area, we are moving forward with property development in the Chinese provinces of Shandong, Chiangsu, Zhejiang, Hubei, Guangdong, Hebei, Henan, and Anhui. The mall opening plan is shown in the following chart.

■ Mall Opening Plan in China

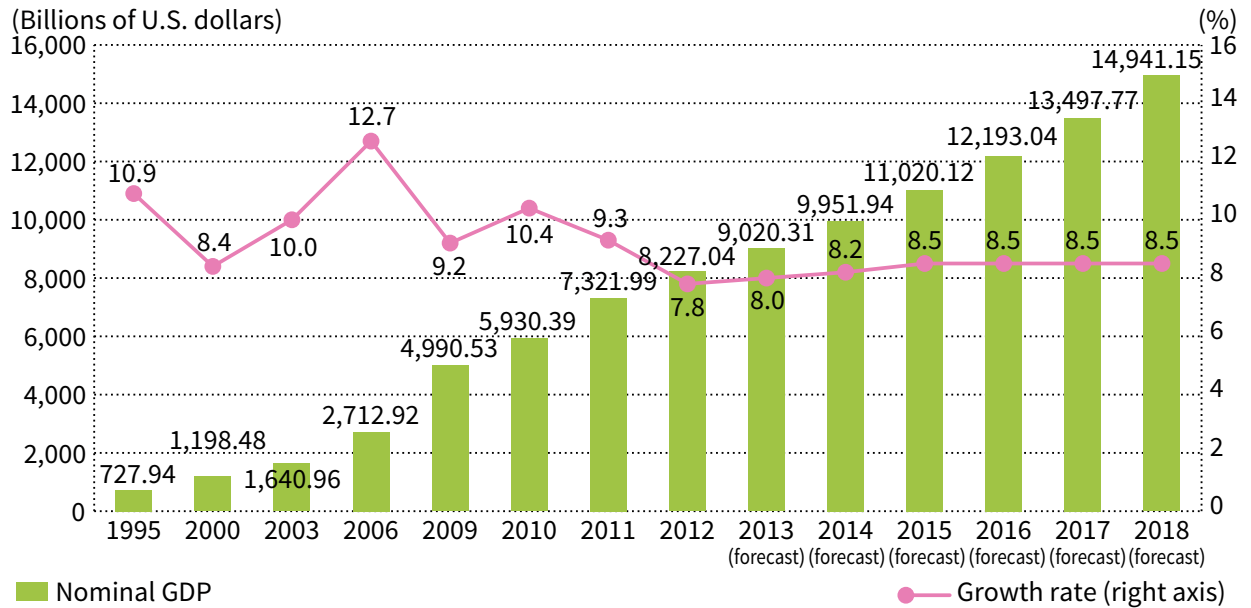


■ Mall Opening Plan in China

	2014/2	2015/2	2016/2
Number of New Malls Opening	2	4	10

Scheduled Opening Date	Mall Name, Location, Others	
2nd half of 2013	① AEON Mall Tianjin Meijiang 111 You Yi Nan Lu, Tianjin Xiqing Economic Development Area, Xiqing, Tianjin Site Area: around 75,000 m ² Commercial Area: around 90,000 m ² Parking: 2,400	
	② AEON Mall Guangdong Qing He Qing He Lu, Nan Sha Qu, Guangzhou, Guangdong Site Area: around 51,400 m ² Floor Area: 172,000 m ²	
2014	③ (Tentative name) AEON Mall Wuhan Olympic Garden Dongxihu, Wuhan, Hubei Site Area: around 88,000 m ² Floor Area: 177,000 m ²	
	④ (Tentative name) AEON Mall Suzhou Wuzhong You Xin Lu, Suzhou Wuzhong Economic Development Zone Site Area: around 114,000 m ² Floor Area: 154,000 m ²	
	⑤ (Tentative name) AEON Mall Yanjiao Yanjiao Economic & Technological Development Zone, Sanhe City, Hebei Site Area: around 84,000 m ² Floor Area: 175,000 m ²	
	⑥ (Tentative name) AEON Mall Suzhou Industrial Park Suzhou Industrial Park, Su Zhou, Jiangsu Site Area: around 101,000 m ² Floor Area: 201,000 m ²	
2015	⑦ (Tentative name) AEON Mall Tianjin Wuqing Jing Jin Gong Lu, Xia Zhu Zhuang, Wu Qing Qu, Tianjin Site Area: around 95,000 m ² Floor Area: 144,000 m ²	
	⑧ (Tentative name) AEON Mall Beijing Fengtai Ke Ji Da Dao, Feng Tai Qu, Beijing Site Area: around 64,000 m ² Floor Area: 135,000 m ²	
	⑨ (Tentative name) AEON Mall Guangdong Jinshazhou Baiyun, Guangzhou, Guangdong Site Area: around 84,500 m ² Floor Area: 187,600 m ²	

■ Economic Growth Rate in China and Forecast



Source: International Monetary Fund, World Economic Outlook Database (April 2013 Edition)

China's nominal GDP growth rate recovered following the global recession of 2008. Growth is expected to slow to 8.0% in 2013 in response to the European debt crisis. Still, the International Monetary Fund expects China's GDP to be consistently stable over the next five years, at above 8.0%.

AEON Mall announced the start of construction on its first mall in Cambodia in December 2012, and in March 2013 plans to open locations in Vietnam and Indonesia. We have made a full-fledged start in the mall business in the ASEAN region.

■ Mall Opening Plan in the ASEAN Region

	2015/2	2016/2
Number of New Malls Opening	4*	3

* Includes two malls managed and operated under contract

Cambodia Mall to Open in Spring 2014

On December 10, 2012, AEON Mall held the groundbreaking ceremony for AEON Mall Phnom Penh, a large-scale mall and our first in the Kingdom of Cambodia. The opening is scheduled for 2014. AEON Mall Phnom Penh is located in the heart of the Cambodian capital, in a district surrounded by high-end residential neighborhoods and hotels. Middle- and upper-income households account for the majority of residents, and the area offers prospects for further growth.



Site area	around 68,000 m ²
Floor area	around 100,500 m ²
Gross leasable area	around 63,000 m ²
Parking	around 1,400
Bicycle parking	around 1,600
Tenants	around 150
Anchor store	AEON (GMS)
Trade area population	30-min. drive radius, around 630,000 people (around 230,000 households)

First Mall in Vietnam to Open in Spring 2015, with Two Malls Managed and Operated under Contract

On March 1, 2013, AEON Mall announced that it would open AEON Mall Long Bien, its first mall location in the city of Hanoi in the Socialist Republic of Vietnam, in the spring of 2015. The mall is located in the Long Bien district, approximately 5 kilometers from downtown Hanoi, and is an area with a growing population.

AEON Mall Vietnam Co., Ltd. was established to develop business in Vietnam. Along with managing business operations for the opening of AEON Mall Long Bien, the company will conduct tenant leasing for AEON Mall Tan Phu Celadon, the first AEON location in Vietnam, and AEON Mall Binh Duong Canary, the second location in the country. The AEON Mall Group will handle management and operations after the openings.

- AEON Mall Long Bien
- AEON Mall Tan Phu Celadon
- AEON Mall Binh Duong Canary

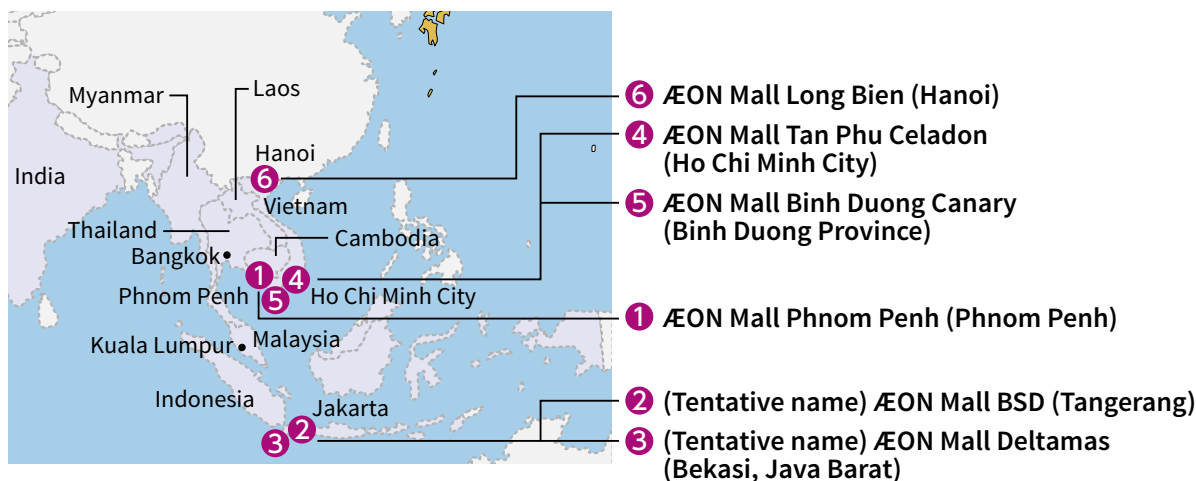
First Mall in Indonesia to Open in 2014

AEON Mall Indonesia Co., Ltd. was established to develop business in the Republic of Indonesia. On March 8, 2013, we announced the establishment of a joint venture with Sinarmas Land, one of the largest real estate developers in Indonesia, along with the opening of our first mall in Indonesia, AEON Mall BSD (tentative name), in fiscal 2014. This mall is located in the suburbs of the capital city of Jakarta, in an area that Sinarmas Land has been developing since 2003, and offers excellent prospects for future development.

We are also planning to open an additional location, *AEON Mall Deltamas* (tentative name), in the Bekasi district of West Java (37 kilometers east of central Jakarta), from fiscal 2015.

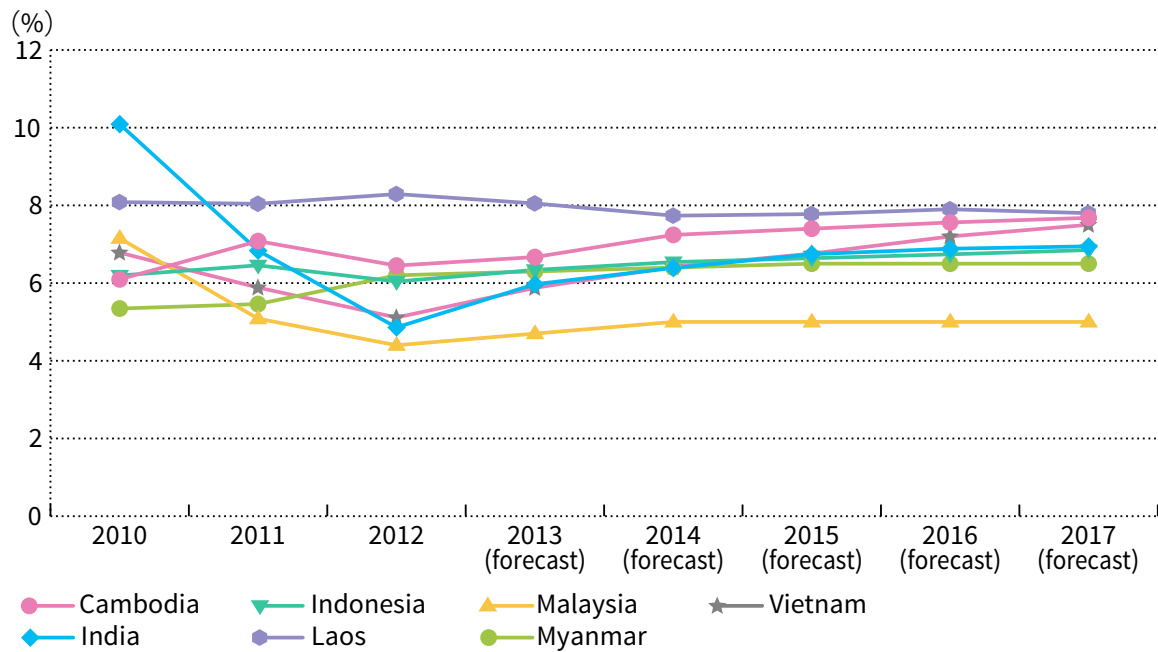
- *AEON Mall BSD* (tentative name)
- *AEON Mall Deltamas* (tentative name)

Planned Mall Openings in the ASEAN Region



Country	Scheduled Opening Date	Mall Name (Location)	
Cambodia	2014	1 <i>AEON Mall Phnom Penh</i> (Phnom Penh)	
Indonesia	2014	2 (Tentative name) <i>AEON Mall BSD</i> (Tangerang)	
	After 2015	3 (Tentative name) <i>AEON Mall Deltamas</i> (Bekasi, Java Barat)	
Vietnam	2014	4 <i>AEON Mall Tan Phu Celadon</i> (Ho Chi Minh City)	
	2014	5 <i>AEON Mall Binh Duong Canary</i> (Binh Duong Province)	
	2015	6 <i>AEON Mall Long Bien</i> (Hanoi)	

■ Economic Growth Rates and Forecasts of the ASEAN Region



Source: International Monetary Fund, World Economic Outlook Database (October 2012 Edition)

ASEAN countries experienced a significant decline in their economic growth rates in 2009 following the global economic slowdown of 2008, but have since recorded stable expansion. India, Laos, Cambodia, Vietnam and other countries in the region are expected to continue to grow at a rate of 6-8% from 2012.

Business Environment – Trends in the Shopping Center Industry in Japan

➤ Downward Trend in Number of Shopping Center Openings from Impact of Regulations

Despite the opening of large-scale retail facilities in central Tokyo such as Shibuya Hikarie, DiverCity Tokyo and Tokyo Solamachi in 2012, Japan's shopping center industry has continued its downward trend from the peak of 102 new centers in 2008 to 35 new centers in 2012, down from 54 in the previous year.

The economic slump following the Lehman shock and the impact of regulations relating to the opening of large-scale stores in the City Planning Act enforced in 2007 have been pinpointed as factors. Meanwhile, tenant companies have curbed store openings in response to the slump in consumption and the tight stance on lending by financial institutions, and this has also been a factor in the declining number of new shopping malls. There has been a particular decline in the number of large-scale shopping centers. In 2008, 18 large-scale suburban retail facilities of over 40,000 m² were opened, but this number declined to 3 in 2012.

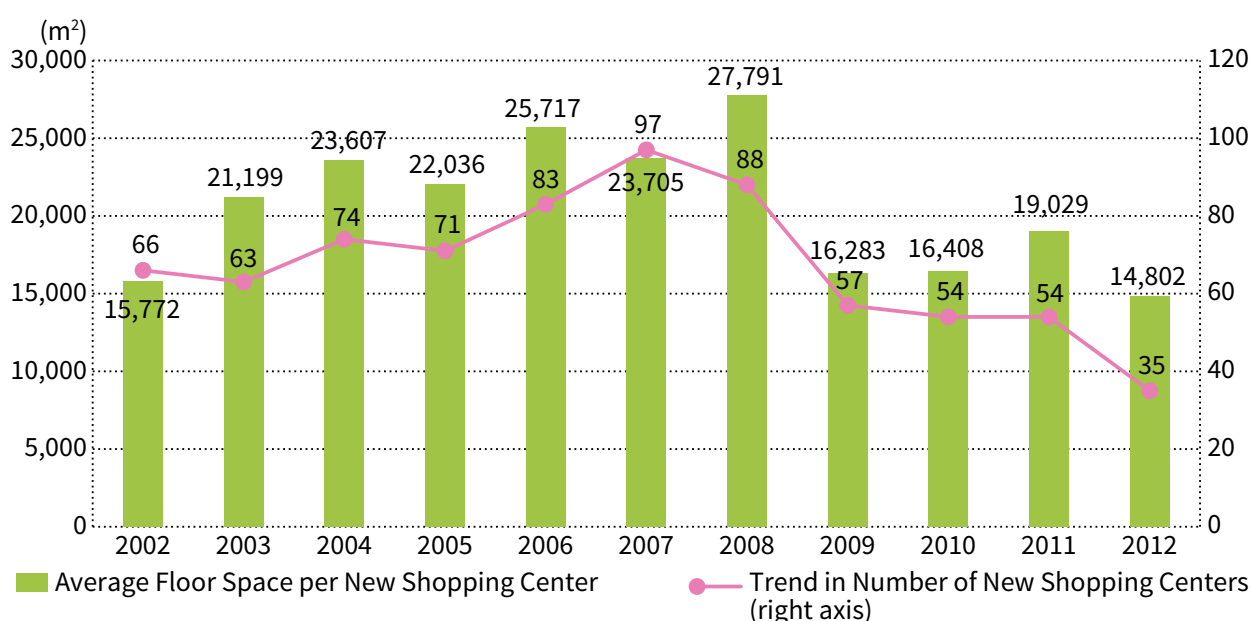
➤ Large Scope for Growth Remains

The shopping center industry has an approximately 20% share of retail industry sales in Japan, which is low compared to the 58% share in the US. AEON Mall believes that there is a large scope for shopping center growth in Japan. In particular, Japan currently has 151* of the large-scale suburban shopping centers with an area of 40,000m² or more in which AEON Mall specializes. Of this number, 82 belong to the AEON Group, and AEON Mall accounts for 50 of these. It is expected that suburban shopping centers will be established at over 300 locations in Japan looking at a trade area of 400,000 people, and AEON Mall believes there is a significant scope for the opening of large-scale suburban shopping centers.

The AEON Group has promoted the integration of functions for its mall-style shopping centers with the intention that AEON Mall itself will conduct development of new mall-style shopping centers in the future. Meanwhile, although AEON Mall specializes in large-scale suburban mall developments, we are promoting the development of urban malls considering future changes in the structure of Japanese society and development in the Tohoku area to advance full-scale reconstruction from the Great East Japan Earthquake. Under these conditions, AEON Mall plans to open four new malls (excluding PM business) in fiscal 2013, with a double-digit number of new openings planned for both fiscal 2014 and fiscal 2015.

*AEON Mall research

■ Average Floor Space per New Shopping Center and Trend in Number of New Shopping Centers



Source: 2013 Shopping Center White Paper published by the Japan Council of Shopping Centers

Overview of Business Operations

In fiscal 2012, AEON Mall opened two new malls in Japan and one in China. In addition to this, the AEON Group centralized its marketing and development functions in AEON Mall under an initiative to integrate duplicated functions in the Group's mall business, and AEON Mall has promoted efforts to strengthen its competitiveness, which included sales promotions across more than 120 AEON Group malls and reinforcing collaboration with mall tenant stores. Furthermore, we promoted the foundations for the development of new properties in Japan with an eye to further growth and the development of our mall business in China and the ASEAN region.

During the current fiscal year, we absorbed the upfront costs involved in these growth strategies to achieve revenue and income growth with operating revenue and income recording all-time highs.



Business in Japan

For new malls, we opened AEON Mall Fukutsu (Fukuoka Prefecture) in April 2012 and SHOPPING CENTER SOYO-CA FUJIMINO (Saitama Prefecture) in the PM business in June, bringing the number of malls in Japan to 59.

We carried out renovations at five existing malls and renovated and increased floor space at AEON Mall Mito Uchihara (Ibaraki Prefecture) in November. Moreover, customer footfall and sales at the 54 existing malls continued to rise above the previous fiscal year as a result of strategies to improve attraction of customers leveraging the power of our brand, including synchronized sales across approximately 120 malls nationwide (the name of all of the AEON Group's malls in Japan have been standardized as AEON Mall).



Overseas Business

In China, we opened AEON Mall Tianjin Zhongbei (Tianjin) as our third mall in the country in April 2012, as well as securing new development projects.

In the ASEAN region, we held a ground breaking ceremony in December for AEON Mall Phnom Penh which will be our first mall in Cambodia and commenced construction aimed at opening in 2014. Moreover, we will also open AEON Mall BSD (provisional name) in Tangerang, a suburb of Jakarta in Banten Province in Indonesia in 2014 and AEON Mall Long Bien (Hanoi) in Vietnam in 2015.

Mall Business in Japan (Fiscal 2012)



New Malls

We opened **ÆON Mall Fukutsu** (Fukuoka Prefecture) and **SHOPPING CENTER SOYOCA FUJIMINO** (Saitama Prefecture), bringing the number of malls in Japan to 59.

■ **ÆON Mall Fukutsu (Fukuoka Prefecture): Opened April 26, 2012**

The mall is located between Fukuoka City, the economic center of Fukuoka Prefecture, and Kitakyushu City in Fukutsu, which continues to develop as a dormitory town with convenient access to both cities.

It is one of the biggest “two anchors with a mall” shopping centers in the Fukuoka metropolitan area and enjoys transport access by car and rail, being visited by customers from a wide area.



Site area	around 140,000 m ²
Floor area	around 111,000 m ²
Gross leasable area	around 63,000 m ²
Parking	around 3,520
Tenants	around 180
Anchor store	ÆON (GMS)
Number of employees	around 2,500
Trade area population	15 km radius, around 500,000 people (around 190,000 households)

■ **SHOPPING CENTER SOYOCA FUJIMINO (Saitama Prefecture): Opened June 29, 2012**

The mall is located within walking distance of Fujimino Station in Fujimino, a dormitory town for metropolitan Tokyo in Saitama Prefecture where the population is expected to increase further in the future.

ÆON Mall manages and operates the mall as a PM business. It is small by the standards of ÆON Mall, but as the Japanese population ages we are accumulating a track record in the management of malls in prime locations close to stations in densely populated areas.



Site area	around 18,500 m ²
Floor area	around 30,000 m ²
Store area	around 9,000 m ²
Parking	around 400
Tenants	around 40
Number of employees	around 300
Trade area population	5 km radius, around 350,000 people (around 140,000 households)



Renovation of Existing Malls

We carried out renovations at five existing malls. In each of these cases, the whole mall was renovated through such means as introducing new specialty stores and changing existing tenants, mainly by relocating them or changing their business models. In particular, we renovated over 60% of the specialty stores at AEON Mall Mito Uchihara (Ibaraki Prefecture) and expanded the total leasable area 20% by increasing floor area.



AEON Mall Mito Uchihara

■ Tenant Refurbishment/Relocation in Fiscal 2012

Mall name	Tenants	New stores	Stores refurbishment/ relocation	Percent refurbishment/ relocation
AEON Mall Chiba NEW TOWN	180	11	13	13.3%
AEON Mall Miyazaki	170	13	2	8.8%
AEON Mall Morioka	110	8	4	10.9%
AEON Mall Narita	170	35	86	71.1%
AEON Mall Mito Uchihara	190	45	79	65.2%

Mall Business Overseas (Fiscal 2012)



New Malls

We opened AEON Mall Tianjin Zhongbei (Tianjin), bringing the number of malls in China to three.

■ AEON Mall Tianjin Zhongbei (Tianjin): Opened April 28, 2012

The mall is our second in Tianjin opened in a key project that Tianjin is promoting located 15 kilometers from the city center. Adjacent to a subway station, the area enjoys public transport and future development is expected.

Site area	around 163,000 m ²
Floor area	around 125,000 m ²
Gross leasable area	around 62,000 m ²
Parking	around 3,700
Tenants	around 150
Anchor store	AEON (GMS)
Number of employees	around 2,000
Trade area population	20-mi. drive radius, around 1,150,000 people

■ AEON Mall Beijing International Mall Rated for High Growth Potential

The Annual Meeting of the China Commercial Real Estate Industry Development Forum 2012 sponsored by the China Commercial Real Estate Development Association was held in Beijing on March 24, 2012, and our AEON Mall Beijing International Mall was chosen as a project with high growth potential for commercial real estate in China.

Overview of Performance

Operating revenue in fiscal 2012 rose 7.0% from the previous fiscal year to ¥161,427 million. Operating costs amounted to ¥105,831 million (up 6.5%) as a result of cost structure reform amid business expansion, and gross profit was ¥55,596 million (up 7.9%).

Selling, general and administrative expenses rose to ¥13,852 million (up 27.4% year on year), due mainly to an increase in overseas business locations for accelerated expansion in China and the ASEAN region, together with greater upfront costs from securing development projects both in and outside Japan. Operating income increased to ¥41,744 million (up 2.7%).

Other expenses decreased ¥922 million from the previous fiscal year. The Company recorded ¥4,340 million in other expenses in the previous fiscal year (ended February 20, 2012) as a result of the effects of the Great East Japan Earthquake that occurred on March 11, 2011. Other expenses in the fiscal year under review amounted to ¥3,418 million, mainly for expenses related to the closure of AEON Mall Fujiidera for a planned scrap-and-build program.

As a result, net income rose 7.4% year on year to ¥21,865 million. Net income per share amounted to ¥120.70, an increase of ¥8.33 from ¥112.37 in the previous fiscal year.

From the fiscal year under review, the AEON Mall Group moved the fiscal year-end for the Company and its domestic consolidated subsidiaries from February 20th to the last day of February.

Financial Analysis: Reference Information on Financial Analysis of AEON Mall



Impact of Development Investment on Financial Statements

There are four patterns of mall ownership for AEON Mall: (1) lease land and own buildings; (2) own both land and buildings; (3) lease both land and buildings; and (4) provide only management expertise. AEON Mall receives security deposits from specialty stores and tenants under patterns (1), (2) and (3), and these deposits are recorded on the liability side of the balance sheets as “lease deposits from lessees.” Standard security deposits are six months’ rent plus the estimated cost of restoration.

■ Lease land and own buildings

AEON Mall Co., Ltd.’s basic approach to mall development is to lease land from landowners and then construct and retain ownership of buildings. In this case, most of the total investment made is recorded on the asset side of the balance sheet as “buildings and structures” and “furniture and fixtures.”

■ Own both land and buildings

Depending on the course of negotiations, AEON Mall may also acquire land from landowners and then construct buildings on purchased land for its own possession. In this case, the total amount of investment by AEON Mall tends to be the largest, with the risk of land prices falling in the future. Thus, AEON Mall takes proactive steps to promote the securitization of real estate it owns.

In the process of the real estate securitization, AEON Mall vends lands and buildings it owns to exchange-listed real estate investment trusts (REITs) and private funds, and then leases back land and buildings sold in blocks. In this case, AEON Mall places security deposits with the owners and records them on the asset side of the balance sheet as “lease deposits to lessors.” AEON Mall may also acquire part of auxiliary facilities, other than main buildings, and record them on the asset side of the balance sheet as “buildings and structures” and “furniture and fixtures.”

■ Lease both land and buildings

For example, a landlord seeking efficient use of land, such as an old factory site, may retain ownership of the land and buildings erected upon it, which AEON Mall leases in a package. In this case, AEON Mall acquires part of the auxiliary facilities, other than main buildings, and records them on the asset side of the balance sheet as “buildings and structures” and “furniture and fixtures.” For the purpose of contributing to the construction of

the main buildings to be owned by the landlord, AEON Mall puts up construction cooperation funds to help the landlord and records these funds on the asset side of the balance sheets as “fixed leasehold deposits to lessors,” together with security deposits. The construction cooperation funds are fully repaid by the landlord in installments over the lease period.

■ Provide only management expertise

There is also the case of property management, where the landlord owns land and buildings and AEON Mall provides mall management expertise. In this case, AEON Mall obtains management fees with no asset-holding or business risks.

> Operating Revenue and Operating Costs of AEON Mall

■ Operating revenue

AEON Mall’s operating revenue from operations comprises mainly “income from real estate lease” and “common service fees.”

Most “income from real estate lease” comes from “income from fixed rent” and “income from percentage rent,” which are determined in accordance with sales achieved by mall tenants.

Rent percentages are determined based on criteria such as tenant business category, profitability, and market rates for setting up shops. The percentages are typically set at 8% to 15% for merchandising businesses, and 10% to 20% for tenants providing food, beverages and services. In many cases, AEON Mall sets the minimum sales for each tenant on a monthly or yearly basis; therefore, despite their designation, percentage rents comprise an extra fixed rent component.

Most tenant sales are tallied and managed by AEON Mall, which reimburses them to tenants on a half-monthly basis after deducting rent and various expenses.

■ Operating costs

Operating costs are costs directly related to mall management, consisting of personnel costs for employees stationed for mall management and operations and expenses related to mall facilities. Expenses mainly comprise facility maintenance expenses, water, lighting and heating expenses, rents paid to owners of mall land and buildings, and depreciation for mall facilities.

The State of the Corporate Group

The AEON Mall Group comprises AEON Mall Co., Ltd., of which AEON Co., Ltd. is the parent company, with its 21 consolidated subsidiaries, Shimoda Town Co., Ltd., Hiwada Shopping Mall Co., Ltd., AEON Mall (China) Business Management Co., Ltd. and 11 other China-based companies, two Cambodia-based companies, two Vietnam-based companies, and two Indonesia-based companies. AEON Mall Co., Ltd. is engaged in the mall business, as are its 21 consolidated subsidiaries.

AEON Mall Co., Ltd. is the core company for the development activities of the AEON Group. It leases stores to general tenants, and also to AEON Retail Co., Ltd., which is an operator of general merchandising stores, and other AEON Group companies.

Management's Discussion and Analysis



Financial Condition

■ Assets

Total assets stood at ¥630,887 million, up ¥87,125 million from February 20, 2012.

This reflected the acquisition of property, plant and equipment of ¥57,397 million, mainly for the opening of new shopping malls and acquisition of land for future development, an increase of ¥32,872 million in cash and cash equivalents due mainly to the accelerated procurement of funds for capital investment, an increase of ¥13,490 million in long-term prepaid expenses mainly due to the purchase of land-use rights in China, and a decrease of ¥21,621 million in fixed assets due to depreciation.

■ Liabilities

Total liabilities stood at ¥413,110 million, up ¥63,822 million from February 20, 2012.

This increase primarily reflected a ¥27,689 million increase in long-term debt, including the current portion of long-term debt, a ¥25,200 million increase in straight bonds, including bonds due within one year, a ¥17,187 million increase in deposits from tenants, and a ¥12,655 million net decrease in short-term borrowings and commercial paper.

■ Equity

Total Equity stood at ¥217,777 million, up ¥23,303 million from February 20, 2012.

This reflected mainly an increase in retained earnings due to the ¥21,865 million in net income.



Cash Flows

■ Cash flows from operating activities

Net cash provided by operating activities was ¥63,227 million (compared with ¥23,248 million in the previous fiscal year).

The major contributors were income before income taxes and minority interests of ¥38,326 million (compared with ¥36,316 million in the previous fiscal year), depreciation and amortization of ¥21,621 million (compared with ¥20,740 million in the previous fiscal year), an increase in deposits from tenants of ¥17,009 million (compared with a ¥25,073 million decrease in the previous fiscal year), and income taxes paid of ¥15,271 million (compared with ¥19,378 million in the previous fiscal year).

■ Cash flows from investing activities

Net cash used in investing activities amounted to ¥69,751 million (compared with ¥68,323 million in the previous fiscal year).

Major contributors included the payment of ¥53,536 million (¥73,044 million in the previous fiscal year) for the purchases of property, plant and equipment associated with facilities at AEON Mall Kurashiki (Okayama Prefecture), which reopened in the previous fiscal year, and AEON Mall Fukutsu (Fukuoka Prefecture), which opened in the fiscal year under review, and the purchase of land for future development, as well as the payment of ¥14,424 million (¥944 million in the previous fiscal year) for the purchases of long-term prepaid expenses, such as land-use rights in China and ASEAN countries.

■ Cash flows from financing activities

Net cash provided by financing activities was ¥35,493 million (compared with ¥25,890 million in the previous fiscal year).

This was largely the result of proceeds from long-term debt of ¥54,934 million (¥39,200 million the previous fiscal year), proceeds from issuance of corporate bonds of ¥25,000 million (no issue in the previous fiscal year), a net decrease of ¥12,655 million in short-term borrowings (a net increase of ¥12,455 million in the previous

fiscal year), repayment of long-term debt of ¥29,458 million (¥22,135 million in the previous fiscal year), and ¥3,985 million used for dividends paid (¥3,623 million in the previous fiscal year).

As a result, cash and cash equivalents as of February 28, 2013 amounted to ¥39,293 million, up ¥30,852 million from February 20, 2012.

Dividends Policy

AEON Mall recognizes that returning profits to shareholders through the expansion of its earnings power is a key management priority.

In June 2013, AEON Mall conducted a public offering to increase capital, which will be allocated for facilities for new malls. Considering that this will dilute earnings per share, for shareholders as of July 31, 2013, the Company has decided to conduct a stock split at a ratio of 1.1 shares for each share.

The Company's basic policy on income distribution emphasizes the maintenance of steady dividend payments to shareholders, while using retained earnings to invest in business structure enhancements, including investments in growth businesses, new businesses and other areas to strengthen the operating base. The Company targets an annual dividend payout ratio of 15% (20% or higher since the public offering in June 2013).

At a meeting held on April 9, 2013, the Board of Directors resolved to maintain the year-end dividend at ¥11 per share, as initially forecasted. As a result, the annual dividend for the fiscal year ended February 28, 2013, becomes ¥22 per share, in combination with an interim dividend of ¥11 per share.

The Company's basic policy is to issue dividends twice a year. Under the provisions of Article 459, Paragraph 1 of the Companies Act, the Company has stipulated in its Articles of Incorporation that a dividend may be paid from the surplus subject to resolution of the Board of Directors.

AEON Mall plans to pay a dividend of ¥22 per share for the fiscal year ending February 28, 2014.

Outlook for the Coming Year

In the fiscal year ending February 28, 2014, we will continue to work on increasing the domestic locations and earnings strength of the malls and will continue our efforts to build business bases in the new growth markets of China and the ASEAN region. On April 1, 2013, we executed structural reform in preparation for the improvement of our marketing skills and accelerated openings of domestic and overseas shopping malls in the future.

As for new domestic locations, five malls are planned. These include AEON Mall Kasukabe (Saitama Prefecture) and AEON Mall Tsukuba (Ibaraki Prefecture) opening in March, AEON Mall Toin (Mie Prefecture) opening in November, and then in December, AEON Mall Makuhari New City (Chiba Prefecture), which we plan to make a flagship mall that harnesses all of the expertise of the AEON Group. In our property management business, Kobe Harborland umie (Hyogo Prefecture), for which we are handling the property renewal and management operation under contract, had its grand opening in April.

We will strive to increase the customer appeal and earnings of our malls by renewing 13 existing malls and undertaking promotional activities using the infrastructure of the AEON Group, such as nationwide simultaneous campaigns and AEON Cards and WAON electronic money.

In China, we will open two new malls, AEON Mall Tianjin Meijiang (Tianjin) and AEON Mall Guangdong Qing He (Guangzhou), and seek the early opening of malls by executing plans and developing new properties. In the ASEAN region, too, we are working to open our first malls and develop new properties and start our new business development project in Myanmar.

In addition, we will establish a holding company in China that will centralize the functions of business investment and management (a holding company under Chinese law) and increase employment for our local subsidiaries in Cambodia, Indonesia, and Vietnam to strengthen the management system for business expansion.

As our consolidated financial forecast, we are projecting ¥180 billion in operating revenue, ¥43 billion in operating income, and ¥22.5 billion in net income for the year ending February 28, 2014.

■ New Malls in the Fiscal Year Ending February 28, 2014

	Name of Mall	Location	Opening Date
Japan	ÆON Mall Kasukabe	Saitama Prefecture	March 2013
	ÆON Mall Tsukuba	Ibaraki Prefecture	March 2013
	Kobe Harborland umie*	Hyogo Prefecture	April 2013
	ÆON Mall Toin	Mie Prefecture	November 2013
	ÆON Mall Makuhari New City	Chiba Prefecture	December 2013
China	ÆON Mall Tianjin Meijiang	Tianjin City	2013
	ÆON Mall Guangdong Qing He	Guangzhou City	2013

* Property under management contract

In this section, we describe several important matters related to our business operations and financial conditions, which, in our view, might have a significant impact on judgments and decisions by investors. However, we should note that risks and uncertainties surrounding our future earnings and financial conditions are not limited to those described here. References to future prospects made in this section reflect our judgment as of May 24, 2013 when the annual securities report was submitted.

Relationship with AEON Co., Ltd. and Its Affiliates (Hereinafter Referred to as “the AEON Group Companies”)



Risk Involved in Earnings Dependence on AEON and AEON Group Companies

Operating revenue from business with AEON Retail Co., Ltd. accounted for 12.4% of the AEON Mall Group’s operating revenue in the fiscal year ended February 28, 2013, while the ratio of operating revenue from the AEON Group companies other than AEON Retail stood at 11.6%.

In the development of malls, the presence of anchor tenants that can pull in many customers is extremely important. Capitalizing on the close ties with AEON, the AEON Mall Group has AEON stores as anchor tenants at its malls. We expect AEON stores to be our key tenants at new malls planned for the future.

Thus, the relationship between the AEON Mall Group, AEON and all AEON Group companies provides a great advantage in drawing anchor tenants in a stable manner in our mall projects. Because of such close ties, however, the AEON Mall Group’s earnings performance may become vulnerable to the business results of AEON and other AEON Group companies, and their policies regarding the opening of new stores and shutdown of existing stores.



Risk That Business Growth May Be Constrained by Recruitment

As of February 28, 2013, the AEON Mall Group’s payroll of 1,042 employees includes 121 on loan from AEON Retail and AEON Group companies; all of them commit themselves full-time to the AEON Mall Group’s day-to-day business operations, causing no disruption in the stable execution of business.

The mall development and management that are our core business tend to require the multifaceted expertise accumulated by particular individuals. At present, the AEON Mall Group depends on experienced individuals on loan from AEON Retail to a greater extent.

We are working to secure qualified people by fostering human resources in-house and also by strengthening recruitment and job-training activities on our own. For the immediate future, however, we expect that our dependence on people on loan from AEON Retail may continue, and that the growth of our mall business may be affected by the personnel policy of AEON.

Regulatory Restrictions



Regulations under the City Planning Act and the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (Hereinafter Referred to as “Large-Scale Retail Stores Act”)

AEON Mall’s mall development and management operations are regulated by the Large-Scale Retail Stores Act and other laws. Under the Large-Scale Retail Stores Act, the opening of new stores or store expansions involving a retail floor space of over 1,000 square meters are subject to regulations by local governments in terms of city planning, public transportation and preservation of the community environment. In addition, from November 2007, the revised City Planning Act restricts areas where large-scale stores with a floor space of over 10,000 square meters can be established to three use zones, including the commercial zone, prescribed by the City Planning Act. Thus, AEON Mall’s future store opening plans may be affected by these regulations.



Changes in Real Estate-Related Taxes

Changes in real estate-related tax systems, if any, may push up the costs of holding, acquiring and disposing of real estate assets, affecting the AEON Mall Group’s earnings performance.

Operational Matters

> **Periods Required for Mall Development**

The development of a mall requires a long period of time as it involves a series of steps, ranging from market research, site selection and negotiations with land owners to acquire land to various legal procedures, store construction and recruitment of tenants. As such, if development projects do not proceed as planned or are suspended, the AEON Mall Group's earnings performance may be affected.

> **Risk of Buildings Being Damaged, Destroyed or Degraded**

The AEON Mall Group's mall operations may be disrupted if buildings and facilities are damaged, destroyed or otherwise degraded by fire, earthquakes or any other unforeseen events. All malls currently operated by the Group are covered by fire insurance and loss of profit insurance, which compensates for the loss of rent, among others, in the event of fire, flood or other large-scale disasters causing substantial damage. However, as malls are large-scale facilities, there are currently no insurance companies willing to underwrite earthquake insurance policies with economically reasonable terms. Thus, for this and other reasons, our insurance coverage falls short of compensating the full amount of physical damage that might be caused by earthquakes. Under these circumstances, the AEON Mall Group's earnings performance may be greatly affected in the event of mall structures being damaged, burned down or otherwise degraded in earthquakes.

> **Risk of Information System Stoppage**

The importance of information systems to the AEON Mall Group's business activities has risen dramatically. Over the years, the Group has sought to safeguard systems and data through a variety of means, including the consolidation of servers at a datacenter, server and network redundancy, and more sophisticated security measures. Nevertheless, the Group's earnings performance and financial condition may be adversely affected by circumstances in which business continuation is hindered by information system failure due to damage to its datacenter caused by major earthquakes and other natural disasters. In an attempt to avoid such risk, the AEON Mall Group opened and began to operate a second datacenter in western Japan in fiscal 2012 (ended February 2013) to serve as a backup center. The redundancy provided by this datacenter will enable a framework in which stable information system operations will continue at one facility in the event that damage at the other results in system stoppage. Development of this framework will further strengthen the Group's current business continuity plan (BCP) and minimize any adverse impact on business activities should such damage occur.

> **Environmental Contamination of Development Areas**

The AEON Mall Group occasionally develops malls on land where industrial plants were previously located. When contaminants are found in an environmental survey, under contract, the cost of removing contaminants is borne by the seller of contaminated land in the case where the Group purchased the land, and by the landlord in the case where the Group leases the land. However, if any contaminant is found after the completion of the survey, it would certainly slow down the mall development project there, with the likelihood of an impact on the AEON Mall Group's earnings.

> **Risk of Declining Availability of Development Sites**

The growth of the AEON Mall Group's business depends on its ability to continue developing new malls. If the supply of large-scale sites suitable for mall development declines significantly, it may slow down the pace of our mall development activities.

> **Management of Personal Information**

The AEON Mall Group is striving to ensure the proper management of customers' personal information through such measures as strict compliance based on in-house regulations and the Information Management Manual, in addition to education of employees. Should the leakage of personal information occur in accidents or under other unforeseeable circumstances, however, it could damage the reputation of and confidence in the AEON Mall Group, eventually affecting its earnings performance.



Overseas Business Development

The AEON Mall Group is seeking to undertake mall development business in China, the ASEAN region, and other overseas markets as part of its broad business strategy. Overseas business operations may affect our earnings performance because of possible changes in legal regulations related to investment, trade, competition, taxation and foreign exchange, differences in business practices, labor relations, and other political and social factors, on top of overall economic trends and exchange rate fluctuations.



Risk from Competition with Rival Companies

Competition from other real estate developers and general merchandisers is intensifying, a trend that may adversely affect the AEON Mall Group's business operations, financial conditions and earnings performance.



Risk Associated with Economic Conditions

Tenants at malls owned and operated by the AEON Mall Group are mostly retailers and service providers, and demand for their products and services is susceptible to trends in the overall economy and personal consumption in particular. If economic conditions in Japan deteriorate in the future, our business operations may be adversely affected, with the risk of falling values of assets we hold.

Financial Matters



Possible Earnings Fluctuations Due to Interest Rate Changes

The AEON Mall Group has been placing emphasis on borrowings at fixed interest rates in the procurement of necessary funds from various financial institutions. As of February 28, 2013, the balance of borrowings including bonds stood at ¥220,146 million on a consolidated basis, of which ¥156,629 million, or 71.1%, were borrowings at fixed interest rates. Should interest rates rise, it would push up interest paid on floating-rate borrowings as well as costs of refinancing and fundraising for new projects, with a likely adverse impact on the Group's earnings performance.



Fund-Raising Operations

The AEON Mall Group occasionally takes on additional debt or increases equity capital for the development of new malls based on its growth strategy. However, we may not be able to raise necessary funds with ideal financing terms in a timely manner, due to the overall business and economic downturn, or a possible decline of our credit standing and deteriorating business prospects, among other factors. Furthermore, the possibility cannot be entirely ruled out of the AEON Mall Group being unable to raise funds at all.



Risk Associated with the Impact of the Impairment Accounting Standard

Based on the "Accounting Standard Regarding Impairment Loss on Fixed Assets" (hereinafter referred to as "the impairment accounting standard"), announced in August 2002, the AEON Mall Group applies the impairment accounting standard to its accounting of business operations. If individual business establishments incur operating losses, market prices of land held fall sharply, mall facilities become idle due to the withdrawal of tenants, or the business environment deteriorates considerably, the resulting impairment losses may adversely affect the Group's financial condition and earnings performance.

Directors

Chairman
Noriyuki
Murakami

● **Date of birth**
April 3, 1951

● **Biography**

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

● **Important concurrent positions**

Executive Vice President, Advisor to CEO, Chief Representative to Tohoku, AEON Co., Ltd.

President and CEO
Soichi
Okazaki

● **Date of birth**
October 10, 1958

● **Biography**

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

● **Important concurrent positions**

Chairman, AEON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.
Director, AEON MALL (TIANJIN) BUSINESS CO., LTD.
Executive Vice President, CEO, Shopping Center Development Business, AEON Co., Ltd.

Senior Managing Director
Kaoru
Iwamoto

● **Date of birth**
August 7, 1954

● **Biography**

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

Senior Managing Director
Seichi
Chiba

● **Date of birth**
July 28, 1955

● **Biography**

April 1978 Joined The Dai-Ichi Kangyo Bank, Limited
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 Executive Officer, AEON Co., Ltd.
May 2010 Vice President, CFO, AEON Co., Ltd.
May 2010 Corporate Auditor, AEON Mall Co., Ltd.
March 2011 Vice President, Group CFO, AEON Co., Ltd.
May 2013 Senior Managing Director, General Manager, Finance & Accounting Division, AEON Mall Co., Ltd. (to present)

**Senior Managing
Director
Hiroshi
Iwamoto**



● **Date of birth**
March 2, 1954

● **Biography**

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

**Managing Director
Yoshiharu
Umeda**



● **Date of birth**
October 8, 1955

● **Biography**

March 1978 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
August 2007 General Manager, AEON Mall Sakaikitahana
prou, AEON Mall Co., Ltd.
May 2009 General Manager, AEON Mall Hanyu,
AEON Mall Co., Ltd.
May 2011 Director, General Manager, West Japan Busi-
ness Department, Sales Division,
AEON Mall Co., Ltd.
August 2012 Director, General Manager, Administration
Division, AEON Mall Co., Ltd.
April 2013 Director, General Manager, Administration
Division, AEON Mall Co., Ltd.
May 2013 Managing Director, General Manager, Adminis-
tration Division, AEON Mall Co., Ltd. (to present)

● **Important concurrent positions**
Director, Shimoda Town Co., Ltd.

**Director
and Advisor
Motoya
Okada**



● **Date of birth**
June 17, 1951

● **Biography**

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 President, AEON Co., Ltd.
March 2012 President, Group CEO, AEON Co., Ltd.
(to present)

● **Important concurrent positions**
President, Group CEO, AEON Co., Ltd.

**Director
Mitsugu
Tamai**



● **Date of birth**
July 5, 1962

● **Biography**

July 1999 Joined AEON Credit Service Co., Ltd.
March 2002 Manager, Finance & Accounting Division,
AEON Credit Service Co., Ltd.
February 2005 General Manager, Finance & Accounting
Division, AEON Credit Service Co., Ltd.
May 2006 Director, General Manager, Finance & Account-
ing Division, AEON Credit Service Co., Ltd.
April 2007 Director, General Manager, Finance & Account-
ing Division, AEON Credit Service Co., Ltd.
April 2009 Director, General Manager, Business Promo-
tion Division, AEON Credit Service Co., Ltd.
March 2010 Director, General Manager, Affiliate Manage-
ment Division, AEON Credit Service Co., Ltd.
May 2011 Executive Officer, General Manager, Adminis-
tration Department, Affiliate Management
Division, AEON Credit Service Co., Ltd.
May 2012 Aide to the Group Control and Accounting
Officer, AEON Co., Ltd.
May 2012 Corporate Auditor, AEON Kyushu Co., Ltd.
May 2012 Corporate Auditor, AEON Delight Co., Ltd.
August 2012 General Manager, Administration Division,
AEON Mall Co., Ltd.
April 2013 General Manager, ASEAN Division,
AEON Mall Co., Ltd.
May 2013 Director, General Manager, ASEAN Division,
AEON Mall Co., Ltd. (to present)

Director
Masato
Murai



● **Date of birth**
January 5, 1955

● **Biography**
April 1978 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
May 2005 General Manager, Sales Division No. 2,
 AEON Mall Co., Ltd.
May 2006 Director, General Manager, Sales Division No. 2,
 AEON Mall Co., Ltd.
August 2007 Director, General Manager, Kinki Sales Depart-
 ment, SC Sales Division, AEON Mall Co., Ltd.
May 2009 Director, General Manager, Chubu & Kinki
 Business Department, Sales Division,
 AEON Mall Co., Ltd.
May 2010 Director, General Manager, Revitalization
 Promotion Management Department, Sales
 Division, AEON Mall Co., Ltd.
April 2011 Director, General Manager, Corporate Social
 Responsibility Management Department,
 Sales Division, AEON Mall Co., Ltd.
December 2011 Director, General Manager, Makuhari New City
 Promotion Department, Sales Division,
 AEON Mall Co., Ltd. (to present)

Director
Akio
Mishima



● **Date of birth**
November 8, 1958

● **Biography**
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 Depart-
 ment, 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 Manage-
 ment Department, Sales Division,
 AEON Mall Co., Ltd. (to present)

● **Important concurrent positions**
Director, AEON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.
Director, AEON MALL (TIANJIN) BUSINESS CO., LTD.

Director
Akifumi
Nakamura



● **Date of birth**
December 12, 1959

● **Biography**
October 1990 Joined AEON Mall Co., Ltd.
February 2003 General Manager, AEON Mall Kawaguchi Green
 City, AEON Mall Co., Ltd.
March 2005 General Manager, AEON Mall Kawaguchi carat,
 AEON Mall Co., Ltd.
September 2008 General Manager, Second Leasing Department,
 Leasing Management Department,
 AEON Mall Co., Ltd.
May 2010 General Manager, PM Business Department,
 Sales Division, AEON Mall Co., Ltd.
May 2011 Director, General Manager, PM Business
 Department, Sales Division, AEON Mall Co., Ltd.
December 2011 Director, General Manager, ASEAN Business
 Operation Division, AEON Mall Co., Ltd.
May 2012 Director, General Manager, ASEAN Business
 Operation Division, AEON Mall Co., Ltd.
April 2013 Director, General Manager, Global Leasing
 Department, AEON Mall Co., Ltd. (to present)

Director
Yuzo
Fujiwara



● **Date of birth**
August 16, 1953

● **Biography**
March 1978 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
March 1999 General Manager, Business Department No. 2,
 Megamart Division, Jusco Co., Ltd.
September 2005 General Manager, AEON Mall Ota,
 AEON Mall Co., Ltd.
March 2008 General Manager, Minami Kanto Sales Depart-
 ment, SC Sales Division, AEON Mall Co., Ltd.
May 2009 General Manager, Marketing Support Depart-
 ment, Chubu & Kinki Business Department,
 Sales Division, AEON Mall Co., Ltd.
May 2010 Director, General Manager, Chubu & Kinki
 Business Department, Sales Division,
 AEON Mall Co., Ltd.
April 2012 Director, General Manager, New Business
 Management Department, Sales Division,
 AEON Mall Co., Ltd. (to present)

Corporate Auditors

**Full-time
Corporate Auditor**
**Hiroyuki
Hamasaki**



● **Date of birth**
May 4, 1950

● **Biography**
March 1973 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
March 1997 General Manager, Administration Management
 Department, AEON Fantasy Co., Ltd.
May 1998 Director, AEON Fantasy Co., Ltd.
March 1999 Administration Management Group Chief
 Manager, AEON Fantasy Co., Ltd.
May 2000 Managing Director, AEON Fantasy Co., Ltd.
May 2003 Senior Managing Director,
 AEON Fantasy Co., Ltd.
March 2005 General Manager, Administration Division, Risk
 Management, AEON Fantasy Co., Ltd.
May 2006 Full-time Corporate Auditor,
 MINISTOP Co., Ltd.
June 2006 Corporate Auditor, MAXVALU CHUBU Co., Ltd.
May 2007 Corporate Auditor, MINISTOP Co., Ltd.
October 2007 Full-time Corporate Auditor, AEON BANK, Ltd.
May 2013 Full-time Corporate Auditor, AEON Mall Co., Ltd.
 (to present)

Corporate Auditor
**Yotoku
Hiramatsu**



● **Date of birth**
November 8, 1950

● **Biography**
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 Corporate Auditor,
 MARUNAKA Co., Ltd.
May 2013 Corporate Auditor, AEON Retail Co., Ltd.
 (to present)
May 2013 Corporate Auditor, AEON Mall Co., Ltd.
 (to present)

Corporate Auditor
**Mami
Taira**



● **Date of birth**
February 20, 1962

● **Biography**
October 1987 Joined Tohmatsu Awoki & Sanwa
 (now Deloitte Touche Tohmatsu LLC)
October 1990 Joined Yoshio Hayakawa Tax 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 Corporate Auditor, AEON Mall Co., Ltd.
 (to present)

Corporate Auditor
**Yoshihiro
Machida**



● **Date of birth**
May 25, 1967

● **Biography**
April 1992 Assistant, School of Commerce, Waseda
 University
April 1997 Associate Professor, Faculty of Business
 Administration, Tokyo Keizai University
April 2000 Assistant Professor, Faculty of Business
 Administration, Tokyo Keizai University
April 2005 Professor, Aoyama Gakuin University Graduate
 School of Professional Accountancy
 (to present)
June 2007 Corporate Auditor, EBARA CORPORATION
May 2011 Corporate Auditor, AEON Mall Co., Ltd.
 (to present)

● **Important concurrent positions**
Professor, Aoyama Gakuin University Graduate School of
Professional Accountancy
Corporate Auditor, EBARA CORPORATION

In order to realize long-term and stable enhancement of corporate value, A&M Mall is developing a framework that upgrades the function of corporate governance and allows prompt decision-making.

Basic Approach

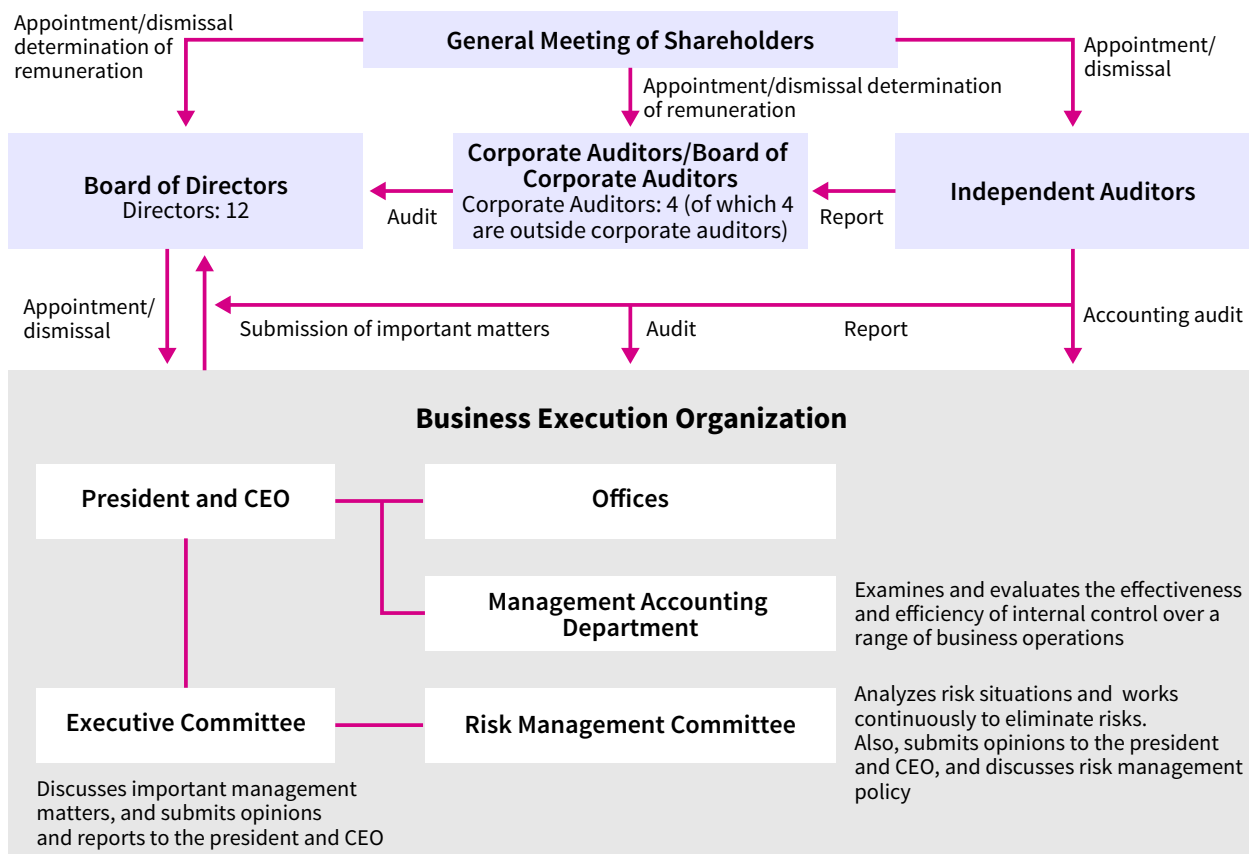
Following our basic philosophy of “Customers First,” we aim to boost our participation in community life. Through our lifestyle centers in which we create “surprises, excitement, and fun,” we aim to create “Towns with Vitality” that offer new lifestyles brimming with appeal. Our partners in creating these vital towns include the local residents, administrations, commercial corporations, and specialty store companies. We are committed to continuing to work with them to help realize rich and stimulating lifestyles for local residents.

Following this basic policy, we shall contribute to the growth of local economies and culture and create shopping malls that serve as essential community centers for the local communities.

We are also working to further enhance our strength as a specialist shopping mall developer with roots in the retail business through corporate management led by directors with thorough knowledge of the retail business, and to maintain and reinforce sound management through the adoption of an auditing system.

We believe that fulfilling our responsibilities to stakeholders including shareholders and customers as well as business partners, local communities, and employees through corporate activities guided by these initiatives will lead to long-term and stable enhancement of corporate value. To realize that goal, we strive to boost our competitiveness by upgrading the function of corporate governance and achieve prompt decision-making. Under these initiatives, we will move forward to enhance the transparency and efficiency of management, upgrade compliance and risk management, and thereby further improve the corporate governance system.

Corporate Governance Structure (As of May 24, 2013)



Board of Directors	Meetings of the Board of Directors, chaired by the president, are held at least once a month in order to discuss important management issues, policies and key matters related to business execution, as well as to strengthen the supervisory role of management. Our four outside corporate auditors also attend these meetings.
Board of Corporate Auditors	The Board of Corporate Auditors works closely with the independent auditors and the Management Auditing Department, our internal audit division, mutually exchanging information and opinions as needed, in an effort to enhance both audit efficacy and efficiency. Of our four outside auditors, two are independent auditors.
Executive Committee	The Executive Committee, established as an advisory body for the president to promote more efficient management, normally meets once a week. The committee is mainly comprised of managing directors and the general managers of business and administration departments and divisions. The Executive Committee sets agenda items for the Board of Directors, and deliberates, adjusts and decides important matters concerning decision-making and management execution by the president. As a governance check, a full-time auditor is present at every meeting.
Management Auditing Department	The Management Auditing Department, made up of six full-time officials, works in close cooperation with the heads of other divisions, and examines and evaluates the effectiveness and efficiency of internal control over a range of business operations to ensure the smooth management and control of business operations. This department is independent from all business-related executive divisions.

Relationship with AEON Co., Ltd.

On August 21, 2008, AEON Co., Ltd., the parent company of AEON Mall, became a pure holding company. In line with this change, the holding company manages the Group's operations, including its core GMS and other retail store operations, general financing operations, and shopping center development and service operations. AEON Mall is considered the core company responsible for the Group's shopping center development business. AEON Co., Ltd., either on its own or via affiliated companies, holds 57.43% of the voting rights in AEON Mall (55.84%* direct ownership). However, decisions regarding day-to-day operations are left to the management judgment of AEON Mall. Critical problems that arise with respect to business operations are discussed with or reported to AEON Co., Ltd. Decisions with respect to the terms and conditions of trade with AEON Co., Ltd. or its affiliated companies are decided based on economic terms and other factors in the same manner as with ordinary transactions, and require the same approval procedures, including approval of the Board of Directors.

AEON Mall, AEON Co., Ltd. and companies within the AEON Group amply respect their mutual independence and autonomy, but maintain close ties in an effort to promote sustainable growth, development and improved business performance.

* As of February 28, 2013

Corporate Governance Data

Information Concerning Directors and Corporate Auditors

(the fiscal year ended February 28, 2013)

Executive	Remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Persons
		Basic remuneration	Stock option	Estimated amount of executive bonuses	
Directors (Excluding outside directors)	177	110	32	34	13
Corporate auditors (Excluding outside corporate auditors)	—	—	—	—	—
Outside directors and corporate auditors	23	23	—	—	3

- (Notes) 1. Includes four directors who resigned as of the 101st Ordinary General Meeting of Shareholders (May 15, 2012). Excludes two unpaid directors and one outside corporate auditor.
2. Resolutions of the Ordinary General Meeting of Shareholders
Maximum amount of remuneration:
- Directors ¥600 million for each fiscal year (Resolution of the Ordinary General Meeting of Shareholders held on May 17, 2007)
 - Corporate auditors ¥50 million for each fiscal year (Resolution of the 96th Ordinary General Meeting of Shareholders held on May 8, 2002)
3. Total remuneration includes the amounts detailed below.
- Estimated amount of executive bonuses includes that for 7 directors as of February 28, 2013 and one director who resigned as of August 10, 2012, excluding two unpaid directors.
 - Remuneration from stock options includes 12 directors as of April 21, 2012, but excludes two unpaid directors.

Meetings Held of Board of Directors, Board of Corporate Auditors and Executive Committee

(the fiscal year ended February 28, 2013)

Meeting		Meetings held (times)	Members/Participants
Board of directors	Chaired by the president and held at least once per month	18	Directors and Corporate Auditors
Board of corporate auditors		13	Corporate Auditors
Executive committee	An advisory body for the president mainly comprising directors of managing director rank or higher and full-time corporate auditors and normally meeting once a week.	38	President and Directors

Matters Concerning Outside Directors and Corporate Auditors

■ Situation regarding significant concurrent posts (the fiscal year ended February 28, 2013)

Item	Name	Concurrent	Concurrent posts	Relationships between the Company and the entities concerned
Outside corporate auditor	Kenji Harada	Shimoda Town Co., Ltd	Outside corporate auditor	Subsidiaries
		HIWADA SHOPPING MALL Co., Ltd.		
		ÆON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.	Corporate auditor	
		ÆON MALL (TIANJIN) BUSINESS CO., LTD.		
	Seiichi Chiba	ÆON Co., Ltd.	Vice President, Group CFO	Major shareholder (parent company)
		ÆON BANK LTD.	Outside corporate auditor	Opened store as a tenant (Group company)
	Mami Taira	Taira Tax & Accounting Consulting Group	Partner	No material relationship
	Yoshihiro Machida	Aoyama Gakuin University Graduate School of Professional Accountancy	Professor	No material relationship
		EBARA CORPORATION	Outside corporate auditor	No material relationship

■ Attendance at meetings of the Board of Directors and Board of Auditors (the fiscal year ended February 28, 2013)

Item	Name	Board of Directors		Board of Corporate Auditors	
		No. of attendance/ Meetings held (times)	Attendance rate (%)	No. of attendance/ Meetings held (times)	Attendance rate (%)
Outside corporate auditor	Kenji Harada	18/18	100.0	13/13	100.0
	Seiichi Chiba	17/18	94.4	12/13	92.3
	Mami Taira	15/18	83.3	11/13	84.6
	Yoshihiro Machida	15/18	83.3	12/13	92.3

■ Opinions in meetings

Item	Name	Other activities
Outside corporate auditor	Kenji Harada	Offers opinions as needed to ensure the legality and propriety of decision-making, leveraging ample experience built over a career spanning appointments at several AEON Group companies.
	Seiichi Chiba	Offers opinions as needed, leveraging expertise in financial accounting built through a career at AEON Co., Ltd. and in bank management.
Independent outside corporate auditor	Mami Taira	Offers opinions as needed from a neutral standpoint, leveraging expertise gained as a certified public accountant and tax accountant.
	Yoshihiro Machida	Offers opinions as needed from a broad perspective, leveraging extensive insight as an expert on internal control systems and auditing and accounting theory, as well as a service as an auditor at other companies.

Information Concerning Independent Auditors (the fiscal year ended February 28, 2013)

Name of independent auditors	Deloitte Touche Tohmatsu LLC
Remuneration related to the current business year* ¹	52 million yen
Total remuneration payable by the Company to independent auditors* ²	63 million yen

(Notes) 1. Total remuneration related to auditing duties as provided by the Companies Act and the Financial Instruments and Exchange Act.

2. Total cash and other financial benefits payable by the Company and its subsidiaries, etc.

Status of Systems or Regulations

Item	Status	Explanation
Existence of mechanism for deciding remuneration of directors	Yes	Remuneration is based on a performance-based system.
Existence of Stock Option System	Yes	
Existence of agreements limiting liability with outside directors and auditors	Yes	
Existence of agreements limiting liability with independent auditors	No	
Existence of defensive measures against hostile takeover	No	
Existence of risk management regulations	Yes	Such matters fall under the Management Crisis Management Regulations.
Existence of internal reporting system	Yes	Such matters fall under the "Employee's 110 hotline," established by the Compliance Committee.
Existence of Corporate Ethics Regulations	Yes	Such matters fall under the AEON Code of Conduct.

We have established an internal control system, as described below, in order to ensure that operations are conducted in a manner that is both appropriate and in compliance with laws, regulations, and the articles of incorporation, as well as to promote ongoing system improvement and enhancement.

Internal Control System



Maintenance and Management of Information

As regards records of directors' decision-making, under the internal rules of AEON Mall, directors create and appropriately maintain records relating to the execution of their duties, including approval documentation, minutes of meetings, and other information. Moreover, in managing these records the department that is responsible under our rules takes the necessary measures to prevent leakage of such information to third parties.



Efficient Execution of Duties

We hold meetings of the Board of Directors once a month and additional board meetings in a timely manner as necessary. For approval matters that involve material risk requiring approval by the president or higher authority, we established the Executive Committee, which mainly comprises directors of managing director rank or higher and full-time corporate auditors, as an advisory body for the president, enabling joint discussion of the matters from a wide range of viewpoints before the president makes approval or the Board of Directors passes a resolution. For execution of duties we have established "rules for job position management," "rules for the division of duties," "rules for authority," and "rules for asking approval," that govern allocation of necessary authority for execution and clarify management responsibility as well as setting out details of responsibilities and execution procedures.

We have a system in place that ensures the execution of duties by directors is in compliance with legal regulations and the articles of incorporation to build better relations with local communities. In parallel, we put great importance on compliance-driven management and strict adherence with the AEON Code of Conduct to fulfill our social responsibility as a good corporate citizen.

In our internal reporting system, we have established a Compliance Committee as an organization subordinate to the Executive Committee, and have set up Helpline AEON Mall "Employee's 110 hotline." A similar hotline has also been established for our labor union: "Union 110." In the event that a person uses the hotline to report information that they have received, the Compliance Committee examines the details and, if an infringement is recognized, takes required measures as prescribed by internal rules. The Compliance Committee also formulates measures to prevent a reoccurrence of the infringement, or requests that the relevant departments do so, then implements these measures Company-wide. The Compliance Committee reports material matters to the Board of Corporate auditors.



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

When there is any possibility of the interests of the parent company and the Company coming into conflict over a transaction with the parent company or over carrying out business in competition with the parent company, the details of such matters are reviewed and referred to the Board of Directors for approval before proceeding. The Company, moreover, manages subsidiaries based on the "rules for managing affiliate companies" and establishes a system of cooperation to ensure appropriate operations of subsidiaries. Transactions between

AEON Group companies are conducted according to appropriate conditions based on market prices. When it is possible to obtain an objective valuation based on values set by a third-party valuation, the Group companies will endeavor to obtain such a valuation.



Auditing and Monitoring Structure

For the internal audit we have established the Management Auditing Department, a body of seven members under the direct management of the president. The Management Auditing Department undertakes an operating audit of every department in the Company. It thus helps to ensure that internal controls are functioning properly and to verify their efficacy. The Management Auditing Department reports results of these operating audits to the president each time, and makes regular reports to the Executive Committee and to the corporate auditors.

The Company does not appoint any of its employees as staff members to assist in the operation of corporate auditors. Full-time corporate auditors directly undertake auditing operations, including formulation of an audit plan and audit budget as well as actual auditing, and strive to ensure the effectiveness of auditing operations by regularly receiving and reviewing reports on internal auditing carried out by the Management Auditing Department as well as reports from independent audits. In the event that the corporate auditors request the appointment of employees as assistant staff members in the future, the Board of Directors will select and allocate the necessary personnel following consultation with the Board of Corporate Auditors.

The Management Auditing Department's auditing role is to closely cooperate with the Board of Corporate Auditors and help the corporate auditors conduct efficient audits such as by discussing with them the content of internal auditing on a timely basis.

When the assistant staff members who receive orders needed for audit operations from corporate auditors are allocated, these staff members will not receive directions and instructions regarding those orders from other directors or employees. Moreover, when assistant staff members have been appointed, personnel evaluations for these assistants will be conducted following consultation with the corporate auditors, and personnel transfers and reprimands will require the prior consent of the Board of Corporate Auditors. Directors are also obliged to report to the Board of Corporate Auditors without delay matters that could have an influence on the Company's business and/or earnings performance, violations of law, and other compliance-related problems when such matters involve the discovery of facts that potentially pose material risk of loss to the Company. Furthermore, when directors are requested by the corporate auditors to submit reports concerning execution of duties, such requests must be given precedence over other matters and promptly and honestly responded to.

Risk Management

To address business risks such as those related to disaster or loss, the environment, or compliance, we have established a risk management committee, as an organization subordinate to the Executive Committee, to serve as the company-wide risk management entity. The committee identifies risks throughout the company, collects information, and prepares policies for formulating responsive measures. The various departments prescribed as responsible by our rules for the division of duties, use these policies to create regulations and handling procedures, etc., and periodically conduct a review of existing regulations and procedures. To ensure the above regulations and handling procedures are made known throughout the Company, we take thorough measures to communicate necessary information to all employees such as through periodic internal company training and electronic bulletin boards. If imminent and serious risk of loss becomes apparent, we shall appropriately transmit information and carry out approval based on our Management Crisis Management Regulations and take appropriate responsive action such as by making efforts to minimize damage.

Measures to Eliminate Antisocial Forces



Fundamental Policies

Based on our commitment to thorough compliance management and from the viewpoint of defending our company, we hold no relationships with antisocial forces. We recognize that it is our social responsibility as a corporation to eliminate antisocial forces by responding resolutely against any unjust demands.



Measures Regarding Antisocial Forces

In the event that we receive unjust demands from antisocial forces, the Company's response will not be made through an individual; rather, the response will be an organizational one structured on close cooperation with outside specialists and investigative bodies, including a legal response based on both civil law and criminal law. The Company is a member of the Bouryokudan Tsuihou Chiba Kenminkaigi (Chiba Prefectural Citizen Committee Against Organized Crime Groups) and works closely with the police and anticrime groups to collect information regarding antisocial forces. We centrally manage Company-wide information including that of each of our business offices by forwarding the information to the responsible department in order to maintain awareness throughout the Company of such matters.



Other Corporate Governance Structures

We have established the AEON Mall Corporate Social Responsibility (CSR) Council to promote policies for corporate activities from social, environmental, and ethical aspects. We also formulated codes of conduct and standards for environmental protection and contributions to society in addition to legal compliance, and we work to make sure that the rules relating to these codes and standards are known and observed in every part of our organization.

CSR activity base is “5 pillars” based on international standards

What are the responsibilities that companies need to accomplish for a sustainable society? This theme is gaining importance for both companies and stakeholders. In particular, the mall business is closely connected to the local community, and we believe that there will be no progress for our company unless we perform our social responsibilities properly.

The base of our CSR activities is five pillars based on ISO26000 issued in November 2010 as the first international standard concerning social responsibility.

The seven core themes set down in ISO26000

1. Organizational governance; 2. Human rights; 3. Labor practices; 4. The environment;
5. Fair operating practices; 6. Consumer issues; 7. Community involvement and development

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

..... related to organizational governance, human rights, and labor practices

We will realize a workplace where all employees can bring out their maximum abilities by respecting human rights and creating an organization where they can participate in the development of the company regardless of gender or nationality.

> Promotion of environmental conservation from the region to the planet

..... related to the environment

We will promote town development in harmony with the environment, by introducing the latest technologies to keep environmental impact to a minimum, creating mechanisms whereby the community's ecosystem is protected, and being thorough with energy saving and waste management.

> Implementation of healthy and positive partnerships

..... related to fair operating practices

Based on universal ethics and together with our partners, we will build stronger and healthier cooperative relationships while giving consideration to the commercial practices of various countries.

> Achievement of security born from ceaseless pursuit of safety

..... related to consumer issues

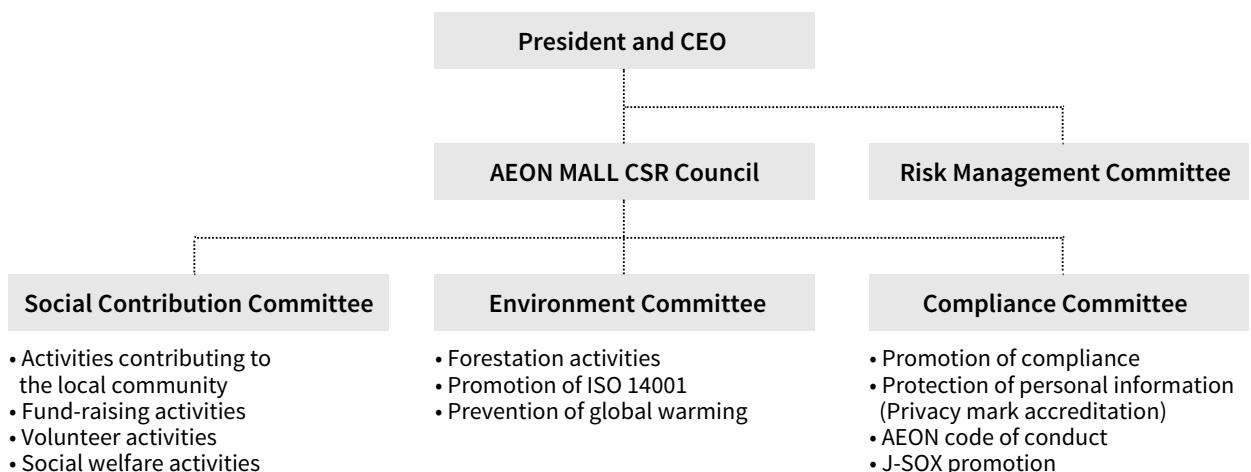
We will provide various kinds of safety for everyone who is involved with us in implementing town development so that it is viewed as being secure for everyone at any time.

> Continuous contribution to the local community

..... related to community involvement and development

To achieve the true contributions expected by the people, we will base ourselves in the community and will deepen our community relationships to share problems and endeavor to solve them.

■ CSR Promotion System Diagram



Approaches to Environmental Protection and Social Contribution Activities

The social responsibilities of the Group are “mall development in harmony with the environment” and “mall development in harmony with the community.” At the same time, we are conscious that fulfillment of these responsibilities will bring about sustainable growth for a mall in a region. We hold monthly AEON Mall CSR Meetings chaired by the president, which promote policies on corporate activities from the perspectives of society, the environment and ethics, to carry out swift decision-making with an eye to managing the progress of CSR activities and resolving problems.

We promote measures such as activities to save energy through the introduction of solar power generation from solar panels (20 malls as of the end of fiscal 2012), LED lighting (34 malls), and high efficiency lighting and work to reduce CO₂ emissions. In addition, AEON Mall is pushing ahead with the introduction of charging stations for electric vehicles at 16 malls at the end of fiscal 2012 to enable our malls to play a part in the infrastructure of tomorrow’s low carbon society. In fiscal 2013, we will install the charging stations at 20 malls, and this number will also be increased in fiscal 2014 and beyond. Furthermore, we are also promoting initiatives which include the AEON Hometown Forest Program for planting seedlings which fit in with local flora inside the mall site together with local people upon opening of a new mall and working toward zero emissions.

Through the AEON 1% Club, to which companies of good standing in the AEON Group contribute 1% of pre-tax profits to carry out various activities based on the pillars of environmental conservation, international culture and personnel exchange, personnel development and training, and revitalization of local culture and communities, we have continuously promoted fund raising based on participation by customers and employees of specialty stores in our malls for the school building program we have run in Asia since 2001 and disaster reconstruction aid activities.

Moreover, we also make efforts in supporting activities utilizing our malls. In one of these efforts, university students from Thailand, Vietnam, Indonesia and Japan worked together to plant trees at AEON Mall Kusatsu in November 2012 as a part of The ASEAN University Students Environmental Forum, which the AEON 1% Club initiated in 2010 with the aim of deepening friendship between university students in Japan and ASEAN countries.



Environmental Rating



FTSE4Good

AEON Mall was included in the FTSE4Good Index series for the eighth consecutive year following a review in March 2013. The FTSE4Good Index series is one of the world’s leading socially responsible investment indices used to evaluate companies in terms of environmental conservation, relations with stakeholders, and human rights consideration.



We have been granted an environment rating loan from the Development Bank of Japan in 2008 upon obtaining a rating of the highest rank for two consecutive years for being “especially advanced in environmental initiatives.”



CSR Report 2012 (→PDF download)

Company Name:	AEON Mall Co., Ltd.
Date Established:	November 1911
Capital Stock:	¥16,692 million (as of May 2013)
Headquarters:	1-5-1 Nakase, Mihama-ku, Chiba, Chiba 261-8539, Japan TEL: 81-(43)-212-6450 FAX: 81-(43)-212-6737
Offices:	Details here http://www.aeonmall.com/en/about/profile.html
Number of Malls:	64
Business Activities:	Development of large-scale shopping malls, tenant leasing and operation/management
Number of Employees:	1,043
Stock Listings:	The First Section of the Tokyo Stock Exchange (Securities code 8905)
Transfer Agent:	Mizuho Trust and Banking Co., Ltd. 2-1, Yaesu 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Independent Auditors:	Deloitte Touche Tohmatsu LLC 13-23, Shibaura 4-chome, Minato-ku, Tokyo 108-8530, Japan



For further information, please contact the Investor Relations Section of the Management Planning Department at AEON Mall Co., Ltd. Head Office.
1-5-1 Nakase, Mihama-ku, Chiba 261-8539, Japan
<http://www.aeonmall.com/en>

AEON Mall: A Specialist Property Developer at the Core of the AEON Group

The AEON Group is made up of the pure holding company AEON Co., Ltd. and 251 companies in Japan and overseas (as of February 28, 2013). The Group comprises 12 businesses, which include the Comprehensive Retail Business, the Specialty Store Business, the Shopping Center Development Business, and the Service Business.

As a specialist property developer at the core the AEON Group, AEON Mall plays the role of the Group's incubator, or supporter of business start-ups. We take full advantage of the Group's retail know-how and provide everything from market research right through to planning and development, leasing of tenants, operation and management to create facilities full of the fresh attractions that only AEON Mall can deliver. As a result, we have gained a reputation as "the place to be" not only among customers but among specialty stores as well.

Pure holding company



General Merchandise Store Business

Supermarket Business

Discount Store Business

Strategic Small-size Store Business

Drugstore & Pharmacy Business

Financial Services Business

Shopping Center Development Business

Service Business

Specialty Store Business

E-commerce Business

ASEAN Business

China Business

Product Functions, etc.

Shopping malls (Domestic)

☆: Securitized

	Malls	Gross leasable area (m ²)	Parking	Tenants	Land and building ownership	Land lease/ building ownership	Land and building lease	Property manage- ment
1	ÆON Mall Tsugaru Kashiwa	40,000	2,600	90	○			
2	ÆON Mall Shimoda	59,000	4,000	120	○			
3	ÆON Mall Akita	58,000	3,800	150	○			
4	ÆON Mall Morioka	46,000	2,800	115	○			
5	ÆON Mall Natori	67,000	3,900	180		○		
6	Shopping Mall Festa	32,000	3,800	90	○			
7	ÆON Mall Ota	62,000	4,200	150			○	
8	ÆON Mall Takasaki	59,000	3,700	170		○		
9	ÆON Mall Mito Uchihara	78,000	4,050	190		○		
10	ÆON Mall Tsukuba	64,000	4,000	200		○		
11	ÆON Mall Kawaguchi	34,000	1,300	90			○	
12	ÆON Mall Kawaguchi Maekawa	66,000	2,400	160			○	
13	ÆON Mall Hanyu	75,000	5,000	210		○		
14	ÆON LakeTown kaze	57,000	2,400	220			○	
15	Shopping Center Soyoca Fujimino	9,400	400	40				○
16	ÆON Mall Kasukabe	56,000	2,900	180		○		
17	ÆON Mall Musashimurayama	78,000	4,000	190			☆	
18	ÆON Mall Hinode	64,000	3,600	160		○		
19	ÆON Mall Yamato	35,000	1,900	90			☆	
20	ÆON Mall Futtsu	30,000	1,800	90	○			
21	ÆON Mall Narita	66,000	4,000	170	○			
22	ÆON Mall Chiba NEW TOWN	79,000	4,000	140			☆	
23	ÆON Mall Kofu Showa	45,000	2,500	130		○		
24	ÆON Mall Takaoka	62,000	3,600	130		○		
25	ÆON Mall Hamamatsu Shitoro	65,000	3,500	170			☆	
26	mozo wondercity	101,000	5,000	240				○
27	ÆON Mall Aratamabashi	38,000	1,600	120			○	
28	ÆON Mall Okazaki	80,000	4,300	170		○		
29	ÆON Mall Higashiura	55,000	5,000	110			☆	
30	ÆON Mall Kisogawa	66,000	4,400	160			○	
31	ÆON Mall Suzuka	70,000	4,200	160	○			
32	ÆON Mall Kusatsu	78,000	4,300	190		○		

	Malls	Gross leasable area (m ²)	Parking	Tenants	Land and building ownership	Land lease/ building ownership	Land and building lease	Property manage- ment
33	ÆON Mall Kyoto Gojo	36,000	1,600	150			○	
34	ÆON Mall KYOTO	50,000	1,100	130	○			
35	ÆON Mall Kashihara	80,000	5,000	250		○		
36	Nara Family	86,000	2,000	135				○
37	ÆON Mall Yamatokoriyama	67,000	4,200	170		○		
38	ÆON Mall Fujiidera	20,000	600	70	○			
39	ÆON Mall Neyagawa	24,000	700	50	○			
40	ÆON Mall Sakaikitahanada	72,000	2,800	160			☆	
41	ÆON Mall Rinku Sennan	76,000	4,300	170		○		
42	ÆON Mall Tsurumi Ryokuchi	53,000	2,100	150			☆	
43	ÆON Mall Itami	57,000	2,800	150			☆	
44	ÆON Mall Kobe Kita	55,000	4,000	160			☆	
45	KOBE HARBORLAND umie	85,000	3,000	225				○
46	ÆON Mall Kurashiki	83,000	4,700	210	○			
47	ÆON Mall Hiroshima Fuchu	80,000	4,300	200			○	
48	ÆON Mall Hiroshima Gion	50,000	2,800	140		○		
49	Hiroshima Danbara Shopping Center	24,000	800	60			○	
50	ÆON Mall Niihama	67,000	3,400	120		○		
51	ÆON Mall Kochi	57,000	3,100	150			○	
52	ÆON Mall Fukuoka	90,000	5,200	200			☆	
53	ÆON Mall Fukutsu	61,000	3,520	190	○			
54	ÆON Mall Nogata	58,000	3,400	140			○	
55	ÆON Mall Chikushino	69,000	3,600	180		○		
56	ÆON Mall Omuta	57,000	4,800	130	○			
57	ÆON Mall Sankoh	40,000	2,500	70	○			
58	Otsu Shopping Plaza	8,500	600	25	○			
59	ÆON Mall Kumamoto	73,000	4,500	160		○		
60	ÆON Mall Uki	63,000	3,300	100			☆	
61	ÆON Mall Miyazaki	70,000	4,000	180		○		
62	ÆON Mall Miyakonojo-Ekimae	28,000	1,700	100	○			
	Sub-total	3,714,900	199,270	9,100	17	19	22	4

* The project management contract for Kyoto Family concluded on February 28, 2013.

* ÆON Mall began management operations for Shopping Mall Festa on November 30, 2012.

* Effective March 31, 2013, the business category for ÆON Mall KYOTO changed from contracted property management to the leasing of land and property.

Shopping malls (Overseas)

	Malls	Gross leasable area (m ²)	Parking	Tenants	Land and building ownership	Land lease/ building ownership	Land and building lease	Property manage- ment
63	ÆON Mall Beijing International Mall (CHINA)	53,000	3,000	104			○	
64	ÆON Mall Tianjin TEDA (CHINA)	55,000	2,500	130			○	
65	ÆON Mall Tianjin Zhongbei (CHINA)	62,000	3,700	150			○	
	Sub-total	170,000	9,200	384	—	—	3	—

Total of Malls

	Malls	Gross leasable area (m ²)	Parking	Tenants	Land and building ownership	Land lease/ building ownership	Land and building lease	Property manage- ment
	Total	3,884,900	208,470	9,484	17	19	25	4

(As of May 31, 2013)

Consolidated Balance Sheet

AEON Mall Co., Ltd. and Its Subsidiaries
February 28, 2013

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ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14, 16 and 20)	¥ 41,313	¥ 8,441	\$ 446,575
Receivables:			
Trade accounts (Notes 16 and 20)	2,262	3,255	24,449
Other (Note 20)	11,865	12,681	128,259
Allowance for doubtful accounts		(7)	
Deferred tax assets (Note 13)	994	819	10,744
Prepaid expenses and other	6,662	3,774	72,013
Total current assets	63,096	28,963	682,040
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5, 6 and 7)	177,066	144,993	1,914,019
Buildings and structures (Notes 5, 6, 7 and 9)	429,853	406,264	4,646,562
Machinery and equipment	1,149	1,105	12,426
Furniture and fixtures	20,085	19,337	217,110
Construction in progress	13,747	9,148	148,595
Total	641,900	580,847	6,938,712
Accumulated depreciation	(169,531)	(147,270)	(1,832,569)
Net property, plant and equipment	472,369	433,577	5,106,143
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	1,165	792	12,598
Lease deposits to lessors (Note 16)	52,793	54,404	570,669
Long-term prepaid expenses	30,709	17,219	331,958
Deferred tax assets (Note 13)	5,016	4,273	54,221
Other	5,739	4,534	62,034
Total investments and other assets	95,422	81,222	1,031,480
TOTAL	¥630,887	¥543,762	\$6,819,663

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 16)		¥ 12,655	
Current portion of long-term debt (Notes 7 and 16)	¥ 31,397	28,365	\$ 339,393
Current portion of corporate bonds (Notes 7 and 16)	10,000		108,096
Payables:			
Trade accounts (Note 16)	4,432	5,113	47,912
Construction (Note 16)	12,398	10,019	134,019
Other	1,496	1,616	16,175
Deposits received (Note 16)	46,162	28,975	498,996
Income taxes payable	9,502	7,311	102,708
Accrued expenses	3,470	2,885	37,507
Current portion of lease deposits from lessees (Notes 7 and 16)	1,014	1,463	10,957
Other	3,744	2,572	40,471
Total current liabilities	123,615	100,974	1,336,234
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 16)	130,549	105,892	1,411,186
Corporate bonds (Notes 7 and 16)	48,200	33,000	521,025
Liability for retirement benefits (Note 8)	199	166	2,152
Lease deposits from lessees (Notes 7, 16 and 20)	103,634	102,878	1,120,244
Asset retirement obligations (Note 9)	6,235	6,114	67,400
Provision for store closing expenses	300		3,243
Deferred tax liabilities (Note 13)	136		1,473
Other	242	264	2,615
Total long-term liabilities	289,495	248,314	3,129,338
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 17)			
EQUITY (Notes 10, 11, 19 and 21):			
Common stock – authorized, 320,000,000 shares in February 28, 2013 and February 20, 2012; issued, 181,156,907 shares in 2013 and 181,148,807 shares in 2012	16,692	16,684	180,430
Capital surplus	17,000	16,992	183,767
Stock acquisition rights	142	125	1,533
Retained earnings	177,791	159,911	1,921,854
Treasury stock – at cost, 10,710 shares in 2013 and 10,270 shares in 2012	(28)	(27)	(305)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	330	264	3,566
Foreign currency translation adjustments	3,261	(141)	35,261
Total	215,188	193,808	2,326,106
Minority interests	2,589	666	27,985
Total equity	217,777	194,474	2,354,091
TOTAL	¥630,887	¥543,762	\$6,819,663

Consolidated Statement of Income

AEON Mall Co., Ltd. and Its Subsidiaries
Year Ended February 28, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING REVENUE (Note 20)	¥161,427	¥150,886	\$1,744,975
OPERATING COSTS	105,831	99,354	1,143,999
Gross profit	55,596	51,532	600,976
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	13,852	10,876	149,741
Operating income	41,744	40,656	451,235
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 20)	500	485	5,405
Foreign exchange gains		281	
Interest expense	(2,655)	(2,638)	(28,703)
Loss from a natural disaster (Note 12)		(2,296)	
Loss on adjustment for changes of accounting standard for asset retirement obligations		(1,762)	
Loss on impairment of long-lived assets (Note 5)	(746)		(8,061)
Insurance income (Note 12)		2,038	
Provision for store closing expenses	(300)		(3,243)
Other – net (Note 3)	(217)	(448)	(2,346)
Other income (expenses) – net	(3,418)	(4,340)	(36,948)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	38,326	36,316	414,287
INCOME TAXES (Note 13):			
Current	17,339	15,826	187,423
Deferred	(954)	67	(10,310)
Total income taxes	16,385	15,893	177,113
NET INCOME BEFORE MINORITY INTERESTS	21,941	20,423	237,174
MINORITY INTERESTS IN NET INCOME	76	67	820
NET INCOME	¥ 21,865	¥ 20,356	\$ 236,354
	Yen		U.S. Dollars
	2013	2012	2013
PER SHARE OF COMMON STOCK (Notes 2.v and 19):			
Basic net income	¥120.70	¥112.37	\$1.30
Diluted net income	120.65	112.33	1.30
Cash dividends applicable to the year	22.00	21.00	0.24

See notes to consolidated financial statements.



Consolidated Statement of Comprehensive Income

AEON Mall Co., Ltd. and Its Subsidiaries
Year Ended February 28, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥21,941	¥20,423	\$237,174
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	66	38	708
Foreign currency translation adjustments	3,402	(8)	36,776
Total other comprehensive income	3,468	30	37,484
COMPREHENSIVE INCOME (Note 18)	¥25,409	¥20,453	\$274,658
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 18):			
Owners of the parent	¥25,143	¥20,386	\$271,788
Minority interests	266	67	2,870

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Mall Co., Ltd. and Its Subsidiaries
Year Ended February 28, 2013

Thousands

Millions of Yen

	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisi- tion Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		Total	Minority Interests	Total Equity
							Net Unreal- ized Gain on Available- for-sale Securities	Foreign Currency Translation Adjust- ments			
BALANCE, FEBRUARY 21, 2011	181,125	¥16,671	¥16,980	¥117	¥143,178	¥(26)	¥226	¥ (133)	¥177,013	¥ 604	¥177,617
Net income					20,356				20,356		20,356
Exercise of stock options	14	13	12						25		25
Cash dividends, ¥21.0 per share					(3,623)				(3,623)		(3,623)
Purchase of treasury stock						(1)			(1)		(1)
Net change in the year				8			38	(8)	38	62	100
BALANCE, FEBRUARY 20, 2012	181,139	16,684	16,992	125	159,911	(27)	264	(141)	193,808	666	194,474
Net income					21,865				21,865		21,865
Exercise of stock options	8	8	8						16		16
Cash dividends, ¥22.0 per share					(3,985)				(3,985)		(3,985)
Purchase of treasury stock	(1)					(1)			(1)		(1)
Net change in the year				17			66	3,402	3,485	1,923	5,408
BALANCE, FEBRUARY 28, 2013	181,146	¥16,692	¥17,000	¥142	¥177,791	¥(28)	¥330	¥3,261	¥215,188	¥2,589	¥217,777

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisi- tion Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		Total	Minority Interests	Total Equity
						Net Unreal- ized Gain on Available- for-sale Securities	Foreign Currency Translation Adjust- ments			
BALANCE, FEBRUARY 20, 2012	\$180,345	\$183,683	\$1,347	\$1,728,577	\$(296)	\$2,858	\$(1,515)	\$2,094,999	\$ 7,197	\$2,102,196
Net income				236,354				236,354		236,354
Exercise of stock options	85	84						169		169
Cash dividends, \$0.24 per share				(43,077)				(43,077)		(43,077)
Purchase of treasury stock					(9)			(9)		(9)
Net change in the year			186			708	36,776	37,670	20,788	58,458
BALANCE, FEBRUARY 28, 2013	\$180,430	\$183,767	\$1,533	\$1,921,854	\$(305)	\$3,566	\$35,261	\$2,326,106	\$27,985	\$2,354,091

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Mall Co., Ltd. and Its Subsidiaries
Year Ended February 28, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 38,326	¥ 36,316	\$ 414,287
Adjustments for:			
Income taxes – paid	(15,271)	(19,378)	(165,072)
Losses from a natural disaster		2,296	
Payments for losses from a natural disaster	(1,493)	(444)	(16,144)
Loss on adjustment for changes of accounting standard for asset retirement obligations		1,762	
Depreciation and amortization	21,621	20,740	233,720
Loss on impairment of long-lived assets	746		8,061
Changes in assets and liabilities:			
Decrease (increase) in receivables – trade accounts	1,088	(538)	11,764
Decrease in payables – trade accounts	(792)	(490)	(8,561)
Increase (decrease) in deposits received	17,009	(25,073)	183,866
Decrease in allowance for doubtful accounts	(30)	(29)	(330)
Increase in liability for retirement benefits	33	54	362
Other – net	1,990	8,032	21,506
Total adjustments	24,901	(13,068)	269,172
Net cash provided by operating activities	63,227	23,248	683,459
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(53,536)	(73,044)	(578,709)
Proceeds from sales of property, plant and equipment	2,140	163	23,131
Purchases of long-term prepaid expenses (Note 3)	(14,424)	(944)	(155,920)
Payments of lease deposits to lessors	(1,261)	(1,518)	(13,632)
Reimbursement of lease deposits to lessors	2,325	2,575	25,128
Proceeds from sales of guarantee deposits		5,519	
Repayment of lease deposits from lessees	(6,134)	(6,000)	(66,306)
Proceeds from lease deposits from lessees	5,063	6,028	54,731
Other (Note 3)	(3,924)	(1,102)	(42,409)
Net cash used in investing activities	(69,751)	(68,323)	(753,986)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	(12,655)	12,455	(136,796)
Proceeds from long-term debt	54,934	39,200	593,820
Repayment of long-term debt	(29,458)	(22,135)	(318,426)
Proceeds from issuance of corporate bonds	25,000		270,241
Dividends paid	(3,985)	(3,623)	(43,077)
Proceeds from issuance of subsidiaries' stock to minority shareholders	1,664		17,983
Other	(7)	(7)	(74)
Net cash provided by financing activities	35,493	25,890	383,671
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,883	(5)	20,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,852	(19,190)	333,501
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,441	27,631	91,241
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14)	¥ 39,293	¥ 8,441	\$ 424,742

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which AEON Mall Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥92.51 to \$1, the approximate rate of exchange at February 28, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Change in fiscal closing date** – At the regular general shareholders’ meeting held on May 15, 2012, it was resolved to change the fiscal closing date of the Company from February 20 to the end of February, in order to align the year-end with AEON Co., Ltd. (the parent company). Accordingly, the fiscal period ended February 28, 2013 of the consolidated financial statements was 12 months and 8 days.
- b. **Consolidation** – The consolidated financial statements as of February 28, 2013 include the accounts of the Company and its 21 (5 in 2012) subsidiaries (together, the “Group”). The following companies have been included in the consolidated financial statements for the year ended February 28, 2013 since they were newly established or acquired during the year.

Suzhou Industrial Park MALL Investment Limited
 AEON MALL YOUYA (TIANJIN) BUSINESS MANAGEMENT CO., LTD.
 SUZHOU MALL REAL ESTATE DEVELOPMENT CO., LTD.
 AEON MALL (SUZHOU) BUSINESS MANAGEMENT CO., LTD.
 PT. AEON MALL INDONESIA
 WEDZ MALL Investment Limited
 AEON MALL (GUANGDONG) BUSINESS MANAGEMENT CO., LTD.
 Hangzhou Yuhang Liangzhu MALL Investment Limited
 PT. AMSL INDONESIA
 HIWADA SHOPPING MALL CO., LTD.
 H.M.J. CO., LTD.
 WUHAN MALL REAL ESTATE DEVELOPMENT CO., LTD.
 AEON MALL HIMLAM Company LIMITED
 AEON MALL (HUBEI) BUSINESS MANAGEMENT CO., LTD.
 AEON MALL VIETNAM CO., LTD.
 AEON MALL (JIANGSU) BUSINESS MANAGEMENT CO., LTD.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- c. **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** – In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained.
- d. **Cash Equivalents** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include time deposits and deposits kept at the cash pool account of AEON Co., Ltd. (the parent company), both of which mature or become due within three months of the date of acquisition.
- e. **Marketable and Investment Securities** – Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- f. **Allowance for Doubtful Accounts** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- g. **Property, Plant and Equipment** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 39 years for buildings and structures, and from 2 to 20 years for furniture and fixtures.
- h. **Long-lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- i. **Long-term Prepaid Expenses** – Depreciation of long-term prepaid expenses is computed by the straight-line method over the life of the contract, which is principally from 4 to 50 years based on the contract terms.

- j. **Provision for Store Closing Expenses** – A provision for store closing expenses, including rental agreement cancellation penalties, is recognized when a decision to close a store is made by management and such expenses may be reasonably estimated.
- k. **Lease Deposits to Lessors and Lease Deposits from Lessees** – Certain shopping malls operated by the Group are leased under 20-year lease agreements. The lease agreements require that the Group make a lease deposit to the lessor.
- The Group receives lease deposits from tenants (lessees) of shopping malls generally under 20-year lease agreements.
- l. **Bond Issue Costs** – Bond issue costs are charged to income as incurred.
- m. **Retirement and Pension Plans** – The Company has a defined benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees. The liability for employees' retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date.
- n. **Asset Retirement Obligations** – In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.
- The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- The Company applied this accounting standard effective February 21, 2011. The effect of this change was to decrease operating income by ¥315 million and income before income taxes and minority interests by ¥2,077 million for the year ended February 20, 2012.
- o. **Stock Options** – The ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance which are applicable to stock options granted on or after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

- p. **Leases** – In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee’s financial statements.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if sold” information was disclosed in the notes to the lessor’s financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee be recognized as investments in leases.

All other leases are accounted for as operating leases.

The Company applied the revised accounting standard effective February 20, 2009.

- q. **Bonuses to Directors** – Bonuses to directors are accrued at the year-end to which such bonuses are attributable.
- r. **Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- s. **Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.
- t. **Foreign Currency Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

- u. **Derivatives and Hedging Activities** – The Company uses interest rate swaps to manage its exposures to fluctuations in interest rates. The Company does not enter into derivatives for trading or speculative purposes.
- Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
- The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.
- v. **Per Share Information** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits.
- Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.
- Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.
- w. **Accounting Changes and Error Corrections** – In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatments under this standard and guidance are as follows:
- (1) Changes in Accounting Policies
- When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- (2) Changes in Presentations
- When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in Accounting Estimates
- A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of Prior Period Errors
- When an error in prior period financial statements is discovered, those statements are restated.
- This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.
- x. **New Accounting Pronouncements: Accounting Standard for Retirement Benefits** – On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

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

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on March 1, 2014 and is in the process of measuring the effects of applying the revised accounting standard for the year ended February 28, 2013.

3. CHANGES IN PRESENTATION

Consolidated Statement of Income

“Loss on disposal of property, plant and equipment” and “Penalty income from leaving tenants” which were disclosed separately among the OTHER INCOME (EXPENSES) section in the fiscal year ended February 20, 2012 are now included in “Other” because their amount has decreased. The amounts of “Loss on disposal of property, plant and equipment” and “Penalty income from leaving tenants” which were disclosed separately in the fiscal year ended February 20, 2012 were ¥814 million and ¥504 million, respectively.

Consolidated Statement of Cash Flows

“Purchases of long-term prepaid expenses” which was included in “Other” among the INVESTING ACTIVITIES section in the fiscal year ended February 20, 2012 is now disclosed separately because its amount has increased. The amount of “Purchases of long-term prepaid expenses” which was disclosed as “Other” in the fiscal year ended February 20, 2012 was ¥944 million.

4. INVESTMENT SECURITIES

Investment securities as of February 28, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investment securities:			
Marketable equity securities	¥ 839	¥746	\$ 9,074
Other	326	46	3,524
Total	¥1,165	¥792	\$12,598

The costs and aggregate fair values of investment securities at February 28, 2013 and February 20, 2012 were as follows:

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

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	¥336	¥429	¥(19)	¥746

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	\$3,545	\$5,536	\$(7)	\$9,074

Available-for-sale securities whose fair values are not readily determinable as of February 28, 2013 and February 20, 2012 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		2013
	2013	2012	
Available-for-sale:			
Equity securities	¥326	¥46	\$3,524

The impairment losses on available-for-sale equity securities for the year ended February 28, 2013 were ¥8 million (\$88 thousand). There were no impairment losses for the year ended February 20, 2012.

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 28, 2013 and February 20, 2012. As a result, the Group recognized impairment losses of ¥746 million (\$8,061 thousand) on the following long-lived assets in February 28, 2013. No impairment loss was recognized in 2012.

Use	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
			2013	2013
Shopping mall	Buildings and structures and others	Osaka	¥746	\$8,061
Total			¥746	\$8,061

The Group mainly categorizes a shopping mall as the standard unit that generates cash flow and an idle asset as an individual independent unit. Based on the plan to replace the building in Osaka with a new one, the book value of the shopping mall was reduced to the recoverable amount and the reduction was recorded as an impairment loss in other expenses. The recoverable amount of the asset groups is measured at value in use.

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

6. INVESTMENT PROPERTY

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

The Group holds some rental properties such as shopping malls in some regions throughout Japan and the Association of Southeast Asian Nations (ASEAN) area. The net of rental income and operating expenses for those rental properties were ¥35,299 million (\$381,574 thousand) for the fiscal year ended February 28, 2013 and ¥31,919 million for the fiscal year ended February 20, 2012.

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

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

Millions of Yen			
Carrying amount		Fair Value	
February 21, 2011	Increase/ Decrease	February 20, 2012	February 20, 2012
¥348,071	¥60,451	¥408,522	¥634,888

Thousands of U.S. Dollars			
Carrying amount		Fair Value	
February 21, 2012	Increase/ Decrease	February 28, 2013	February 28, 2013
\$4,415,977	\$361,326	\$4,777,303	\$7,584,401

Notes:

- 1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase during the fiscal year ended February 28, 2013 primarily represents the acquisition of certain properties of ¥54,469 million (\$588,794 thousand), which was partially offset by depreciation of ¥18,446 million (\$199,396 thousand).
- 3) Fair value of properties is mainly measured based on evaluations based on real estate appraisal value.

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

Short-term borrowings, long-term debt and corporate bonds at February 28, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term loans, principally from banks, 0.63% to 0.94% (2012)		¥ 5,655	
Commercial paper, 0.2% (2012)		7,000	
Total		<u>¥12,655</u>	
Loans from banks and insurance companies, due through 2020 with interest rates ranging from 0.27% to 5.10% (2013) and from 0.27% to 6.00% (2012):			
Collateralized	¥ 11,852	¥ 13,943	\$ 128,118
Unsecured	150,094	120,314	1,622,461
Total	<u>161,946</u>	<u>134,257</u>	<u>1,750,579</u>
Less current portion	<u>(31,397)</u>	<u>(28,365)</u>	<u>(339,393)</u>
Long-term debt, less current portion	<u>¥130,549</u>	<u>¥105,892</u>	<u>\$1,411,186</u>

Annual maturities of long-term debt as of February 28, 2013 were as follows:

Year Ending February 28	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 31,397	\$ 339,393
2015	11,258	121,693
2016	24,700	266,995
2017	34,190	369,582
2018	48,170	520,701
2019 and thereafter	<u>12,231</u>	<u>132,215</u>
Total	<u>¥161,946</u>	<u>\$1,750,579</u>

Corporate bonds at February 28, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Issued by AEON Mall Co., Ltd:			
Unsecured 1.60% yen corporate bond, due 2013	¥10,000	¥10,000	\$108,096
Unsecured 1.54% yen corporate bond, due 2014	23,000	23,000	248,622
Unsecured 0.50% yen corporate bond, due 2017	10,000		108,096
Unsecured 0.80% yen corporate bond, due 2019	15,000		162,145
Issued by HIWADA SHOPPING MALL CO., LTD.:			
Unsecured 0.35% yen corporate bond, due 2016	200		2,162
Total	<u>¥58,200</u>	<u>¥33,000</u>	<u>\$629,121</u>

Annual maturities of corporate bonds as of February 28, 2013 were as follows:

Year Ending February 28	Millions of Yen	Thousands of U.S. Dollars
2014	¥10,000	\$108,096
2015	23,000	248,622
2017	200	2,162
2018	10,000	108,096
2019 and thereafter	<u>15,000</u>	<u>162,145</u>
Total	<u>¥58,200</u>	<u>\$629,121</u>

Collateralized long-term debt and other at February 28, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt	¥ 2,143	\$ 23,167
Current portion of lease from lessees	109	1,180
Long-term debt	9,709	104,951
Lease deposits from lessees	2,557	27,636
Total	¥14,518	\$156,934

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other at February 28, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥19,232	\$207,897
Buildings and structures – net of accumulated depreciation	48,773	527,214
Total	¥68,005	\$735,111

8. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees. The Company has a defined benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump sum severance payment from the Company. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at February 28, 2013 and February 20, 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥(1,511)	¥(1,466)	\$ (16,327)
Fair value of plan assets	1,121	1,007	12,115
Unrecognized actuarial gain	191	293	2,060
Net liability	¥ (199)	¥ (166)	\$ (2,152)

The components of net periodic retirement benefit costs for the years ended February 28, 2013 and February 20, 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 63	¥ 53	\$ 686
Interest cost	28	31	301
Expected return on plan assets	(13)	(12)	(145)
Recognized actuarial gain	75	76	814
Other (Note)	141	130	1,527
Net periodic costs	¥294	¥278	\$3,183

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

Assumptions used for the years ended February 28, 2013 and February 20, 2012 are set forth as follows:

	2013	2012
Discount rate	1.9%	1.9%
Expected rate of return on plan assets	1.33%	1.21%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	Amortized fully as incurred	Amortized fully as incurred

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended February 28, 2013 and February 20, 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥6,114	¥ 5,991	\$66,095
Reconciliation associated with passage of time	121	123	1,305
Balance at end of year	¥6,235	¥ 6,114	\$67,400

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all of the above criteria.

The Companies Act permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount

available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

The stock options outstanding as of February 28, 2013 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	17 directors	20,200 shares	2008.4.21	¥1 (\$0.01)	From May 21, 2008 to May 20, 2023
2008 Stock Option	16 directors	29,400 shares	2009.4.21	¥1 (\$0.01)	From May 21, 2009 to May 20, 2024
2009 Stock Option	12 directors	24,100 shares	2010.4.21	¥1 (\$0.01)	From May 21, 2010 to May 20, 2025
2010 Stock Option	11 directors	18,900 shares	2011.4.21	¥1 (\$0.01)	From May 21, 2011 to May 20, 2026
2011 Stock Option	12 directors	20,300 shares	2012.4.21	¥1 (\$0.01)	From May 21, 2012 to May 20, 2027

The stock option activity is as follows:

	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)	2010 Stock Option (Shares)	2011 Stock Option (Shares)
For the Year Ended February 20, 2012					
Non-vested:					
February 20, 2011 – outstanding					
Granted				18,900	
Canceled					
Vested				(18,900)	
February 20, 2012 – outstanding					
Vested:					
February 20, 2011 – outstanding	15,200	27,500	24,100		
Vested				18,900	
Exercised	(3,500)	(5,700)	(4,100)	(1,100)	
Canceled					
February 20, 2012 – outstanding	11,700	21,800	20,000	17,800	
For the Year Ended February 28, 2013					
Non-vested:					
February 20, 2012 – outstanding					
Granted					20,300
Canceled					
Vested					(20,300)
February 28, 2013 – outstanding					
Vested:					
February 20, 2012 – outstanding	11,700	21,800	20,000	17,800	
Vested					20,300
Exercised	(3,400)	(3,100)			(1,600)
Canceled					
February 28, 2013 – outstanding	8,300	18,700	20,000	17,800	18,700
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise	¥2,172 (\$23)	¥2,171 (\$23)			¥1,909 (\$21)
Fair value price at grant date	¥2,750 (\$30)	¥1,197 (\$23)	¥1,741 (\$19)	¥1,769 (\$19)	¥1,620 (\$18)

The Assumptions Used to Measure Fair Value of 2011 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	42.31%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥21 per share
Risk free interest rate:	0.59%

12. LOSSES FROM A NATURAL DISASTER

For the year ended February 20, 2012, the Group recognized losses from a natural disaster of ¥2,296 million mainly for restoration of buildings and structures damaged by the Great East Japan Earthquake on March 11, 2011. The Group recognized insurance income of ¥2,038 million by application of earthquake insurance for the year ended February 20, 2012.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended February 28, 2013 and February 20, 2012.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at February 28, 2013 and February 20, 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Accrued enterprise tax	¥ 670	¥ 550	\$ 7,247
Property, plant and equipment	4,877	4,669	52,715
Long-term prepaid expenses	542	442	5,860
Liability for retirement benefits	73	63	787
Asset retirement obligation	2,214	2,171	23,927
Other	798	455	8,628
Total deferred tax assets	9,174	8,350	99,164
Deferred tax liabilities:			
Property revaluation	136		1,473
Lease deposits to lessors and long-term prepaid expenses	523	484	5,652
Deferred capital gains on property	234	236	2,534
Special depreciation on property	859	959	9,288
Asset retirement obligation removal expense	1,366	1,433	14,762
Unrealized gain on available-for-sale securities	182	146	1,963
Total deferred tax liabilities	3,300	3,258	35,672
Net deferred tax assets	¥5,874	¥5,092	\$63,492

The difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 28, 2013 and February 20, 2012 is as follows:

	2013	2012
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	0.1	0.1
Per capita portion of inhabitant tax	0.2	0.1
Tax benefits not recognized on operating losses of subsidiaries	2.0	1.1
Tax rate change		1.9
Other – net	(0.1)	0.0
Actual effective tax rate	42.8%	43.8%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.6% to 37.9% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.5% afterwards. The effect of this change was to decrease deferred taxes on the consolidated balance sheet as of February 20, 2012 by ¥673 million and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥694 million and unrealized gains on available-for-sale securities by ¥21 million.

14. SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of cash and cash equivalents between the consolidated balance sheets and the consolidated statements of cash flows at February 28, 2013 and February 20, 2012 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and cash equivalents on the consolidated balance sheets	¥41,313	¥ 8,441	\$ 446,575
Time deposits over three months	(2,020)		(21,833)
Cash and cash equivalents on the consolidated statements of cash flows	39,293	8,441	424,742

15. LEASES

a. Lessee

The Group leases certain furniture and fixtures, and other assets.

Total rental expenses including lease payments under finance leases for the years ended February 28, 2013 and February 20, 2012 were ¥40,048 million (\$432,903 thousand) and ¥38,178 million, respectively.

As discussed in Note 2.p, the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, on an “as if capitalized” basis for the years ended February 28, 2013 and February 20, 2012 was as follows:

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

	Millions of Yen		
	2012		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥42	¥1,191	¥1,233
Accumulated depreciation	37	985	1,022
Net leased property	¥ 5	¥ 206	¥ 211

	Thousands of U.S. Dollars		
	2013		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$454	\$4,951	\$5,405
Accumulated depreciation	446	4,631	5,077
Net leased property	\$ 8	\$ 320	\$ 328

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year			
Due after one year	¥16	¥192	\$169
	17	33	185
Total	¥33	¥225	\$354

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥181	¥260	\$1,955
Interest expense	4	11	44
Total	¥185	¥271	\$1,999
Lease payments	¥197	¥283	\$2,127

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at February 28, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 25,182	¥ 24,471	\$ 272,215
Due after one year	140,718	156,736	1,521,108
Total	¥165,900	¥181,207	\$1,793,323

Note:

The total for the year ended February 28, 2013 includes the Group's land use rights in China, amounting to ¥4,963 million (\$53,650 thousand). The land use rights are fully paid out and were disclosed as "Long-term prepaid expenses" on the consolidated balance sheet.

b. Lessor

The Group leases certain store space to tenants and other assets.

Future rental revenues from subleases under finance leases for the years ended February 28, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year			
Due after one year	¥ 511	¥ 493	\$ 5,525
	5,754	5,417	62,195
Total	¥6,265	¥5,910	\$67,720

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for financial instruments

The Group conducts shopping mall businesses as its core business. The Group rents retail facilities in shopping malls to tenants, AEON Retail Co., Ltd., operating general merchandise stores and other AEON group companies. The Group uses financial instruments, mainly long-term debt, including bank loans and corporate bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets such as deposits in banks and AEON Co., Ltd. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risk.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade accounts, are exposed to customer's credit risk.

Investment securities are business-related equities and are exposed to market price fluctuation risk and credit risk.

Lease deposits paid are exposed to lessor's credit risk.

Payment terms of payables, such as trade accounts, are less than one year.

Short-term borrowings, long-term debt and bonds are used for financing mainly for operating transactions and property investments. Liquidity risk, which comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates, is avoided by deconcentration of due dates or maturity dates. Although certain of the bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

Please refer to Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Regarding investment securities, the Group assesses quarterly the fair values of equity securities and regularly monitors the issuer's financial position for equity securities without market values.

Certain parts of lease deposits from lessees are covered by mortgages and right of pledges.

Market risk management (interest rate risk)

Interest rate swaps are used to manage exposure to changes in interest rates of loan payables and bond payables.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by management based on internal guidelines, set by the Corporate Treasury Department, which prescribe the authority and the limit for each transaction. Reconciliations of transactions and balances with customers are performed, and transaction data is reported to the chief financial officer.

Liquidity risk management

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the Corporate Treasury Department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

Fair values of financial instruments are as follows:

Millions of Yen			
2013			
	Carrying amount	Fair value	Unrealized gain/ loss
Cash and cash equivalents	¥41,313	¥41,313	
Receivables: Trade accounts	2,262	2,262	
Investment securities	839	839	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	54,978	53,596	¥(1,382)
Total	¥99,392	¥98,010	¥(1,382)
Payables: Trade accounts	¥ 4,432	¥ 4,432	
Payables: Construction	12,398	12,398	
Deposits received	46,162	46,162	
Income taxes payable	9,502	9,502	
Long-term debt, including current portion	161,946	163,776	¥(1,830)
Corporate bonds, including current portion	58,200	58,997	(797)
Lease deposits from lessees, including current portion	104,648	104,559	89
Total	¥397,288	¥399,826	¥(2,538)
Millions of Yen			
2012			
	Carrying amount	Fair value	Unrealized gain/ loss
Cash and cash equivalents	¥ 8,441	¥ 8,441	
Receivables: Trade accounts	3,255	3,255	
Investment securities	746	746	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	56,589	53,270	¥(3,319)
Total	¥69,031	¥65,712	¥(3,319)
Short-term borrowings	¥ 12,655	¥ 12,655	
Payables: Trade accounts	5,113	5,113	
Payables: Construction	10,019	10,019	
Deposits received	28,975	28,975	
Income taxes payable	7,311	7,311	
Long-term debt, including current portion	134,257	135,732	¥(1,475)
Corporate bonds, including current portion	33,000	33,609	(609)
Lease deposits from lessees, including current portion	104,341	103,397	944
Total	¥335,671	¥336,811	¥(1,140)

	Thousands of U.S. Dollars		
	2013		
	Carrying amount	Fair value	Unrealized gain/ loss
Cash and cash equivalents	\$ 446,575	\$ 446,575	
Receivables: Trade accounts	24,449	24,449	
Investment securities	9,074	9,074	
Lease deposits to lessors, including current portion (Prepaid expenses and other)	594,296	579,351	\$(14,945)
Total	\$1,074,394	\$1,059,449	\$(14,945)
Payables: Trade accounts	\$ 47,912	\$ 47,912	
Payables: Construction	134,019	134,019	
Deposits received	498,996	498,996	
Income taxes payable	102,708	102,708	
Long-term debt, including current portion	1,750,579	1,770,363	\$(19,784)
Corporate bonds, including current portion	629,121	637,734	(8,613)
Lease deposits from lessees, including current portion	1,131,201	1,130,252	949
Total	\$4,294,536	\$4,321,984	\$(27,448)

(a) The methodologies and assumptions used to estimate the fair values of financial instruments are summarized below.

Cash and cash equivalents, and Receivables: Trade accounts

The carrying values of Cash and cash equivalents and Receivables: Trade accounts approximate fair value because of their short maturities.

Investment securities

The fair values of Investment securities are measured at the quoted market price of the stock exchange for equity instruments.

Lease deposits paid, including current portion

The fair values of Lease deposits paid, including current portions are measured by discounting the total amount to be received based on the contract period at the risk-free rate.

Short-term borrowings, Payables: Trade accounts, Payables: Construction and Income taxes payable

The fair values of Short-term borrowings, Payables: Trade accounts, Payables: Construction and Income taxes payable approximate fair value because of their short maturities.

Corporate bonds, including current portion

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

Long-term debt, including current portion

The fair values of Long-term debt, including current portion, are determined by discounting the cash flows related to the loans at the Group's assumed borrowing rate.

Lease deposits from lessees, including current portion

The fair values of Lease deposits from lessees, including current portion, are determined by discounting the cash flows related to the deposits at the Group's assumed borrowing rate.

Derivatives

Information on the fair value of derivatives is included in Note 17.

(b) Financial instruments whose fair value cannot be reliably determined as of February 28, 2013 and February 20, 2012 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2013	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥326	¥46
		\$3,524

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

	Millions of Yen			
	2013			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥41,313			
Lease deposits paid * ¹	2,186	¥ 8,252	¥ 8,222	¥ 2,617
Corporate bonds	10,000	33,200	15,000	
Long-term debt	31,397	118,318	12,231	
Lease deposits from lessees * ²	1,058	3,021	780	33

	Thousands of U.S. Dollars			
	2013			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	\$446,575			
Lease deposits paid * ¹	23,627	\$ 89,203	\$ 88,878	\$28,288
Corporate bonds	108,096	358,880	162,145	
Long-term debt	339,393	1,278,970	132,216	
Lease deposits from lessees * ²	11,442	32,658	8,432	355

*1 Lease deposits paid with no defined redemption schedule of ¥33,701 million (\$364,300 thousand) are not included in the above table.

*2 Lease deposits from lessees with no defined redemption schedule of ¥99,755 million (\$1,078,314 thousand) are not included in the above table.

17. DERIVATIVES

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

All derivative transactions are entered into to hedge interest incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies that regulate the authorization and credit limit amount.

	Millions of Yen			
	2013			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥33,088	¥19,138	¥32,501
	Millions of Yen			
	2012			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥34,938	¥25,688	¥34,110
	Thousands of U.S. Dollars			
	2013			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	\$357,673	\$206,878	\$351,329

18. COMPREHENSIVE INCOME

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

	Millions of Yen 2013	Thousands of U.S. Dollars 2013
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 94	\$ 1,010
Reclassification adjustments to profit or loss	8	88
Amount before income tax effect	102	1,098
Income tax effect	(36)	(390)
Total	66	708
Foreign currency translation adjustments: Gains arising during the year	¥3,402	\$36,776
Total other comprehensive income	¥3,468	\$37,484

The corresponding information for the year ended February 20, 2012 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended February 28, 2013 and February 20, 2012 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 28, 2013	Net Income	Weighted-average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥21,865	181,140	¥120.70	\$1.30
Effect of dilutive securities – Warrants		87		
Diluted EPS – Net income for computation	¥21,865	181,227	¥120.65	\$1.30
Year Ended February 20, 2012				
Basic EPS – Net income available to common shareholders	¥20,356	181,132	¥112.37	
Effect of dilutive securities – Warrants		75		
Diluted EPS – Net income for computation	¥20,356	181,207	¥112.33	

20. RELATED PARTY DISCLOSURES

Transactions with the parent company and its subsidiaries for the years ended February 28, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deposits kept at the cash pool account of AEON Co., Ltd. (the parent company)	¥ 8,000	¥(10,000)	\$ 86,477
Interest income from AEON Co., Ltd.	20	19	220
Revenue from leases of shopping malls to AEON Retail Co., Ltd. (the parent's subsidiary)	19,998	19,281	216,168
Credit fee paid to AEON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	2,810	2,247	30,373

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

The balances due to/from the parent company and its subsidiaries at February 28, 2013 and February 20, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash equivalents – Deposits kept at the cash pool account of AEON Co., Ltd. (the parent company)	¥ 8,000		\$ 86,477
Receivables – Trade accounts from AEON Retail Co., Ltd. (the parent's subsidiary)	430	¥ 1,015	4,649
Lease deposits received from AEON Retail Co., Ltd.	14,874	15,922	160,778
Receivables – Other from AEON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	5,616	6,352	60,709

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

21. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at February 28, 2013 was approved at the Company's Board of Directors, meeting held on April 9, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 (\$0.12) per share	¥1,993	\$21,539



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AEON Mall Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AEON Mall Co., Ltd. and its subsidiaries as of February 28, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Mall Co., Ltd. and its subsidiaries as of February 28, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 20, 2013

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