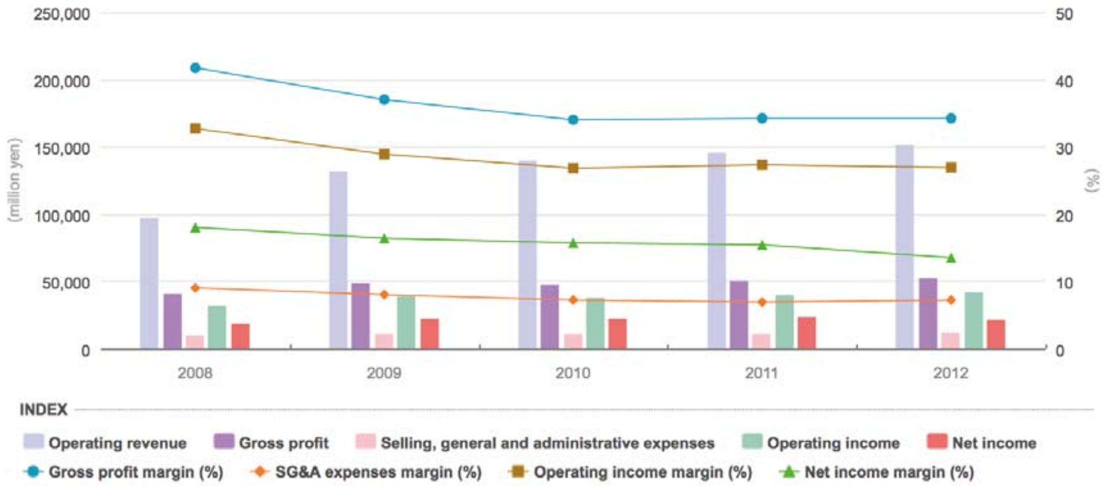
ÆON MALL CO., LTD.

Annual Report 2012

ÆON MALL CO., LTD.

Financial Highlights

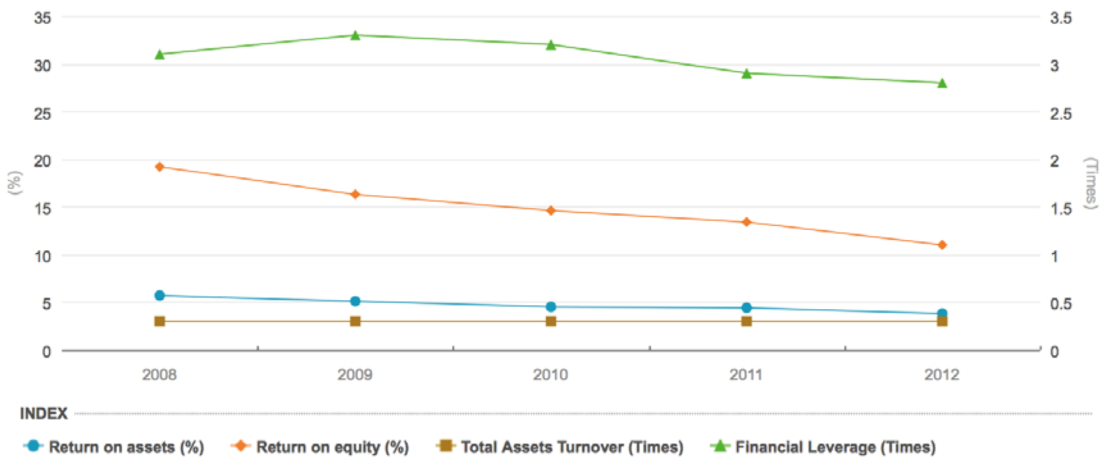
Profitability



(million yen / %)

	2008	2009	2010	2011	2012
Operating revenue	96,806	130,813	138,943	145,117	150,886
Gross profit	40,396	48,397	47,253	49,691	51,532
Selling, general and administrative expenses	8,753	10,527	10,051	10,039	10,875
Operating income	31,642	37,870	37,202	39,651	40,656
Net income	17,439	21,390	21,809	22,379	20,355
Gross profit margin (%)	41.7	37.0	34.0	34.2	34.2
SG&A expenses margin (%)	9.0	8.0	7.2	6.9	7.2
Operating income margin (%)	32.7	28.9	26.8	27.3	26.9
Net income margin (%)	18.0	16.4	15.7	15.4	13.5

Efficiency



(% / Times)

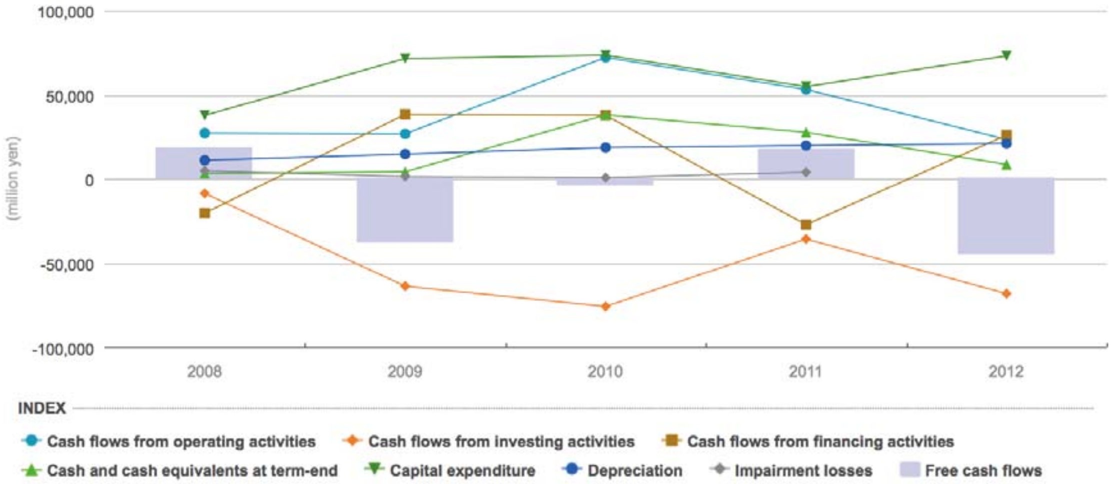
	2008	2009	2010	2011	2012
Return on assets (%)	5.7	5.1	4.5	4.4	3.8
Return on equity (%)	19.2	16.3	14.6	13.4	11.0
Total Assets Turnover (Times)	0.3	0.3	0.3	0.3	0.3
Financial Leverage (Times)	3.1	3.3	3.2	2.9	2.8

Balance sheet data

(million yen / % / Times)

	2008	2009	2010	2011	2012
Total assets	377,661	466,719	503,547	517,218	543,761
Total net assets	122,734	140,504	158,816	177,617	194,474
Current assets	17,832	24,499	54,374	46,205	28,962
Fixed assets	359,829	442,219	449,172	471,012	514,799
Current liabilities	93,591	139,180	100,730	114,008	100,973
Long-term liabilities	161,335	187,035	244,001	225,592	248,314
Interest-bearing debt	84,242	126,060	167,377	143,692	179,910
Equity ratio (%)	32.4	30.0	31.4	34.2	35.6
Debt-equity ratio (Times)	0.69	0.9	1.06	0.81	0.93

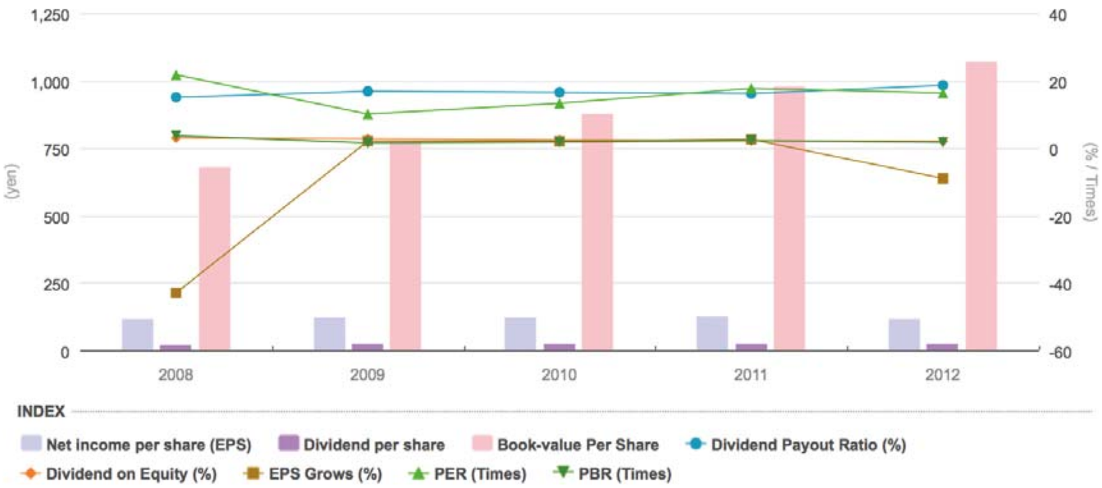
Cash flows



(million yen)

	2008	2009	2010	2011	2012
Cash flows from operating activities	27,168	26,655	72,001	53,007	23,371
Cash flows from investing activities	(8,747)	(63,908)	(75,877)	(35,907)	(68,323)
Cash flows from financing activities	(20,441)	38,180	37,687	(27,315)	25,889
Cash and cash equivalents at term-end	3,199	4,092	37,898	27,631	8,440
Capital expenditure	37,564	71,378	73,507	54,762	73,044
Depreciation	10,933	14,585	18,469	19,721	20,862
Impairment losses	4,735	1,312	662	3,900	-
Free cash flows	18,421	(37,253)	(3,876)	17,100	(44,952)

Per share data



(yen / % / Times)

	2008	2009	2010	2011	2012
Net income per share (EPS)	115.63	118.09	120.41	123.55	112.37
Dividend per share	17.50	20.00	20.00	20.00	21.00
Book-value Per Share	675.44	772.90	873.45	976.65	1,069.25
Dividend Payout Ratio (%)	15.1	16.9	16.6	16.2	18.7
Dividend on Equity (%)	3.0	2.8	2.4	2.2	2.0
EPS Grows (%)	(43)	2.1	2	2.6	(9)
PER (Times)	21.8	10.1	13.3	17.8	16.38
PBR (Times)	3.7	1.5	1.8	2.2	1.7

Operating Results for Fiscal 2011

The fiscal year ended February 20, 2012 saw the opening in Japan of ÆON Mall Kofu Showa (Yamanashi Prefecture) and ÆON Mall Omuta (Fukuoka Prefecture) in March 2011. The following September, we opened the Hiroshima Danbara Shopping Center (Hiroshima Prefecture) as a revitalization project. ÆON Mall Kofu Showa and ÆON Mall Omuta were opened just after the Great East Japan Earthquake, and while this initially led to sluggish customer footfall, both malls are now performing steadily.

ÆON Mall also reopened nine existing shopping malls following renovations, all of which are performing well. Of particular note is ÆON Mall Kurashiki (Okayama Prefecture), which saw an increase of 15% in gross leasable area (GLA) and net sales growth of 20% year on year.

Turning to China, we extensively renovated ÆON Beijing International Mall Shopping Center (Beijing), now in its third year since opening in November 2008, by introducing new global retailers and prominent local specialty stores, with results far outperforming the previous fiscal year. ÆON Mall Tianjin TEDA (Tianjin) also continues to perform as expected.

As a result of these initiatives, together with cost structure reforms, operating revenue for the fiscal year under review was ¥150,800 million, up 4.0% year on year. Operating income was at its highest ever, up 2.5% year on year to ¥40,600 million. Although ÆON Mall posted net income of ¥20,300 million, down 9.0% year on year, this was due to temporary factors that included the booking of asset retirement obligations as an extraordinary loss. Excluding the impact of these factors, earnings actually rose for the year.

Fiscal 2012 was also the first year of ÆON Mall's new Medium-Term Management Plan, and our results show that we have made a solid first step toward new growth.

Initiatives Targeting the Great East Japan Earthquake and Reconstruction Efforts

Seven of our malls suffered partial damage and had to close temporarily due to the Great East Japan Earthquake in March 2011. However, operations at ÆON (GMS*) stores handling food and other daily essentials at these malls were quickly restarted. By the end of March, operations at specialty stores zones in six of these malls had also resumed. At ÆON Mall Natori, which sustained heavy damage, we restarted operations on April 24, 2011, ahead of our initial schedule, in response to strong demand from the local community.

As for further reconstruction initiatives in the disaster-struck area, we opted to take part in the "Onahama Port Hinterland Development Project" in the city of Iwaki (Fukushima Prefecture). We will continue our community-building efforts in the region, including mall development, and will look beyond Iwaki to develop initiatives that symbolize the attempt to rebuild eastern Japan as a whole.

ÆON Mall believes that the Tohoku region constitutes a new growth market. We are fostering ties governments in the region in addition to the city of Iwaki, and will open new malls to contribute to community restoration and development.

* GMS: General Merchandise Store

Our Strategy for New Growth

In terms of trends in the domestic market, since 1997 expenditure on services has increased, tracking a shift in preference for less tangible things instead of physical goods. Consumers are starting to demand experiences that bring enjoyment and amazement to their lifestyles. At the same time, commercial facilities face an environment on the cusp of change, reflecting social trends such as falling birthrates, societal ageing, and a return to urban centers, coupled with rapid advancements in IT. Racing ahead of the curve, ÆON Mall is approaching new mall development backed by the ÆON Group's four-pronged growth strategy policy focused on the "Asia Market," "Senior Market," "Urban Market," and "Digital Market." For our part, we will accelerate the opening of new malls that reflect future societal changes.

One such mall is the Makuhari Shintoshin Mall (Chiba Prefecture) currently in the planning stages and scheduled to open in fiscal 2013. Drawing together diverse original proposals by all of the executives at ÆON Mall, we firmly believe this mall will embody the "ALL new ÆON Mall" that we have envisioned.

ÆON Mall is also proactively renovating existing malls to strengthen profitability. Furthermore, the ÆON Group is consolidating its developer business functions, with a view to enhancing competitiveness and efficiency. The Group's Neighborhood Shopping Center (NSC*) business is now consolidated under ÆON Town Co., Ltd., while functions linked to the large-scale shopping mall business have been integrated under ÆON Mall.

Turning to China, we opened "ÆON Mall Tianjin Zhongbei" in Tianjin as a third shopping mall in China on April 28, 2012. I was visiting the area ahead of time to join in the tree-planting ceremony held prior to the opening, and was greeted with far more interest in our mall than I could have imagined from both potential customers and government representatives. In China, we have designated eight regions, including Tianjin, as key areas for property development. Having received many solicitations from governments in each area, we intend to ramp up mall development from now on.

We will accelerate our business in the ASEAN region second only to China. We plan to open a new mall in Cambodia in 2014 and are also drawing up plans to open malls in Vietnam and Indonesia.

* NSC: Neighborhood shopping center

Message to Our Shareholders

At the close of the first quarter of the fiscal year ending February 28, 2013, sales for specialty stores in existing malls are up 10.6% year on year. Customer footfall is also up 6.6% year on year, trending at a pace that far surpasses that of the same period in the previous year. Looking ahead, while enhancing our business foundation at home in Japan, we will leverage our mall business in China where growth is promising, and in ASEAN countries. We are committed to establishing ÆON Mall not only as a name in Japan, but as the best known developer of shopping centers across Asia.

At this juncture, ÆON Mall is implementing the Medium-Term Management Plan, which began in fiscal 2011. For the fiscal year ending February 20, 2014, the final year of the plan, we are aiming for annual profit rate growth of 9%, and for the year ending February 28, 2013, are targeting operating revenue of ¥164,000 million and ordinary income of ¥43,500 million.

Now a word about the payment of cash dividends to our shareholders. Based on our policy of stable and consistent dividends, we are aiming for an annual payout ratio of 15%. The dividend per share for fiscal 2011 increased from an initially projected ¥10 to ¥11. Combined with the interim dividend of ¥10 per share, ÆON Mall paid a total annual dividend of ¥21 per share for the fiscal year under review. We plan to pay a dividend of ¥22 per share for fiscal 2012, ending February 28, 2013.

At ÆON Mall, we recognize that our continued growth fully hinges on the vital support of our shareholders and range of other stakeholders, including members of the community and tenant companies. We are committed to taking on the challenge of driving our growth to new heights in order to meet your expectations for the Company.

President and CEO

Business Model

Overview of ÆON Mall's basic business model

Basic Mall Format

Leveraging expertise honed as a specialist shopping mall developer, ÆON Mall is creating shopping malls that attract customers, and is elevating mall value through close partnerships with tenants.

The mission of ÆON Mall is to continually improve revenues after a shopping mall opens and raise its value. Using a basic format, we pursue the development of shopping malls that serve as a one-stop solution for customers. Furthermore, we have the expertise to provide support for tenants that forms the basis for close partnerships. We are working with tenants to develop a range of initiatives to better attract customers, and to improve customer satisfaction by creating safe and comfortable shopping malls.

"Two Anchors with a Mall" Building Style

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

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

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.

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 have populations of at least 400,000. With that said, of ÆON Mall's 57 shopping malls in Japan, 19 are located in front of or in close vicinity to railway terminals for the fiscal year ended February 20,2012.

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 adjoining stations. This move reflects the megatrend whereby large populations are re-concentrating in 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, providing those who need it with a reliable environment, including by providing them with the use of a special remote control for parking.

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

At the development stage, ÆON 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 m^2 to allow ÆON Mall to create spaces that will attract customers and provide them with one-stop solutions that embody four functions—entertainment, community, ecology and shopping.

Building construction is implemented with high regard given to what the facilities offer, as well as their 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 EBTDA to Total Investment at 13%

In the development of shopping malls, as a rule we prefer 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 2011, on a 27 mall basis, excluding properties for securitization for which there was hardly any investment, we are maintaining an average of 12.8%.

* Results for malls opened since 2000.

Four Functions Embodied in Malls

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

ÆON Mall is bolstering the four functions 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.

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.

Community—Town and Neighborhood Creation with Deep Ties to Community

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 shopping 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 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.

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.

ÆON Mall shopping malls have stockpiles of drinking water, portable toilets, and large-sized tents (balloon shelters), enabling malls to function as evacuation sites for victims of earthquakes, typhoons and other disasters and emergencies.

Ecology—Creating Shopping Malls that Coexist with the Environment

At ÆON 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 "ÆON 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 "ÆON Hometown Forests" program, a social contribution activity in which ÆON Mall and local residents take part in a sponsored tree-planting event.

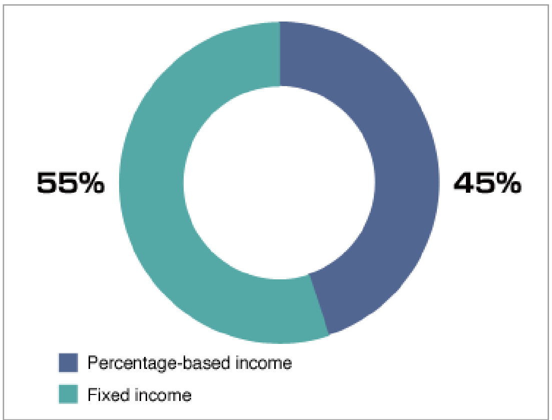
ÆON Mall is vigorously adopting solar power generation systems. Sixteen malls, including two in China, currently have these systems in place, providing a portion of the electricity used on the premises.

Earnings Structure Image

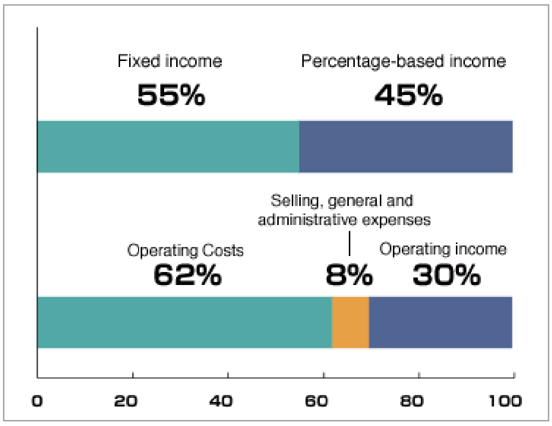
Fixed and Variable Percentages of Operating Revenue, Operating Costs, SG&A Expenses, and Percentage of Operating Income

The majority of "income from real estate lease" within ÆON 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 ÆON MALL. In many cases, ÆON 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 ÆON 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



Real Vacancy Rates and Percentage of Rents at ÆON MALL Shopping Malls Accounted for by Tenant Sales

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

* 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 and fiscal 2009 as no figures were compiled.

Growth Strategy

Introduction to specific management and growth strategy initiatives

An Overview of Our Growth Strategy

The ÆON Group formulated its three-year Medium-Term Management Plan starting in the fiscal year ended February 20, 2012, for the purpose of reforming the Group on a structural level and to optimally allocate management resources into growth domains.

This Group structural reform aims to improve corporate value and promote synergies within the Group. To this end, the reform seeks to reduce overlap and dispersion between businesses by concentrating the mainstay businesses of each company into specialized domains. Alongside this, these reform efforts will improve brand recognition by equating "1 business format with 1 brand" and strive to embed locally tailored management supported by the community at large.

Based on this Group strategy, ÆON Mall will aim for new growth by enhancing its business foundations in Japan, which we will then build upon to vigorously promote our mall business in China and ASEAN countries.

We are also considering new fund procurement in implementing our business strategy. ÆON Mall's debt-equity ratio is approximately one (times), and we will maintain this level as we explore new fund procurement opportunities.

The following four strategies form the basis of efforts to carry our business development forward.

Asia Market

To retain continuous growth, we will complement new mall openings in Japan by expanding our business in Asia, a region characterized by population growth and rapid economic growth. Along with efforts to develop a growth foundation in China and ASEAN countries, we will expand business into new areas and countries and work in concerted partnership with ÆON Group companies to speed up expansion into Asia.

Senior Market

We will innovate our malls to respond to the needs of the senior stratum of society, which is set to grow further going forward. In addition to attracting specialty stores catering to seniors and refurbishing malls, we will introduce comprehensive clinics and offer financial services, including asset management advice, ensuring that our malls are replete with functions oriented toward this customer base.

Urban Market

Until now, ÆON Mall has advanced store development centered on large-scale malls in suburban areas. From now on, in addition to these large-scale malls, we will strengthen the opening of malls in densely populated areas and areas adjacent to train stations to reflect the current megatrend of large populations re-concentrating in city centers and metropolitan areas.

Digital Market

We will promote business driven by the Internet and other information technology (IT). By combining ÆON Mall's mall-driven business foundation with an Internet environment, we will forge close tie-ups with other companies in the ÆON Group to create new business.

Enhancing our Business Foundation in Japan

As we expand our business foundation by accelerating the opening of new malls, we will improve profitability by renovating existing malls. ÆON Mall will also bolster its competitiveness and promote greater efficiency by integrating the ÆON Group's developer business functions.

Expanding our Business Bases by Accelerating New Mall Openings

In fiscal 2012, ending February 28, 2013, we have already opened ÆON Mall Fukutsu (Fukuoka Prefecture) in April 2012. Also in the PM Business, we plan to open SHOPPING CENTER SOYOCA FUJIMINO (Saitama Prefecture) in June and redevelop Kobe Harborland (Hyogo Prefecture), with a view to opening in fiscal 2013.

For fiscal 2013, ending February 2014, we intend to open seven malls, far surpassing our previous plans. Indeed, from fiscal 2014 we will increasingly accelerate the pace at which we open new malls, driven by the following three factors.

- Integration of ÆON Group developer business functions under ÆON Mall.
- In addition to conventional suburban large-scale malls, development of malls in densely populated areas and areas adjoining train stations.
- Mall development promotion in the Tohoku region, where full-scale reconstruction efforts are moving apace.

* The Company has changed its fiscal year-end from February 20 to the end of February, effective the year ending February 28, 2013.

Improved Profitability through Renovation of Existing Malls

We are aggressively renovating existing malls. ÆON Mall plans to renovate six malls in fiscal 2012, and a further 13 malls in the following fiscal year. In this way, we will continue to raise the profitability of existing malls, which form the foundation of our business.

Integration of Developer Business Functions

With a view to accelerating business development abroad, the ÆON Mall will integrate functions of the ÆON Group's developer business, with a view to strengthening competitiveness and efficiency. The aim of this effort is to bolster our business foundation in Japan.

Turning to concrete initiatives, as of November 2011, the names of all of the ÆON Group's shopping malls across Japan have been unified as "ÆON Mall." We have already run promotions as "ÆON Mall" as a whole, which have culminated in increased sales, and will continue to promote more efficient cost utilization going forward.

Another development in fiscal 2011 was the launch of the "ÆON Doyutenkai (store association)" which unifies tenant organizations of stores in commercial facilities owned by the ÆON Group. Over 8,000 tenant companies participate in this association. We will work together with tenant companies to strengthen competitiveness going forward by responding to the shift toward the senior social stratum and introducing new concepts to alter the tenant mix, among other actions.

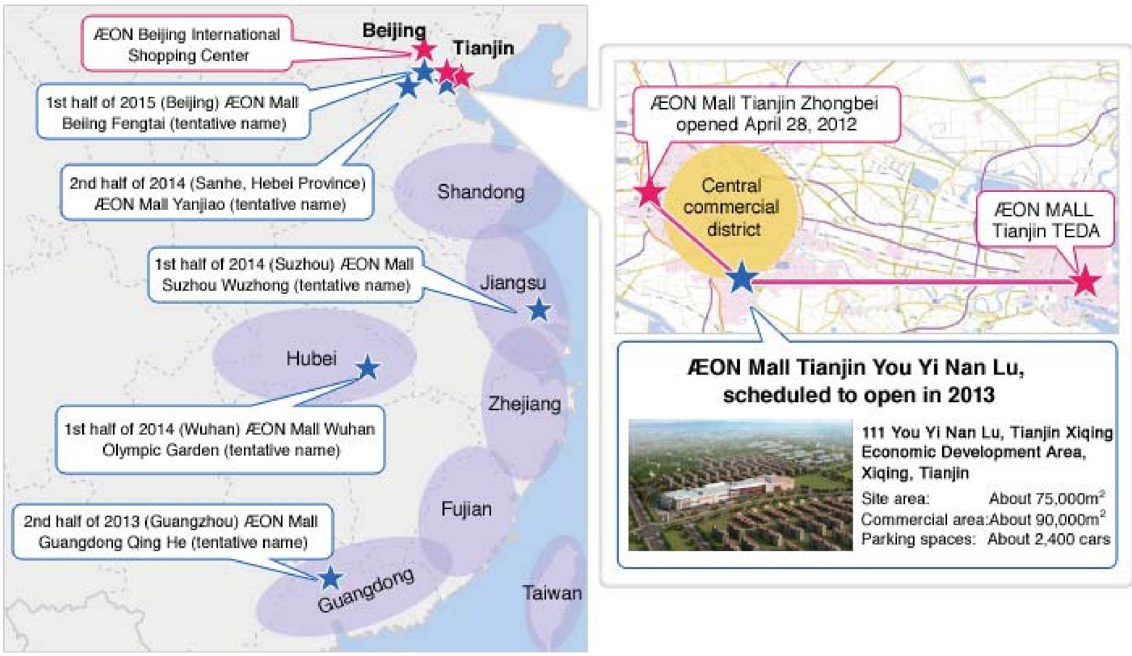
Another task will be to reflect the integration of functions in cost structure reforms, as we actively consolidate back-office organizations and functions.

Business Expansion in China

We are currently developing operations at two malls in China—ÆON Beijing International Mall Shopping Center (Beijing) and ÆON Mall Tianjin TEDA (Tianjin). Both malls are showing steady improvements in performance. In fiscal 2012, we opened ÆON Mall Tianjing Zhongbei (Tianjin) in April 2012. In the fiscal year ending February 20, 2014, we plan to open "ÆON Mall Tianjin You Yi Nan Lu," as we move forward with opening of dominant stores in suburban areas.

In China, we have designated six other regions along with Tianjin and Beijing as eight key development areas, and have entered into a cooperative agreement with the city of Tianjin and the Wuhan Municipal People's Government of Hubei Province for the opening of over five new shopping malls in the next five years. We have received many invitations from other areas, and in fiscal 2013 will open "ÆON Mall Tianjin You Yi Nan Lu" (provisional name), "ÆON Mall Guangzhou Qinghe" (Guangdong Prefecture, provisional name). Starting from the fiscal year ending February 2015, we are aiming to open stores in the double-digit range every year.

Business Development (China)



Business Expansion in ASEAN Countries

In the ASEAN region, we are also promoting initiatives to open new malls. We plan to open a mall in Cambodia in 2014, and are currently in the planning stages for opening new malls in Ho Chi Minh City and Hanoi in Vietnam. Negotiations for opening a mall in Indonesia in 2015 are also ongoing. ASEAN countries constitute a promising future market, and we will intend to strengthen our expansion there.

Business Development (ASEAN Region)

- Opening of first store in Cambodia planned for 2014
- Concrete details of shopping mall properties in Vietnam and Indonesia are being finalized. Development will be promoted with the view to opening the first malls in each of these countries from 2014

Land earmarked for the store in Cambodia (Phnom Penh)

Plans for first mall in Cambodia

Location: #132, Street Sothearos, Sangkat Tonle Bassac Khan Chamkarmon, Phnom Penh (Adjacent to the Hotel Sofitel Phnom Penh Phokeethra along the Pa Sak River)

Site area: About 68,000 m^2

Anchor stores: ÆON (general supermarket)

Developer: ÆON MALL (Cambodia) Co., Ltd.

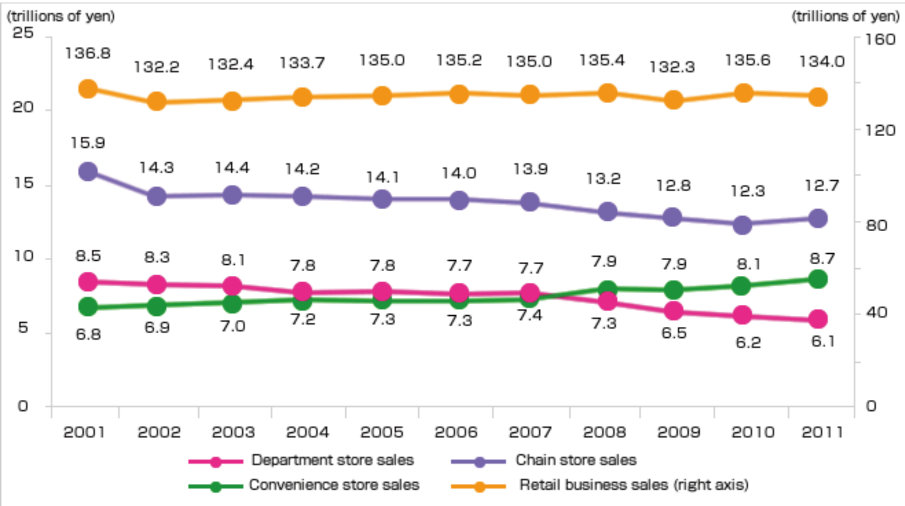
Scheduled start of construction: 2012

Scheduled opening: 2014

Market Environment Data (Japan)

Sales of Retail-Related Businesses

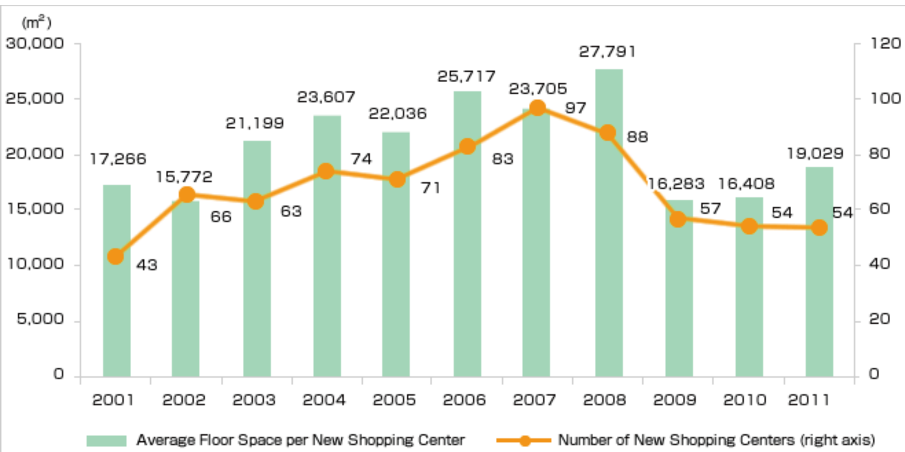
In 2011, the sales of retail-related businesses in Japan were down only slightly from a year earlier. In terms of a breakdown, convenience store sales continued to rise, chain store sales were up from the previous year, and department store sales declined.



Sources: METI "Retail Statistics," Japan Department Stores Association, Japan Chain Stores Association

Average Floor Space per New Shopping Center and Annual New Shopping Center Openings

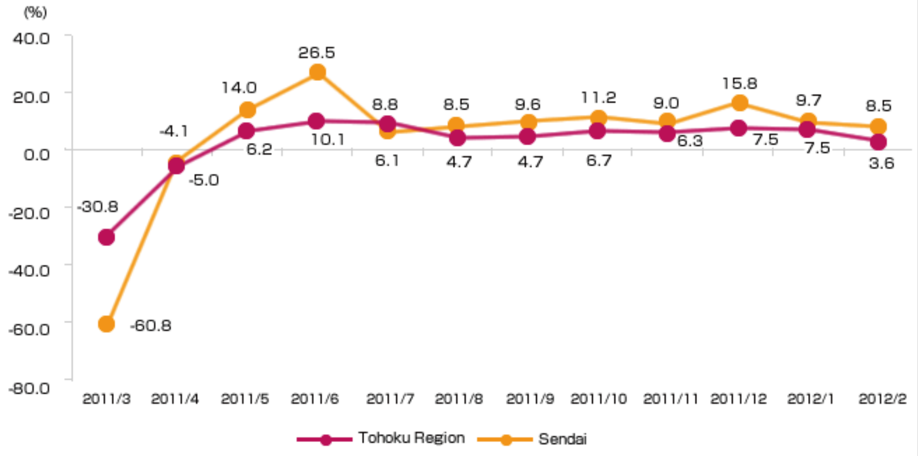
In 2011, 54 new shopping centers were built in Japan, the same number as in 2010. The average floor space per new center was 19,029 square meters, which was larger than in 2010. Key factors in this increase were openings of large shopping centers in urban centers and shopping center developments triggered by the zone change initiatives of local governments under an exception clause in the City Planning Law, which was revised in November 2007.



Source: 2012 Shopping Center White Paper published by the Japan Council of Shopping Centers

Annual Changes in Shopping Center Sales in the Tohoku Region following the Great East Japan Earthquake

In March 2011, shopping center sales in the Tohoku region plunged 30.8% from a year earlier. In May 2011, however, sales rose 6.2% year on year on the strength of restoration demand. In June and July, such demand drove double-digit sales growth. In March 2011, shopping center sales in Sendai, which the earthquake hit directly, plunged 60.8% from the previous year. There were increases in May, as highways, Shinkansen lines, and other major transportation modes were restored. From then through February 2012, Sendai's sales were far stronger than the national average.

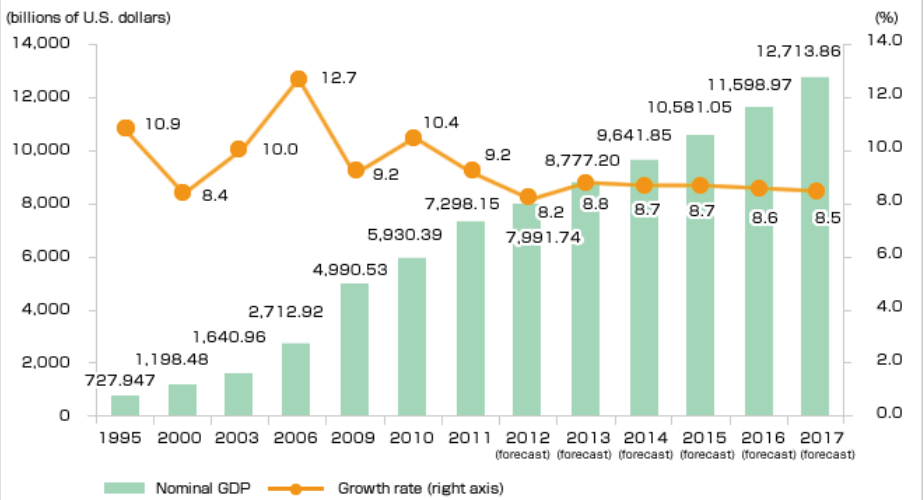


Source: "Shopping Center White Paper 2012" Japan Shopping Center Association

Market Environment Data (China)

Economic Growth Rate in China and Forecast

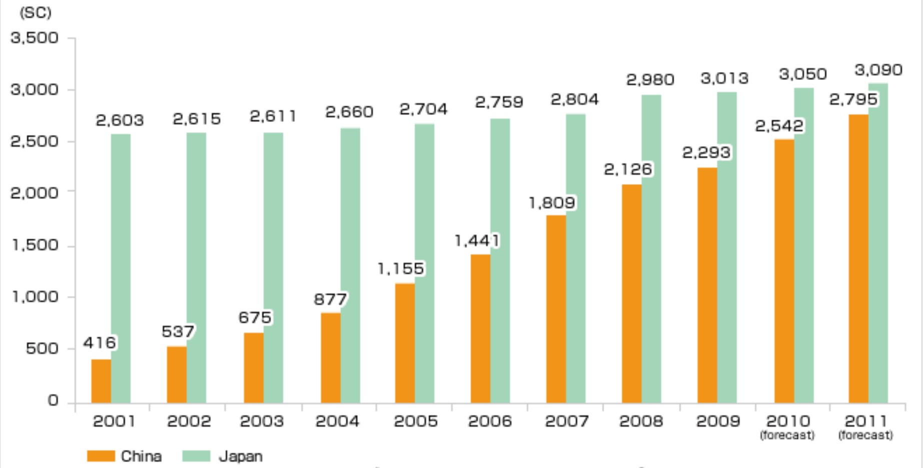
China's nominal GDP growth rate recovered following the global recession of 2008. Growth is expected to slow to 8.2% in 2012 in response to the European debt crisis. Still, the International Monetary Fund looks for China's GDP to be consistently stable over the next five years, at above 8.5%.



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

Total Numbers of Shopping Centers in Japan and China

We assume that the surge in shopping center developments in 2005 through 2008 related to the Beijing Olympics. That said, there was astonishing growth in the estimated number of shopping center developments from 2002 to 2011. The shopping center floor space and the number of shopping centers in China have increased more than 500% since 2001.

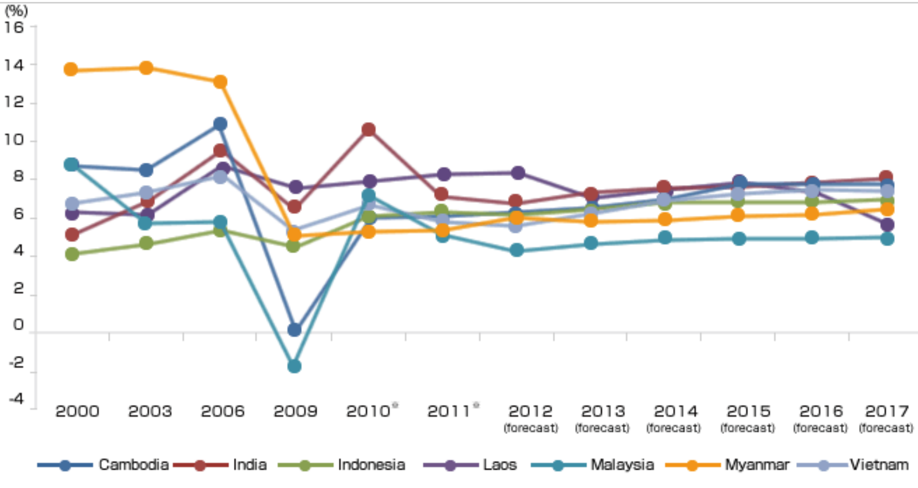


Source: "Shopping Center White Paper 2012" Japan Shopping Center Association

Market Environment Data (ASEAN)

Economic Growth Rates of ASEAN Member States and Forecasts

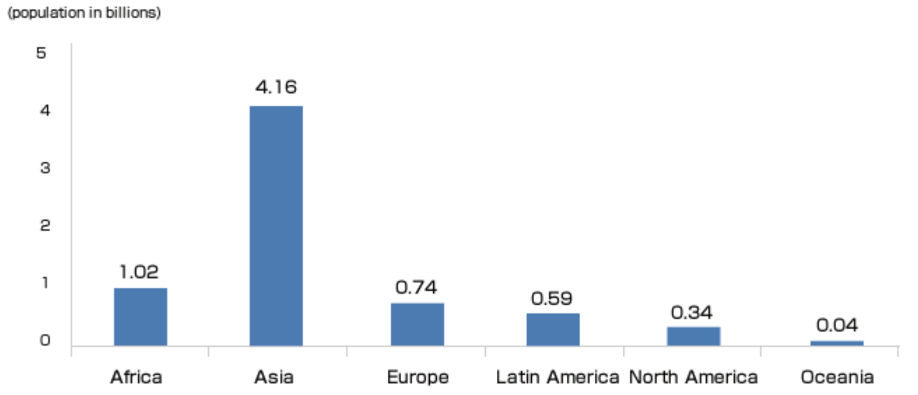
The economic growth rates of all ASEAN member states plunged in 2009 owing to the global recession of 2008, although growth has since been stable. The economies of India, Laos, Cambodia, and Vietnam are expected to expand at 6% to 8% from 2012.



* The 2010 and 2011 figures for Laos and the 2011 figures for Myanmar are estimates.
Source: International Monetary Fund, World Economic Outlook Database(April 2012 Edition)

2010 Population Comparisons in Asia (ASEAN) and Other Regions

Asia accounts for about 4.2 billion of the world's 6.9 billion people. ASEAN states have a comparatively large aggregate of 600 million people, and their populations are relatively young. Large populations can drive economic expansion, and ASEAN has tremendous potential to grow and build a powerful economic presence.

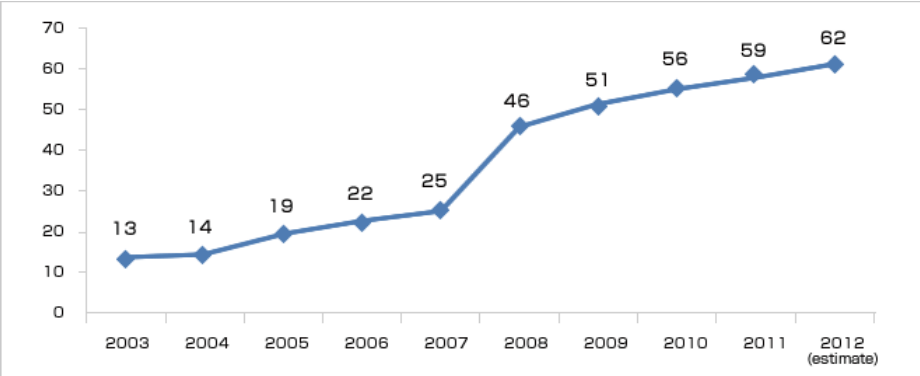


Source: United Nations statistics

Mall Data for ÆON Mall

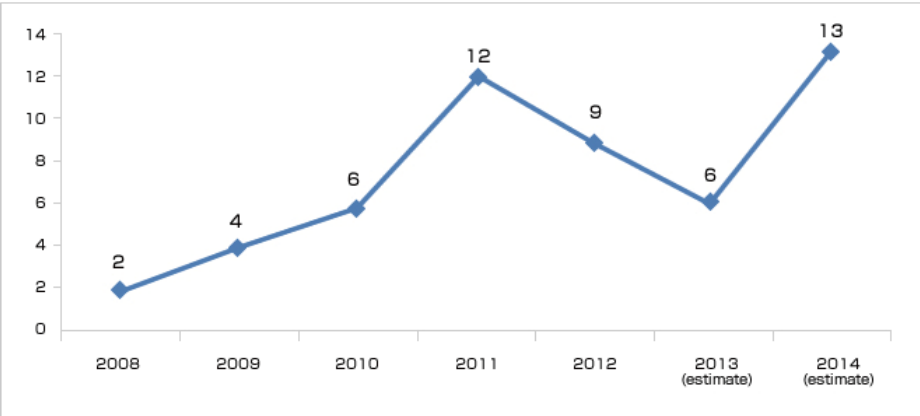
Number of Malls

ÆON Mall has steadily increased the number of shopping malls that it operates, to 59 as of February 2012. The Company plans to accelerate mall openings in Japan and abroad, increasing the pace from fiscal 2013.



Number of Renovated Shopping Malls

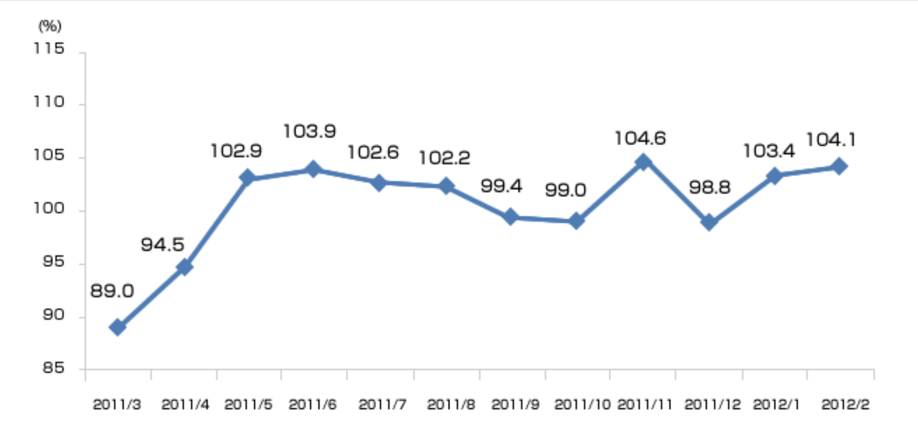
ÆON Mall also periodically renovates existing shopping malls in order to attain sustainable growth by enhancing the ability of these facilities to attract customers. Going forward, we will on average renovate 40 to 60% of the tenants in a given mall in pursuit of increased revenues. To this end, we will 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.



Operating Data

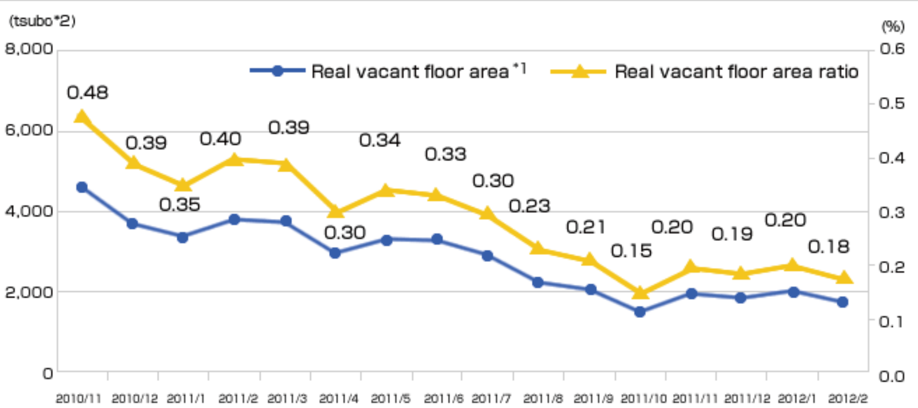
ÆON Mall's Customer Footfall at 51 Existing Shopping Malls (YoY)

The number of customers at the Company's existing shopping malls plummeted in March and April 2011 owing to the impact of the Great East Japan Earthquake in March 2011. The number 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 deploy popular tenants.



Real Vacant Floor Area and Real Vacancy Rate

The real vacancy rate refers to the actual area of a mall vacant 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 2011 improved from 0.4% the previous year to 0.18%.



*1: The real vacant floor area is the vacant floor area less the area where the opening of new stores has been determined.
*2: 1 tsubo = approx. 3.3 square meter

Financial Analysis: 1. Reference Information on Financial Analysis of ÆON Mall

Impact of Development Investment on Financial Statements

ÆON 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."

Depending on the course of negotiations, ÆON 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 ÆON Mall tends to be the largest, with the risk of land prices falling in the future. Thus, ÆON Mall takes proactive steps to promote the securitization of real estate it owns.

In the process of the real estate securitization, ÆON 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, ÆON Mall places security deposits with the owners and records them on the asset side of the balance sheet as "lease deposits to lessors." ÆON 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."

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 ÆON Mall leases in a package. In this case, ÆON 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, ÆON 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.

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

In summary, there are four patterns of mall ownership for ÆON 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. Meanwhile, ÆON Mall receives security deposits from specialty stores and tenants in the above-mentioned cases (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.

Operating Revenue and Operating Costs of ÆON Mall

Operating Revenue

ÆON 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, ÆON 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 ÆON 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.

Financial Analysis: 2. Management's Discussion and Analysis

Current Status of the Corporate Group

The ÆON Mall Group (ÆON Mall and consolidated subsidiaries) consists of ÆON Mall Co., Ltd., whose parent company is ÆON Co., Ltd. and five consolidated subsidiaries (Shimoda Town Co., Ltd., ÆON Mall (China) Business Management Co., Ltd., one other Chinese subsidiary, and two Cambodian subsidiaries). ÆON Mall and its five subsidiaries are involved in the mall business.

ÆON Mall, the core operator of the ÆON Group's developer business, leases mall store buildings and facilities to ÆON Retail Co., Ltd., a general merchandiser, and ÆON Group companies, as well as tenants at large.

Overview of Business Operations

Business Environment

During the fiscal year ended February 20, 2012, the Japanese economy saw a rapid recovery in manufacturing activity from major setbacks suffered due to the Great East Japan Earthquake, as supply chains, social infrastructure and other vital lifelines were restored. Personal consumption also showed signs of recovery after consumer appetites dropped and consumers exercised restraint following the disaster. Demand spawned by the recovery effort and personal consumption are expected to underpin the Japanese economy to some extent going forward. However, various impacts stemming from the unfolding European sovereign debt problem and other factors are making the economic outlook uncertain.

Business conditions in the shopping center industry are also returning to pre-disaster levels. But some shopping center developers have found the going tough as competition in the industry intensifies. Gaps in sales and customer footfall among shopping centers have widened due to intensifying competition. Moreover, some shopping centers have succumbed to vacancies as tenants close unprofitable stores and grow increasingly selective about store openings.

Under these conditions, the ÆON Mall Group is striving to further expand its platform for growth. The Group pushed forward with the development of overseas shopping malls, while opening new shopping malls and improving the earnings power of existing shopping malls in Japan.

In new shopping malls, March 2011 saw the opening of ÆON Mall Kofu Showa (Yamanashi Prefecture, Japan) and ÆON Mall Omuta (Fukuoka Prefecture) as planned. We also opened Hiroshima Danbara Shopping Center in September, on the former premises of the "Hiroshima Saty" shopping center inside the Hiroshima East Building, as a revitalization project. Hiroshima Danbara Shopping Center is a multifaceted facility made up of offices and commercial areas.

Regarding existing shopping malls, the Company quickly reopened ÆON general merchandise stores, which deal in food and daily necessities, at seven shopping malls that suspended operations due to earthquake damage to certain buildings and facilities. Specialty store zones had reopened at six shopping malls by the end of March 2011, the exception being ÆON Mall Natori (Miyagi Prefecture), which was heavily damaged. ÆON Mall Natori resumed operations ahead of schedule on April 24, in response to strong community demand.

The year under review also saw renovations of nine existing malls. In each of these cases, the whole shopping mall was renovated through such means as introducing new specialty stores and changing existing specialty stores, mainly by relocating them or changing their business models. In the first quarter, we reopened three shopping centers after renovation: ÆON Mall Rinku Sennan (Osaka Prefecture) in March, and ÆON Mall Nogata (Fukuoka Prefecture) and ÆON Mall Niihama (Ehime Prefecture) in April. In the second quarter, we reopened two shopping malls: ÆON Mall Higashiura (Aichi Prefecture) in June and ÆON Mall Miyazaki (Miyazaki Prefecture) in July. In the third quarter, we reopened three shopping malls: ÆON Mall Takaoka (Toyama Prefecture), ÆON Mall Suzuka (Mie Prefecture) in October, and ÆON Mall Kumamoto (Kumamoto Prefecture) in November. In October, ÆON Mall Kurashiki (Okayama Prefecture) conducted a grand opening of the whole mall, including the renovated existing section, following the opening of expanded floor space in September.

At the Company's 51 existing shopping malls, sales at specialty stores and customer footfall declined year on year in March and April 2011, partly because of constrained consumption and the suspension of operations at certain shopping malls in the wake of the earthquake. However, customer footfall increased from May 2011, and we successfully held synchronized sales across all of the 23,000 stores at the Group's shopping malls. These factors resulted in sales at specialty stores and customer footfall rising above the levels of the previous fiscal year. Consequently, consolidated sales at specialty stores at the 51 existing shopping malls for the year ended February 20, 2012 increased 2.0% year on year. The vacancy rate (by area), excluding space reserved for incoming tenants, improved to 0.18% at February 20, 2012, from 0.40% at February 20, 2011.

Turning to initiatives in the shopping mall business in China, we revitalized ÆON Beijing International Mall Shopping Center (Beijing), which opened in November 2008, through the replacement of tenants. Efforts were also focused on developing properties in the city of Tianjin. On April 28, 2012, we opened "ÆON Mall Tianjin Zhongbei" as our second shopping mall in Tianjin following ÆON Mall Tianjin TEDA, which opened in October 2010. In June 2011, we entered into cooperation agreements with the Tianjin Commission of Commerce for the opening of over five new shopping malls in Tianjin in the next five years. In the fiscal year ending February 28, 2014, we plan to open the "ÆON Mall Tianjin You Yi Nan Lu" (provisional name) shopping center and the "ÆON Mall Guangzhou Qinghe" (Guangdong Province, provisional name) shopping center. In October 2011, the ÆON Mall Group also entered into a cooperation agreement with the Wuhan Municipal People's Government of Hubei Province for the opening of over five new shopping malls in the next five years. The Group will accelerate the opening of new shopping malls by advancing development also in Shandong, Jiangsu, Zhejiang, Guangdong, and Fujian provinces. In the ASEAN region, we are promoting initiatives to swiftly open malls in Vietnam and Indonesia, in addition to a shopping center in Cambodia we plan to open in 2014.

As of February 20, 2012, the Company operated 59 shopping malls, of which 57 were in Japan and 2 in China.

Overview of Earnings

For fiscal 2011, operating revenue was ¥150,886 million, up 4.0% from the previous fiscal year. Operating costs rose 4.1% year on year to ¥993,546 million, and SG&A expenses rose 8.3% to ¥10,875 million. As a result, operating income rose 2.5% year on year to ¥40,656 million.

Other expenses increased by ¥2,911 million from the previous fiscal year. While the Company reported insurance income from the earthquake, this was offset by several factors, including expenses for the restoration of buildings and structures damaged by the Great East Japan Earthquake, charges associated with the application of the accounting standard for asset retirement obligations, and a loss on disposal of fixed assets relating to the renovation of existing shopping malls.

As a result of the above, net income was ¥20,355 million, down 9.0% from the previous fiscal year.

Financial Conditions

Assets, Liabilities and Net Assets

As of February 20, 2012, the fiscal year-end, total assets stood at ¥543,761 million, an increase of ¥26,543 million compared to the previous fiscal year-end. This reflected the acquisition of property, plant and equipment of ¥66,952 million, including the opening of new shopping malls and the acquisition of land for future developments. On the other hand, there was a ¥20,739 million increase in accumulated depreciation, a ¥9,210 million decrease in cash and cash equivalents, and a ¥10,000 million decrease in deposits to associated companies.

Total liabilities as of February 20, 2012 amounted to ¥349,287 million, up ¥9,686 million from the previous fiscal year-end. The increase stemmed mainly from a ¥5,455 million increase in short-term borrowings, ¥7,000 million increase in commercial paper outstanding, and a ¥23,764 million net increase in long-term debt, including the current portion of long-term debt payable. On the other hand, there was a ¥3,612 million decrease in income taxes payable and a ¥4,176 million decrease in notes payable–construction. Another factor was a ¥15,947 million decrease in lease deposits from lessees, reflecting a shift in the repayment date of deposits from tenants to the fiscal year under review because the previous fiscal year-end fell on a bank holiday.

Consolidated net assets on February 20, 2012 were ¥194,474 million, up ¥16,857 million year on year. This outcome largely reflected an increase in retained earnings due to the posting of ¥20,355 million in net income for the year.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities for fiscal 2011 came to ¥23,248 million, compared with ¥53,007 million in the previous fiscal year. In addition to ¥36,316 million in income before income taxes and minority interests (¥38,222 million the previous fiscal year), and depreciation and amortization of ¥20,739 million (¥19,721 million the previous fiscal year), the Company recorded income taxes paid of ¥19,377 million (¥13,242 million the previous fiscal year) and a ¥15,947 million decrease (a ¥3,998 million increase the previous fiscal year) in specialty store deposits received, reflecting a shift in the repayment date of deposits from tenants to the fiscal year under review because the previous fiscal year-end fell on a bank holiday.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal 2011 came to ¥68,323 million, compared with ¥35,907 million in net cash used the previous fiscal year. The main uses of cash included the payment of ¥73,044 million (¥54,762 million in the previous fiscal year) for purchase of property, plant and equipment associated with facilities at ÆON Mall Kofu Showa and ÆON Mall Omuta, both of which opened in the fiscal year under review, and the purchase of land for future development. These outflows were partly offset by proceeds of ¥5,519 million (no comparable item in the previous fiscal year) from the sale of lease deposits, specifically through the sale of the rights to reimbursement of lease deposits from lessors.

Cash Flows from Financing Activities

Net cash provided by financing activities for fiscal 2011 came to ¥25,889 million, compared with ¥27,315 million in net cash used in the previous fiscal year. This included a net increase of ¥12,455 million in short-term borrowings and commercial paper (a net decrease of ¥4,755 million the previous fiscal year), and proceeds from long-term debt of ¥39,200 million (proceeds of ¥5,000 million the previous fiscal year). In terms of outflows, ¥22,135 million was used for the repayment of long-term debt (¥23,929 million in the previous fiscal year), and ¥3,622 million was used for dividends paid (the same as the previous fiscal year).

As a result, cash and cash equivalents amounted to ¥8,440 million as of February 20, 2012, a decrease of ¥19,190 million from the previous fiscal year.

Dividend Policy

ÆON Mall regards the expansion of its earning power in order to increase returns to shareholders as a key management priority. Our basic policy on profit distribution emphasizes the maintenance of reliable dividend payments to shareholders, combined with the effective use of retained earnings to strengthen our business base and financial structure, especially through investment in growth areas and new businesses.

Outlook for the Coming Year

In fiscal 2012, the Company opened ÆON Mall Fukutsu (Fukuoka Prefecture) in April 2012. In addition to implementing major renovations at six existing shopping malls, Outlet Mall Rism, which ÆON Mall has operated under a property management contract, will undergo renovation and be re-opened in the second quarter as the SHOPPING CENTER SOYOCA FUJIMINO (Saitama Prefecture). In addition, the Company plans to further integrate all functions of the ÆON Group's developer business, with a view to achieving operational efficiency. The ultimate aim of all these measures is to increase profits.

In operations in China, along with opening ÆON Mall Tianjin Zhongbei, the Company will accelerate the development of new shopping malls. In addition, the Company is proceeding with efforts to develop its shopping mall business in the ASEAN region.

In terms of the outlook for consolidated performance, the Company is forecasting ¥164.0 billion in operating revenue, ¥43.5 billion in operating income, and ¥23.0 billion in net income for fiscal 2012.

Financial Analysis: 3. Risk Factors

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 16, 2012, when the annual securities report was submitted.

1. Relationship with ÆON Co., Ltd. and Its Affiliates (Hereinafter Referred to as "the ÆON Group Companies")

(1) Risk Involved in Earnings Dependence on ÆON and ÆON Group Companies

Operating revenue from business with ÆON Retail Co., Ltd. accounted for 12.8% of the ÆON Mall Group's operating revenue in the fiscal year ended February 20, 2012, while the ratio of operating revenue from the ÆON Group companies other than ÆON Retail stood at 11.2%.

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 ÆON, the ÆON Mall Group has ÆON stores as anchor tenants at its malls. We expect ÆON stores to be our key tenants at new malls planned for the future.

Thus, the relationship between the ÆON Mall Group, ÆON and all ÆON 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 ÆON Mall Group's earnings performance may become vulnerable to the business results of ÆON and other ÆON Group companies, and their policies regarding the opening of new stores and shutdown of existing stores.

(2) Risk That Business Growth May Be Constrained by Recruitment

As of February 20, 2012, the ÆON Mall Group's payroll of 804 employees includes 49 on loan from ÆON Retail and ÆON Group companies; all of them commit themselves full-time to the ÆON 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 ÆON Mall Group depends on experienced individuals on loan from ÆON 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 ÆON Retail may continue, and that the growth of our mall business may be affected by the personnel policy of ÆON.

2. Regulatory Restrictions

(1) 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 ")

ÆON 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, ÆON Mall's future store opening plans may be affected by these regulations.

(2) 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 ÆON Mall Group's earnings performance.

3. Operational Matters

(1)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 ÆON Mall Group's earnings performance may be affected.

(2) Risk of Buildings Being Damaged, Destroyed or Degraded

The ÆON 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 ÆON Mall Group's earnings performance may be greatly affected in the event of mall structures being damaged, burned down or otherwise degraded in earthquakes.

(3) Risk of Information System Stoppage

The importance of information systems to the ÆON 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 ÆON Mall Group is aiming to open and operate a second datacenter in western Japan in fiscal 2012 (ending 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.

(4) Environmental Contamination of Development Areas

The ÆON 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 ÆON Mall Group's earnings.

(5) Risk of Declining Availability of Development Sites

The growth of the ÆON 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.

(6) Management of Personal Information

The ÆON 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 ÆON Mall Group, eventually affecting its earnings performance.

(7) Overseas Business Development

The ÆON 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.

(8) Risk from Competition with Rival Companies

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

(9) Risk Associated with Economic Conditions

Tenants at malls owned and operated by the ÆON 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.

4. Financial Matters

(1) Possible Earnings Fluctuations Due to Interest Rate Changes

The ÆON 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 20, 2012, the balance of borrowings including bonds stood at ¥179,911 million on a consolidated basis, of which ¥131,073 million, or 72.9%, 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.

(2) Fund-Raising Operations

The ÆON 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 ÆON Mall Group being unable to raise funds at all.

(3) 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 ÆON 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.

Overview of Business Operations

Shopping Mall Business in Japan, Business Results

While the successful strengthening of our growth platform at home and abroad yielded increases in both operating revenue and profit, net income has shown a decrease due to temporary factors.

The business environment during the fiscal year ended February 20, 2012 was marked by a continuing sense of uncertainty about the future due to various factors, including the impact of financial problems in the Europe coming to the surface, and in spite of signs of a rally in consumer spending on the back of a rapid comeback in production activity, which had stagnated since the Great East Japan Earthquake.

Business conditions in the shopping center industry are also returning to pre-disaster levels. But some developers have found the going tough as competition in the industry intensifies. Gaps in sales and customer footfall among shopping centers have widened due to intensifying competition. Moreover, some shopping centers have succumbed to vacancies as tenants close unprofitable stores.

Against this backdrop, we further strengthened our growth platform by opening new malls in Japan and improving profitability in existing malls, while expanding our mall business overseas. In Japan, we opened two new malls and in addition to opening one shopping center through our revitalization business, implemented major renovations on nine existing malls. Seven existing malls had suffered partial damage from the earthquake and were temporarily closed, but as of April 24, 2011 were all operating again.

Sales at specialty stores declined year on year in March-April partly because of constrained consumption and the suspension of operations at certain shopping malls in the wake of the earthquake. However, customer footfall increased from May, and we successfully held synchronized sales across all of the roughly 23,000 tenant stores at the Group's shopping malls. These factors resulted in sales at specialty stores rising above levels of the previous fiscal year, and an improved real vacancy rate excluding space already reserved for incoming tenants.

As a result of the above, despite recording an increase in both operating revenue and operating income, the Company posted net income of ¥20,355 million, a decrease on the previous year. This was due to factors including accounting for restoration costs for buildings and structures damaged in the Great East Japan Earthquake, the impact of the application of changes in the accounting standard for asset retirement obligations, and the loss on disposal of fixed assets related to the renovation of existing shopping malls.

Shopping Mall Business in Japan New Shopping Mall Openings in Fiscal 2011

We opened ÆON Mall Kofu Showa and ÆON Mall Omuta in March 2011 as planned. The following September, we opened the Hiroshima Danbara Shopping Center on the former premises of the Hiroshima Saty shopping center inside the Hiroshima East Building, as a revitalization project. Hiroshima Danbara Shopping Center is a multifaceted facility made up of offices and commercial areas.

ÆON Mall Kofu Showa (Yamanashi Prefecture)

The Company opened its first store in Yamanashi Prefecture, located in commuter-belt city of Kofu, which is the hub of municipal functions in Yamanashi Prefecture. Nearby populations and households are on the rise, while the location offers unrivalled access for both cars and public transportation. The mall's anchor store features Yamanashi Prefecture's first all-screen digital cinema, with a wide variety of specialty stores also on offer for a facility providing one-stop solutions that cater to customer needs.

Site area	around 125,000 m^2	Floor area	around 70,750 m^2
Gross leasable area	around 48,000 m^2	Parking	around 2,500 cars
Tenants	around 130	Number of employees	around 2,000 (entire shopping mall)
Trade area population	30-min. drive radius, around 390,000 people (around 140,000 households)		

ÆON Mall Omuta (Fukuoka Prefecture)

This mall will constitute the Chikugo region's first "Two anchors with a mall" suburban mall, enjoying a prime location adjacent to the national expressway/regional high-standard highway IC and just 1.5 kilometers from Omuta station, affording it a wide market. The anchor stores are a GMS ÆON and a cinema complex, together with other large-scale stores including bookshops and fast-fashion stores, each of which are the first and largest in the region.

Site area	around 229,000 m^2	Floor area	around 80,000 m^2
Gross leasable area	around 70,000 m^2	Parking	around 4,800 cars
Tenants	around 140	Number of employees	around 2,000 (entire shopping mall)
Trade area population	30-min. drive radius, around 390,000 people (around 140,000 households)		

Hiroshima Danbara Shopping Center (Hiroshima Prefecture)

We opened a new commercial facility on the former premises of the Hiroshima Saty shopping center (inside the Hiroshima East Building), as a base in the eastern part of Hiroshima. Located within one of the foremost new residential areas in Hiroshima City, this extremely accessible shopping center is just 1.5 kilometers from downtown. The first floor houses MaxValu Danbara store, and the second to seventh floors offer a variety of specialty stores ranging from restaurants to services and amusement, all of which add up to a new community space for the region.

Site area	around 17,000 m^2	Floor area	around 82,300 m^2
Gross leasable area	around 29,000 m^2	Parking	around 800 cars
Tenants	around 50		

Fiscal 2011 Results Shopping Malls Renovated in Fiscal 2011

ÆON Mall carried out renovations at 9 shopping malls during the year. Through systematic renovation of existing malls, we are determined to enhance the competitiveness of our malls going forward.

In the fiscal year under review, renovations were carried out at nine existing malls. Renovations at all of the facilities included the introduction of new specialty stores, coupled with the relocation of or changes to business format for existing specialty stores. In particular, we conducted a large-scale renovation of ÆON Mall Kurashiki (Okayama Prefecture). Following the expanded floor space opening in September 2011, in October we held a grand opening for the entire premises, which included the renovation of existing buildings. All of the malls that we renovated are performing well, posting sales 10% to 30% higher than the previous fiscal year.

Tenant Refurbishment/Relocation in Fiscal 2011 Shopping Malls

Mall	Tenants	New stores	Stores refur-bished/relocated	Percent refur-bished/relocated
ÆON Mall Rinku Sennan	170	43	77	70.6%
ÆON Mall Niihama	120	15	18	27.5%
ÆON Mall Nogata	136	14	41	40.4%
ÆON Mall Takaoka	130	27	42	53.1%
ÆON Mall Higashiura	112	19	41	53.6%
ÆON Mall Miyazaki	153	24	78	66.7%
ÆON Mall Kurashiki	230	95	58	66.5%
ÆON Mall Suzuka	180	14	31	25.0%
ÆON Mall Kumamoto	165	31	62	56.4%

Fiscal 2011 Overseas Operations

ÆON Beijing International Mall Shopping Center and ÆON Mall Tianjin TEDA performed strongly in fiscal 2011.
Looking ahead, we are promoting initiatives to swiftly open malls in other parts of China and in countries in the ASEAN region.

Business Results in Fiscal 2011

Turning to initiatives in the shopping mall business in China, we renovated ÆON Beijing International Mall Shopping Center, which opened in November 2008, through the replacement of tenants. As a property development initiative, on April 28, 2012, we opened ÆON Mall Tianjin Zhongbei as our second shopping mall in Tianjin following ÆON Mall Tianjin TEDA, which opened in October 2010.

In June 2011 and October 2011, we entered into respective cooperation agreements with the Tianjin Commission of Commerce and the Wuhan Municipal People's Government of Hubei Province for the opening of over five new shopping malls in each city in the next five years.

The Group will accelerate the opening of new shopping malls by advancing development also in Shandong, Jiangsu, Zhejiang, Guangdong, and Fujian provinces. In the ASEAN region, in addition to opening a mall in Cambodia in 2014, we are promoting initiates to swiftly open malls in Vietnam, Indonesia, Laos and India. We are also commencing a feasibility study of Myanmar.

ÆON Beijing International Mall Shopping Center (Beijing)

This shopping center, our first in China, is enjoying strong sales due to the opening of a subway in December 2010 and increased interlinking bus routes, among other factors. In the fiscal year ended February 20, 2012 sales at shopping centers and specialty store sales were both up more than 20% on the previous fiscal year. This was due to factors including renovations, and replacing tenants to bring in global fashion specialty stores from within Beijing in October 2011.

Additionally, this shopping mall shifted from a project management contract to a master lease contract on September 1, 2011.

Site area	around 89,000 m^2	Floor area	around 147,000 m^2
Gross leasable area	around 91,000 m^2	Parking	around 3,000 cars
Tenants	around 106		
Trade area population	15-min. drive radius, around 1.16 million people		

ÆON Mall Tianjin TEDA (Tianjin)

This mall is our second in China, and the first full-scale "two anchors with a mall" shopping center in the Tianjin area. Located in the Tianjin Economic-Technological Development Area (TEDA), one of China's two large development areas, it is set to benefit from the increase in population expected due to ongoing residential housing developments. In its first year since opening, the shopping mall reported performance comparable to that enjoyed by ÆON Beijing International Mall Shopping Center in its second year of operation.

Site area	around 98,000 m^2	Floor area	around 110,000 m^2
Gross leasable area	around 75,000 m^2	Parking	around 2,500 cars
Tenants	around 130		
Trade area population	20-min. drive radius, around 500,000 people		

Sustainability
Analysis of key sustainability data

Directors and Corporate Auditors

Directors

Chairman Noriyuki Murakami

[Date of birth]
April 3, 1951
[Biography]
May 1974 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
May 2000 Director, General Manager, GM Merchandising Division, Jusco Co., Ltd.
February 2002 Director, General Manager, SSM Merchandising Division, ÆON Co., Ltd.
May 2003 Senior Vice President, ÆON Co., Ltd.
February 2004 Senior Vice President, Sales Planning Manager, ÆON Co., Ltd.
May 2006 Senior Managing Director, Sales Division, ÆON Co., Ltd.
April 2007 President and CEO, ÆON Mall Co., Ltd.
May 2011 Chairman, ÆON Mall Co., Ltd. (to present)
March 2012 Executive Vice President, Advisor to CEO, Chief Representative to Tohoku, ÆON Co., Ltd. (to present)
[Important concurrent positions]
Executive Vice President, Advisor to CEO, Chief Representative to Tohoku, ÆON Co., Ltd.

President and CEO Soichi Okazaki

[Date of birth]
October 10, 1958
[Biography]
March 1981 Joined Jusco Co., Ltd. (now ÆON 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, ÆON Co., Ltd.
July 2005 General Manager, Supercenter Business Division, ÆON Co., Ltd.
November 2005 CEO, ÆON SUPERCENTER Co., Ltd.
April 2009 Manager, Corporate Marketing Department, ÆON Co., Ltd.
April 2009 General Manager, Sales Planning Division, ÆON Retail Co., Ltd.
April 2009 Director, ÆON Retail Co., Ltd.
April 2009 Operating Officer, ÆON Retail Co., Ltd.
May 2011 President and CEO, ÆON Mall Co., Ltd. (to present)
March 2012 Vice President, CEO, Shopping Center Development Business, ÆON Co., Ltd. (to present)
[Important concurrent positions]
Chairman, ÆON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.
Vice President, CEO, Shopping Center Development Business, ÆON Co., Ltd.

Senior Managing Director Kaoru Iwamoto

[Date of birth]
August 7, 1954
[Biography]
April 1977 Joined Jusco Co., Ltd. (now ÆON 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, ÆON Co., Ltd.
April 2008 Supervisor, Development Division, ÆON Mall Co., Ltd.
May 2008 Director, Deputy General Manager, Development Division, ÆON Mall Co., Ltd.
May 2009 Director, General Manager, Development Division, ÆON Mall Co., Ltd.
May 2010 Managing Director, General Manager, Development Division, ÆON Mall Co., Ltd.
May 2012 Senior Managing Director, General Manager, Development Division, ÆON Mall Co., Ltd. (to present)

Managing Director Hiroshi Iwamoto

[Date of birth]
March 2, 1954
[Biography]
April 1977 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
March 1992 Seconded to Japan Chain Stores Association, General Manager, General Affairs Department and General Manager, Environment Department
October 1994 Deputy Chief, President's Office, ÆON Co., Ltd.
February 2002 Manager, Leasing Division, ÆON Mall Co., Ltd.
November 2004 General Manager, New Formats Development Department, Development Division, ÆON Mall Co., Ltd.
July 2006 General Manager, Leasing Division, ÆON Mall Co., Ltd.
August 2007 General Manager, International Business Planning Department, ÆON Mall Co., Ltd.
May 2008 Director, General Manager, Tennant Leasing Division, ÆON Mall Co., Ltd.
May 2009 Director, General Manager, Leasing Management Department, Sales Division, ÆON Mall Co., Ltd.
April 2011 Director, General Manager, East Japan Business Department, Sales Division, ÆON Mall Co., Ltd.
April 2012 Director, General Manager, Sales Division, ÆON Mall Co., Ltd.
May 2012 Managing Director, General Manager, Sales Division, ÆON 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 ÆON 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, ÆON Mall Co., Ltd.
May 2002 Director and Advisor, ÆON Mall Co., Ltd. (to present)
May 2003 President, ÆON Co., Ltd.
March 2012 President, Group CEO, ÆON Co., Ltd. (to present)
[Important concurrent positions]
President, Group CEO, ÆON Co., Ltd.

Director Yuzo Fujiwara

[Date of birth]
August 16, 1953
[Biography]
March 1978 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
March 1999 General Manager, Business Department No. 2, Megamart Division, Jusco Co., Ltd.
September 2005 General Manager, ÆON Mall Ota, ÆON Mall Co., Ltd.
March 2008 General Manager, Minami Kanto Sales Department, SC Sales Division, ÆON Mall Co., Ltd.
May 2009 General Manager, Marketing Support Department, Chubu & Kinki Business Department, Sales Division, ÆON Mall Co., Ltd.
May 2010 Director, General Manager, Chubu & Kinki Business Department, Sales Division, ÆON Mall Co., Ltd.
April 2012 Director, General Manager, New Business Management Department, Sales Division, ÆON Mall Co., Ltd. (to present)

Director Masato Murai

[Date of birth]
January 5, 1955
[Biography]
April 1978 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
May 2005 General Manager, Sales Division No. 2, ÆON Mall Co., Ltd.
May 2006 Director, General Manager, Sales Division No. 2, ÆON Mall Co., Ltd.
August 2007 Director, General Manager, Kinki Sales Department, SC Sales Division, ÆON Mall Co., Ltd.
May 2009 Director, General Manager, Chubu & Kinki Business Department, Sales Division, ÆON Mall Co., Ltd.
May 2010 Director, General Manager, Revitalization Promotion Management Department, Sales Division, ÆON Mall Co., Ltd.
April 2011 Director, General Manager, Corporate Social Responsibility Management Department, Sales Division, ÆON Mall Co., Ltd.
December 2011 Director, General Manager, Makuhari New City Promotion Department, Sales Division, ÆON Mall Co., Ltd. (to present)

Director Akifumi Nakamura

[Date of birth]
December 12, 1959
[Biography]
October 1990 Joined ÆON Mall Co., Ltd.
February 2003 General Manager, ÆON Mall Kawaguchi Green City, ÆON Mall Co., Ltd.
March 2005 General Manager, ÆON Mall Kawaguchi carat, ÆON Mall Co., Ltd.
September 2008 General Manager, Second Leasing Department, Leasing Management Department, ÆON Mall Co., Ltd.
May 2010 General Manager, PM Business Department, Sales Division, ÆON Mall Co., Ltd.
May 2011 Director, General Manager, PM Business Department, Sales Division, ÆON Mall Co., Ltd.
December 2011 Director, General Manager, ASEAN Business Operation Division, ÆON Mall Co., Ltd. (to present)

Director Yoshiharu Umeda

[Date of birth]
October 8, 1955
[Biography]
March 1978 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
August 2007 General Manager, ÆON Mall Sakaikitahanada prou, ÆON Mall Co., Ltd.
May 2009 General Manager, ÆON Mall Hanyu, ÆON Mall Co., Ltd.
May 2011 Director, General Manager, West Japan Business Department, Sales Division, ÆON Mall Co., Ltd.
August 2012 Director, Administration Division, ÆON Mall Co., Ltd. (to present)

Director Akio Mishima

[Date of birth]
November 8, 1958
[Biography]
April 2000 Joined ÆON Mall Co., Ltd.
July 2006 General Manager, Existing Store Management Department, Leasing Division, ÆON Mall Co., Ltd.
July 2007 General Manager, ÆON Mall Kisogawa, ÆON Mall Co., Ltd.
May 2009 General Manager, Kanto & Tohoku Leasing Department, Leasing Management Department, Sales Division, ÆON Mall Co., Ltd.
April 2011 General Manager, Leasing Management Department, Sales Division, ÆON Mall Co., Ltd.
April 2012 General Manager, Leasing Division, ÆON Mall Co., Ltd
May 2012 Director, General Manager, Leasing Division, ÆON Mall Co., Ltd. (to present)
[Important concurrent positions]
Director, ÆON MALL (CHINA) BUSINESS MANAGEMENT CO., LTD.

Corporate Auditors

Full-time Corporate Auditor Kenji Harada

[Date of birth]
December 29, 1947
[Biography]
March 1970 Joined Jusco Co., Ltd. (now ÆON Co., Ltd.)
March 2001 General Manager, Group Company Management Department, Jusco Co., Ltd.
May 2005 General Manager, Living Products Department, Vivre Business Division, Mycal Corporation
September 2006 General Manager, Administration Division, Mycal Corporation
February 2007 Senior Vice President, Cordon Vert CO., LTD
May 2008 Full-time Corporate Auditor, BLUE GRASS Co., Ltd.
May 2008 Corporate Auditor, COX CO., LTD (to present)
[Important concurrent positions]
Corporate Auditor, COX CO., LTD (to present)

Corporate Auditor Seiichi 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.
April 2010 Joined ÆON Co., Ltd. as Advisor
May 2010 Vice President, CFO, ÆON Co., Ltd. (to present)
May 2010 Corporate Auditor, ÆON Mall Co., Ltd. (to present)
June 2010 Corporate Auditor, ÆON BANK LTD.
[Important concurrent positions]
Vice President, CFO, ÆON Co., Ltd.
Corporate Auditor, ÆON BANK LTD.

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)

Corporate Auditor Yoshihiro Machida

[Date of birth]
May 25, 1967
[Biography]
April 1992 Assistant, School of Commerce, Waseda University
April 2000 Assistant Professor, Faculty of Economics, Tokyo Keizai University
April 2005 Professor, Aoyama Gakuin University Graduate School of Professional Accountancy (to present)
June 2007 Corporate Auditor, EBARA CORPORATION (to present)
[Important concurrent positions]
Professor, Aoyama Gakuin University Graduate School of Professional Accountancy
Corporate Auditor, EBARA CORPORATION

Corporate Governance

In order to realize long-term and stable enhancement of corporate value, ÆON 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.

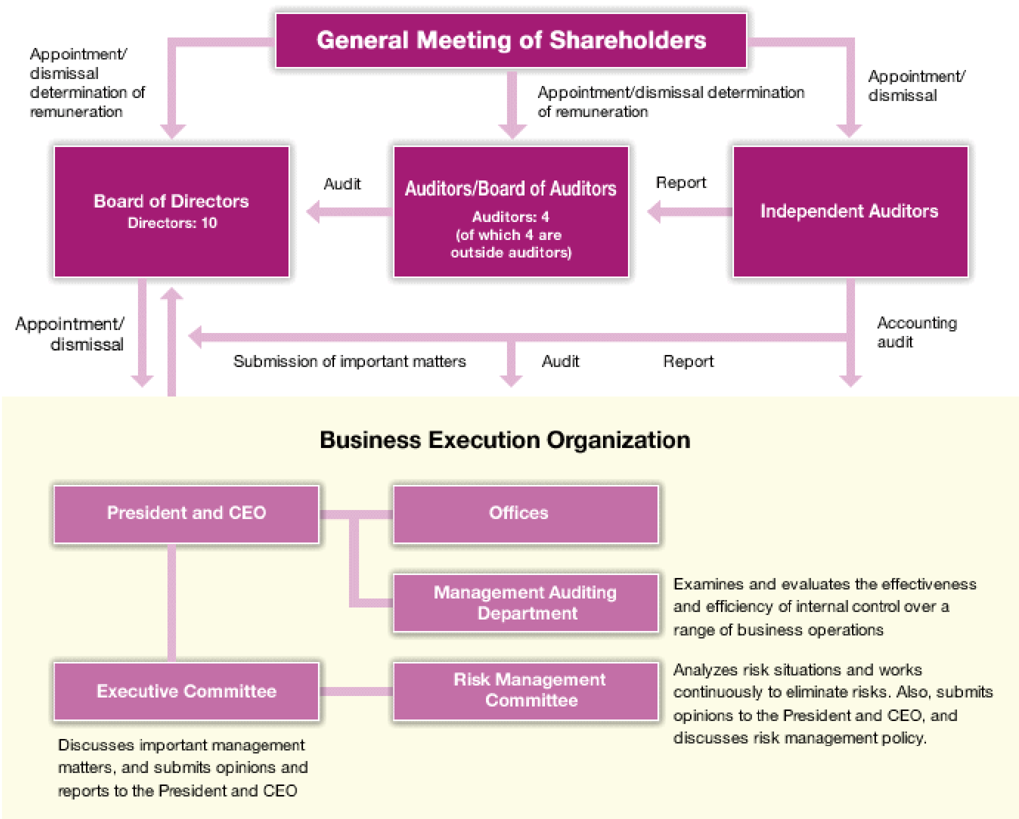
Our partners in creating these vital towns include the local residents, administrations, commercial corporations, and specialty store companies. We are committed to continuing to work with them to help realize rich and stimulating lifestyles for local residents.

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



- 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.
- The Board of 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 4 outside auditors, 2 are independent auditors.
- 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.
- 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 ÆON Co., Ltd.

On August 21, 2008, ÆON Co., Ltd., the parent company of ÆON 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. ÆON Mall is considered the core company responsible for the Group's shopping center development business. ÆON Co., Ltd., either on its own or via affiliated companies, holds 57.43% of the voting rights in ÆON Mall (55.84% direct ownership). However, decisions regarding day-to-day operations are left to the management judgment of ÆON Mall. Critical problems that arise with respect to business operations are discussed with or reported to ÆON Co., Ltd. Decisions with respect to the terms and conditions of trade with ÆON 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.

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

Internal Control System

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.

1. Internal Control System

Maintenance and Management of Information

As regards records of directors' decision-making, under the internal rules of ÆON 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 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 ÆON 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 ÆON 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 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 ÆON 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 six 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 auditors. The Company does not appoint any of its employees as staff members to assist in the operation of auditors. Full-time 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. The Management Auditing Department's auditing role is to closely cooperate with the Board of Auditors and help the auditors conduct efficient audits such as by discussing with them the content of internal auditing on a timely basis. Directors are also obliged to report to the Board of 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 auditors to submit reports concerning execution of duties, such requests must be given precedence over other matters and promptly and honestly responded to.

2. 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.

3. 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 ÆON Mall Social Responsibility (SR) 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.

Corporate Governance Data

Information Concerning Directors and Auditors (the fiscal year ended February 20, 2012)

	Persons (outside persons)	Term of service (years)	Remuneration (millions of yen)	Maximum amount of remuneration (millions of yen)
Directors	14 (–)	1	270	600
Auditors	6 (5)	4	24	50

(Notes) 1. Includes two directors who resigned as of the 100th Ordinary General Meeting of Shareholders (May 11, 2011), and three auditors (including two outside auditors). Excludes one unpaid director and two outside auditors.

2. For directors, we have introduced a performance-based remuneration system and stock options. In terms of director remuneration, the Company has, for the monetary portion of remuneration, increased the percentage linked to performance, including executive bonuses. At the same time, the 96th Ordinary General Meeting of Shareholders (May 17, 2007) abolished the payment of retirement bonuses to directors, and introduced a system of remuneration-type stock options. The total remuneration paid to directors is limited to ¥700 million for each fiscal year. Of this amount, monetary remuneration, including the conventional payment of bonuses to the directors, is held to within ¥600 million, with the portion accounted for by remuneration-type stock options at fair market value held to within ¥100 million on an annual basis.

3. Total remuneration includes the amounts detailed below.
- Estimated amount of executive bonuses ¥65 million (for 12 directors as of February 20, 2012, excluding two unpaid directors).
- Remuneration from stock options ¥33 million (for 11 directors as of April 21, 2011, excluding two unpaid directors).

Meetings Held of Board of Directors, Board of Auditors and Executive Committee (the fiscal year ended February 20, 2012)

Meeting		Meetings held (times)	Members/Participants
Board of Directors	Chaired by the President and held 15 times per fiscal year with at least one meeting held per month.	12	Directors and Auditors
Board of Auditors		14	Auditors
Executive Committee	An advisory body for the president mainly comprising directors of managing director rank or higher and full-time auditors and normally meeting once a week.	38	President and Directors

Matters Concerning Outside Directors and Auditors

Situation regarding significant concurrent posts

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

Attendance at meetings of the Board of Directors and Board of Auditors

Item	Name	Board of Directors		Board of Auditors	
		No. of attendance/ Meetings held (times)	Attendance rate (%)	No. of attendance/ Meetings held (times)	Attendance rate (%)
Outside auditor	Kenji Harada*	12/12	100.0	10/10	100.0
Outside auditor	Seiichi Chiba	15/15	100.0	12/14	85.7
Outside auditor	Mami Taira*	12/12	100.0	10/10	100.0
Outside auditor	Yoshihiro Machida*	10/12	83.3	8/10	80.0

(Note) Asterisk(*) denotes the number of meetings of the Board of Directors or Board of Auditors held after appointment.

Opinions in meetings

Item	Name	Other activities
Outside 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 ÆON Group companies.
Outside auditor	Seiichi Chiba	Offers opinions as needed, leveraging expertise in financial accounting built through a career at ÆON Co., Ltd. and in bank management.
Independent outside auditor	Mami Taira	Offers opinions as needed from a neutral standpoint, leveraging expertise gained as a certified public accountant and tax accountant.
Independent outside auditor	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 20, 2012)

Name of independent auditors	Deloitte Touche Tohmatsu LLC
Remuneration related to the current business year*1	50 million yen
Total remuneration payable by the Company to independent auditors*2	50 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 ÆON Code of Conduct.

Management at ÆON Mall

A selection of management data

Management at ÆON Mall

List of Malls

	Shopping malls	Commercial area (m²)	Parking	Tenants	Land & Building ownership	Land lease/ Building ownership	Land & Building lease	Property management
1	ÆON Mall Tsugaru Kashiwa	42,000	2,600	90	◎			
2	ÆON Mall Shimoda	53,000	4,000	120	◎			
3	ÆON Mall Akita	67,000	3,800	150	◎			
4	ÆON Mall Morioka	44,000	2,800	120	◎			
5	ÆON Mall Natori	75,000[*1]	3,900	180		◎		
6	ÆON Mall Ota	62,000	4,200	150			◎	
7	ÆON Mall Takasaki	60,000	3,700	170		◎		
8	ÆON Mall Mito Uchihara	71,000	4,000	170		◎		
9	ÆON Mall Kawaguchi	32,000[*1]	1,300	90			◎	
10	ÆON Mall Kawaguchi Maekawa	66,000[*1]	2,400	170			◎	
11	ÆON Mall Hanyu	88,000	5,000	210		◎		
12	ÆON LakeTown kaze	80,000	2,300	220			◎	
13	SHOPPING CENTER SOYOCA FUJIMINO	9,000[*2]	400	40				◎
14	ÆON Mall Musashimurayama	84,000[*1]	4,000	190			☆	
15	ÆON Mall Hinode	73,000	3,600	160		◎		
16	ÆON Mall Yamato	33,000	1,900	90			☆	
17	ÆON Mall Futtsu	33,000	1,800	90	◎			
18	ÆON Mall Narita	71,000	4,000	160	◎			
19	ÆON Mall Chiba NEW TOWN	83,000	4,000	140			☆	
20	ÆON Mall Kofu Showa	48,000[*1]	2,500	130		◎		
21	ÆON Mall Takaoka	64,000	3,600	130		◎		
22	ÆON Mall Hamamatsu Shitoro	65,000	3,500	170			☆	
23	mozo wondercity	85,000[*1]	5,000	240				◎
24	ÆON Mall Aratamabashi	24,000[*2]	1,600	120			◎	
25	ÆON Mall Okazaki	95,000	4,300	170		◎		
26	ÆON Mall Higashiura	56,000	5,000	110			☆	
27	ÆON Mall Kisogawa	69,000[*1]	4,400	160			◎	
28	ÆON Mall Suzuka	66,000	4,200	160	◎			
29	ÆON Mall Kusatsu	86,000	4,300	180		◎		
30	ÆON Mall Kyoto Gojo	40,000[*1]	1,600	140			◎	
31	Kyoto Family	24,000[*1]	700	70				◎
32	ÆON Mall KYOTO	51,000[*1]	1,100	130				◎

	Shopping malls	Commercial area (m^2)	Parking	Tenants	Land & Building ownership	Land lease/ Building ownership	Land & Building lease	Property management
33	ÆON Mall Kashihara	84,000*1	5,000	250		◎		
34	Nara Family	81,000*1	2,000	110				◎
35	ÆON Mall Yamatokoriyama	74,000	4,200	170		◎		
36	ÆON Mall Fujiidera	20,000*1	600	70	◎			
37	ÆON Mall Neyagawa	29,000*1	700	70	◎			
38	ÆON Mall Sakaikitahanada	71,000*1	2,800	160			☆	
39	ÆON Mall Rinku Sennan	77,000	4,300	160		◎		
40	ÆON Mall Tsurumi Ryokuchi	54,000*1	2,100	160			☆	
41	ÆON Mall Itami	57,000*1	2,800	150			☆	
42	ÆON Mall Kobe Kita	60,000	4,000	150			☆	
43	ÆON Mall Kurashiki	82,000*1	4,700	210	◎			
44	ÆON Mall Hiroshima Fuchu	81,000*1	4,300	200			◎	
45	ÆON Mall Hiroshima Gion	57,000	2,800	140		◎		
46	Hiroshima Danbara Shopping Center	29,000	800	60			◎	
47	ÆON Mall Niihama	71,000	3,400	120		◎		
48	ÆON Mall Kochi	59,000	3,100	140			◎	
49	ÆON Mall Fukuoka	83,000*1	5,200	200			☆	
50	ÆON Mall Fukutsu	63,000*1	3,500	180	◎			
51	ÆON Mall Nogata	62,000	3,400	140			◎	
52	ÆON Mall Chikushino	76,000	3,600	180		◎		
53	ÆON Mall Omuta	70,000	4,800	140	◎			
54	ÆON Mall Sankoh	36,000	2,500	70	◎			
55	Otsu Shopping	7,000	600	25	◎			
56	ÆON Mall Kumamoto	71,000*1	4,500	170		◎		
57	ÆON Mall Uki	70,000*1	3,300	110			☆	
58	ÆON Mall Miyazaki	77,000	4,000	170		◎		
59	ÆON Mall MiELL Miyakonojo-Ekimae	33,000	1,700	100	◎			
					15	17	22	5

*1: Gross leasable area *2: Retail floor area ☆: Securitized

Shopping malls (Overseas)

	Shopping malls	Commercial area (m^2)	Parking	Tenants	Land & Building ownership	Land lease/ Building ownership	Land & Building lease	Property management
60	ÆON Beijing International Mall SC (CHINA)	79,000	3,000	104			◎	
61	ÆON Mall Tianjin TEDA (CHINA)	75,000	2,500	130			◎	
62	ÆON Mall Tianjin Zhongbei (CHINA)	88,000	3,700	150			◎	

* Effective September 1, 2011, business content of ÆON Beijing International Mall SC changed to the leasing of land and property, from the contracting of property management.

ÆON MALL CO., LTD.

ANNUAL REPORT 2012

Financial Section

Consolidated Balance Sheets

ÆON Mall Co., Ltd. and Subsidiaries
February 20, 2012 and 2011

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Notes 14 and 18)	¥ 8,441	¥ 27,631	$ 106,025
Receivables:			
Trade accounts (Notes 14 and 18)	3,255	2,718	40,886
Other (Note 18)	12,681	11,703	159,289
Allowance for doubtful accounts	(7)	(26)	(91)
Deferred tax assets (Note 12)	819	1,111	10,293
Prepaid expenses and other	3,774	3,068	47,408
Total current assets	28,963	46,205	363,810
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 4, 5 and 6)	144,993	102,795	1,821,286
Buildings and structures (Notes 4, 5, 6 and 8)	406,264	369,329	5,103,173
Machinery and equipment	1,105	1,066	13,892
Furniture and fixtures	19,337	18,433	242,894
Construction in progress	9,148	18,110	114,910
Total	580,847	509,733	7,296,155
Accumulated depreciation	(147,270)	(126,881)	(1,849,888)
Net property, plant and equipment	433,577	382,852	5,446,267
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	792	774	9,949
Lease deposits paid (Note 14)	54,404	61,268	683,376
Long-term prepaid expenses	17,219	17,512	216,293
Deferred tax assets (Note 12)	4,273	4,039	53,670
Other	4,534	4,568	56,958
Total investments and other assets	81,222	88,161	1,020,246
TOTAL	¥ 543,762	¥ 517,218	$ 6,830,323

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	**¥ 12,655**	¥ 200	**$ 158,962**
Current portion of long-term debt (Notes 6 and 14)	**28,365**	21,285	**356,299**
Payables:			
Trade accounts (Note 14)	**5,113**	5,603	**64,224**
Construction (Note 14)	**10,019**	14,068	**125,850**
Other	**1,616**	1,662	**20,294**
Deposits received (Note 14)	**28,975**	54,049	**363,963**
Income taxes payable (Note 14)	**7,311**	10,923	**91,835**
Accrued expenses	**2,885**	2,038	**36,237**
Current portion of lease deposits from lessees (Notes 6 and 14)	**1,463**	1,544	**18,379**
Other	**2,572**	2,636	**32,309**
Total current liabilities	**100,974**	114,008	**1,268,352**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	**105,892**	89,207	**1,330,129**
Corporate bonds (Notes 6 and 14)	**33,000**	33,000	**414,521**
Liability for retirement benefits (Note 7)	**166**	111	**2,081**
Lease deposits from lessees (Notes 6, 14 and 18)	**102,878**	102,957	**1,292,274**
Asset retirement obligations (Note 8)	**6,114**		**76,805**
Other	**264**	318	**3,325**
Total long-term liabilities	**248,314**	225,593	**3,119,135**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 9, 10, 17 and 19):			
Common stock—authorized, 320,000,000 shares in 2012 and 2011; issued, 181,148,807 shares in 2012 and 181,134,407 shares in 2011	**16,684**	16,671	**209,568**
Capital surplus	**16,992**	16,980	**213,446**
Stock acquisition rights	**125**	117	**1,565**
Retained earnings	**159,911**	143,178	**2,008,676**
Treasury stock—at cost, 10,270 shares in 2012 and 9,470 shares in 2011	**(27)**	(26)	**(343)**
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	**264**	226	**3,321**
Foreign currency translation adjustments	**(141)**	(133)	**(1,760)**
Total	**193,808**	177,013	**2,434,473**
Minority interests	**666**	604	**8,363**
Total equity	**194,474**	177,617	**2,442,836**
TOTAL	**¥543,762**	¥517,218	**$6,830,323**

See notes to consolidated financial statements.

Consolidated Statements of Income

ÆON Mall Co., Ltd. and Subsidiaries
Years Ended February 20, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING REVENUE (Note 18)	**¥150,886**	¥145,117	**$1,895,322**
OPERATING COSTS	**99,354**	95,426	**1,248,014**
Gross profit	**51,532**	49,691	**647,308**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	**10,876**	10,039	**136,613**
Operating income	**40,656**	39,652	**510,695**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 18)	**485**	542	**6,098**
Foreign exchange gains	**281**		**3,533**
Interest expense	**(2,638)**	(2,925)	**(33,134)**
Losses from a natural disaster (Note 11)	**(2,296)**		**(28,846)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(1,762)**		**(22,129)**
Loss on disposal of property, plant and equipment	**(814)**	(927)	**(10,230)**
Loss on impairment of long-lived assets (Note 4)		(3,901)	
Insurance income (Note 11)	**2,038**		**25,593**
Equity in earnings of an associated company		460	
Gain on sales of shares in an associated company		4,477	
Penalty income from leaving tenants	**504**	475	**6,333**
Other—net	**(138)**	370	**(1,733)**
Other income (expenses)—net	**(4,340)**	(1,429)	**(54,515)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**36,316**	38,223	**456,180**
INCOME TAXES (Note 12):			
Current	**15,826**	17,585	**198,800**
Deferred	**67**	(1,821)	**843**
Total income taxes	**15,893**	15,764	**199,643**
NET INCOME BEFORE MINORITY INTERESTS	**20,423**	22,459	**256,537**
MINORITY INTERESTS IN NET INCOME	**67**	80	**846**
NET INCOME	**¥ 20,356**	¥ 22,379	**$ 255,691**

	Yen		U.S. Dollars
	2012	2011	**2012**
PER SHARE OF COMMON STOCK (Notes 2.s and 17):			
Basic net income	**¥ 112.37**	¥ 123.55	**$ 1.41**
Diluted net income	**112.33**	123.51	**1.41**
Cash dividends applicable to the year	**21.00**	20.00	**0.26**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ÆON Mall Co., Ltd. and Subsidiaries
Year Ended February 20, 2012

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2012	2012
NET INCOME BEFORE MINORITY INTERESTS	¥20,423	$256,537
OTHER COMPREHENSIVE INCOME (Note 16):		
Unrealized gain on available-for-sale securities	38	477
Foreign currency translation adjustments	(8)	(95)
Total other comprehensive income	30	382
COMPREHENSIVE INCOME (Note 16)	¥20,453	$256,919
Total comprehensive income attributable to (Note 16);		
Owner of the parent	¥20,386	$256,073
Minority interests	67	846

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ÆON Mall Co., Ltd. and Subsidiaries
Years Ended February 20, 2012 and 2011

	Thousands	Millions of Yen									
							Accumulated other comprehensive income				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, FEBRUARY 20, 2010	181,122	¥16,667	¥16,975	¥ 84	¥124,421	¥(23)	¥196	¥ (34)	¥158,286	¥530	¥158,816
Net income					22,379				22,379		22,379
Exercise of stock options	4	4	5						9		9
Cash dividends, ¥20.0 per share					(3,622)				(3,622)		(3,622)
Purchase of treasury stock	(1)					(3)			(3)		(3)
Net change in the year				33			30	(99)	(36)	74	38
BALANCE, FEBRUARY 20, 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**

	Thousands of U.S. Dollars (Note 1)									
						Accumulated other comprehensive income				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, FEBRUARY 20, 2011	$209,408	$213,286	$1,466	$1,798,489	$(324)	$2,844	$ (1,666)	$2,223,503	$7,587	$2,231,090
Net income				**255,691**				**255,691**		**255,691**
Exercise of stock options	**160**	**160**						**320**		**320**
Cash dividends, $0.26 per share				**(45,504)**				**(45,504)**		**(45,504)**
Purchase of treasury stock					**(19)**			**(19)**		**(19)**
Net change in the year			**99**			**477**	**(94)**	**482**	**776**	**1,258**
BALANCE, FEBRUARY 20, 2012	**$209,568**	**$213,446**	**$1,565**	**$2,008,676**	**$(343)**	**$3,321**	**$(1,760)**	**$2,434,473**	**$8,363**	**$2,442,836**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ÆON Mall Co., Ltd. and Subsidiaries
Years Ended February 20, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 36,316**	¥ 38,223	**$ 456,180**
Adjustments for:			
Income taxes—paid	**(19,378)**	(13,242)	**(243,409)**
Losses from a natural disaster	**2,296**		**28,846**
Payments for losses from a natural disaster	**(444)**		**(5,576)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**1,762**		**22,129**
Depreciation and amortization	**20,740**	19,722	**260,514**
Loss on impairment of long-lived assets		3,901	
Gain on sales of shares in an associated company		(4,477)	
Changes in assets and liabilities:			
Decrease (increase) in receivables—trade accounts	**(538)**	103	**(6,759)**
Increase (decrease) in payables—trade accounts	**(490)**	141	**(6,157)**
Increase (decrease) in deposits received	**(25,073)**	10,415	**(314,947)**
Increase in allowance for doubtful accounts	**(29)**	(46)	**(365)**
Increase in liability for retirement benefits	**54**	46	**682**
Other—net	**8,032**	(1,778)	**100,887**
Total adjustments	**(13,068)**	14,785	**(164,155)**
Net cash provided by operating activities	**23,248**	53,008	**292,025**
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**(73,044)**	(54,763)	**(917,528)**
Proceeds from sales of property, plant and equipment	**163**	18,128	**2,046**
Proceeds from sales of shares in an associated company		5,099	
Payment of lease deposits to lessors	**(1,518)**	(915)	**(19,064)**
Reimbursement of lease deposits to lessors	**2,575**	2,151	**32,341**
Proceeds from sales of guarantee deposits	**5,519**		**69,328**
Repayment of lease deposits from lessees	**(6,000)**	(7,941)	**(75,366)**
Proceeds from lease deposits from lessees	**6,028**	6,998	**75,719**
Other	**(2,046)**	(4,664)	**(25,707)**
Net cash used in investing activities	**(68,323)**	(35,907)	**(858,231)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	**12,455**	(4,755)	**156,450**
Proceeds from long-term debt	**39,200**	5,000	**492,400**
Repayment of long-term debt	**(22,135)**	(23,930)	**(278,047)**
Dividends paid	**(3,623)**	(3,622)	**(45,504)**
Other	**(7)**	(9)	**(94)**
Net cash provided by (used in) financing activities	**25,890**	(27,316)	**325,205**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(5)**	(52)	**(58)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(19,190)**	(10,267)	**(241,059)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**27,631**	37,898	**347,084**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 8,441**	¥ 27,631	**$ 106,025**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ÆON Mall Co., Ltd. and Subsidiaries
Years Ended February 20, 2012 and 2011

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 conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended February 20, 2012 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respected to other comprehensive income for the ended February 20, 2011 is disclosed in Note 16. In addition, "net income before minority interests" is disclosed in consolidated statement of income from the year ended February 20, 2012.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ÆON Mall Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥79.61 to $1, the approximate rate of exchange at February 20, 2012. 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. Consolidation—The consolidated financial statements as of February 20, 2012 include the accounts of the Company and its five (three in 2011) subsidiaries (together, the "Group"). AEON MALL INVESTMENT (CAMBODIA) CO., LTD. and AEON MALL (CAMBODIA) CO., LTD. have been included in the consolidated financial statements for the year ended February 20, 2012 since it was newly established during the year.

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the 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; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and deposits kept at the cash pool account of ÆON Co., Ltd. (the parent company), both of which mature or become due within three months of the date of acquisition.

d. 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.

Non-marketable 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.

e. 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.

f. 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.

g. 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.

h. Lease Deposits to Lessors and Lease Deposits from Lessees—Certain shopping malls operated by the Group are generally 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 the shopping malls generally under 20-year lease agreements.

i. Bond Issue Costs—Bond issue costs are charged to income as incurred.

j. Retirement and Pension Plans—The Company has a defined benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees.

Liability for employees' retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date.

k. 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 ($3,956 thousand) and income before income taxes and minority interests by ¥2,077 million ($26,085 thousand).

l. 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 non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right 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.

The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

m. 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.

n. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable.

o. 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.

p. 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.

q. 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.

r. Derivatives and Hedging Activities—The Company uses interest rate swaps to manage its exposures to fluctuations in interest rates. They are utilized by the Company to reduce interest rate risk. 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 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 that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

s. 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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, 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, a 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.

3. Investment Securities

Investment securities as of February 20, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investment securities:			
Marketable equity securities	**¥746**	¥728	**$9,371**
Other	**46**	46	**578**
Total	**¥792**	¥774	**$9,949**

The costs and aggregate fair values of investment securities at February 20, 2012 and 2011 were as follows:

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

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	¥346	¥410	¥(28)	¥728

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	**$4,222**	**$5,394**	**$(244)**	**$9,371**

Available for sale securities whose fair values are not readily determinable as of February 20, 2012 and 2011 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Available-for-sale:			
Equity securities	**¥46**	¥46	**$578**

4. Long-Lived Assets

The Group reviewed its long-lived assets for impairment as of February 20, 2011. As a result, the Group recognized an impairment loss of ¥3,901 million as other expense for buildings and structures and other of the Aomori due to a continuous operating loss of that unit and the carrying amount of the buildings and structures was written down to the recoverable amount for the year ended February 21, 2011. The recoverable amount of that buildings and structures was measured at its value in use and the discount rate used for computation of present value of future cash flows was 9.3%. No impairment loss was recognized in 2012.

5. 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 mall in some region throughout Japan and the ASEAN area. The net of rental income and operating expenses for those rental properties were ¥31,919 million ($400,938 thousand) and ¥28,764 million for the fiscal years ended February 20, 2012 and 2011, respectively.

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, 2011	Increase/Decrease	February 20, 2012	February 20, 2012
¥348,071	**¥60,451**	**¥408,522**	**¥634,888**

Millions of Yen			
Carrying amount			Fair value
February 21, 2010	Increase/Decrease	February 20, 2011	February 20, 2011
¥340,671	¥7,400	¥348,071	¥565,059

Thousands of U.S. Dollars			
Carrying amount			Fair value
February 21, 2011	Increase/Decrease	February 20, 2012	February 20, 2012
$4,372,208	**$759,333**	**$5,131,541**	**$7,974,983**

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 20, 2012 primarily represents the acquisition of certain properties of ¥74,207 million ($932,130 thousand), which was partially offset by depreciation of ¥17,741 million ($222,855 thousand).
3) Fair value of properties as of February 20, 2012 is mainly measured based on evaluations based on real estate appraisal value.

6. Short-term Borrowings, Long-term Debt and Corporate Bonds

Short-term borrowings at February 20, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Short-term loans principally from banks, 0.63% to 0.94% (2012) and 0.89% to 0.94% (2011)	**¥ 5,655**	¥200	**$ 71,034**
Commercial paper, 0.2% (2012)	**7,000**		**87,928**
Total	**¥12,655**	¥200	**$158,962**

Long-term debt at February 20, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loans from banks and insurance companies, due through 2019 with interest rates ranging from 0.27% to 6.00% (2012) and from 0.27% to 6.00% (2011)			
Collateralized	**¥ 13,943**	¥ 9,392	**$ 175,147**
Unsecured	**120,314**	101,100	**1,511,281**
Total	**134,257**	110,492	**1,686,428**
Less current portion	**(28,365)**	(21,285)	**(356,299)**
Long-term debt, less current portion	**¥105,892**	¥ 89,207	**$1,330,129**

Corporate bonds at February 20, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Unsecured 1.60% yen corporate bond, due 2013	**¥10,000**	¥10,000	**$125,612**
Unsecured 1.54% yen corporate bond, due 2014	**23,000**	23,000	**288,909**
Total	**¥33,000**	¥33,000	**$414,521**

Annual maturities of long-term debt as of February 20, 2012 were as follows:

Years Ending February 20	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 28,365	$ 356,299
2014	31,463	395,211
2015	10,968	137,768
2016	24,164	303,532
2017	20,730	260,389
2018 and thereafter	18,567	233,229
Total	¥134,257	$1,686,428

Annual maturities of corporate bonds as of February 20, 2012 were as follows:

Years Ending February 20	Millions of Yen	Thousands of U.S. Dollars
2014	¥10,000	$125,612
2015	23,000	288,909
Total	¥33,000	$414,521

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt and other at February 20, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	**¥27,670**	**$ 347,572**
Buildings and structures—net of accumulated depreciation	**67,646**	**849,714**
Total	**¥95,316**	**$1,197,286**

Collateralized long-term debt and other at February 20, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current portion of long-term debt	**¥ 1,863**	**$ 23,407**
Current portion of lease from lessees	**109**	**1,372**
Long-term debt	**12,080**	**151,740**
Lease deposits from lessees	**2,666**	**33,484**
Total	**¥16,718**	**$210,003**

7. 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 20, 2012 and 2011 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥(1,466)**	¥(1,300)	**$(18,411)**
Fair value of plan assets	**1,007**	976	**12,644**
Unrecognized actuarial gain	**293**	213	**3,686**
Net liability	**¥ (166)**	¥ (111)	**$ (2,081)**

The components of net periodic retirement benefit costs for the years ended February 20, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥ 53**	¥ 47	**$ 666**
Interest cost	**31**	30	**392**
Expected return on plan assets	**(12)**	(12)	**(148)**
Recognized actuarial gain	**76**	71	**950**
Other (Note)	**130**	118	**1,632**
Net periodic costs	**¥278**	¥254	**$3,492**

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

Assumptions used for the years ended February 20, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	**1.9%**	2.4%
Expected rate of return on plan assets	**1.21%**	1.28%
Recognition period of actuarial gain/loss	**10 years**	10 years
Amortization period of prior service cost	**Amortized one-time as incurred**	Amortized one-time as incurred

8. Asset Retirement Obligations

The changes in asset retirement obligations for the year ended February 20, 2012 were follows.:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Balance at beginning of year	**¥5,991**	**$75,261**
Reconciliation associated with passage of time	**123**	**1,544**
Balance at end of year	**¥6,114**	**$76,805**

9. Equity

Japanese companies have been 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 the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, 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. However, the Company cannot do so because it does not meet all 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 aggregate amount of legal reserve and additional paid-in capital equals 25% of the 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.

10. Stock Options

The stock options outstanding as of February 20, 2012 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

The stock option activity is as follows:

	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)	2010 Stock Option (Shares)
For the Year Ended February 20, 2011				
Non-vested:				
February 20, 2010—outstanding				
Granted			24,100	
Canceled				
Vested			(24,100)	
February 20, 2011—outstanding				
Vested:				
February 20, 2010—outstanding	17,500	29,400		
Vested			24,100	
Exercised	(2,300)	(1,900)		
Canceled				
February 20, 2011—outstanding	15,200	27,500	24,100	
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
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	
Average stock price at exercise	¥1,864 ($23)	¥1,858 ($23)	¥1,892 ($24)	¥1,663 ($21)
Fair value price at grant date	¥2,750 ($35)	¥1,197 ($15)	¥1,741 ($22)	¥1,769 ($22)

The Assumptions Used to Measure Fair Value of 2010 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	45.30%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥20 per share
Interest rate with risk free:	0.87%

11. Losses From a Natural Disaster

The Company and its domestic subsidiary recognized losses from a natural disaster of ¥2,296 million ($28,846 thousand) mainly for restoration for buildings and structures damaged by the Great East Japan Earthquake on March 11, 2011, which are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	**2012**
Restoration cost	**¥2,059**	**$25,867**
Other	**237**	**2,979**
Losses from a natural disaster	**¥2,296**	**$28,846**

The Company and its domestic subsidiary recognized ¥2,038 million ($25,593 thousand) by application of earthquake insurance.

12. Income Taxes

The Company and its domestic subsidiary 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 20, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at February 20, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current:			
Deferred tax assets:			
Accrued enterprise tax	**¥ 550**	¥ 827	**$ 6,910**
Other	**269**	284	**3,383**
Total deferred tax assets	**¥ 819**	¥1,111	**$10,293**
Non-current:			
Deferred tax assets:			
Property, plant and equipment	**¥4,669**	¥5,249	**$58,644**
Long-term prepaid expenses	**442**	398	**5,558**
Liability for retirement benefits	**63**	45	**785**
Asset retirement obligation	**2,171**		**27,266**
Other	**186**	205	**2,345**
Total deferred tax assets	**7,531**	5,897	**94,598**
Deferred tax liabilities:			
Lease deposits to lessors and long-term prepaid expenses	**484**	457	**6,085**
Deferred capital gains on property	**236**	270	**2,959**
Special depreciation on property	**959**	976	**12,051**
Removal expense to an asset retirement obligation	**1,433**		**18,006**
Unrealized gain on available-for-sale securities	**146**	155	**1,827**
Total deferred tax liabilities	**3,258**	1,858	**40,928**
Net non-current deferred tax assets	**¥4,273**	¥4,039	**$53,670**

The difference between the statutory tax rate and the effective tax rate for the years ended February 20, 2012 and 2011 is less than 5%, so the reconciliation of the difference is omitted.

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 in the consolidated balance sheets as of February 20, 2012 by ¥673 million ($8,451 thousand) and to increase income taxes-deferred in the consolidated statements of income for the year then ended by ¥694 million ($8,714 thousand) and unrealized gain on available-for-sale securities by ¥21 million ($263 thousand).

13. Leases

a. Lessee

The Group leases certain machinery and equipment, and other assets.

Total rental expenses including lease payments under finance leases for the years ended February 20, 2012 and 2011 were ¥38,178 million ($479,566 thousand) and ¥36,379 million, respectively.

As discussed in Note 2.m, the Group accounts for leases that 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 exiting at the transition date, on an "as if capitalized" basis for the years ended February 20, 2012 and 2011 was as follows:

	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**

	Millions of Yen		
	2011		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥44	¥1,386	¥1,430
Accumulated depreciation	35	921	956
Net leased property	¥ 9	¥ 465	¥ 474

	Thousands of U.S. Dollars		
	2012		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**$528**	**$14,969**	**$15,497**
Accumulated depreciation	**466**	**12,378**	**12,844**
Net leased property	**$ 62**	**$ 2,591**	**$ 2,653**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥192**	¥272	**$2,420**
Due after one year	**33**	226	**411**
Total	**¥225**	¥498	**$2,831**

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Depreciation expense	**¥260**	¥288	**$3,260**
Interest expense	**11**	20	**143**
Total	**¥271**	¥308	**$3,403**
Lease payments	**¥283**	¥310	**$3,549**

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 20, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥ 24,471**	¥ 22,901	**$ 307,390**
Due after one year	**156,736**	163,818	**1,968,801**
Total	**¥181,207**	¥186,719	**$2,276,191**

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 20, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥ 493**	¥ 204	**$ 6,199**
Due after one year	**5,417**	1,240	**68,044**
Total	**¥5,910**	¥1,444	**$74,243**

14. Financial Instruments and Related Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective February 20, 2011.

(1) Policy for financial instruments

The Group conducts shopping mall businesses as its core shopping mall development businesses. The Group rent retail facilities in shopping mall to tenants, ÆON Retail Co., Ltd., operating general merchandise store and other 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 to bank and ÆON 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 financing mainly for operating transactions and property investment. Although such contractual obligations comprise the risk that they fail to be met in full on maturity dates, such liquidity risk are avoided by deconcentration of due dates or maturity dates. Although certain of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

The Group enters into interest rate swap contracts to manage exposure to market risks from changes in interest rates of bank loans. Please see Note 15 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 in early stage.

As to investment securities, the Group assesses quarterly the fair values of equity securities with fair values and monitors regularly 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 market risks from changes in interest rates of loan payables and bond payable.

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 meeting based on the internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data has been 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 price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

Fair values of financial instruments

	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 paid, 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	**33,000**	**33,609**	**(609)**
Lease deposits from lessees, including current portion	**104,341**	**103,397**	**944**
Total	**¥335,671**	**¥336,811**	**¥(1,140)**

	Millions of Yen		
	2011		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 27,631	¥ 27,631	
Receivables: Trade accounts	2,718	2,718	
Investment securities	728	728	
Lease deposits paid, including current portion (Prepaid expenses and other)	63,083	57,988	¥(5,095)
Total	¥ 94,160	¥ 89,065	¥(5,095)
Short-term borrowings	¥ 200	¥ 200	
Payables: Trade accounts	5,603	5,603	
Payables: Construction	14,068	14,068	
Deposits received	54,049	54,049	
Income taxes payable	10,923	10,923	
Long-term debt, including current portion	110,492	112,190	¥(1,698)
Corporate bonds	33,000	33,559	(559)
Lease deposits from lessees, including current portion	104,501	103,116	1,385
Total	¥332,836	¥333,708	¥ (872)

	Thousands of U.S. Dollars		
	2012		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$ 106,025**	**$ 106,025**	
Receivables: Trade accounts	**40,886**	**40,886**	
Investment securities	**9,371**	**9,371**	
Lease deposits paid, including current portion (Prepaid expenses and other)	**710,832**	**669,133**	**$(41,699)**
Total	**$ 867,114**	**$ 825,415**	**$(41,699)**
Short-term borrowings	**$ 158,962**	**$ 158,962**	
Payables: Trade accounts	**64,224**	**64,224**	
Payables: Construction	**125,850**	**125,850**	
Deposits received	**363,963**	**363,963**	
Income taxes payable	**91,935**	**91,935**	
Long-term debt, including current portion	**1,686,428**	**1,704,965**	**$(18,537)**
Corporate bonds	**414,521**	**422,172**	**(7,651)**
Lease deposits from lessees, including current portion	**1,310,653**	**1,298,794**	**11,859**
Total	**$4,216,536**	**$4,230,765**	**$(14,329)**

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

Cash and cash equivalents, 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 the equity instrument, and at the quoted price obtained from the financial instruction for certain debt instruments.

Lease deposits paid, including current portion

The fair values of Lease deposits paid, including current portion 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, Deposits received and Income taxes payable

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

Corporate bonds

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

The information of the fair value for derivatives is included in Note 15.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥46**	¥46	**$578**

(c) Maturity analysis for financial assets securities with contractual maturities

	Millions of Yen			
	2012			
	Due in One Year or Least	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	**¥ 8,441**			
Lease deposits paid*1	**2,186**	**¥12,030**	**¥ 8,687**	**¥206**
Corporate bonds		**33,000**		
Long-term debt	**28,365**	**87,324**	**18,567**	
Lease deposits from lessees*2	**1,463**	**3,441**	**1,039**	

	Thousands of U.S. Dollars			
	2012			
	Due in One Year or Least	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	**$106,025**			
Lease deposits paid*1	**27,455**	**$ 151,112**	**$109,117**	**$2,589**
Corporate bonds		**414,521**		
Long-term debt	**356,299**	**1,096,899**	**233,230**	
Lease deposits from lessees*2	**18,379**	**43,218**	**13,046**	

*1 Lease deposits paid with no defined redemption schedule of ¥33,480 million ($420,559 thousand) are not included in the above table.
*2 Lease deposits from lessees with no defined redemption schedule of ¥98,398 million ($1,236,010 thousand) are not included in the above table.

15. 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			
	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**

	Millions of Yen			
	2011			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥38,468	¥34,938	¥37,447

	Thousands of U.S. Dollars			
	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**	**$438,858**	**$322,667**	**$428,468**

16. Comprehensive Income

Other comprehensive income for the year ended February 20, 2011 consists of the following:

	Millions of Yen
	2011
Other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	¥ 30
Foreign currency translation adjustments	(99)
Total other comprehensive income	¥(69)

Total comprehensive income for the year ended February 20, 2011 comprises the following:

	Millions of Yen
	2011
Total comprehensive income attributable to:	
Owners of the parent	¥22,310
Minority interests	80
Total comprehensive income	¥22,390

17. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended February 20, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 20, 2012	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥20,356**	**181,132**	**¥112.37**	**$1.41**
Effect of Dilutive Securities—Warrants		**75**		
Diluted EPS—Net income for computation	**¥20,356**	**181,207**	**¥112.33**	**$1.41**
Year Ended February 20, 2011				
Basic EPS—Net income available to common shareholders	¥22,379	181,124	¥123.55	
Effect of Dilutive Securities—Warrants		64		
Diluted EPS—Net income for computation	¥22,379	181,188	¥123.51	

18. Related Party Disclosures

The Group adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006) for the year ended February 20, 2010.

Transactions with the parent company and its subsidiary for the years ended February 20, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deposits kept at the cash pool account of ÆON Co., Ltd. (the parent company)	**¥(10,000)**	¥(20,000)	**$(125,612)**
Interest income from ÆON Co., Ltd.	**19**	13	**245**
Revenue from leases of shopping malls to ÆON Retail Co., Ltd. (the parent's subsidiary)	**19,281**	16,686	**242,194**
Credit fee for ÆON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	**2,247**	1,940	**28,227**

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

The balances due to or from the parent company and its subsidiary at February 20, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Cash equivalents—Deposits kept at the cash pool account of ÆON Co., Ltd. (the parent company)		¥10,000	
Receivables—Trade accounts from ÆON Retail Co., Ltd. (the parent's subsidiary)	**¥ 1,015**	915	**$ 12,755**
Lease deposits received from ÆON Retail Co., Ltd.	**15,922**	15,814	**199,997**
Receivables—Other from ÆON CREDIT SERVICE CO., LTD. (the parent's subsidiary)	**6,352**	5,364	**79,795**

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

19. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at February 20, 2012 was approved at the Company's Board of Directors meeting held on April 5, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 ($0.14) per share	¥1,993	$25,030

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of ÆON Mall Co., Ltd. and subsidiaries (the "Company") as of February 20, 2012 and 2011, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended February 20, 2012, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ÆON Mall Co., Ltd. and subsidiaries as of February 20, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

May 10, 2012

Member of
Deloitte Touche Tohmatsu Limited

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