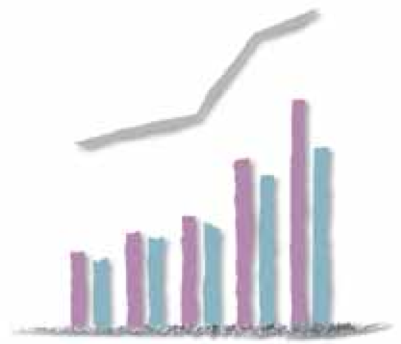
Planting Seeds of Growth
We are ÆON

Annual Report

Year ended February 20, 2009

2009



ÆON MALL CO., LTD.

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http://www.aeonmall.com

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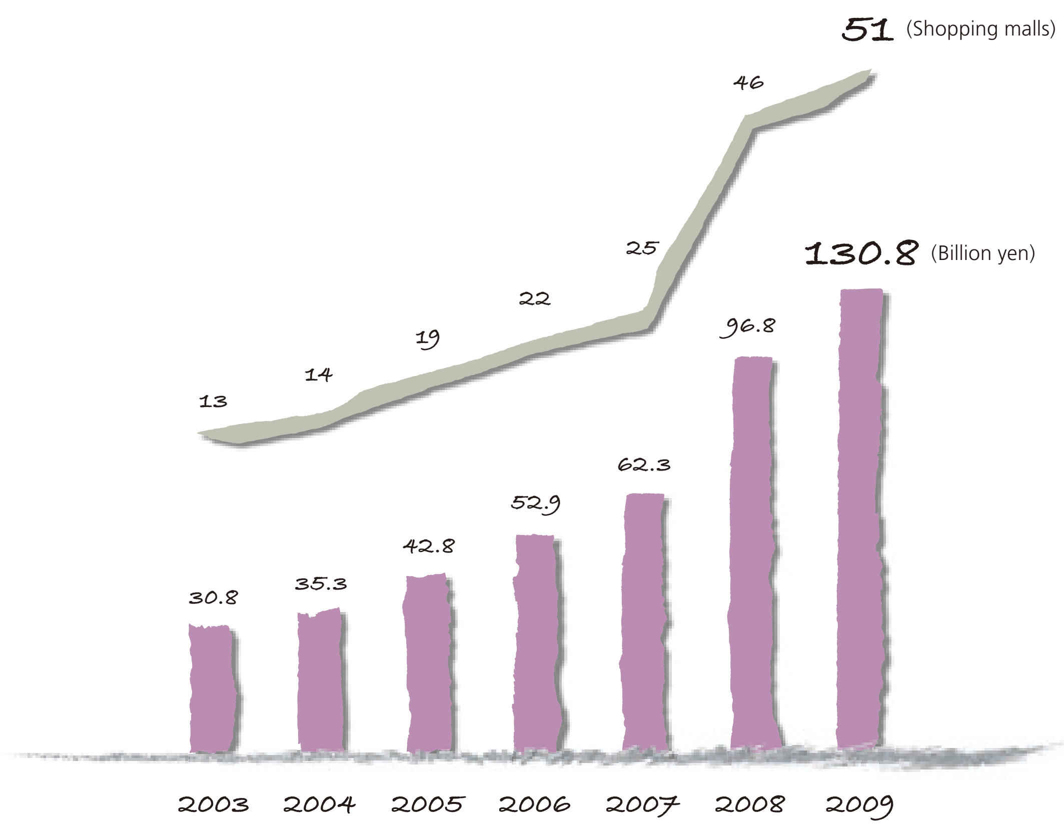
Shopping malls operated by ÆON Mall now and the company has grown to become of shopping malls. *As of April 30, 2009

Operating Income and Number of Shopping Malls



• The number of shopping malls in the fiscal year ended February 20, 2009 includes one overseas mall.

number 52 at home and abroad, Japan's largest specialist developer*

ÆON Mall specializes in shopping mall development, handling all aspects of the business, from shopping mall planning and development to tenant leasing, management and operation. As of the end of April 2009, we have 51 shopping malls throughout Japan, totaling over 3 million m² of commercial area, enabling us to gain the number one position domestically both in terms of number of shopping malls and commercial area. To lay the foundation for further growth, we have begun work on expansion overseas, and in November 2008 opened the ÆON Beijing International Shopping Center in Beijing, China.

As one of the first companies to anticipate the era of the shopping mall in Japan, we have been developing shopping malls since 1970. From that time, based on our philosophy of "Customers First," we have continued to grow through a continuing process of trial and error. We believe in doing more than just developing shopping malls: we create communities. In developing our malls we coexist with the people in those communities, thereby contributing to the creation of a more vibrant regional society. ÆON Mall's unique expertise in creating shopping malls that enable communities to develop in perpetuit can be described from the following three standpoints.

CONTENTS

ÆON Mall Original

1

A development strategy enhanced by mergers

ÆON Mall, which has primarily focused on development of shopping malls in regional cities, and Diamond City, which specializes in mall development in the suburbs of major metropolises. In August 2007 the two companies merged, and while combining our respective areas of expertise, we are now working to better understand the special attributes of our markets and the needs of our respective customers as we continue to develop shopping malls based on the concept of "Customers First."

Shopping mall development centers on 2 or 3-storey low-rise development, with at least two anchor stores, such as Japanese-style general merchandise stores (a combination of supermarket and U.S.-style general merchandise store under one roof), department stores or their equivalent, linked together by specialty stores of various types to from a complex of two anchor stores and one mall. By locating the anchor stores, with their ability to pull in customers, at both ends, we can offer better circulation within the mall, position tenants to avoid dead spots, and improve the profitability of our specialty stores. The latest evolution of this "two anchors with a mall" approach is the ÆON LakeTown kaze mall which opened in Koshigaya, Saitama Prefecture, in October 2008. This mall is the first example within the ÆON Group of a so-called triangle mall, featuring three anchor stores, and has attracted considerable crowds since its opening, with sales far exceeding original projections.

When looking at mall location, easy access by car is a key point in attracting visitors, requiring parking lots with a capacity of at least 4,000 vehicles. We also design our malls to serve markets with a population of 400,000 people living within a thirty-minute drive. While most of our malls are based on a commercial area of about 70,000~80,000m^2, from the development stage we work to secure property large enough to accommodate future expansion. Expansion is a key factor in the sustained growth of shopping malls, and our ability to constantly maintain the freshness of how each mall might grow is one of our major strengths.

In order to respond quickly to diversifying lifestyles and customer needs, we continually focus on the systematic expansion, revitalization and enhancement of our facilities, working always to offer new value to our customers.

ÆON Mall Original

2

Four features for attracting more customers

For specialized shopping mall developers such as ÆON Mall, enhancing our ability to attract customers is our most important responsibility. To accomplish this, we incorporate four features—shopping, entertainment, community, and CSR—in our efforts to create highly attractive multi-functional shopping complexes. This significantly enhances the presence of our shopping malls as a part of the community, enabling us to offer people of all ages the satisfaction of a fun, pleasant, convenient, and comfortable shopping experience.

1. Shopping

We respond to the diversifying lifestyle needs of our customers by offering a carefully calibrated mix of tenants, including the latest fashions, household goods, and popular restaurants. We achieve tenant diversity through a proprietary strategy by taking care to include one-third local tenants, one-third tenants that are new to the region, and one-third national brands, creating both a fresh look and a sense of familiarity.

2. Entertainment

Our malls include cineplexes, amusement facilities, and other leisure facilities, services that enable our customers to enjoy not just shopping, but the experience of the mall itself.

3. Community

Malls are designed with a full lineup of public services, including banks, post offices, and medical clinics. We are also seeing more cases in which our multi-purpose public event spaces, ÆON Halls, located in the shopping malls, are used for coming-of-age ceremonies, tax filing, early voting during elections, and other official functions as well as exhibitions and other such events. These new ways of utilizing such facilities represent a new source of revenue, but at the same time are also highly effective in pulling in more visitors.

4. CSR

In line with our environmental management policy, our malls incorporate barrier free and universal design concepts in keeping with the characteristics of the community, enabling our customers to enjoy a safe, secure and comfortable experience while at our malls. Shopping malls are also major consumers of electricity, water, gas, and other energy resources, and commercial waste and CO_2 emissions are an inevitable part of that. To address such concerns, we encourage recycling, the use of solar and wind power, and have even deployed large-scale ice thermal storage systems, in an effort to reduce our impact on the natural environment.

ÆON Mall Original

3

Tenant support based on our extensive commercial experience

ÆON Mall is the core development business within ÆON Group, Japan's largest retail group, and our rich experience and track record in retails sales and service is one of our greatest strengths. This extensive experience enables us to provide our valuable specialty retailer partners with a range of marketing and consulting services, and hospitality to improve ES (employee satisfaction) at specialty retailers, and gives us a significant competitive advantage over other shopping mall operators. Specifically, these services include the following:

Marketing: Implementation of multi-faceted market surveys, marketing and promotional activities that address the needs of the customer and the community, and planning and sponsorship of events designed to increase customer traffic.

Consulting: Advice on sales floor planning, and training designed to improve customer service skills.

Hospitality: Improvement of workplace environment by reflecting the desires of specialty retailer employees by provision of exclusive-use lounges, convenience stores, etc.

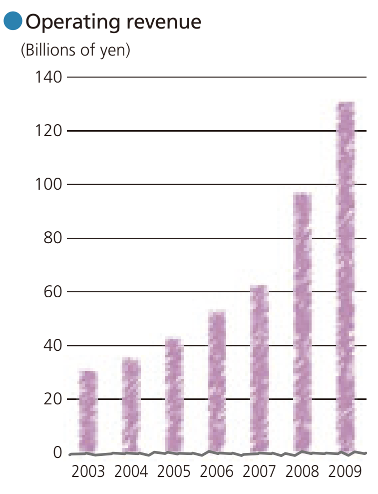
We make all of the unique expertise we have accumulated available in the support of our specialty retailers, and that in turn becomes the driving power behind tenant growth and the further expansion of our shopping malls.

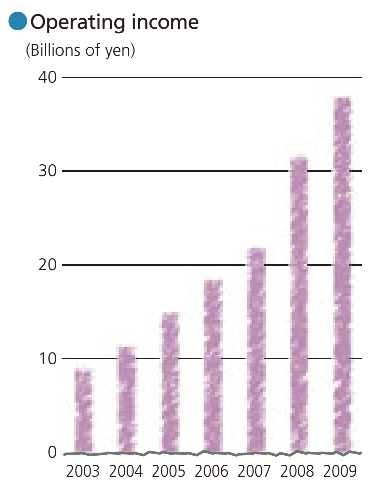
Our sales professionals, with their extensive experience in the retail industry, are assigned to each of our malls, and frequently hold store manager conferences and meetings for each type of business, providing a solid framework for sharing the latest information and further expanding opportunities to share opinions.

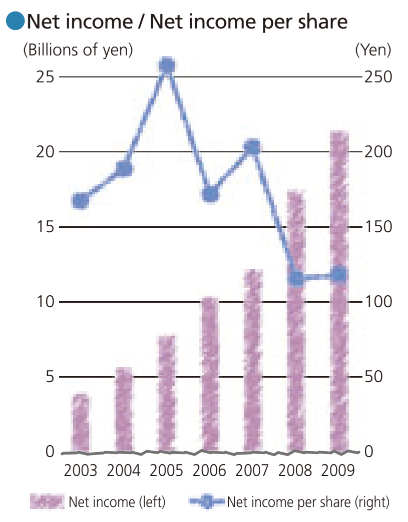
This detailed approach to working with our tenants has led to ÆON being regarded by specialty retailers as the first name in shopping malls, and we are convinced that this reinforces our malls' ability to attract customers, thereby increasing mall revenue. When seeking out new retail tenants, we start in the tenant leasing (the process of signing new tenants) phase by conducting a comprehensive check that includes, of course, the company's sales and other financial factors, but also covers everything from their policies on social contributions and environmental protection, to initiatives to enhance customer service, to their compliance with laws and regulations. All of this we do in service of our goal of creating vibrant communities, from shopping mall experiences that will satisfy customers so that they keep coming back time after time.

	2003	2004	2005
For the year:			
Operating revenue	¥ 30,836	¥ 35,316	¥ 42,764
Operating income	9,041	11,407	14,911
Net income	3,878	5,577	7,782
Capital expenditures	12,982	14,430	29,033
Depreciation and amortization	5,104	5,558	6,423
Operating cash flows	10,824	13,288	22,539
Investing cash flows	(4,675)	(14,969)	(17,033)
Financing cash flows	(2,859)	1,669	(7,164)
Free cash flows	6,149	(1,681)	5,506
Per share data (yen and U.S. dollars):			
Net income	¥ 167.73	¥ 188.91	¥ 257.93
Cash dividends	25.00	25.00	30.00
At year-end:			
Total assets	¥ 154,190	¥ 166,799	¥ 191,255
Total equity	23,762	32,247	39,343
Interest-bearing debt	70,124	68,977	62,573
Ratio (%):			
Equity ratio	15.4	19.3	20.6
ROE	19.1	19.9	21.7
ROA	6.0	7.1	8.5

Notes: 1. On August 21, 2007, ÆON Mall Co., Ltd. merged with Diamond City Co., Ltd.
2. U.S. dollar amounts are translated from yen, for the convenience of readers only, at the rate of ¥94.18=U.S. $1, the exchange rate prevailing on February 20, 2009.
3. ÆON Mall carried out a 2-for-1 stock split on February 21, 2007.



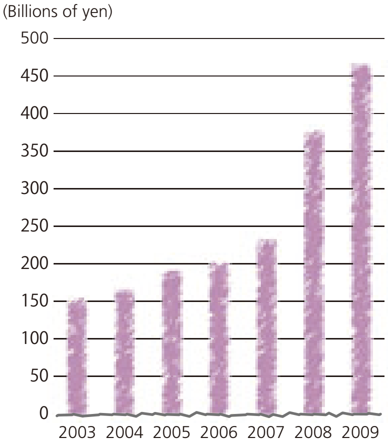




			Millions of Yen (except per share data)	Thousands of U.S. Dollars (except per share data)
2006	2007	2008	2009	2009
¥ 52,903	¥ 62,253	¥ 96,806	¥ 130,813	$ 1,388,972
18,510	21,879	31,642	37,870	402,105
10,369	12,181	17,439	21,390	227,118
31,346	44,548	37,564	71,378	757,887
7,748	8,611	10,933	14,586	154,871
15,687	21,150	27,169	26,656	283,030
(12,281)	(40,664)	(8,748)	(63,908)	(678,573)
1,647	13,225	(20,441)	38,181	405,403
3,406	(19,514)	18,421	(37,252)	(395,544)
¥ 171.99	¥ 203.00	¥ 115.63	¥ 118.09	$ 1.25
25.00	30.00	17.50	20.00	0.21
¥ 202,132	¥ 233,057	¥ 377,661	¥ 466,719	$ 4,955,606
49,103	60,034	122,734	140,504	1,491,866
65,126	79,859	84,242	126,060	1,338,498
24.3	25.6	32.4	30.0	–
23.4	22.4	19.2	16.3	–
8.9	9.6	10.0	8.8	–

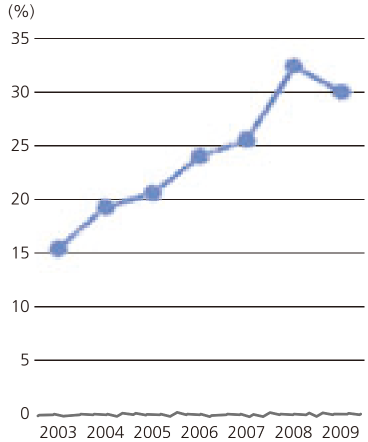
● Total assets

(Billions of yen)



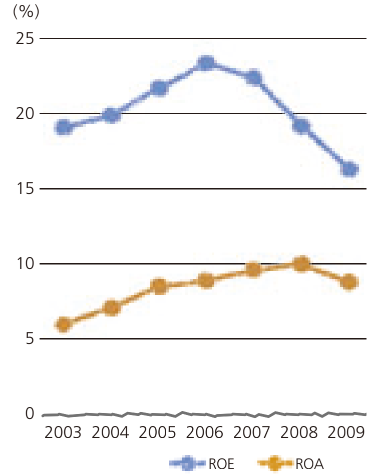
● Equity ratio

(%)



● ROE/ROA

(%)



To Our Shareholders and Investors
~ A message from the President ~

In the fiscal year under review we achieved our twentieth consecutive year of both higher revenues and higher earnings and opened a new store in China. Today, with 52 shopping malls under management domestically and abroad, we have grown into Japan's largest specialty shopping mall developer.

It is vital that we be able to respond quickly to the rapidly changing business environment, and with that in mind, we have reviewed our Medium-Term Management Plan with the goal of ensuring increased earnings.

In part thanks to the synergies of the merger, we achieved record results.

In the fiscal year under review (the fiscal year ended February 20, 2009), we achieved operating revenue of ¥130.8 billion, up 35.1% compared to the previous fiscal year, with operating income of ¥37.8 billion, up 19.7%, and net income of ¥21.3 billion, up 22.7%, with both revenues and earnings increasing as they did in the previous year. This was due to the effects of our August 2007 merger with Diamond City, followed by the opening, according to plan, of six new shopping malls and the revitalization and expansion of eight others. In November 2008 we also took our first steps to expand overseas, opening a shopping mall in Beijing, China. Currently, including the two new shopping malls opened in April 2009, we operate 51 malls in Japan, and one overseas, making us Japan's largest shopping mall developer.

While we ended this fiscal year with strong results, since fall of 2008 the management environment surrounding our company has changed far more drastically than we predicted. Given these circumstances, it was my belief that a swift response was the best approach, and we undertook a complete review of the Medium-Term Management Plan, which we had set out at the beginning of the fiscal year. This was because I was convinced that it was vital that we ensure steady growth at our existing shopping malls (please refer to page 22 to read about the initiatives in the new Medium-Term Management Plan). To further ensure the solid execution of this plan, on May 13, 2009 we undertook structural reforms, preparing a framework for quickly enacting our initiatives (please refer to page 23 for a description of those structural reforms). In the fiscal year under review, we welcomed nearly 400 million visitors to our shopping malls—more than 10 million visitors per shopping mall. While taking further advantage of the strength of our reputation among our customers, we are now reviewing the assets represented by the nearly 3 million m^2 of commercial floor space (equivalent to 64 Tokyo Domes) that our shopping malls total, and pushing ahead with measures to make use of these shopping malls as new sources of revenue.

As a mall developer well-versed in retail operations, our basic philosophy is to put the customer first. With our guiding management philosophy centering on "Sharing a sense of lively participation" we believe it is vital that we continue to create shopping malls that will be trusted by our customers and by the local community. With a shrinking birth rate and continued growth in the number of elderly, Japan is also facing an expected drop in population, and we are thus looking toward future growth in the Asia region as we move ahead with creation of shopping malls in China, while also beginning feasibility studies in Vietnam. Please refer to the following pages ("What Are Investors Asking?") for more information.

While the business environment in the near term remains extremely challenging, we will continue with the solid execution of our new Medium-Term Management Plan, and work toward becoming a globally-recognized company.

We ask for the continued support and guidance of all our shareholders and investors.

August 2009

President and CEO

Noriyuki Murakami

President Murakami answers five questions from investors

We achieved our twentieth consecutive year of higher revenues and higher earnings thanks to our basic philosophy of putting customers first and the unique shopping mall development capabilities we possess as a full-time developer.
However, the current harsh business climate will continue and President Murakami responds to the following five questions from investors regarding ÆON Mall's initiatives in these circumstances.

Q.1 What are your financial forecasts for the fiscal year ending February 20, 2010?

Q.2 What effects have been seen from the merger with Diamond City?

Q.3 Would you describe your new Medium-Term Management Plan, revamped in April 2009?

Q.4 What are your plans for your overseas strategy?

Q.5 What is your relationship with the ÆON Group?

Q.1

What are your financial forecasts for the fiscal year ending February 20, 2010?

Answer.1

Operating revenue in the year ending February 20, 2010 is targeted to be ¥143.0 billion, up 9.3% from the previous year, with operating income of ¥39.5 billion, up 4.3%, and net income of ¥21.6 billion, up 1.0% from the year before.

Operating revenue is targeted to increase by approximately ¥10.0 billion, with four new shopping malls opened in the fiscal year ended February 20, 2009 contributing to results for the current full year, and two malls opened in April 2009, adding to results across a ten-month period. Boosted by expansion and remodeling at twelve locations in the fiscal year under review and in the current fiscal year, our 45 existing shopping malls are expected to see operating revenue increase by ¥2.0 billion.

Q.2

What effects have been seen from the merger with Diamond City?

Answer.2

Combining the strengths of both companies has generated effective synergies.

Since the merger on August 21, 2007, and in the short span of 18 months through the end of the fiscal year under review, we have opened six new shopping malls. While ÆON Mall specializes in regional, suburban shopping malls, Diamond City's strengths were in the development and operation of urban shopping centers. Both companies' strengths can be seen in our newly-opened malls. This is particularly true in the case of the ÆON LakeTown kaze (in Koshigaya, Saitama Prefecture) location opened in October 2008, which made full use of Diamond City's proficiency in tenant leasing, enabling us to build on the attributes of metropolitan Tokyo bedroom communities to attract a strong lineup of branded specialty stores that appeal to the suburban customer.

Next, we compared maintenance costs at shopping malls owned by each company, and shifted toward the lower of the two, enabling us to reduce operating costs compared to pre-merger levels.

Finally, with the increase in our overall size, we are now able to gather information nationwide, making it possible to proceed with the stable creation of new shopping malls.

Q.3

Would you describe your new Medium-Term Management Plan, revamped in April 2009?

Answer.3

We will shift our direction toward solid expansion.

In April 2008 we announced a new Medium-Term Management Plan for the period through the fiscal year ending February 20, 2011, under which we opened four new shopping malls and expanded or revitalized six others. However, since the fall of 2008 the business environment has changed far more drastically than we predicted. Faced with these changes, I decided that it would be necessary to revamp that plan, and we established a new three-year Medium-Term Management Plan to run through the fiscal year ending February 20, 2012.

By the final fiscal year, we will open a total of nine new shopping malls, seven domestically and two in China. We are also expanding and revitalizing another 18 malls, or nearly one-third of our existing total. While the pace of new openings will drop somewhat compared to the previous plan, we will work to secure our footing and establish a foundation for major growth during the next economic recovery.

At the same time, using our accumulated unique expertise in shopping mall development, operations and management, we will work to revitalize the existing general merchandise stores (GMS) within the ÆON Group, while also expanding the range of our activities to properties outside the ÆON Group. On April 21, 2009, we re-opened the ÆON Mall Nagoya Wonder City, which had closed in 2007, as mozo wondercity (Nagoya, Aichi Prefecture), in collaboration with Mitsubishi Corporation. On July 24, 2009, we also opened the remodeled JR East Tsuchiura Station building under the Perch Tsuchiura name (Tsuchiura, Ibaraki Prefecture), and we hope to expand these kinds of outsourced property management (PM) deals going forward.

The following are our targets for the fiscal year ending February 20, 2012, the final year of the plan:

Operating revenue: 8% annual growth from the fiscal year ended February 20, 2009, to ¥165.0 billion.

Ordinary income: 5% annual growth from the fiscal year ended February 20, 2009, to ¥43.0 billion.

Capital investment is expected to reach ¥160.0 billion, with nine new shopping malls opening and the expansion and revitalization of 18 others. Operating cash flow is projected to reach ¥140.0 billion, with security deposits from tenants amounting to ¥15.0 billion; there are no plans to increase borrowing going forward. Financial indices for the final year of the plan call for a shareholders' equity ratio of greater than 35%, an interest-bearing debt ratio of less than 35%, and a debt equity ratio below a factor of one.

Q.4

What are your plans for your overseas strategy?

Answer.4

First of all, we plan to expand mainly in the Huabei and Shandong regions of China.

Overseas expansion in China's Huabei and Shandong regions is an important measure called for in our new Medium-Term Management Plan. While we have already opened one shopping mall in Beijing, in November of 2008, we are moving ahead with plans for the creation of additional malls in the Huabei and Shandong regions.

In China, we will concentrate on our developer business, while other ÆON Group companies focus on the retail business.

Because new towns in China are developed only after roads are built, most transportation is based on the automobile, making the shopping malls in which we specialize ideally suited to the Chinese market. In the Huabei and Shandong regions, the rate of per-household automobile ownership is rapidly increasing in tandem with the growth rate of the regional economy. Business conditions are similar to Japan at the beginning of the 1970s, when we developed our first domestic shopping malls, thereby providing an environment in which we can make full use of our expertise.

Additionally, looking ahead, in the fiscal year ending February 20, 2010, we began feasibility studies in the Vietnamese market, and will be exploring the potential for shopping mall development in that country, which is expected to see the greatest growth after China.

Q.5

What is your relationship with the ÆON Group?

Answer.5

We will continue to focus on shopping mall development as a core company of the ÆON Group's development business.

In August 2008, ÆON Co., Ltd., our parent company, moved to become a pure holding company. That move has further strengthened our position as a core company in the Group's development business.

As a shopping mall specialty developer, we believe our responsibility is to enhance ÆON Mall's ability to attract customers, and in the fiscal year under review, we welcomed approximately 400 million customers. Analysis tells us that one factor behind our ability to draw in such large numbers may be that many customers use the ÆON card (credit card) and WAON* (e-money card), with card use across all shopping malls in the fiscal year under review increasing as much as 13%. We have also received numerous requests from specialty retailers to further enhance marketing promotions tied to the ÆON and WAON cards.

Going forward, we will maintain our strong relationship with ÆON, using new shopping mall development to further enhance both our own corporate value and that of the ÆON Group.

*WAON: ÆON's exclusive electronic card

Business Overview

●Initiatives in the fiscal year ended February 20, 2009

As of the end of the fiscal year ended February 20, 2009, we had grown to operate 50 shopping malls in 27 prefectures and cities in Japan, and one in Beijing, China.

Looking at 43 of those shopping malls in which sales trends by store can be compared with the previous year, while sales dropped back in May and June of 2008, with the soaring price of gasoline, and again in November, with the impacts of the economic recession, by working aggressively to revitalize our operations, we succeeded in achieving sales equal to the previous fiscal year, at 99.3% year on year.

Of our shopping malls, 18 are located in front of train stations, and we continue to carry out measures to take advantage of those locations. At the new ÆON Mall MiELL Miyakonojo-Ekimae shopping mall, opened in November 2008, we are implementing plans to offer special benefits to customers arriving by train. ÆON LakeTown kaze is connected directly with the Koshigaya Lake Town train station which has been completed on the JR Musashino Line, and is located in the middle of Koshigaya Lake Town which is being developed primarily through the efforts of the Urban Renaissance Agency. Approximately 18 million customers have visited in the five months between the opening of the mall in October 2008 and the end of the fiscal year, with sales greatly exceeding initial plans.

●Plan for the fiscal year ending February 20, 2010

In the fiscal year ending February 20, 2010, new shopping malls Mozo Wonder City (Aichi Prefecture) and ÆON Mall Hiroshima Gion (Hiroshima Prefecture) opened on April 21, 2009 and April 29, 2009, respectively.

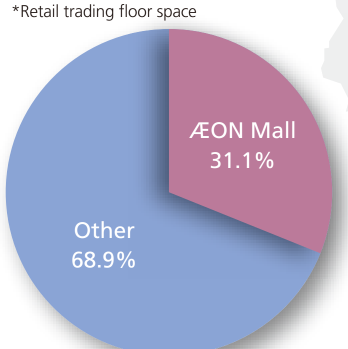
Three existing shopping malls, ÆON Mall Akita (Akita Prefecture), ÆON Mall Tsugaru Kashiwa (Aomori Prefecture), and ÆON Mall Sankoh (Oita Prefecture), all held their renewal openings on April 24, 2009. Three more existing shopping malls are set to hold renewal openings in the third quarter. New specialty store retail space will be created in each of these shopping malls. Specifically, the spaces vacated by the department store Mitsukoshi at ÆON Mall Musashimurayama mu (Tokyo) and ÆON Mall Natori AIRY (Miyagi Prefecture), and the space made available by the floor-space downsizing on the third floor of the GMS at Hamamatsu Shitoro (Shizuoka Prefecture) will be renovated. Through these renovations, ÆON Mall will bring in attractive retail tenants, bolster the competitiveness of shopping malls, promote greater efficiency of shopping malls, and otherwise strive to deliver further growth in operating results.

Also, in our revitalization business, after having designed a new train station building concept plan for East Japan Railways Company (JR-EAST), on July 24, 2009 we held a renewal opening as Perch Tsuchiura of the JR Tsuchiura Station building (Ibaraki Prefecture), which we have been leasing. In this, our first train-station building project, our operation management will utilize our long-standing shopping mall experience.

In the shopping mall business in China, ÆON Mall will build know-how through the operation of its first store in Beijing, and work to open other new shopping malls in China.

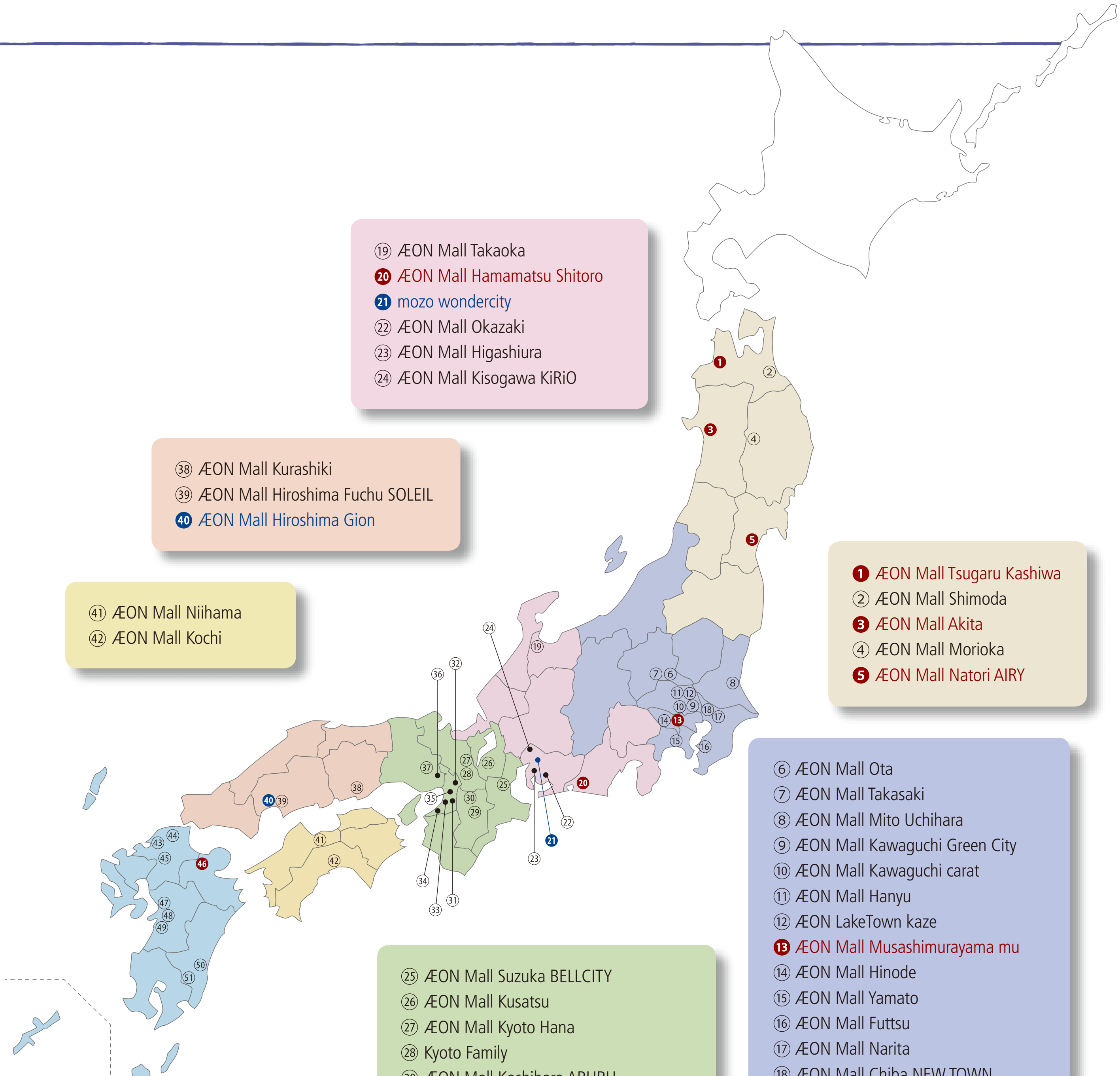
■ÆON Mall's share of the mall-type shopping center market (exceeding 40,000 square meters in floor space*

*Retail trading floor space



(Source: Shopping Center White Paper 2009, Japan Shopping Center Association. A total of 2,980 operating facilities were included in this definition)

China
52 ÆON Beijing International Mall Shopping Center (China · Beijing)



1. ÆON Mall Tsugaru Kashiwa
2. ÆON Mall Shimoda
3. ÆON Mall Akita
4. ÆON Mall Morioka
5. ÆON Mall Natori AIRY

6. ÆON Mall Ota
7. ÆON Mall Takasaki
8. ÆON Mall Mito Uchihara
9. ÆON Mall Kawaguchi Green City
10. ÆON Mall Kawaguchi carat
11. ÆON Mall Hanyu
12. ÆON LakeTown kaze
13. ÆON Mall Musashimurayama mu
14. ÆON Mall Hinode
15. ÆON Mall Yamato
16. ÆON Mall Futtsu
17. ÆON Mall Narita
18. ÆON Mall Chiba NEW TOWN

19. ÆON Mall Takaoka
20. ÆON Mall Hamamatsu Shitoro
21. mozo wondercity
22. ÆON Mall Okazaki
23. ÆON Mall Higashiura
24. ÆON Mall Kisogawa KiRiO

25. ÆON Mall Suzuka BELLCITY
26. ÆON Mall Kusatsu
27. ÆON Mall Kyoto Hana
28. Kyoto Family
29. ÆON Mall Kashihara ARURU
30. Nara Family
31. ÆON Mall Fujiidera
32. ÆON Mall Neyagawa Green City
33. ÆON Mall Sakaikitahanada prou
34. ÆON Mall Rinku Sennan
35. ÆON Mall Tsurumi Leafa
36. ÆON Mall Itami Terrace
37. ÆON Mall Kobe Kita

38. ÆON Mall Kurashiki
39. ÆON Mall Hiroshima Fuchu SOLEIL
40. ÆON Mall Hiroshima Gion

41. ÆON Mall Niihama
42. ÆON Mall Kochi

43. ÆON Mall Fukuoka LUCLE
44. ÆON Mall Nogata
45. ÆON Mall Chikushino
46. ÆON Mall Sankoh
47. Otsu Shopping Plaza
48. ÆON Mall Kumamoto CLAIR
49. ÆON Mall Uki VALUE
50. ÆON Mall Miyazaki
51. ÆON Mall MiELL Miyakonojo-Ekimae

Note: Kyoto Family, Nara Family and mozo wondercity are property-managed properties

● Shopping malls planned to be opened during the fiscal year ending February 20, 2010

● Shopping malls planned for expansion or revitalization during the fiscal year ending February 20, 2010

Newly opened shopping malls in the fiscal year ended February 2009

Chain Store Age
1st Place
Store of the Year 2009

Recognized for highest level of environmental measures in Japan

Senken Shimbun
Developer Grand Prize
New Face Award

Recognized by tenant companies for unprecedented scale and concept

ÆON LakeTown kaze (Koshigaya, Saitama)

"Koshigawa LakeTown" is the first initiative by the Ministry of the Environment under a scheme to reduce by 20% the CO_2 emissions of an entire central business district. Its development is being guided by the keyword "Eco." ÆON LakeTown was developed under the concept of "comfort" between people and nature as a new major shopping precinct. It is in the top class of commercial facilities in Japan and is called an "eco shopping center" because it employs the latest initiatives towards environmental conservation.

It comprises two shopping malls: the "kaze" mall and the "mori" mall. ÆON Mall controls the operations of the "kaze" mall.

The "kaze" mall houses supermarkets, large stores selling fashion items, sports gear, home appliances, and entertainment media and a cinema complex that serve as anchor stores throughout the triangle-shaped mall (350 meters in circumference). There is symbolism in its name: "kaze" means wind, which is a metaphor for the flow of fashion trends. Aiming for high-sensibility, all 214 stores appeal to the current trends of adults.

- Grand opening: Oct. 2, 2008
- Operator: "kaze" ÆON Mall Co., Ltd.
  "mori" ÆON Retail Co., Ltd.
- Site area: around 264,000m^2 (Overall)
- Commercial area: around 80,000m^2 (kaze)
- Parking: 3,260 cars (kaze)
- Number of employees: around 9,000 (Overall)
- Tenants: 214 (kaze)
- Trade area population: around 3,300,000 (1.4 million households)

ÆON Mall Chikushino

(Chikushino, Fukuoka)

ÆON Mall Chikushino was the fiftieth shopping mall. Its market is the southern commuter belt of Fukuoka City. One of the key characteristics of the 180-store makeup is freshness of appeal; more than 50 stores are local businesses, 30 stores being the first in Fukuoka Prefecture, and 20 of those being the first in Kyushu.

- Grand opening: Dec. 5, 2008
- Site area: around 98,000m^2
- Commercial area: around 75,000m^2
- Parking: 3,600 cars
- Number of employees: around 2,600
- Tenants: 180
- Trade area population: around 960,000 (380,000 households)

ÆON Mall MiELL Miyakonojo-Ekimae

(Miyakonojo, Miyazaki)

ÆON Mall acquired the site from Daiei, Inc, and constructed a new mall with Daiei Miyakonojo store as the anchor store bringing the most business activity. It is the first mall-type shopping center in the area. The mall, which is close to Miyakonojo Station, in the middle of the main central business district and alongside a national highway, continues to report strong sales performance.

- Grand opening: Dec. 1, 2008
- Site area: around 53,000m^2
- Commercial area: around 33,000m^2
- Parking: 1,700 cars
- Number of employees: around 1,000
- Tenants: around 100
- Trade area population: around 197,000 (75,000 households)

ÆON Mall Kusatsu

(Kusatsu, Shiga)

This shopping mall has strong "eco" characteristics with high consideration towards the natural environment. At night, it stores electricity and cool, outside air to use during the day as part of its "ice thermal storage system" and "night purge system." It also has a large solar power panel installation of around 2,000 square meters. These measures enable the mall to emit 10% less CO_2 than other malls of the same size.

- Grand opening: Nov. 26, 2008
- Site area: around $165,000^2$
- Commercial area: around $86,000^2$
- Parking: 4,330 cars
- Number of employees: around 2,600
- Tenants: 186
- Trade area population: around 490,000 (190,000 households)

Note: "CASBEE" is a method for evaluating environmental performance of buildings. The building's overall environmental performance is evaluated according to improvement in reducing environmental impacts (energy saving, resource saving and recycling), interior comfort, and improvement of environmental quality and function such as consideration towards the surroundings.

▶ Note: The target market is all areas within 30 minutes by car

Expansions and renovations of existing shopping malls in fiscal year ended February 2009

ÆON Mall Itami Terrace (Itami, Hyogo)

A new zone has been constructed to support the mall's main target, the "family customers in their 30s" group. A wide range of specialty stores have been switched or introduced to this new zone. For example, in the Kids' Zone, there are a total of 6 new or renovated stores, which will lead to more customers with young children visiting stores.

- Grand opening: Nov. 20, 2008
- Site area: around 61,000m^2
- Commercial area: around 57,000m^2*
- Tenants: 143
- Parking: around 2,800 cars

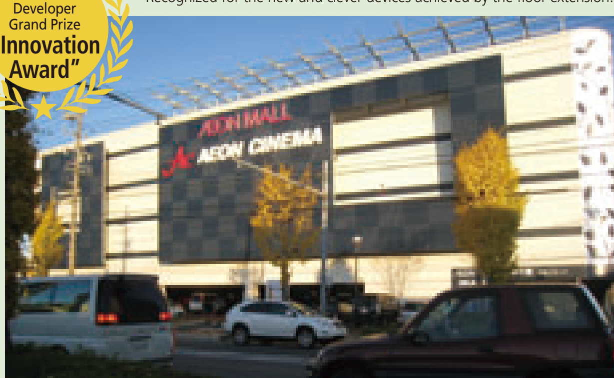
ÆON Mall Fukuoka LUCLE (Kasuya-gun, Fukuoka)

The floor area has been extended to further enhance the areas of "clothing, food, living, and play" and promote a high-quality lifestyle. Targeting men in their thirties and older, a plastic model specialty store "Bunkyodo Hobby" has been newly opened, and the family fashion store "UNIQLO" was renovated into a store with the greatest floor space level in Kyushu.

- Grand opening: May 30, 2008
- Site area: around 217,000m^2
- Commercial area: around 83,500m^2*
- Tenants: 197
- Parking: around 5,200 cars

Senken Shimbun Developer Grand Prize "Innovation Award"

Recognized for the new and clever devices achieved by the floor extension.



ÆON Mall Okazaki (Okazaki, Aichi)

Long anticipated by many, a new building with entertainment functions, including a cinema complex, was constructed and the floor space of existing buildings was substantially extended. The floor space was extended overall to around 140% of the original size and 97 new stores were opened to make the total number of specialty stores 212. Specialty store sales after the floor extension grew by 70% compared with the previous fiscal period.

- Grand opening: Nov. 28, 2008
- Site area: around 112,000m^2
- Commercial area: around 92,000m^2
- Tenants: 243
- Parking: around 5,000 cars

ÆON Mall Kashihara ARURU (Kashihara, Nara)

Large-scale floor extension and renovation was conducted to expand the floor area to around 140% of the previous size allowing 115 new stores to open. The number of specialty stores is now 243. Inside the existing buildings, renovations were conducted at 19 stores. As a result, specialty store sales after the extension grew by 60% compared with the previous fiscal period.

- Grand opening: Nov. 25, 2008
- Site area: around 112,000m^2
- Commercial area: around 92,000m^2*
- Tenants: 243
- Parking: around 5,000 cars

*Total leased area

Overseas Shopping Mall Operations

ÆON Beijing International Mall Shopping Center

ÆON Mall established the Beijing Branch Office (the resident office in Beijing) in October 2007 to promote business operations in the Huabei region of China. In May 2008, we established local subsidiary "ÆON Mall (China) Business Management Co., Ltd." and we have been actively developing our shopping mall operations in China.

On November 7, 2008, ÆON Beijing International Mall Shopping Center was opened in Beijing, China as our first business operation in China. This shopping mall was a joint development venture with Beijing ÆON Co., Ltd., which entrusts leasing and operation and management businesses to ÆON Mall's local subsidiary. One third of the entire shopping mall's stores are Japanese-company operated.

The goal is for ÆON Beijing International Mall Shopping Center to become a one-stop destination for customers to enjoy shopping in various ways at numerous stores open for the first time in Beijing. The shopping center features 101 specialty stores able to satisfy the variety in customers' lifestyles, focusing in particular on family customers in their 30s and 40s who have established their lifestyles, and fashion-conscious customers in their 20s. In September 2009, a cinema complex will open its doors. The motorization of Beijing society continues to accelerate. The shopping center provides the city's largest parking lot, accommodating 3,000 vehicles and enabling customers to enjoy their shopping in a leisurely manner.

- Grand opening: Nov. 7, 2008
- Location: No.1 Bei Qing Road, Changping District, Beijing
- Anchor store: Jusco International Department Store
- Site area: around 89,000m^2
- Site area: around 89,000m^2
- Tenants: 101
- Parking: 3,000 cars
- Number of employees: around 3,000
- Trade area population: around 1,160,000 (380,000 households within 15-min. drive)

Towards Achieving the Medium-Term Management Plan

[New Shopping Malls] Opening of nine shopping malls between fiscal 2009 (fiscal year ending February 20, 2010) and fiscal 2011 (fiscal year ending February 20, 2012)

Amid circumstances that have been called a once-in-a-hundred-year economic crisis, which developed from the subprime mortgage crisis in the U.S., we expect economic conditions to continue to remain uncertain for a while. In our shopping mall business, we are influenced by the view that investment profitability is weakening in new shopping mall construction due to soaring prices of construction materials and by a weakening of fluidity in the market and are prudently selecting development properties. In the fiscal year ending February 20, 2010, we plan to open two new shopping malls, mozo wondercity (Aichi Prefecture) and ÆON Mall Hiroshima Gion (Hiroshima Prefecture), which opened as planned in April 2009.

mozo wondercity (Nagoya, Aichi)

In 2007, ÆON Mall Nagoya Wonder City was closed and this shopping mall was developed in a joint venture with Mitsubishi Corporation. It had its grand opening under the new name of "mozo wondercity."

- Grand opening: Apr. 21, 2009
- Site area: around 107,000m²
- Commercial area: around 85,000m²*
- Tenants: around 230
- Parking: around 5,000 cars
- Number of employees: around 3,500
- Trade area population: 1,300,000 (550,000 households)

* Total leased area

ÆON Mall Hiroshima Gion (Hiroshima City, Hiroshima)

The commuter suburbs of Hiroshima City have the greatest population and continue to expand. ÆON Mall Hiroshima Gion had its grand opening as a "shopping mall that considers people and the environment" by utilizing universal design etc.

- Grand opening: Apr. 29, 2009
- Site area: around 135,000m²
- Commercial area: around 57,000m²
- Tenants: around 130
- Parking: around 2,800 cars
- Number of employees: around 2,500
- Trade area population: around 480,000 (206,000 households)

	Fiscal year ending February 20, 2010	Fiscal year ending February 20, 2011	Fiscal year ending February 20, 2012	Total
Opening of new shopping malls (number of these that are malls in China)	2 (0)	3 (1)	4 (1)	9 (2)
Expansion/renovation of existing shopping malls	6	6	6	18

[Existing Shopping Malls] 18 shopping malls planned for expansion or renovation between fiscal 2009 (fiscal year ending February 20, 2010) and fiscal 2011 (fiscal year ending February 20, 2012)

Annually, the number of customer visits to our shopping malls has reached 400 million. To boost the competitiveness of our shopping malls, we continue to conduct floor extensions and renovations at existing shopping malls and boost customer drawing power by introducing appealing specialty stores.

In the fiscal year ending February 20, 2010, we plan to expand or renovate 6 shopping malls, and ÆON Mall Tsugaru Kashiwa, ÆON Mall Akita and ÆON Mall Sankoh had their grand openings in April 2009.

ÆON Mall Tsugaru Kashiwa

- Grand opening: Apr. 24, 2009
- Site area: around 130,000m²
- Tenants: around 100
- Commercial area: around 42,000m²
- Parking: around 2,600 cars

ÆON Mall Sankoh

- Grand opening: Apr. 24, 2009
- Site area: around 108,000m²
- Tenants: around 60
- Commercial area: around 36,000m²
- Parking: around 2,500 cars

ÆON Mall Akita

- Grand opening: Apr. 24, 2009
- Site area: around 133,000m²
- Tenants: around 170
- Commercial area: around 67,000m²
- Parking: around 3,800 cars

Scheduled for second half of fiscal year

- **ÆON Mall Musashimurayama mu**
- **ÆON Mall Natori AIRY**
- **ÆON Mall Hamamatsu Shitoro**

Creating the foundations for new business

We have carried out organizational reform in order to commence the full-scale development of new businesses that utilize our accumulated resources; namely, our shopping mall assets, and our know-how of developing and managing shopping malls. In order to broaden our ability to establish new business, we have formed two new divisions: the "Mall Business Development Division," which makes full use of our shopping malls as assets, and the "New Business Development Division," whose activities will include business resuscitation, property management development and the development of new type enterprises.

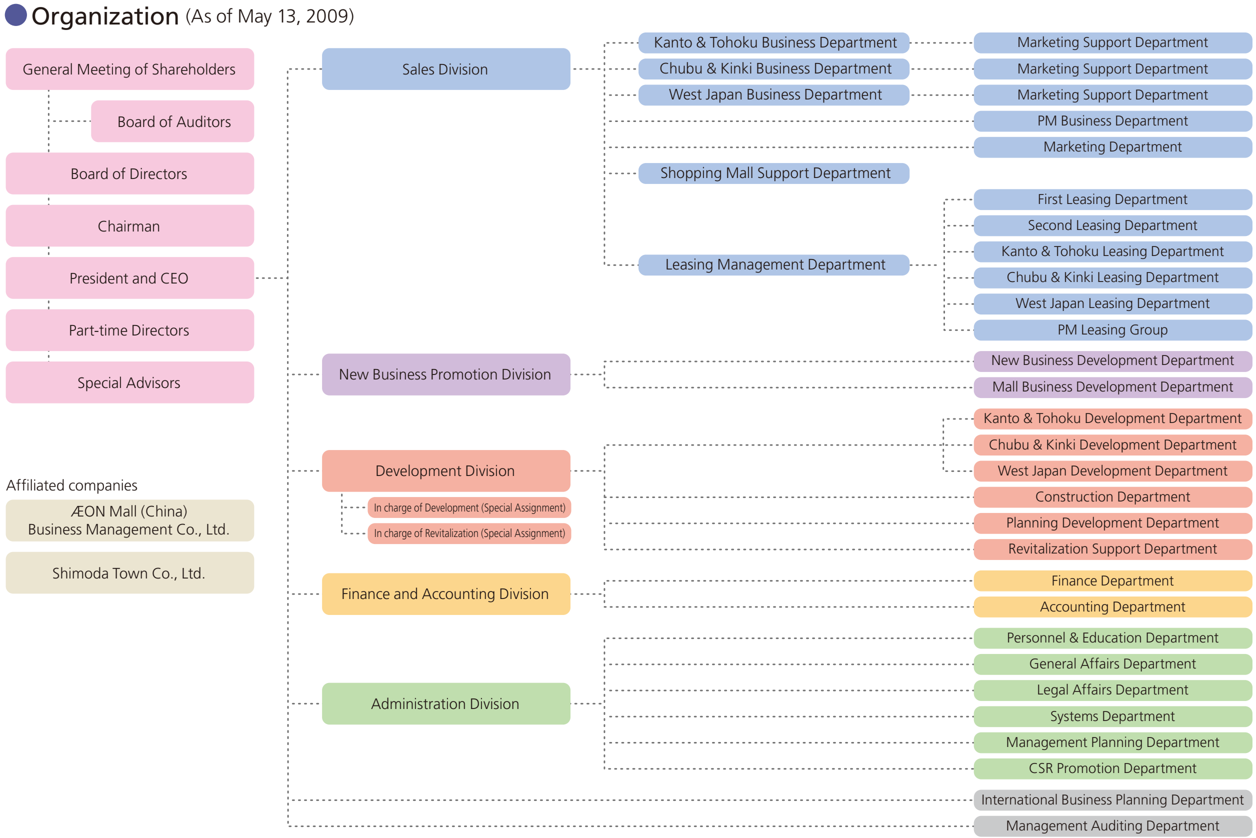
Efforts towards revitalization business

Characterized by customers being more selective in what they buy, the GMS stand-alone stores are rapidly losing competitive strength. By utilizing the know-how of the development, operation and management of competitively superior shopping malls, we are developing our existing-store revitalization business, which involves creating shopping malls by extending the floor space of existing GMS stores. On December 1, 2008, we opened our first revitalization business project, ÆON Mall MiELL Miyakonojo-Ekimae. On July 24, 2009, we held a full-building renewal opening as Perch Tsuchiura of the JR Tsuchiura Station building whose owners, JR-EAST, commissioned us to undertake our first train station building project as part of our revitalization business. Going forward, we will utilize our various long-standing shopping mall experience to continue to manage this building's operations.

Full-scale development of our global business operations

We have been preparing the foundation for a full-scale expansion of the mall business in Asia, particularly China. As part of the ÆON Group's business expansion in China, we look to manage the development of large-scale shopping malls. At our first overseas mall, ÆON Beijing International Mall Shopping Center, which opened on November 7, 2008, we have utilized shopping mall management know-how in the local region and as part of our efforts to open new large-scale shopping malls. We will establish a business model under which we can develop many shopping malls throughout Asia.

Organization (As of May 13, 2009)



Corporate Social Responsibility (CSR) Activities

We are a company that proposes new lifestyles brimming with appeal aiming to create “Towns with Vitality” shaped to be full of “surprises, excitement and fun.” To foster the attractiveness of each local area, promote a warm-spirited culture and maintain our recognition earned from society, we are proactively implementing CSR activities.

For the Promotion of CSR Activities

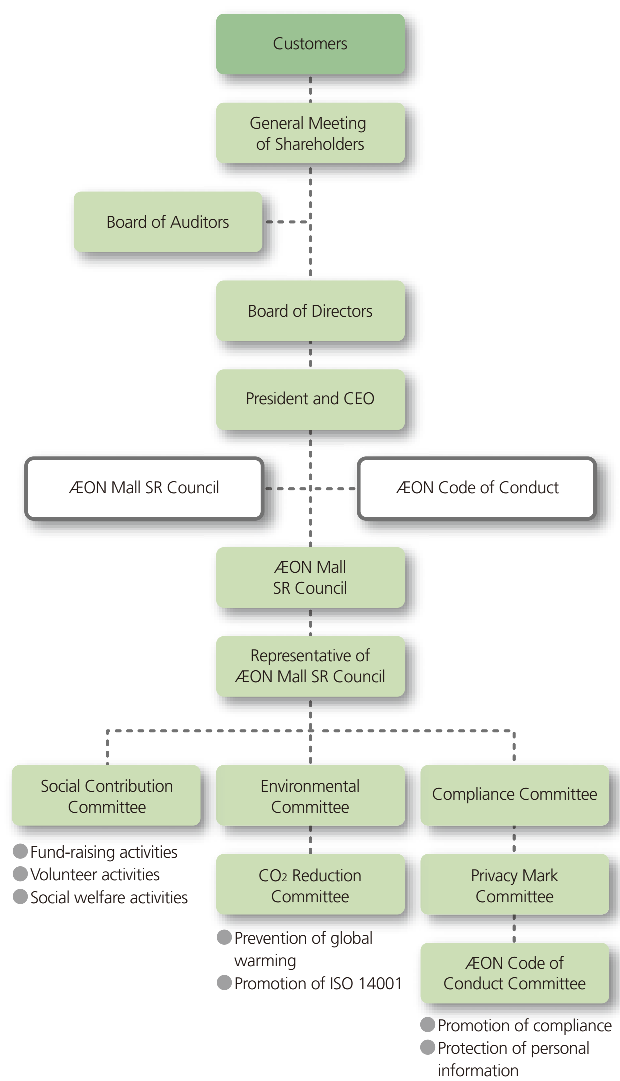
We develop, manage and operate large-scale mall complexes for wide trading areas as a specialist mall developer, and are well aware that the opening of malls can greatly influence the economy, society and the environment of host communities. The growth and development of malls are of importance not only to customers who shop there but also to employees and tenants of malls as well as local economies. To bring smiles and satisfaction to our customers and people in host communities, we will strive to build a relationship of prosperous coexistence between us and all stakeholders with the aim of creating shopping malls that develop in tandem with the local communities, while seeking to balance the economy, society and the environment.

CSR Promotion Structure

As a way to promote company-wide CSR activities, we hold a monthly meeting of the ÆON Mall SR (Social Responsibility) Council, chaired by the President with directors sitting as council members, to address topics related to compliance, environment conservation and social contributions. This meeting sets CSR promotion goals, identifies problems for early solution, and ensures the company-wide horizontal sharing of good case examples. Going forward, we will record steady progress in such areas as promotion of energy-saving initiatives, strengthening of safety and security measures, stepped-up support for specialty stores in malls and responses to the Japanese version of the Sarbanes-Oxley Act (J-SOX). For details, please refer to the ÆON Mall sustainability report “The 2009 Report for the Future” on our website.

http://www.aeonmall.com.envivonment/sr.html

CSR Promotion Structure



CSR Activities Targeted at Each Stakeholder

Customers

We continue to improve facilities and operations, always from the perspective of customers, in order to realize malls that are easily accessible with high levels of safety, security and amenity.

In terms of mall facilities, we are actively introducing barrier-free and universal design, that is, designs that make it easy for everyone to use the facilities. We have set up facilities and equipment guided by the principle of "easier and more flexible access," such as easy-to-understand information signs in malls, priority seats on each floor, and a variety of restrooms from which customers can choose for better comfort.

In mall operations, we have set up the Customer Suggestion Box at each mall to take in customer opinions and address customers' needs. The President and all directors responsible for respective areas go over all the customer opinions collected, and post our "replies" from each responsible person in SC on the mall premises after considering our responses to customer suggestions.

As a result of such efforts, ÆON Mall Miyazaki was selected to receive an "Excellence Award" from Miyazaki City for contributing to enhancing city living for all citizens of Miyazaki City. ÆON Mall was recognized for constructing a private-sector building that fully melds barrier-free design in the building's design and which everyone can use with ease, from small children to the elderly and disabled. ÆON Mall Hanyu also received the "Good Design Award" from the Japan Industrial Design Promotion Organization, the first commercial facility to receive such an award. The mall was recognized for its introduction of signs that everyone could easily use and which provided fun and color to spaces.

Signs on walls are eye-catching and easy-to-understand.

This *Kid's Space* is provided as a play and rest area for children.

A "powder room" space is provided inside a women's rest room.

Colors are set to indicate directions and zones in the facility.

Employees

With the belief that ÆON Mall's growth is driven primarily by the strenuous efforts of our employees, we are making multifaceted efforts including those aimed at improving the working environment. In that regard, we are also formulating capacity development programs and fair personnel evaluation systems.

In particular, as part of CSR activities for employees, we are working toward a better work-life balance.

By providing working conditions above the legal standard, such as up to three years maternity leave and shortening working hours, creating a guidebook to help child-raising based on investigation by specialists hired by ÆON Mall, and through efforts to create a system-user-friendly work environment we were recognized by Chiba City as a company with excellent promotion of equal participation of men and women.

Also, promoting the theme of "greeting customers with a smile," we held our first Customer Service Role Playing Contest. This was a top of the class event, even by national standards, in which 68,000 entrants from 5,210 stores and 42 shopping malls participated from across Japan.

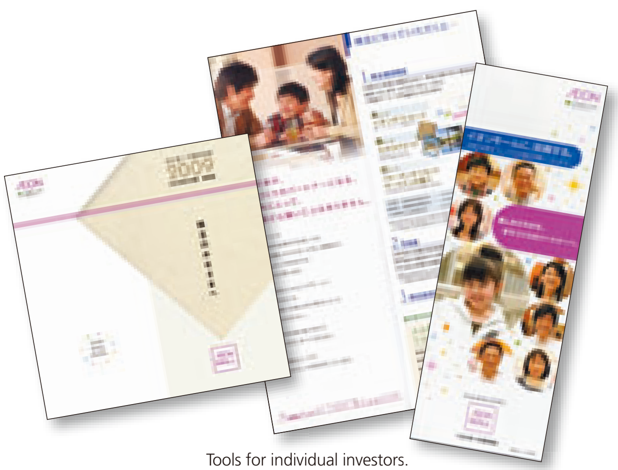
Holding of First Customer Service Role Playing Contest.

ÆON Mall is recognized by the Ministry of Health, Labour and Welfare as a company that actively supports the nurturing of future generations.

Shareholders and Investors

We believe that information disclosure to and communication with shareholders and investors forms an important part of business management. Regarding information disclosure, we regularly disclose present information on the current status and future outlook of our business, such as the CSR activities targeted at each stakeholder, qualitative financial information, etc., in a timely manner through annual reports and periodical reports to shareholders as well as via the website message board, "To Our Shareholders."

As part of communication activities, we hold individual meetings with domestic and overseas institutional investors and also organize on-site tours of malls. Moreover, explanatory meetings for individual investors are held at halls and other spaces in shopping malls.



Tools for individual investors.

Individual investors meetings are held in shopping malls.

An institutional meeting, which is held twice a year; at the time of full-year and mid-term financial statement announcements.

Events held during fiscal year ended February 20, 2009

August	ÆON Mall Kawaguchi carat
	ÆON Mall Ota
November	ÆON Mall Sakaikitahanada prou

Tenants

In the belief that the growth and development of tenants is key to the growth and development of our entire shopping malls, we assign our sales staff to each shopping mall, and hold monthly meetings of store managers as well as sector-by-sector meetings. We also provide consulting support. For example, we collect information from individual tenants and offer them as useful information to all shops, and give guidance on how to improve business by providing a wide range of data such as market trends and customer requests.

Our basic stance on tenant leasing is to divide floor space into three equal parts for locally based shops, newcomers from outside regions and national chains with outlets across the country. Our policy supports local industrial development, with some local companies having achieved nationwide operations using their presence at our malls as the springboard.

Tenant store managers' meeting.

Local Communities

The establishment of a new mall usually creates some 1,000 to 3,000 new jobs locally, generating a huge positive economic impact. We also provide malls as a public space for host communities, allowing local governments to set up outposts such as administrative information bureaus. In addition, we conclude disaster prevention agreements with local governments so that malls can be used as evacuation sites at the time of disaster. Furthermore, we promote activities to help revitalize local economies and societies by sponsoring, among other things, fairs featuring local agricultural products and processed food, traditional events and festivals in mall center courts.

Emergency drill based on a disaster prevention agreement with the local government.

Yosakoi festival held at ÆON Mall Kochi.

Protection of the Global Environment

We believe the ultimate stakeholder is the earth itself. Malls consume a lot of energy and resources, including electricity, gas and water, and also discharge a variety of wastes and carbon dioxide (CO_2). To reduce the environmental footprints of malls, we set environmental goals each year under the basic environmental policy of creating "malls friendly to both people and the environment," and carry out company-wide activities to achieve those goals. In particular, given that prevention of global warming is a major challenge to humanity, we are mounting full-fledged efforts to reduce CO_2 emissions. Guided by the ÆON Mall Environmental Long-Term Plan, we are proactively implementing a variety of activities with the aim of reducing the total quantity of CO_2 emissions by 5% in the fiscal year ending February 20, 2013; that is, by 40% in basic units compared with the fiscal year ended February 20, 2007.

Furthermore, through a wide range of efforts towards protecting the environment ÆON Mall Kusatsu acquired an "S," the highest rank from CASBEE (the Comprehensive Assessment System for Building Environmental Efficiency)*. ÆON Mall Musashimurayama mu also acquired an "A" rank from CASBEE evaluation.

*CASBEE is a method for evaluating environmental performance of buildings. The building's overall environmental performance is evaluated according to improvement in reducing environmental impacts (energy saving, resource saving and recycling), interior comfort, and improvement of environmental quality and function such as consideration towards the surroundings.

Major CSR Topics

The DBJ gives ÆON Mall the highest ranking in its environmental ranking system

Under the Development Bank of Japan's Environmental Rating System*, ÆON Mall has been evaluated as having carried out original initiatives of the highest level.

*The "DBJ Environmental Rating System," through a screening system developed by the Development Bank of Japan, is one which companies are given environmental management points and the excellent companies are selected and a three-tier applicable interest rate corresponding to particular privileges is set. This financial system is the world's first system to introduce a specialized method for "environmental rating."

The Nikkei again rates ÆON Mall No. 1 in the Warehouse/Real Estate/Other category of Nikkei Environmental Management Survey

For the second year running, ÆON Mall was once again ranked first in the Warehouse/Real Estate/Other category of the Nikkei Environmental Management Survey. It obtained the highest score in environmental management systems and anti-global warming measures. We received high praise for activities such as stopping our use of on-site electric generators that used diesel oil at seven of our malls and converting to electric generators with a lower global-warming coefficient.

Category	Score	Environmental management system	Resource recycling	Measures to combat global warming
ÆON Mall	274	100	74	100
Average score of Real Estate category	220	83	68	68

Contributing to local communities

We have received recognition for our community-building efforts by our shopping malls in their respective communities from nine organizations (government, extra-government and other), including for our participation in local community activities and environmental projects. For example, ÆON Mall Rinku Sennan (Sennan City, Osaka Prefecture) was recognized in fiscal 2008 for its social contribution activities, receiving a certificate of appreciation from the Mayor of Sennan City, which is rarely awarded to companies.

Other activities at our shopping malls and business offices across Japan included donations to UNICEF Japan of money collected by charity fundraising, cooperation in 24-hour television charity fundraising activities, and cooperation in an appeal for blood donors by Red Cross Japan.

(From May 2008 to February 2009)

A poster publicizing ÆON Mall's Christmas charity fundraising activities.

Holding periodic appeals for blood donors.

Corporate Governance

Basic Approach to Corporate Governance

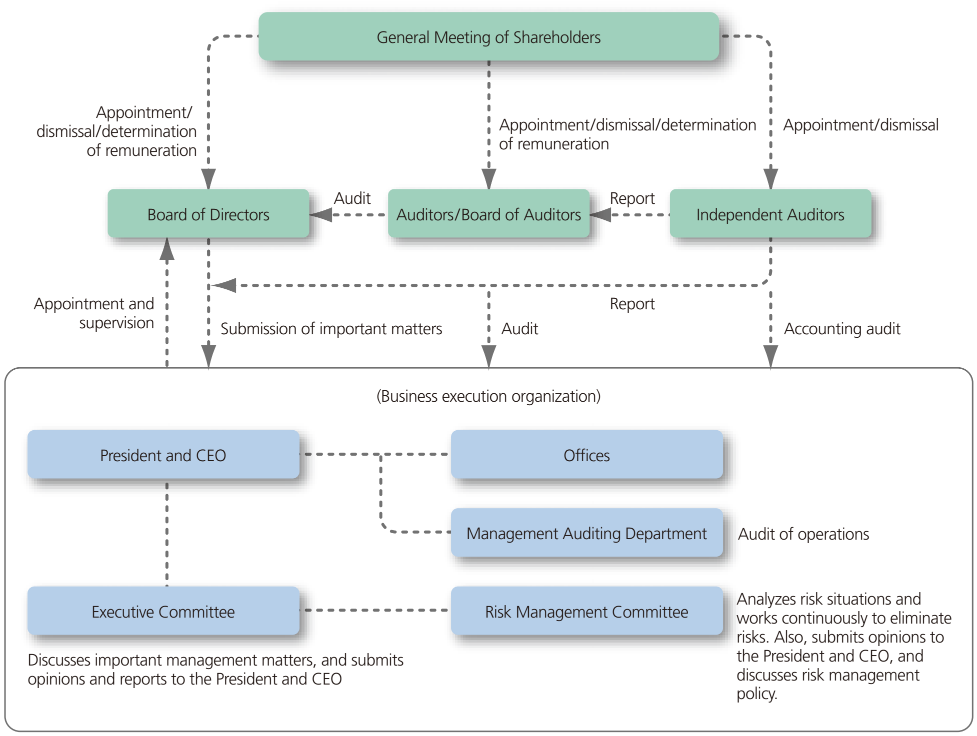
Following our basic philosophy of "Customers First," we aim to boost our participation in community life. Through our lifestyle centers in which we create "surprises, excitement and fun," we aim to create "Towns with Vitality" that offer new lifestyles brimming with appeal.

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 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 management policies should lead to the 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.

We are also working to further enhance our strength as a dedicated 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. Under this organizational setup, 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



Mechanisms of Corporate Governance

Board of Directors and Executive Committee

An Executive Committee has been established under the Board of Directors. The Executive Committee, which is normally held weekly except weeks containing a Board of Directors meeting, is made up of the President and senior management including the corporate officers of the respective business divisions. By holding the Board of Directors meeting, chaired by the President, more than once a month, we aim to strengthen the supervisory role of management. In addition to this, we strive to carry out our business activities efficiently by ensuring information is adequate shared through the holding of conferences attended by the President, all general managers and senior management employees. In the fiscal year ended February 20, 2009, Board of Directors meetings were held 14 times.

Board of Auditors

We operate an auditing system based on outside auditors. While striving to ensure there is cooperation between the independent auditors and the Management Auditing Department, we have constructed mechanisms to ensure the Board of Auditors can adequately fulfill their auditing function. In addition to each auditor attending each Board of Directors meeting, each full-time auditor is always present at the management meetings. In the fiscal year ended February 20, 2009, Board of Auditors meetings were held 12 times.

Cooperation between Auditors and the Internal Audit Division

As the internal audit division, we have established the Management Auditing Section, which is independent from all business-related executive divisions. Six full-time officials work in close cooperation with the heads of other divisions, and examine and evaluate the effectiveness and efficiency of internal control over a range of business operations to ensure the smooth management and control of business operations. The auditors cooperate with the Management Auditing Department through mutual exchanges of information and opinions as necessary.

Risk Management

Respective divisions are responsible for risk management concerning compliance, information management, environment protection and natural disasters, and ensuring that all their employees thoroughly understand the necessary measures through the formulation of regulations and guidelines, provision of training and education, preparation and distribution of manuals and/or use of electronic bulletin boards.

Regarding company-wide risks or risks across two or more organizations, the Chief Director of Administration, at the instruction of the President of the Company, has emergency systems in place in accordance with risk management rules for the prompt and adequate transmission of information and other necessary actions in emergency in response to assumed risks.

ÆON Mall Social Responsibility (SR) Council

We have established the ÆON Mall Social Responsibility Council to promote our policies for corporate activities from social, environmental and ethical aspects, and formulated codes of conduct and standards for environmental protection and contributions to society in addition to compliance programs, striving for thorough dissemination, observance and implementation of such rules.

Basic Approach and Measures Concerning the Internal Control System

System for Maintenance and Management of Information Concerning Performance of Duties of Directors

Approval documentation, minutes of meetings and other information, as prescribed as necessary pursuant to internal rules, for the execution of duties pertaining to the recording of resolutions and decisions of the directors shall be created, and appropriately maintained and managed by our executive directors or employees pursuant to the internal rules of ÆON Mall. Moreover, the management of these records by the department that is prescribed as responsible by regulations shall include the necessary measures to prevent leakage of such information to third parties.

Regulations and Other Systems Concerning Risk of Loss

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 flushes out risks throughout the company; it collects information and prepares policy for formulating responsive measures.

The various departments responsible, as prescribed by our rules for the division of duties, use this policy to create regulations and handling procedures etc., and periodically take a relook at existing regulations and procedures.

To ensure the above regulations and handling procedures etc. are common knowledge, 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.

System for Ensuring Efficiency in Execution of Duties of Directors

We hold meetings of the Board of Directors once a month and additional board meetings in a timely manner as necessary. When approval matters involve material risk associated with approval by the President or higher authority, before the President makes such approval, or the Board of Directors pass such resolution, an entity is formed for advising the President called the Executive Committee, which mainly comprises directors of managing director rank or higher and full-time auditors, and via this entity, joint discussions are conducted from a wide range of viewpoints.

Details of responsibilities and execution procedures are decided after clarifying management responsibility concerning the allocation of authority necessary for a particular execution of duty based on the "rules for job position management," "rules for the division of duties," "rules for authority," and "rules for asking approval," that have been established beforehand.

System for Ensuring That Execution of Duties by Directors and Employees Conforms to Laws, Regulations and Articles of Incorporation

We put great importance on management in compliance with the ÆON Code of Conduct to build better relations with local communities and fulfill our social responsibility as a good corporate citizen. Concerning our internal reporting system, we have established a Compliance Committee as an organization subordinate to the Executive Committee and have put in place Helpline ÆON Mall "Employee's 110 hotline." A similar hotline has also been established for our labor union: "Union 110." In the event that reports or information is provided by a person who has received such information, the details are examined by the Compliance Committee and if an action of infringement is recognized, then the required measures are taken as prescribed by internal rules. Based on this, the Compliance Committee formulates measures to prevent a reoccurrence of the infringement and the appropriate departments then implements these measures company-wide. The Compliance Committee reports material matters to the Board of Auditors.

System for 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 transactions with the parent company or over competition with the parent company, the details of such matters are reviewed and referred to the Board of Directors for approval before any action is taken.

The Company, moreover, manages subsidiaries based on the "rules for managing affiliate companies" and establishes a system of cooperation to ensure the appropriateness of the subsidiaries operations.

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

System for Ensuring the Effectiveness of the Audit by Auditors, Including Independence of the Audit Staff

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 as well as reports from independent auditors.

If auditors request the assignment of employees to assist them in the execution of their operations in the future, the Board of Directors selects and assigns a necessary number of employees upon consultations with the Board of Auditors.

The Management Auditing Section'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.

When there are assistant employees who receive instructions necessary to execute the auditing operations from auditors, these employees do not accept instructions from any other director or employee regarding auditing instructions. When an assistant employee is assigned, performance evaluation of this assistant employee is conducted through discussions by the Board of Auditors and the prior consent of the Board of Auditors is obtained regarding transfers, or disciplinary actions in regard to such employees.

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 serious risk of loss to the Company. Furthermore, when directors or employees 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.

Efforts Towards 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 and recognize that it is our social responsibility as a corporation to eliminate antisocial forces by responding resolutely towards unjust demands.

Measures Regarding Antisocial Forces

In the event that unjust demands are made by antisocial forces, the Company's response will not be individually based; 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 anti-crime groups to collect information regarding antisocial forces and centrally managing company-wide information including that of each business office by forwarding the information to the responsible department in order to maintain awareness throughout the company of such matters.

Corporate Governance Data

Information concerning directors and auditors (the fiscal year ended February 20, 2009)

	Persons [outside persons]	Term of service (years)	Remuneration (millions of yen)	Maximum amount of remuneration (millions of yen)
Directors	17 [–]	1	393	600
Auditors	4 [3]	2	25	50

Information concerning independent auditors (the fiscal year ended February 20, 2009)

Name of independent auditors	Deloitte Touche Tohmatsu
Remuneration related to the current business year*1	40
Total remuneration payable by the Company to independent auditors*2	47

*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.

Shares of the Company held by directors and auditors

	February 20, 2009	February 20, 2008
President	4,500	2,900
Other directors (average)	6,000	10,210
Auditors (average)	4,400	4,020

Meetings held of Board of Directors, Board of Auditors and Executive Committee (the fiscal year ended February 20, 2009)

Board of Directors	Meetings held (times)	Members/Participants
Board of Auditors	14	Directors and Auditors
Executive Committee	12	Auditors
Risk Management Committee	34	President and Directors

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.

Statement from Auditor

Masaru Yokoi, Full-time Corporate Auditor

In recent years there have been numerous revisions to laws and regulations related to audit in a wide range of areas. Some of these revisions have strengthened the authority and status of corporate auditors and this has brought added responsibility to the role. Performing my duties in this environment, I have utilized my long-standing experience in the duties of corporate business, and while applying my mind to effective auditing, I have provided advice, mostly concerned with administrative processes rather than decisions on business execution. With respect to management-related risk management I have been checking that systems for minimizing loss that would be borne by the Company in the event of an incident do in fact function correctly.

Directors and Corporate Auditors

(As of May 13, 2009)

Chairman
Naoki Hayashi

President and CEO
Noriyuki Murakami

Managing Director
Yukio Konishi

Senior Managing Director
Chitoshi Yamanaka

Senior Managing Director
Yoichi Kimura

Managing Director
Hidehiro Hirabayashi

Director
Masaru Soma

Director
Kaoru Iwamoto

Director
Yoichi Terazawa

Director and Advisor
Motoya Okada

Director
Masato Murai

Director
Fujio Takahashi

Director
Hiroshi Iwamoto

Corporate Auditor
Aritsune Hayashi

Full-Time Corporate Auditor
Masaru Yokoi

Corporate Auditor
Takao Okazaki

Corporate Auditor
Hideki Wakabayashi

Financial Section

Six-Year Financial Summary

ÆON Mall Co., Ltd. and Subsidiary
Years Ended February 20

	Millions of Yen (except per share data)						Thousands of U.S. Dollars (except per share data)
	2004	2005	2006	2007	2008	**2009**	**2009**
For the year:							
Operating revenue	¥ 35,316	¥ 42,764	¥ 52,903	¥ 62,253	¥ 96,806	**¥ 130,813**	**$ 1,388,972**
Operating income	11,407	14,911	18,510	21,879	31,642	**37,870**	**402,105**
Net income	5,577	7,782	10,369	12,181	17,439	**21,390**	**227,118**
Operating cash flows	13,288	22,539	15,687	21,150	27,169	**26,656**	**283,030**
Investing cash flows	(14,969)	(17,033)	(12,281)	(40,664)	(8,748)	**(63,908)**	**(678,573)**
Financing cash flows	1,669	(7,164)	1,647	13,225	(20,441)	**38,181**	**405,403**
Per share data (Yen, U.S. Dollars):							
Net income	¥ 188.91	¥ 257.93	¥ 171.99	¥ 203.00	¥ 115.63	**¥ 118.09**	**$ 1.25**
Cash dividends	25.00	30.00	25.00	30.00	17.50	**20.00**	**0.21**
At year-end:							
Total equity	¥ 32,247	¥ 39,343	¥ 49,103	¥ 60,034	¥ 122,734	**¥ 140,504**	**$ 1,491,866**
Total assets	166,799	191,255	202,132	233,057	377,661	**466,719**	**4,955,606**
Interest-bearing debt	68,977	62,573	65,126	79,859	84,242	**126,060**	**1,338,498**
Ratio (%):							
Equity ratio	19.3	20.6	24.3	25.6	32.4	**30.0**	—
ROE	19.9	21.7	23.4	22.4	19.2	**16.3**	—
PER	18.5	30.6	28.2	34.9	32.9	**10.1**	—

Notes: 1. On August 21, 2007, ÆON Mall Co., Ltd. merged with Diamond City Co., Ltd.
2. U.S. dollar amounts are translated from yen, for the convenience of readers only, at the rate of ¥94.18=U.S.$1, the exchange rate prevailing on February 20, 2009.
3. ÆON Mall carried out a 2-for-1 stock split on February 21, 2007.

The per share information below is calculated based on the assumption that the aforementioned stock split took place at the start of the fiscal year ended February 2003.

	2004	2005	2006	2007	2008	**2009**	**2009**
Net income per share	¥47.22	¥64.48	¥85.99	¥101.50	¥115.63	**¥118.09**	**$1.25**
Cash dividends	¥ 6.25	¥ 7.50	¥12.50	¥ 15.00	¥ 17.50	**¥ 20.00**	**$0.21**

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 increase the liquidity of real estate it owns.

In the process of the real estate liquidation, ÆON Mall sells land 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 "fixed leasehold 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 sum, 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 (property management).

Meanwhile, ÆON Mall receives security deposits from mall 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 restitution.

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 in consideration of such matters as business categories of tenants, their profitability and market rates for setting up shops. They are typically set at 8% to 15% for merchandising businesses and 10% to 20% for tenants providing food and beverages and services. In many cases, ÆON Mall sets the minimum sales for each tenant on a monthly or yearly basis; therefore, what it receives is essentially "percentage rents" added to the fixed rents.

Most tenant sales are tallied and managed by ÆON Mall, which reimburses them to tenants twice a month after deducting rent and various expenses.

Operating Costs

Operating costs are costs directly related to mall management, consisting of cost of labor 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.

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., two consolidated subsidiaries (Shimoda Town Co., Ltd. and ÆON Mall (China) Business Management Co., Ltd.) and one affiliate under the equity method (ÆON Insurance Service Co., Ltd.). ÆON Mall and its subsidiaries Shimoda Town Co., Ltd. and ÆON Mall (China) Business Management Co., Ltd. undertake mall business.

ÆON Mall, the core operator of the ÆON Mall 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, 2009, global financial turmoil triggered by the U.S. subprime mortgage crisis increased in severity, resulting in a marked decline in Japanese corporate earnings and deterioration in the Japanese employment situation, creating an extremely challenging economic environment. The retail sector experienced increasingly intense competition that crossed retail business categories as consumers became increasingly cautious in their spending.

Amid this environment, ÆON Mall Co., Ltd. utilized its know-how as a specialist shopping mall developer with extensive expertise in the retail industry and continued developing shopping malls designed to meet customers' needs and be the most competitive shopping malls in their location.

During the fiscal year ended February 20, 2009, ÆON Mall opened four new shopping malls and expanded and renovated six existing shopping malls.

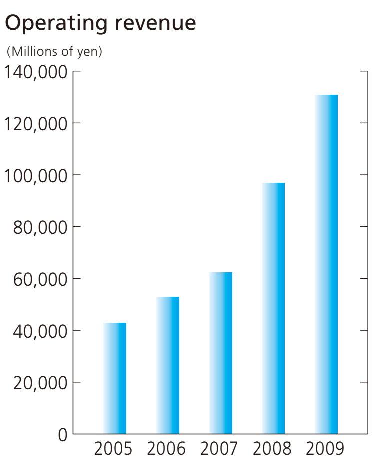
ÆON Mall newly opened ÆON Laketown kaze (Saitama Prefecture) in October, ÆON Mall Kusatsu (Shiga Prefecture) in November, and ÆON Mall MiELL Miyakonojo-Ekimae (Miyazaki Prefecture) and ÆON Mall Chikushino (Fukuoka Prefecture) in December. The existing ÆON Mall Fukuoka LUCLE (Fukuoka Prefecture) was expanded in May, and the existing ÆON Mall Kashihara ARURU (Nara Prefecture) and ÆON Mall Okazaki (Aichi Prefecture) were expanded in November. Additionally, ÆON Mall renovated ÆON Mall Itami Terrace (Hyogo Prefecture) by replacing old with new specialty stores.

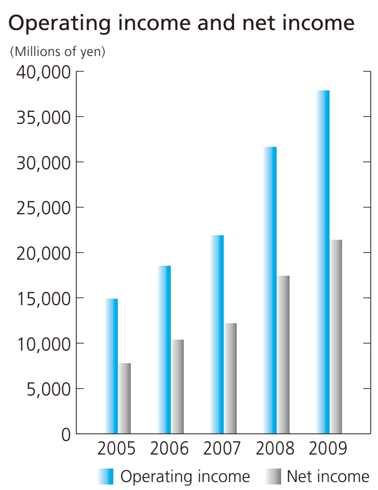
In November, ÆON Beijing International Mall Shopping Center (Beijing, China), ÆON Mall's first business operation in China, celebrated its grand opening. ÆON Mall's subsidiary ÆON Mall (China) Business Management Co., Ltd. will attract specialty stores and operate and manage the shopping center.

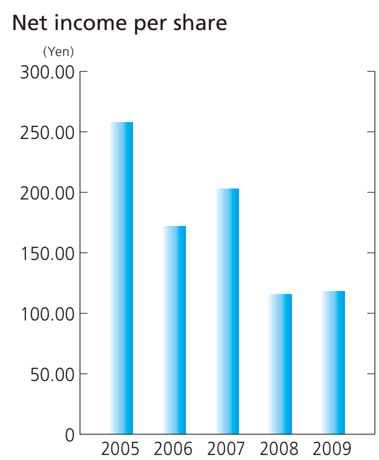
All told, the ÆON Mall Group operated a total of 50 shopping malls in Japan, and one shopping mall overseas, for a total of 51 shopping malls.

Overview of Earnings

For the fiscal year ended February 20, 2009, operating revenue was ¥130,813 million, up ¥34,007 million, or 35.1%, compared with the fiscal year ended February 20, 2008. This was mainly due to an increase of ¥366 million in revenue from comparable shopping malls (based on 25 shopping malls) to ¥65,652 million (up 0.6% versus the previous fiscal year), an increase of ¥27,064 million due to the merger with Diamond City Co., Ltd., on August 21, 2007, and an ¥8,816 million increase due to new shopping malls (two new shopping malls in the previous fiscal year versus four new shopping malls in the fiscal year under review). These factors more







Note: AEON Mall carried out a 2-for-1 stock split on April 11, 2005 and a 2-for-1 stock split on February 21, 2007 than offset a ¥2,239 million decline due to the spin-off of the insurance agency business on February 21, 2008.

Operating costs increased ¥26,006 million to ¥82,416 million due to the expansion of business scale, and gross operating profit rose ¥8,001 million, or 19.8% compared with the previous fiscal year, to ¥48,397 million.

Although selling, general and administrative expenses rose by ¥1,773 million to ¥10,527 million due to the merger with Diamond City Co., Ltd., as well as efforts to develop new properties and launch the shopping mall business in China, operating income increased ¥6,228 million, or 19.7%, to ¥37,870 million.

Other expenses for the fiscal year ended February 20, 2009 included a loss on disposal of property, plant and equipment of ¥1,320 million associated with expansions and renovations of existing shopping malls and ¥1,312 million in impairment losses.

In the previous fiscal year, ¥4,735 million in impairment losses and a loss on disposal of property, plant and equipment of ¥1,161 million were posted. Consequently, other expenses for the fiscal year under review was ¥55 million more than in the previous fiscal year.

As a result of the above, net income for the fiscal year under review amounted to ¥21,390 million, an increase of ¥3,951 million, or 22.7%, compared with the previous fiscal year, and net income per share for the fiscal year under review amounted to ¥118.09.

Financial Conditions

Assets, Liabilities and Total Equity

At the end of the fiscal year ended February 20, 2009, total assets stood at ¥466,719 million, an increase of ¥89,058 million over a year earlier. Depreciation of ¥14,220 million on property, plant and equipment was more than offset by an increase of ¥95,091 million in the property, plant and equipment account attributable to the opening of new shopping malls, expansions of existing shopping malls, and planned shopping malls to be opened in the future. Total liabilities at February 20, 2009 totaled ¥326,215 million, up ¥71,288 million compared to February 20, 2008. Although ¥12,482 million of long-term debt was repaid, liabilities increased due to issuance of ¥42,800 million in long-term debt, ¥10,000 million in bonds and ¥10,000 million in commercial paper during the period, and an increase of ¥27,922 million in notes payable for construction associated with the opening of new shopping malls and the expansion of existing shopping malls.

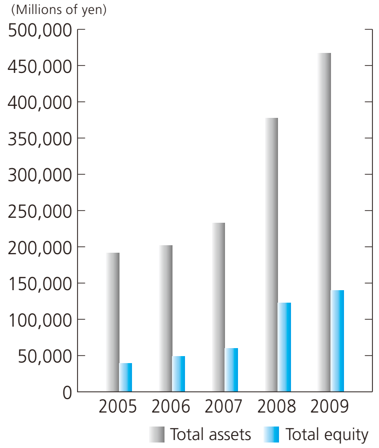
Consolidated total equity at February 20, 2009 totaled ¥140,504 million, up ¥17,770 million compared to February 20, 2008. This was due to an increase in retained earnings and other factors.

Cash Flows

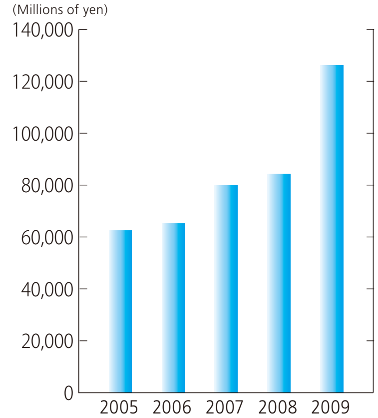
Cash Flows from Operating Activities

Net cash provided by operating activities came to ¥26,656 million, compared with ¥27,169 million in the previous fiscal year. During the fiscal year under review, ÆON Mall added new shopping malls, including ÆON LakeTown Kaze, ÆON Mall Kusatsu, ÆON Mall MiELL Miyakonojo-Ekimae, ÆON Mall Chikushino, and ÆON Beijing International Mall Shopping Center in China, bringing the total number of shopping malls operated by ÆON Mall to 51. Expansions and renovations were conducted at ÆON Mall Fukuoka LUCLE, ÆON Mall Kashihara ARURU, and ÆON Mall Okazaki. Income before income taxes and minority interests totaled ¥35,623 million (¥29,340 million in the previous fiscal year) and depreciation and amortization expenses totaled ¥14,586 million (¥10,933 million in the previous fiscal year). Meanwhile, income taxes—paid totaled ¥18,497 million (¥11,492 million in the previous fiscal year).

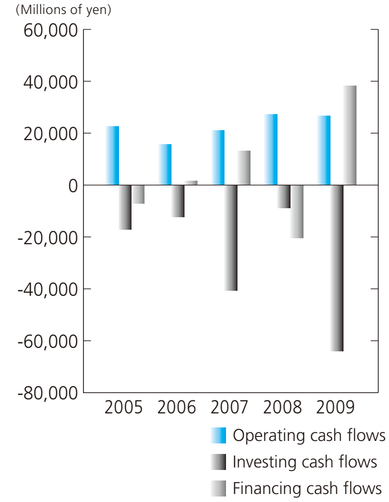
Total assets and total equity



Interest-bearing debt



Cash flows



Cash Flows from Investing Activities

Net cash used in investing activities came to ¥63,908 million, compared with ¥8,748 million in net cash used in the fiscal year ended February 20, 2008. During the fiscal year under review, expenditures associated with the opening of four new shopping malls, the expansion and renovation of existing shopping malls, and the acquisition of property, plant and equipment in association with the two new shopping malls, etc. opened in the previous fiscal year, amounted to ¥71,378 million (¥37,564 million in the previous fiscal year). Inflows included ¥12,096 million in lease deposits from lessees (¥8,724 million in the previous fiscal year) in association with the four new shopping malls opened in the fiscal year under review.

Cash Flows from Financing Activities

Net cash provided by financing activities came to ¥38,181 million, compared with ¥20,441 million in net cash used in the fiscal year ended February 20, 2008. Inflows included ¥42,800 million of long-term debt (no long-term debt was issued in the previous fiscal year), ¥10,000 million from the issuance of bonds, and ¥10,000 million from the issuance of commercial paper. Outflows included ¥12,482 million for the repayment of long-term debt (¥14,133 million in the previous fiscal year).

As a result, cash and cash equivalents amounted to ¥4,093 million at the end of the fiscal year under review, an increase of ¥894 million from the previous fiscal year.

Outlook for the Coming Year

The outlook for the Japanese economy will remain uncertain for the time being due to rising concern about employment and slumping consumer spending caused by what has been called a once-in-a-century economic crisis. The ÆON Mall Group will respond swiftly to the rapidly changing business environment and, amid the challenges ahead, continue to build a strong business base that generates continuous growth and ensures profitability.

Both mozo wondercity (Aichi Prefecture) and ÆON Mall Hiroshima Gion (Hiroshima Prefecture) opened in April of the fiscal year ending February 20, 2010.

Major renovations are planned for existing shopping malls, including the following: ÆON Mall Tsugaru Kashiwa (Aomori Prefecture), ÆON Mall Akita (Akita Prefecture), ÆON Mall Hamamatsu Shitoro (Shizuoka Prefecture), and ÆON Mall Sankoh (Oita Prefecture). For other shopping malls, ÆON Mall will bring in attractive specialty stores, bolster the competitiveness of shopping malls, promote greater efficiency of shopping mall operations, and otherwise strive to deliver further growth in operating results. ÆON Mall will utilize its know-how in developing, operating, and managing shopping malls in the property management business, which will include engaging in train-station building renovation projects and other activities.

In the shopping mall business in China, ÆON Mall will build know-how through the operation of its first store in Beijing, and work to open other new shopping malls in China.

For the fiscal year ending February 20, 2010, ÆON Mall expects consolidated operating revenue of ¥143,000 million (a 9.3% increase versus the fiscal year ended February 20, 2009), operating income of ¥39,500 million (a 4.3% increase), ordinary income of ¥37,500 million (a 1.3% increase) and net income of ¥21,600 million (a 1.0% increase).

3 Breakdown of Operating Revenue

Shopping malls	Millions of yen			
	2008	**2009**	Increase (decrease)	Change (%)
ÆON Mall Tsugaru Kashiwa	¥ 1,014	**¥ 967**	(47)	95.4
ÆON Mall Akita	2,479	**2,285**	(194)	92.2
ÆON Mall Futtsu	1,077	**1,013**	(64)	94.1
ÆON Mall Shimoda	2,043	**1,991**	(52)	97.5
ÆON Mall Suzuka BELLCITY	2,907	**3,109**	202	106.9
ÆON Mall Sankoh	934	**911**	(23)	97.6
Otsu Shopping Plaza	213	**196**	(17)	92.0
ÆON Mall Kurashiki	3,475	**3,582**	107	103.1
ÆON Mall Narita	3,386	**3,360**	(26)	99.2
ÆON Mall Okazaki	2,497	**3,520**	1,023	141.0
ÆON Mall Kochi	2,713	**2,645**	(68)	97.5
ÆON Mall Niihama	1,835	**1,780**	(55)	97.0
ÆON Mall Higashiura	2,853	**2,754**	(99)	96.5
ÆON Mall Yamato	1,904	**1,873**	(31)	98.3
ÆON Mall Takaoka	2,658	**2,624**	(34)	98.7
ÆON Mall Morioka	2,122	**2,059**	(63)	97.0
ÆON Mall Ota	3,553	**3,376**	(177)	95.0
ÆON Mall Hamamatsu Shitoro	3,692	**3,598**	(94)	97.5
ÆON Mall Rinku Sennan	3,744	**3,721**	(23)	99.4
ÆON Mall Nogata	2,696	**2,698**	2	100.1
ÆON Mall Miyazaki	3,489	**3,478**	(11)	99.7
ÆON Mall Mito Uchihara	3,568	**3,608**	40	101.1
ÆON Mall Chiba NEW TOWN	2,851	**3,070**	219	107.7
ÆON Mall Takasaki	3,156	**3,147**	(9)	99.7
ÆON Mall Kobe Kita	2,930	**2,991**	61	102.1
Others	1,497	**1,296**	(201)	86.5
Subtotal	¥ 65,286	**¥ 65,652**	¥ 366	100.6
ÆON Mall Hanyu (Note 1)	1,545	**4,135**	2,590	—
ÆON Mall Hinode (Note 1)	840	**2,779**	1,939	—
ÆON LakeTown KAZE (Note 1)	—	**1,947**	1,947	—
ÆON Mall Kusatsu (Note 1)	—	**1,089**	1,089	—
ÆON Mall MiELL Miyakonojo-Ekimae (Note 1)	—	**373**	373	—
ÆON Mall Chikushino (Note 1)	—	**878**	878	—
Subtotal	¥ 2,385	**¥ 11,201**	¥ 8,816	—
ÆON Mall Fujiidera	496	**956**	460	—
ÆON Mall Neyagawa Green City	511	**978**	467	—
ÆON Mall Kawaguchi Green City	849	**1,631**	782	—
ÆON Mall Nagoya Wonder City (Note 2)	201	**386**	185	—
ÆON Mall Uki VALUE	662	**1,194**	532	—
ÆON Mall Kawaguchi carat	1,804	**4,261**	2,457	—
ÆON Mall Itami Terrace	2,025	**3,894**	1,869	—
ÆON Mall Kyoto Hana	1,436	**2,854**	1,418	—
ÆON Mall Hiroshima Fuchu SOLEIL	2,808	**5,408**	2,600	—
ÆON Mall Kashihara ARURU	1,790	**4,013**	2,223	—
ÆON Mall Fukuoka LUCLE	2,343	**4,706**	2,363	—
ÆON Mall Kisogawa KiRiO	2,052	**4,068**	2,016	—
ÆON Mall Sakaikitahanada prou	2,019	**3,999**	1,980	—
ÆON Mall Kumamoto CLAIR	1,555	**3,084**	1,529	—
ÆON Mall Musashimurayama mu	2,327	**4,554**	2,227	—
ÆON Mall Tsurumi Leafa	1,868	**3,630**	1,762	—
ÆON Mall Natori AIRY	1,904	**3,805**	1,901	—
Nara Family	172	**403**	231	—
Kyoto Family	74	**136**	62	—
Subtotal (Note 3)	¥ 26,896	**¥ 53,960**	¥ 27,064	—
Total	¥ 94,567	**¥ 130,813**	¥ 36,246	138.3
Commission of Insurance Agency Businesses	¥ 2,239	**—**	¥ (2,239)	—
Total of Operating Revenue	¥ 96,806	**¥ 130,813**	¥ 34,007	135.1

Notes 1. Year-on-year comparison is not available as the mall was opened during the course of the previous and the current fiscal year.
2. Figures are only for the cinema building, as the main building was shut down on August 20, 2007 for reconstruction.
3. This is new because ÆON Mall merged with Diamond City on August 21, 2007.

4 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 14, 2009, when the annual securities report was submitted.

1. Relationship with ÆON Co., Ltd. and Its Affiliates (Hereinafter Referred to as "the AEON 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 7.0% of ÆON Mall's operating revenue in the fiscal year ended February 20, 2009, while the ratio of operating revenue from the ÆON Group companies other than ÆON Retail stood at 18.8%.

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, ÆON Mall has JUSCO stores operated by ÆON Retail and SATY stores operated by Mycal Corp. as anchor tenants at its malls. We expect JUSCO and SATY stores to be our key tenants at new malls planned for the future.

Thus, the relationship between ÆON Mall and ÆON Retail provides a great advantage in drawing anchor tenants in a stable manner in our mall projects. Because of such close ties, however, ÆON Mall's earnings performance may become vulnerable to business results of ÆON Retail and Mycal, 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, 2009, ÆON Mall's payroll of 560 employees includes 9 on loan from ÆON Retail and ÆON Group companies all of them commit themselves full-time to ÆON Mall's day-to-day business operations, causing no disruption in the stable execution of business.

The mall development and management tend to require the multifaceted expertise accumulated by particular individuals. At present, ÆON Mall depends on experienced individuals on loan from ÆON Retail to a greater extent.

We will strive to secure qualified people by fostering human resources in-house and also by strengthening recruitment and job-training activities on our own. In the immediate future, however, we expect our dependence on people on loan from ÆON Retail to continue. Thus, in the short run, it is possible that the growth of our mall business may be affected by the personnel policy of ÆON Retail.

(3) Competition with Developers in the ÆON Group

ÆON Retail and LOC Development Co., Ltd. are likewise engaged in mall development within the ÆON Group. Hence, ÆON Mall may have to compete with them in such instances as the selection of sites and composition of tenants.

Should such competition emerge, it may affect ÆON Mall's mall development activities as well as its earnings performance.

2. Regulatory Restrictions

(1) Regulations under the City Planning Law and the Large-Scale Retail Stores Location Law (Hereinafter Referred to as "Large Stores Location Law")

ÆON Mall's mall development and management operations are regulated by the Large Stores Location Law and other laws. Under the Large Stores Location Law, the opening of new stores or store expansions with a total 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 Law restricts areas where large-scale stores with a total floor space of over 10,000 square meters can be established to three use zones, including the commercial zone, prescribed by the City Planning Law. 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 designs and recruitment of tenants. As such, if development projects do not proceed as planned or are suspended, ÆON Mall's earnings performance may be affected.

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

ÆON Mall'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 ÆON Mall 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, our insurance coverage falls short of compensating a full amount of physical damage 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) Environmental Contamination of Development Areas

ÆON Mall 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 ÆON Mall purchased the land, and by the landlord in the case where ÆON Mall 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 ÆON Mall's earnings.

(4) Risk of Declining Availability of Development Sites

The growth of ÆON Mall's business depends on our 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.

(5) Medium-Term Business Plan (For the Three Years Beginning with the Fiscal Year Ending February 2010)

ÆON Mall's ability to achieve goals under the three-year Medium-Term Business Plan may be affected by possible changes in the environment surrounding Japan's retail and mall businesses, including market entries by out-of-sector and foreign companies, and other factors.

(6) Management of Personal Information

ÆON Mall 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

ÆON Mall is seeking to undertake mall development business in China 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

Besides the ÆON Group companies, other developers and general merchandisers are entering the mall business one after another. Intensified competition may adversely affect ÆON Mall's business operations, financial conditions and earnings performance.

(9) Risk Associated with Economic Conditions

Tenants at malls owned and operated by ÆON Mall 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

ÆON Mall has been placing an emphasis on borrowings at fixed interest rates in the procurement of necessary funds from various financial institutions. As of February 20, 2009, the balance of borrowings stood at ¥126,060 million on a consolidated basis, of which ¥108,049 million, or 85.7%, 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 fund-raising for new projects, with a likely adverse impact on the Company's earnings performance.

(2) Fund-Raising Operations

ÆON Mall 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 ÆON Mall 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, ÆON Mall 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 ÆON Mall's financial conditions and earnings performance.

Consolidated Balance Sheets

ÆON Mall Co., Ltd. and Subsidiary
February 20, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2009**	2008	**2009**
CURRENT ASSETS:			
Cash and cash equivalents	¥ **4,093**	¥ 3,199	$ **43,458**
Receivables:			
Trade accounts (Note 16)	**4,401**	4,111	**46,733**
Associated company	**5**		**50**
Other	**12,881**	6,520	**136,775**
Allowance for doubtful accounts	**(80)**	(21)	**(854)**
Deferred tax assets (Note 12)	**735**	1,173	**7,805**
Prepaid expenses and other	**2,464**	2,850	**26,167**
Total current assets	**24,499**	17,832	**260,134**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 7)	**92,843**	91,568	**985,808**
Buildings and structures (Notes 5 and 7)	**335,390**	251,546	**3,561,155**
Machinery and equipment	**1,156**	928	**12,278**
Furniture and fixtures	**16,855**	14,199	**178,965**
Construction in progress	**7,791**	4,344	**82,719**
Total	**454,035**	362,585	**4,820,925**
Accumulated depreciation	**(95,531)**	(82,836)	**(1,014,340)**
Net property, plant and equipment	**358,504**	279,749	**3,806,585**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**672**	1,750	**7,140**
Investment in an associated company	**883**		**9,371**
Lease deposits paid (Notes 2.h and 6)	**59,951**	60,633	**636,555**
Long-term prepaid expenses (Note 2.h)	**12,836**	10,066	**136,295**
Deferred tax assets (Note 12)	**4,625**	4,733	**49,103**
Other	**4,749**	2,898	**50,423**
Total investments and other assets	**83,716**	80,080	**888,887**
TOTAL	**¥ 466,719**	¥ 377,661	**$ 4,955,606**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2009	2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥ 22,955**	¥ 11,455	**$ 243,735**
Current portion of long-term debt (Note 7)	**22,739**	12,482	**241,437**
Payables:			
Trade accounts	**6,767**	5,386	**71,851**
Other	**52,976**	29,077	**562,502**
Deposits received	**23,077**	18,679	**245,026**
Income taxes payable	**5,234**	10,487	**55,572**
Accrued expenses	**1,483**	1,785	**15,748**
Current portion of lease deposits from lessees (Notes 2.h and 7)	**1,169**	1,184	**12,417**
Other	**2,780**	3,057	**29,519**
Total current liabilities	**139,180**	93,592	**1,477,807**
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	**80,366**	60,305	**853,326**
Liability for retirement benefits (Note 8)	**240**	198	**2,547**
Lease deposits from lessees (Notes 2.h, 7 and 16)	**105,639**	99,708	**1,121,672**
Other	**790**	1,124	**8,388**
Total long-term liabilities	**187,035**	161,335	**1,985,933**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 6, 9, 13, 14 and 16)			
EQUITY (Notes 10 and 17):			
Common stock—authorized, 320,000,000 shares in 2009 and 2008; issued, 181,127,507 shares in 2009 and 2008	**16,663**	16,663	**176,926**
Capital surplus	**16,972**	16,972	**180,205**
Stock acquisition rights	**56**		**590**
Retained earnings	**106,234**	88,466	**1,127,989**
Net unrealized gain on available-for-sale securities	**166**	252	**1,766**
Foreign currency translation adjustments	**(25)**		**(264)**
Treasury stock—at cost, 7,715 shares in 2009 and 4,373 shares in 2008	**(23)**	(14)	**(238)**
Total	**140,043**	122,339	**1,486,974**
Minority interests	**461**	395	**4,892**
Total equity	**140,504**	122,734	**1,491,866**
TOTAL	**¥ 466,719**	¥ 377,661	**$ 4,955,606**

Consolidated Statements of Income

ÆON Mall Co., Ltd. and Subsidiary
Years Ended February 20, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
OPERATING REVENUE (Note 16)	**¥ 130,813**	¥ 96,806	**$ 1,388,972**
OPERATING COSTS	**82,416**	56,410	**875,098**
Gross profit	**48,397**	40,396	**513,874**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**10,527**	8,754	**111,769**
Operating income	**37,870**	31,642	**402,105**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**606**	377	**6,435**
Interest expense	**(1,860)**	(1,557)	**(19,748)**
Gain on sales of property, plant and equipment		2,362	
Loss on disposal of property, plant and equipment	**(1,320)**	(1,161)	**(14,022)**
Loss on impairment of long-lived assets (Note 5)	**(1,312)**	(4,735)	**(13,931)**
Gain on change in interest in an associated company	**448**		**4,755**
Equity in earnings of an associated company	**318**		**3,373**
Other—net	**873**	2,412	**9,274**
Other expenses—net	**(2,247)**	(2,302)	**(23,864)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**35,623**	29,340	**378,241**
INCOME TAXES (Note 12):			
Current	**13,556**	14,612	**143,940**
Deferred	**605**	(2,781)	**6,421**
Total income taxes	**14,161**	11,831	**150,361**
MINORITY INTERESTS IN NET INCOME	**72**	70	**762**
NET INCOME	**¥ 21,390**	¥ 17,439	**$ 227,118**

	Yen		U.S. Dollars
	2009	2008	**2009**
PER SHARE OF COMMON STOCK (Notes 2.r and 15):			
Basic net income	**¥ 118.09**	¥ 115.63	**$ 1.25**
Diluted net income	**118.08**		**1.25**
Cash dividends applicable to the year	**20.00**	17.50	**0.21**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ÆON Mall Co., Ltd. and Subsidiary
Years Ended February 20, 2009 and 2008

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, FEBRUARY 20, 2007	¥ 60,002	¥ 7,796	¥ 7,165		¥ 43,785	¥ 972		¥(15)	¥ 59,703	¥331	¥ 60,034
Net income					17,439				17,439		17,439
Cash dividends, ¥45.0 per share					(3,273)				(3,273)		(3,273)
Purchase of treasury stock	(4)							(15)	(15)		(15)
Merger of Diamond											
City Co., Ltd. (Note 3)	61,123	8,867	9,807		30,515			16	49,205		49,205
Stock split (Note 10)	60,002										
Net change in the year						(720)			(720)	64	(656)
BALANCE, FEBRUARY 20, 2008	181,123	16,663	16,972		88,466	252		(14)	122,339	395	122,734
Net income					**21,390**				**21,390**		**21,390**
Cash dividends, ¥20.0 per share					**(3,622)**				**(3,622)**		**(3,622)**
Purchase of treasury stock	**(3)**							**(9)**	**(9)**		**(9)**
Net change in the year				**¥56**		**(86)**	**¥(25)**		**(55)**	**66**	**11**
BALANCE, FEBRUARY 20, 2009	**¥181,120**	**¥16,663**	**¥16,972**	**¥56**	**¥106,234**	**¥ 166**	**¥(25)**	**¥(23)**	**¥140,043**	**¥461**	**¥140,504**

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, FEBRUARY 20, 2008	$176,926	$180,205		$ 939,334	$2,677		$(149)	$1,298,993	$4,194	$1,303,187
Net income				**227,118**				**227,118**		**227,118**
Cash dividends, $0.21 per share				**(38,463)**				**(38,463)**		**(38,463)**
Purchase of treasury stock							**(89)**	**(89)**		**(89)**
Net change in the year			**$ 590**		**(911)**	**$(264)**		**(585)**	**698**	**113**
BALANCE, FEBRUARY 20, 2009	**$176,926**	**$180,205**	**$ 590**	**$1,127,989**	**$1,766**	**$(264)**	**$(238)**	**$1,486,974**	**$4,892**	**$1,491,866**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ÆON Mall Co., Ltd. and Subsidiary
Years Ended February 20, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 35,623**	¥ 29,340	**$ 378,241**
Adjustments for:			
Income taxes—paid	**(18,497)**	(11,492)	**(196,400)**
Depreciation and amortization	**14,586**	10,933	**154,871**
Loss on impairment of long-lived assets	**1,312**	4,735	**13,931**
Gain on change in interest in an associated company	**(448)**		**(4,755)**
Equity in earnings of an associated company	**(318)**		**(3,373)**
Gain on sales of property, plant and equipment		(2,362)	
Changes in assets and liabilities:			
(Increase) decrease in receivables—trade accounts	**(295)**	535	**(3,133)**
Increase (decrease) in payables—trade accounts	**1,381**	(1,620)	**14,663**
Increase (decrease) in deposits received	**4,444**	(1,404)	**47,185**
Increase in allowance for doubtful account	**79**	9	**839**
Increase in liability for retirement benefits	**42**	88	**445**
Other—net	**(11,253)**	(1,593)	**(119,484)**
Total adjustments	**(8,967)**	(2,171)	**(95,211)**
Net cash provided by operating activities	**26,656**	27,169	**283,030**
INVESTING ACTIVITIES:			
Net decrease in short-term investments		260	
Purchases of property, plant and equipment	**(71,378)**	(37,564)	**(757,887)**
Proceeds from sales of property, plant and equipment	**615**	24,285	**6,528**
Payment of lease deposits to lessors	**(1,973)**	(4,112)	**(20,954)**
Reimbursement of lease deposits to lessors	**1,755**	4,971	**18,638**
Repayment of lease deposits from lessees	**(6,289)**	(5,454)	**(66,774)**
Proceeds from lease deposits from lessees	**12,096**	8,724	**128,440**
Purchases of investment security		(42)	
Proceeds from sales of investment security	**575**	1,103	**6,105**
Other	**691**	(919)	**7,331**
Net cash used in investing activities	**(63,908)**	(8,748)	**(678,573)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	**11,500**	(3,100)	**122,107**
Proceeds from long-term debt	**42,800**		**454,449**
Repayment of long-term debt	**(12,482)**	(14,133)	**(132,537)**
Dividends paid	**(3,622)**	(3,273)	**(38,463)**
Purchase of treasury stock	**(9)**	(15)	**(89)**
Other	**(6)**	80	**(64)**
Net cash provided by (used in) financing activities	**¥ 38,181**	¥(20,441)	**$ 405,403**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
CASH AND CASH EQUIVALENTS DECREASED BY DEMERGER	**¥ (23)**	¥	**$ (249)**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER		1,983	
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(12)**		**(122)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**894**	(37)	**9,489**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,199**	3,236	**33,969**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 4,093**	¥ 3,199	**$ 43,458**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired and liabilities assumed in merger (Note 3):			
Current assets		¥ 5,937	
Property, plant and equipment		75,740	
Investments and other assets		58,400	
Current liabilities		46,943	
Long-term liabilities		43,929	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ÆON Mall Co., Ltd. and Subsidiary
Years Ended February 20, 2009 and 2008

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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

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 ¥94.18 to $1, the approximate rate of exchange at February 20, 2009. 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.

On August 21, 2007, the Company merged with Diamond City Co., Ltd., a subsidiary of ÆON Co., Ltd. The Company was the surviving company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—
The consolidated financial statements as of February 20, 2009 include the accounts of the Company and its two (one in 2008) subsidiaries (together, the "Group").

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.

Investment in an associated company is accounted for by the equity method in 2009.

The Company was included in the scope of equity method in the current year due to the Company acquired 48% of total number of issued shares with voting rights of ÆON Insurance Service Co., Ltd. on February 21, 2008.

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. Business Combination—
In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

For detail information concerning the carrying amounts of assets and liabilities involved in the merger, see Note 3.

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 which mature 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 companies' 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 circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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 centers operated by the Company are generally leased under 20-year lease agreements. The lease agreements require that the Company make a lease deposit to the lessor.

The Company receives lease deposits from tenants (lessees) of the shopping centers generally under 20-year lease agreements.

i. Bond Issuance Costs—
Bond issuance 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.

Effective May 17, 2007, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors as of February 20, 2008 was reclassified to the long-term liabilities (¥128 million) in the year ended February 20, 2008.

k. Stock Options—
The ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and 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.

l. Leases—
Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

m. Bonuses to Directors and Corporate Auditors—
Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

n. 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.

o. 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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

p. 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 balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were 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.

q. 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 which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

r. 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, retroactively adjusted for stock splits.

s. New Accounting Pronouncements

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

Asset Retirement Obligations—

On March 31, 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. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3 BUSINESS COMBINATION

On August 21, 2007, the Company, a subsidiary of ÆON Co., Ltd., merged with Diamond City Co., Ltd. ("Diamond City"), a subsidiary of ÆON Co., Ltd., and recognized the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer as a merger between entities under common control in accordance with "Accounting Standard for Business Combinations" and "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The details of assets and liabilities which were inherited from Diamond City were as follows:

	Millions of Yen
Current assets	¥ 5,939
Fixed assets	134,140
Total assets	¥140,077
Current liabilities	¥ (46,943)
Long-term liabilities	(43,929)
Total liabilities	¥ (90,872)

To complete the merger, the Company issued 61,123 thousand shares (not retroactively adjusted for stock split), which were allotted to shareholders listed in Diamond City's final roster of shareholders as of the day prior to the merger date (i.e., August 21, 2007), at the rate of 0.80 share of the Company's common stock for each share of Diamond City common stock held. Due to this issuance of new shares, the Company's common stock and capital surplus increased by ¥8,867 million and ¥9,807 million, respectively.

4 INVESTMENT SECURITIES

Investment securities as of February 20, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Investment securities:			
Marketable equity securities	**¥ 626**	¥ 853	**$ 6,652**
Other	**46**	897	**488**
Total	**¥ 672**	¥ 1,750	**$ 7,140**

The carrying amounts and aggregate fair values of investment securities at February 20, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	**¥ 346**	**¥ 301**	**¥ (21)**	**¥ 626**

	Millions of Yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	¥ 429	¥ 510	¥ (86)	¥ 853

	Thousands of U.S. Dollars			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale—Equity securities	**$3,678**	**$3,194**	**$ (220)**	**$6,652**

Available-for-sale securities whose fair value is not readily determinable as of February 20, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥ 46**	¥ 546	**$ 488**
Investment in partnerships		351	

Proceeds and gross realized gains of sales of available-for-sale securities for the years ended February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Proceeds	**¥ 575**	¥1,103	**$6,105**
Gross realized gains	**75**	922	**796**

5 LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of February 20, 2009 and 2008. As a result, the Company recognized impairment losses of ¥1,312 million ($13,931 thousand) and ¥4,735 million, respectively, on the following group long-lived assets on February 20, 2009 and 2008.

Use	Type of Assets	Location	Millions of Yen		Thousands of U.S. Dollars
			2009	2008	**2009**
Shopping center	Land, buildings and structures and others	Osaka		¥2,262	
Shopping center	Land, buildings and structures	Miyazaki	**¥1,312**	2,073	**$13,931**
Idle assets	Land	Tottori		137	
Idle assets	Land	Kumamoto		263	
Total			**¥1,312**	¥4,735	**$13,931**

The Group mainly categorizes shopping centers as standard units, which is the minimum cash-generating unit, and idle assets as individual independent units. The book values of the shopping centers which incurred or are expected to incur continuous operating losses and idle assets which are not scheduled to be used were reduced to recoverable amounts, and such deducted amounts were recorded as impairment losses as other expenses. The recoverable amount of the asset groups is measured as net selling price. The net selling price for land is measured based on evaluations based on real estate appraisal value.

The breakdown of impairment loss for the years ended February 20, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Land	**¥ 896**	¥ 3,237	**$ 9,517**
Buildings and structures	**416**	1,496	**4,414**
Other		2	
Total	**¥ 1,312**	¥ 4,735	**$ 13,931**

6 FIXED LEASEHOLD DEPOSITS TO LESSORS

The Company has securitized certain amounts of fixed leasehold deposits to lessors by transferring these deposits to an unconsolidated special purpose entity (the "SPE"), J-one Assets Corporation. The aggregate amounts of securitized deposits as of February 20, 2009 and 2008 were ¥1,202 million ($12,762 thousand) and ¥1,603 million, respectively. This special purpose entity has options to sell the transferred deposits back to ÆON Co., Ltd., the Company's parent company, in certain cases including lessors' insolvency. In that case, ÆON Co., Ltd. has its option to sell it to the Company.

When the special purpose entity exercises its put options, it also cancels interest rate swap agreements, which it entered into with financial institutions for hedging interest exposures, incorporated in these transactions and such the cancellation gains or losses are borne by ÆON Co., Ltd. When ÆON Co., Ltd. used the option, such cancellation gains or losses are borne by the Company. The unrealized loss on these interest rate swap agreements as of February 20, 2009 and 2008 was ¥86 million ($912 thousand) and ¥102 million, respectively.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at February 20, 2009 and 2008 consisted of the following :

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term loans principally			
from banks, 0.94% to 1.70% (2009) and 0.97% to 1.87% (2008)	**¥ 12,955**	¥ 11,455	**$ 137,555**
Commercial papers, 1.305% (2009)	**10,000**		**106,180**
Total	**¥ 22,955**	¥ 11,455	**$ 243,736**

Long-term debt at February 20, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Unsecured 1.6% yen corporate bond, due 2013			
Loans from banks and insurance companies, due through 2019 with interest rates	**¥ 10,000**		**$ 106,180**
ranging from 0.73% to 6.00% (2009) and from 0.62% to 6.00% (2008)			
Collateralized	**52,375**	¥ 49,905	**556,115**
Unsecured	**40,730**	22,882	**432,468**
Total	**103,105**	72,787	**1,094,763**
Less current portion	**(22,739)**	(12,482)	**(241,437)**
Long-term debt, less current portion	**¥ 80,366**	¥ 60,305	**$ 853,326**

Annual maturities of long-term debt as of February 20, 2009 were as follows:

Year Ending February 20	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 22,739	$ 241,437
2011	14,015	148,805
2012	7,052	74,881
2013	6,045	64,190
2014	30,624	325,166
2015 and thereafter	22,630	240,284
Total	¥ 103,105	$ 1,094,763

The carrying amounts of assets pledged as collateral for short-term bank loans, the above collateralized long-term debt and other at February 20, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 38,405	$ 407,786
Buildings and structures—net of accumulated depreciation	92,180	978,758
Total	¥ 130,585	$1,386,544

Collateralized short-term bank loans, long-term debt and other at February 20, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term bank loans	**¥ 7,655**	**$ 81,281**
Current portion of long-term debt	**7,750**	**82,292**
Current portion of lease from lessees	**856**	**9,091**
Long-term debt	**44,625**	**473,824**
Lease deposits from lessees	**14,316**	**152,008**
Total	**¥ 75,202**	**$ 798,496**

8 RETIREMENT AND PENSION PLANS

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, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Projected benefit obligation	**¥ (1,435)**	¥ (1,584)	**$(15,235)**
Fair value of plan assets	**828**	971	**8,790**
Unrecognized actuarial gain	**367**	415	**3,898**
Net liability	**¥ (240)**	¥ (198)	**$ (2,547)**

The components of net periodic retirement benefit costs for the years ended February 20, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Service cost	**¥ 32**	¥ 32	**$ 341**
Interest cost	**38**	38	**403**
Expected return on plan assets	**(20)**	(19)	**(211)**
Recognized actuarial gain	**74**	71	**783**
Other	**89**	105	**949**
Total	**213**	227	**2,265**
Loss on change in pension plan		79	
Net periodic costs	**¥ 213**	¥ 306	**$ 2,265**

Assumptions used for the years ended February 20, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	**2.4%**	2.4%
Expected rate of return on plan assets	**2.05%**	1.92%
Recognition period of actuarial gain/loss	**10 years**	10 years

9 COMMITMENTS

The Company has agreements with Petrus Funding Corporation, an unconsolidated SPE, under which it is committed to execute loans as the first back-up line. At February 20, 2009, the total unused credit available to the SPE is ¥550 million ($5,840 thousand).

10 EQUITY

Since May 1, 2006, 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 a certain limitation 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.

On February 21, 2007, the Company made a 2-for-1 stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on January 9, 2007.

11 STOCK OPTIONS

The stock options outstanding as of February 20, 2009 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	April 21, 2008	¥1 ($0.01)	From May 21, 2008 to May 20, 2023

The stock option activity is as follows:

	2007 Stock Option
	(Shares)
For the Year Ended February 20, 2009	
Non-vested:	
February 20, 2008—outstanding	
Granted	20,200
Canceled	
Vested	20,200
February 20, 2009—outstanding	
Vested:	
February 20, 2008—outstanding	
Vested	20,200
Exercised	
Canceled	
February 20, 2009—outstanding	20,200
Exercise price	¥1
	($0.01)
Average stock price at exercise	
Fair value price at grant date	¥2,750
	($29)

The Assumptions Used to Measure Fair Value of 2007 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.9%
Estimated remaining outstanding period:	Seven and a half years
Estimated dividend:	¥17.5 per share
Interest rate with risk free:	1.04%

12 INCOME TAXES

The Group is 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, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at February 20, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current:			
Deferred tax assets:			
Accrued enterprise tax	**¥ 483**	¥ 790	**$ 5,131**
Other	**252**	383	**2,674**
Deferred tax assets	**¥ 735**	¥ 1,173	**$ 7,805**
Non-current:			
Deferred tax assets:			
Property, plant and equipment	**¥ 5,121**	¥ 5,305	**$ 54,370**
Long-term prepaid expenses	**254**	180	**2,701**
Liability for retirement benefits	**97**	80	**1,034**
Other	**331**	671	**3,511**
Deferred tax assets	**5,803**	6,236	**61,616**
Deferred tax liabilities:			
Lease deposits to lessors and long-term prepaid expenses	**128**	465	**1,360**
Deferred capital gains on property	**360**	386	**3,825**
Special depreciation on property	**577**	480	**6,123**
Unrealized gain on available-for-sale securities	**113**	172	**1,205**
Deferred tax liabilities	**1,178**	1,503	**12,513**
Net deferred tax assets	**¥ 4,625**	¥ 4,733	**$ 49,103**

The difference between the statutory tax rate and the effective tax rate for the years ended February 20, 2009 and 2008 is less than 5%, therefore the reconciliation difference is omitted.

At February 20, 2009, certain subsidiary has tax loss carryforwards aggregating approximately ¥99 million ($1,050 thousand) which are available to be offset against taxable income of such a subsidiary in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending February 20	Millions of Yen	Thousands of U.S. Dollars
2014 and thereafter	¥ 99	$ 1,050
Total	¥ 99	$ 1,050

13 LEASES

a. Lessee

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

Total rental expense including lease payments under finance lease for the years ended February 20, 2009 and 2008 were ¥34,867 million ($370,216 thousand) and ¥14,458 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense and other information of finance lease that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 20, 2009 and 2008 was as follows:

	Millions of Yen		
	2009		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥ 104**	**¥ 1,781**	**¥ 1,885**
Accumulated depreciation	**76**	**702**	**778**
Net leased property	**¥ 28**	**¥ 1,079**	**¥ 1,107**

	Millions of Yen		
	2008		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 180	¥ 2,116	¥ 2,296
Accumulated depreciation	128	926	1,054
Net leased property	¥ 52	¥ 1,190	¥ 1,242

	Thousands of U.S. Dollars		
	2009		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**$ 1,102**	**$ 18,905**	**$ 20,007**
Accumulated depreciation	**806**	**7,452**	**8,258**
Net leased property	**$ 296**	**$ 11,453**	**$ 11,749**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	**¥ 317**	¥ 402	**$ 3,366**
Due after one year	**776**	847	**8,243**
Total	**¥ 1,093**	¥ 1,249	**$ 11,609**

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Depreciation expense	**¥ 418**	¥ 413	**$ 4,437**
Interest expense	**25**	17	**269**
Total	**¥ 443**	¥ 430	**$ 4,706**
Lease payments	**¥ 473**	¥ 462	**$ 5,025**

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, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	**¥ 22,207**	¥ 22,795	**$ 235,792**
Due after one year	**181,268**	203,249	**1,924,703**
Total	**¥ 203,475**	¥ 226,044	**$2,160,495**

b. Lessor

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

Future rental revenues from subleases under finance leases for the years ended February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	**¥ 5,981**	¥ 5,559	**$ 63,506**
Due after one year	**35,500**	34,055	**376,942**
Total	**¥ 41,481**	¥ 39,614	**$ 440,448**

14 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.

The interest rate swap contracts which are qualified for hedge accounting and are reflected on the consolidated balance sheet at the year end are not subject to the disclosure of market value information.

15 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended February 20, 2009 and 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended February 20, 2009	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥ 21,390**	**181,121**	**¥ 118.09**	**$ 1.25**
Effect of Dilutive Securities—Warrants		**17**		
Diluted EPS—Net income for computation	**¥ 21,390**	**181,138**	**¥ 118.08**	**$ 1.25**
Year Ended February 20, 2008				
Basic EPS—Net income available to common shareholders	¥ 17,439	150,816	¥ 115.63	

Diluted net income per share is not disclosed because there is no potential dilution existing.

16 RELATED PARTIES TRANSACTIONS

Transactions with the parent company and its subsidiary for the years ended February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Revenue from leases of shopping centers to ÆON Retail Co., Ltd. (the parent's subsidiary)	**¥ 9,129**		**$ 96,935**
Pledge of collateral for ÆON Retail Co., Ltd.	**12,219**		**129,741**
Revenue from leases of shopping centers to ÆON Co., Ltd. (the parent company)		¥ 13,692	
Pledge of collateral for ÆON Co., Ltd.		12,632	

Notes: 1. These transactions are on an arm's length basis and in the normal course of business.
2. ÆON Retail Co., Ltd. succeeded ÆON Co., Ltd.s' retail and other operating divisions as a result of the demerger as of August 21, 2008.
These transactions are the amounts from August 21, 2008 to February 20, 2009.
Revenue from leases of shopping centers to ÆON Co., Ltd.s' is ¥9,102 million ($96,645 thousand) for the years ended February 20, 2009.

The balances due to or from the parent company and its subsidiary at February 20, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Receivables—Trade accounts from ÆON Retail Co., Ltd.	**¥ 1,159**		**$ 12,304**
Lease deposits received from ÆON Retail Co., Ltd.	**15,746**		**167,194**
Receivables—Trade accounts from ÆON Co., Ltd.		¥ 1,166	
Lease deposits received from ÆON Co., Ltd.		17,360	

Note: Lease deposits received are at stated amounts.

17 SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at February 20, 2009 was approved at the Company's board meeting held on April 6, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 ($0.11) per share	¥ 1,811	$ 19,231

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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, 2009 and 2008, and the related consolidated statements of income, 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 the Company as of February 20, 2009 and 2008, 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

May 7, 2009

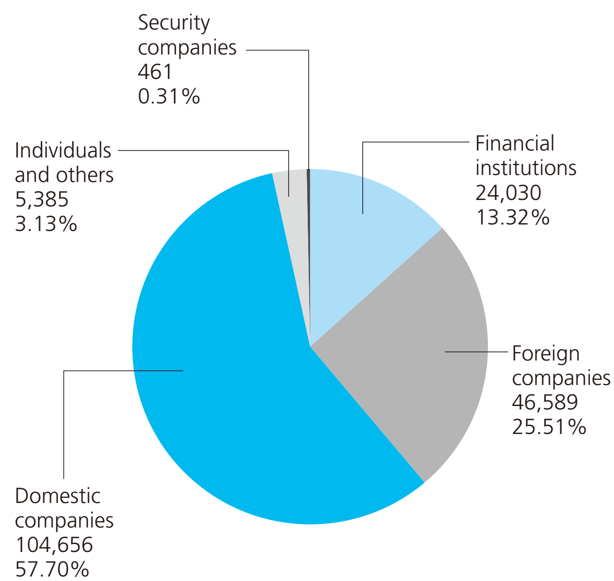
Member of
Deloitte Touche Tohmatsu

Investor Information (As of February 20, 2009)

Shares

Number of Shares Authorized	320,000,000
Number of Shares Outstanding	181,127,507
Number of Shareholders	9,542

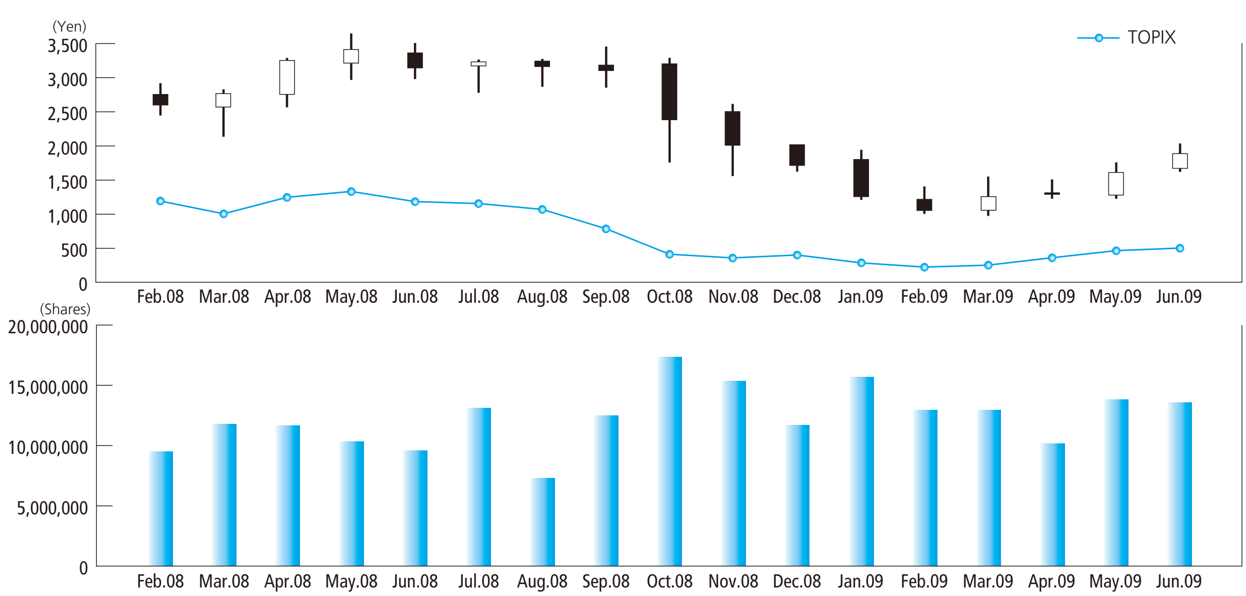
Distribution of Shares (Thousands of shares)



Major Shareholders

	Number of shares (Thousands)	Percentage of voting rights (%)
ÆON Co., Ltd.	101,057	55.79
State Street Bank and Trust Company	5,353	2.95
Japan Trustee Services Bank Ltd. (Trust Account 4G)	3,894	2.15
The Chase Manhattan Bank. N.A. London Secs Lending Omnibus Account	3,792	2.09
Japan Trustee Services Bank Ltd. (Trust Account)	3,433	1.89
Mellon Bank NA as Agent for its Client Mellon OMNIBUS US Pension	2,773	1.53
The Norinchukin Bank	1,925	1.06
Bank of New York Tax Treaty JASDEC OMNIBUS TWO	1,873	1.03
Japan Master Trust Bank of Japan, Ltd. (Trust Account)	1,754	0.96
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,683	0.92

Share Prices / Trading Value



Corporate Data (As of February 20, 2009)

Company Name	ÆON Mall Co., Ltd.
Date Established	November 12, 1911
Capital Stock	¥16,663 million
Headquarters	1-5-1, Nakase, Mihama-ku, Chiba 261-8539, Japan Tel: 81-(43)-212-6450 Fax: 81-(43)-212-6737
Offices (As of July 31, 2009)	
Osaka Office	Kurabo Annex Building 12F, 2-4-11, Kyutaromachi, Chuo-ku, Osaka 541-0056, Japan
Fukuoka Office	Sankyo Fukuoka Building 3F, 2-9-11, Hakataekiminami, Hakata-ku, Fukuoka 812-0016, Japan
Beijing Office	Room 1110 East Ocean Center, No. 24A Jian Guo Men Wai Avenue, Chaoyang District, Beijing 100004, People's Republic of China
Number of Shopping Malls	51
Business Activities	Development of large-scale shopping malls, tenant leasing, operation/management, dealing in real estate, leasing, and services (registered under Certification Number 7682 with the Japanese Ministry of Land, Infrastructure and Transportation)
Number of Employees	560
Stock Listing	Tokyo Stock Exchange, First Section
Transfer Agent	Mizuho Trust and Banking Co., Ltd. 2-1, Yaesu 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Independent Auditors	Deloitte Touche Tohmatsu 13-23, Shibaura 4-chome, Minato-ku, Tokyo 108-8530, Japan

For further information, please contact the Investor Relations section of the Management Planning Department at the ÆON Mall Co., Ltd. Head Office.

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