



# AEON REIT invests primarily in retail and related properties\* that form the backbone of local communities.

Retail and related properties are an integral part of the communities in which they are located. We believe that these properties and facilities in which we invest form the backbone of local communities and their retail business infrastructure.

We also aim to ensure stable income and achieve steady portfolio growth over the medium-to-long term by investing in retail and related properties that contribute to the betterment of individual lives and local communities.

\*Refers to retail facilities, logistics facilities and related facilities. Retail facilities refers to facilities containing retail businesses and other merchandising businesses, entertainment and amusement facilities and other facilities that attract customers (including parking lots and equipment and systems for logistics). Logistics facilities refers to warehouses and other storage facilities for distribution and transport of merchandise and other goods.

AEON MALL Mitouchihara



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# AEON REIT Features

We invest primarily in the retail properties of the AEON Group.

## Investment Focused on Large-Scale Retail Properties

We invest primarily in retail properties that are an integral part of the communities in which they are located. In this asset class, we are structuring a portfolio of large-scale retail properties that we expect to generate stable cash flow over the medium-to-long term.

		Type	Investment Percentage*	
			Domestic Real Estate	Overseas Real Estate
Retail properties, etc.	Large-scale retail properties	Super regional shopping centers (SRSC)	80% or more	15% or less
		Regional shopping centers (RSC)		
		Community shopping centers (CSC)		
	Other retail properties	Neighborhood shopping centers (NSC)	20% or less	
		Supermarkets (SM)		
	Logistics facilities	10% or less		

\*Investment percentage is calculated on an acquisition price basis.

**Share of large-scale retail properties in our portfolio**

Currently  
**91.3%**

(As of January 31, 2018)

## Collaboration with the AEON Group for Stability and Growth

We maintain stability with long-term sources of earnings by investing in retail properties operated by the AEON Group, a leading retailer and developer of large-scale retail properties throughout Japan. We also leverage the AEON Group's retail property expertise to generate growth. Please refer to pages 4 and 5 for details about the AEON Group's features.

**AEON Group**

**Consolidated operating revenue**

**¥8,210.1 billion**

**AEON Group employees**

Approx. **520,000**

(As of February 28, 2017)

## Stable Finances

Our conservative financial management is based on clear financial policies for target LTV and other matters. As a result, we have strong, stable relationships with financial institutions, primarily megabanks. We have also received a long-term issuer rating of AA- from Japan Credit Rating Agency, Ltd.

**Japan Credit Rating Agency, Ltd.**  
**long-term issuer rating**

**AA-**  
(Stable)

## Highly Transparent Management

For asset acquisitions from the AEON Group or any other related-party transaction, the decision-making process includes a mechanism to incorporate the opinions of independent third parties having no relationship with the Aeon Group. This creates highly transparent management that ensures win-win relationships with both unitholders and the AEON Group. Please refer to page 30 for details.

### Introduction of Cumulative Investment Unit Purchase Program

On May 1, 2014, we introduced a program that enables directors and employees of AEON REIT and the Asset Manager to acquire AEON REIT's investment units using a cumulative investment program through securities firms.

The program will help to further raise awareness toward enhancing the value of AEON REIT's investment unit price and improving business performance to provide greater financial motivation in line with the interests of unitholders.

## Initiatives on Sustainability

AEON REIT cares about Environmental, Social and Governance (ESG) issues in all aspects of its operations and cooperates with its stakeholders for such purposes.

### Sustainability Policy (Established on January 14, 2016)

#### 1. Environmental Initiatives

- (1) In order to achieve the realization of a low-carbon society, work to continuously improve energy efficiency and reduce emissions of greenhouse gases through the use of renewal sources of energy.
- (2) Promote peaceful coexistence with the natural environment by paying consideration to the conservation of ecosystems, and through tree planting activities and other real estate management initiatives.
- (3) In order to achieve sustainable use of resources, work towards conservation and recycling of resources through the promotion of water saving and the 3Rs (Reduce, Reuse, Recycle) with regard to the use of resources.
- (4) Observe and conform to environmental-related laws and regulations, etc., and endeavor to prevent environmental pollution.

#### 2. Cooperation with Stakeholders

- (1) By carrying out education and training with regard to environmental issues, endeavor to raise the environmental awareness of our corporate officers and to pay care and attention to the diversity and work-life balance of our employees.
- (2) By utilizing the total, comprehensive power of the AEON Group, endeavor to provide comfortable work environments to the employees of end tenants/associates as well as those of other partner companies, and work to build a sound and healthy cooperative relationships.
- (3) In order to facilitate the advancement of ESG initiatives across the entire supply chain for our real estate operations, endeavor to implement a green procurement strategy.
- (4) Provide support for volunteer activities and places/opportunities for people from local communities to gather for educational and information exchanges, and endeavor to cooperate with communities as a hub for reconstruction efforts in times of disasters.
- (5) Proactively disclose information regarding ESG issues to investors and endeavor to communicate openly with them, and work continuously towards obtaining Green Building certification.

### Environmental Certification and Assessment

#### GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment

Granted "Green Star" in 2017 GRESB Real Estate Assessment for Two Consecutive Years

##### 2017 Assessment Results

- In its endeavors for Environmental, Social and Governance (ESG) awareness, AEON REIT's superiority both in "Management & Policy" and "Implementation & Measurement" in its endeavors for ESG awareness was highly acknowledged to obtain "Green Star" ranking
- Granted "3 Stars" in the GRESB Rating that makes relative assessments based on total scores



#### SMBC Funding Program Based on Evaluation of Environmental Considerations

Recognized in the SMBC Funding Program Based on Evaluation of Environmental Considerations by Sumitomo Mitsui Banking Corporation

Grade: **A**

##### Points recognized in the evaluation

- In its endeavors for environmental awareness, AEON REIT received an "A" grade in recognition of high-level engagement in such aspects as implementation of monitoring of environmental load indicators, asset management in consideration of the environment and environmental preservation measures.



#### DBJ Green Building Certification

Acquired 2017 five stars (Highest rank) as of January 31, 2018

##### Points evaluated in the certification

##### • AEON MALL KYOTO

Favorable evaluations for organizing a range of events and social contribution activities to promote interactions in the community, while at the same time offering comfortable shopping environments for local residents as well as domestic and overseas visitors to Kyoto.

##### • AEON MALL Mitouchihara

Favorable evaluations for the installation of an electric vehicle charging station, nursing rooms and high chairs, and active participation in community events, in addition to energy saving initiatives through the introduction of water saving-type toilettes, proactive installation of LED lights and introduction of a solar power generation system, with the goal of creating a mall that coexists with the environment and local community.



#### Subject properties



## To Our Unitholders

# Yasuo Shiozaki

Executive Director



	16 properties ¥158.3 billion	17 properties ¥158.9 billion	17 properties ¥158.9 billion	23 properties ¥194.3 billion	23 properties ¥194.3 billion	28 properties ¥249.2 billion
	IPO			1st public offering		2nd public offering
	January 31, 2014 (2nd Period)	July 31, 2014 (3rd Period)	January 31, 2015 (4th Period)	July 31, 2015 (5th Period)	January 31, 2016 (6th Period)	July 31, 2016 (7th Period)
<b>Ratio of top 10 properties</b>	79%	78%	78%	71%	71%	61%
<b>Number of prefectures in which properties are located</b>	14	14	14	17	17	20
<b>Rental NOI</b> <sup>(Note 2)</sup>	¥2.4 billion	¥5.4 billion	¥5.5 billion	¥6.6 billion	¥6.8 billion	¥7.8 billion
<b>Depreciation</b>	¥1.1 billion	¥2.2 billion	¥2.2 billion	¥2.6 billion	¥2.6 billion	¥3.1 billion
<b>Distribution per unit</b>	¥686	¥2,461	¥2,473	¥2,724	¥2,790	¥1,450 <sup>(Note 1)</sup>
<b>NAV per unit</b> <sup>(Note 3)</sup>	¥110,456	¥112,635	¥115,939	¥122,057	¥126,169	¥123,547

Continuous growth since listing amidst the Kumamoto Earthquake

Recovery from the Kumamoto Earthquake

- Notes: 1. AEON REIT temporarily made cash distribution in excess of retained earnings using depreciation that was recorded for the 7th Period, avoiding the situation of paying no cash distribution for the 7th Period.
2. Rental NOI refers to the amount obtained by subtracting expenses related to the real estate leasing business (excluding depreciation and loss on retirement of non-current assets) from the sum total of revenues related to real estate leasing business of each fiscal period.

Q1

Can you give us an overview of the 10th Period?

I would like to explain the major endeavors we made during the 10th fiscal period from the perspectives of external growth, internal growth, financial strategy and sustainability.

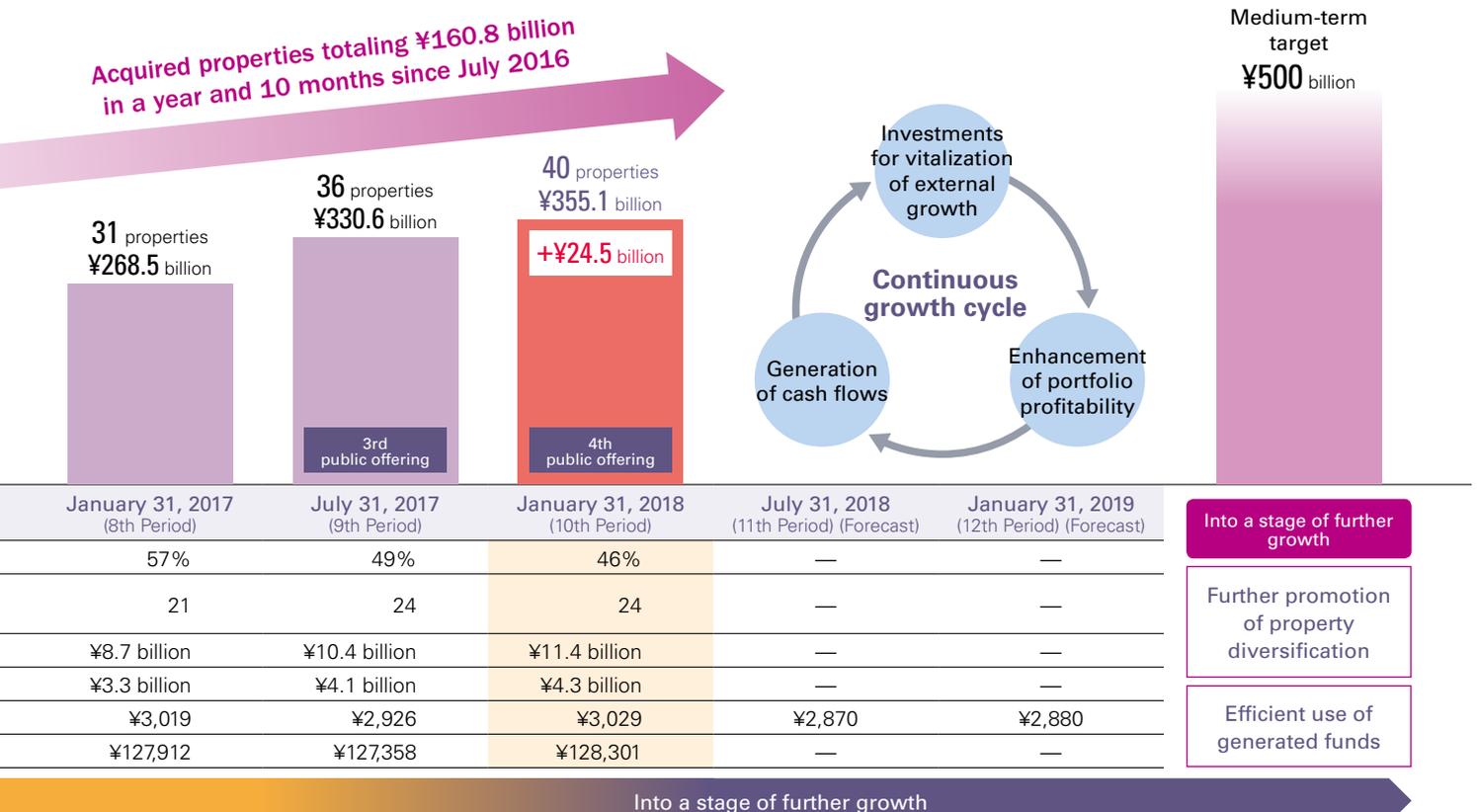
Let me begin with external growth. We acquired four domestic properties totaling ¥24.5 billion to expand the portfolio size to ¥355.1 billion. The acquisition was made by using the proceeds from a public offering we made in the fiscal period, marking the second consecutive fiscal period with such an arrangement, as well as new debt financing. Of these properties, we acquired AEON STYLE Kemi-gawahama after it started operations in November 2017 following the refurbishment, including shift to an AEON STYLE store, conducted by AEON Retail Co., Ltd. With the refurbishment, the property has become a store under “Grand Generation” (G.G.) concept to suit the area characteristics, meeting the expectations of the local customers.

Next, in terms of internal growth, we proactively made investments during the fiscal period under

review, as we had done to date, to help maintain and enhance the value of the properties we own. For example, we made an investment for revitalization at AEON MALL Kurashiki, for which a large-scale renovation was conducted, leading to upward revision of rents.

As for financial strategy, we conducted a public offering in September 2017, the fourth one for AEON REIT and marking the second consecutive fiscal period with such an arrangement. The capital increase lowered our LTV to 45%. In addition, we added two banks as new lenders, and issued investment corporation bonds totaling ¥2 billion. As such, we have worked to expand our fund procurement sources and diversify fund procurement methods.

Finally, concerning sustainability, AEON REIT is proactively making endeavors for Environment, Social and Governance (ESG) awareness, In September 2017, we obtained “Green Star” in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment (the survey conducted in 2017),



3. The figures are calculated using the formula: NAV per unit = (Unitholders' capital at end of each fiscal period + Unrealized gains or losses of the entire portfolio at end of each fiscal period) / Number of investment units issued at end of each fiscal period. For the 7th Period, the figure is calculated by deducting the amount of undisposed loss and cash distribution in excess of retained earnings for the fiscal period from unitholders' capital. For the 8th and 10th Periods, the figure is calculated by deducting the deduction from unitholders' capital from unitholders' capital. For the 7th and 8th Periods, AEON MALL Kumamoto is excluded from the unrealized gains or losses of the entire portfolio.

marking the second consecutive year of recognition with the highest ranking. In December 2017, AEON REIT received an “A” grade from Sumitomo Mitsui Banking Corporation in recognition of our high-level engagement in such aspects as implementation of monitoring of environmental load indicators, asset management in consideration of the environment and environmental preservation measures.

Moreover, in January 2018, AEON MALL KYOTO

and AEON MALL Mitouchihara were recognized with the highest rank of five stars in the DBJ Green Building Certification conducted by the Development Bank of Japan Inc. Going forward, we will continue to proactively take initiatives on ESG issues.

As a result of these endeavors, distribution per unit for the 10th fiscal period came to ¥3,029, an increase of ¥103 from the previous fiscal period and ¥29 over the forecast, representing an upward swing of 1%.

## Q<sub>2</sub>

### The environment surrounding retail properties is becoming more and more severe. How do you see this situation?

We are often asked such a question as “Given the decreasing population and other factors, isn’t it difficult for retail properties located in the suburb of regional cities to maintain competitiveness going forward?”

Certainly, a decrease in population is a major issue for Japan. However, the retail properties owned by AEON REIT, even though they stand in the suburb of regional cities, have solid trade areas and are located in suburban areas along arterial roads with good traffic access.

Looking ahead, we expect the changes in the business environment will become increasingly fierce. Nevertheless, we believe that best-in-town stores having solid trade areas will survive going forward, regardless of their categories like urban, suburban, GMS, and other types.

The AEON MALLs we own have a high value of scarcity because of their large scale, and can flexibly change the tenant composition in accordance with the ever-changing consumption needs and tastes of the customers and changes in their lifestyles, in an effort to keep sales from dropping. That’s how we see our properties.

Another question we are frequently asked is: “E-commerce has caused the number of dead malls to increase in the U.S. Don’t you think that, in like manner, stand-alone, suburban GMSs in Japan will fail to remain alive?”

Still, even in the U.S. where e-commerce is thriving, while some shopping centers (SCs) are beaten by competition and decline, many SCs are quite filled with customers and demonstrate competitiveness. There are many factors of delight, experiences and values that actual stores can offer – they are not what you can get from e-commerce.

There seem to be some people who may have an extremely pessimistic view that all brick-and-mortar stores will go bankrupt in the face of expanding e-commerce. In reality, however, we think that survival of the fittest among individual stores will become more visible, with outliving stores enjoying the benefits of being survivors.

That is why it is important to discern whether specific SCs can remain competitive into the future, and we are confident that, as a sole J-REIT that has a sponsor dedicated to retail as its main business line, we have strengths in the ability to identify and single out such SCs and create a portfolio of such properties.

#### Specific Examples of Consumption of “Events” that E-Commerce Cannot Offer



Strengthening of delicatessen



Eat-in corner



Radio gymnastic exercise (AEON STYLE Kemigawahama)



Mall walking

Q<sub>3</sub>

**Is it all right to concentrate investments in suburban SCs in regional cities and GMSs, if you take into account the future demographic trends?**

Tastes and consumption styles of consumers change each year, and the population is concentrating on city suburbs while showing a decreasing trend in regional areas. Selection and shakeouts of suburban SCs and GMSs will advance. Nevertheless, the GMSs as end tenants of the mall-type SCs we own are indispensable for attracting customers and are firmly rooted in their immediate trade areas to meet the needs of customers visiting the malls.

A look at our portfolio should tell you that, while focusing on large-scale retail properties, we have also acquired logistics facilities that support retail properties in the backstage as well as community SCs that are located in urban areas and in close proximity to railway stations. Through these endeavors, we have made steady progress in geographical diversification of the portfolio, including overseas locations, and risk diversification.

As we have reiterated, we endeavor to utilize the comprehensive strengths of the sponsor group and build a win-win relationship with the sponsor group.

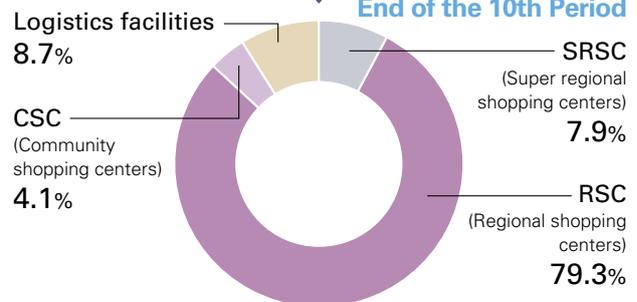
By doing so, we intend to implement the strategy that allows us to grow along with the sponsor group.

**Status of Portfolio Diversification (based on acquisition price)**

**Upon listing**



**End of the 10th Period**



Q<sub>4</sub>

**In closing, do you have a message for the unitholders?**

Since its listing in November 2013, AEON REIT has steadily built a track record of achievements, conducting asset management in pursuit of enhancing unitholder value.

Except for the 7th fiscal period ended July 2016, when we failed to deliver distribution of earnings due to the impact of the Kumamoto Earthquake, our performance has picked up since the 8th fiscal period ended January 2017, with cooperation given by the sponsor group, and achieved growth with a steady rise both in distribution per unit and NAV per unit.



At AEON REIT, while implementing growth strategy, we have placed top priority on the stability of earnings and taken a variety of measures, such as buying earthquake insurance for our properties in Japan and recording internal reserve, to prepare against risks.

Going forward, we will continue utilizing the comprehensive strengths and robust pipelines of the sponsor, and endeavor to achieve “further expansion of the portfolio size” and “continuous growth of cash distributions and NAV” as we seek to attain the portfolio size of ¥500 billion as the next target.

We want to be a J-REIT that is the choice of unitholders by working to meet the expectations of investors steadily in each fiscal period. We would greatly appreciate your continued support to AEON REIT.

# Financial Highlights

As of January 31, 2018

AEON REIT Investment Corporation (“AEON REIT”), which has been listed for four years since November 2013, closed its tenth operating period (the “10th Period”) on January 31, 2018.

In the 10th Period (August 1, 2017 to January 31, 2018), AEON REIT issued new investment units through public offering, marking the second consecutive fiscal period with such an arrangement, and used the obtained proceeds as well as new borrowings to acquire four properties (comprising competitive large-scale retail properties and a logistics facility) totaling ¥24.5 billion. With the acquisition, its portfolio size grew to ¥355.1 billion.

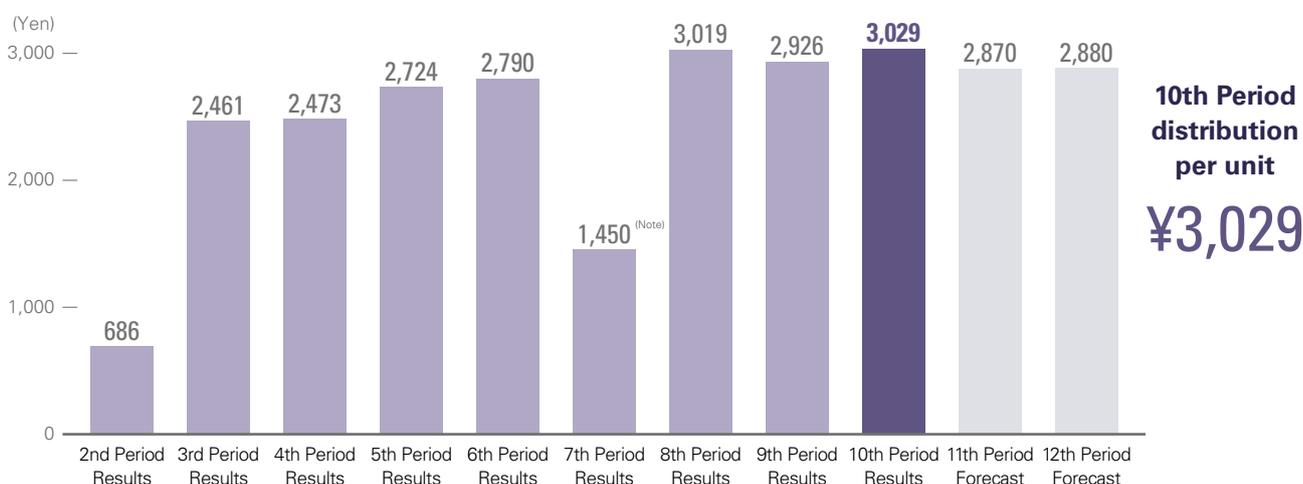
Moreover, AEON REIT took a variety of measures to enhance the value and profitability of the properties it owns, such as making investments for revitalization at AEON MALL Kurashiki and AEON MALL Suzuka, which undertook large-scale renovation, in an effort to achieve upward revisions of rents.

As a result of these endeavors, distribution per unit for the 10th Period came to ¥3,029, up ¥29 from the forecast of ¥3,000 made as of the announcement of the 9th Period financial results.

Looking ahead, we will continue to make our best efforts in our daily operations as we aim to secure stable cash distributions over the long term.

	9th Period Results February 1, 2017 to July 31, 2017 (Millions of yen)	10th Period Results August 1, 2017 to January 31, 2018 (Millions of yen)	11th Period Forecast February 1, 2018 to July 31, 2018 (Millions of yen)	12th Period Forecast August 1, 2018 to January 31, 2019 (Millions of yen)
Operating Revenue	14,642	15,780	16,143	16,147
Net Income	5,306	5,383	5,106	5,125
Total Assets	345,017	362,698	—	—
Net Assets	182,334	198,077	—	—
Net Assets per Unit (Yen)	111,457	111,445	—	—
Distribution per Unit (Yen)	2,926	3,029	2,870	2,880

## Changes in Distribution per Unit



Note: AEON REIT temporarily made cash distribution in excess of retained earnings using depreciation that was recorded for the 7th Period, avoiding the situation of paying no cash distribution for the 7th Period.

As of January 31, 2018

**Investment Properties**

**40** properties

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**Total Acquisition Price** <sup>(Note 2)</sup>

**¥355.1** billion

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**Appraisal Value** <sup>(Note 4)</sup>

**¥379.3** billion

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**Occupancy Rate Based on Master Lease Agreements**

**100** %

**Average Building Age** <sup>(Note 1)</sup>

**14.0** years

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**Average Remaining Lease Term** <sup>(Note 3)</sup>

**17.0** years

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**Unrealized Gain or Loss** <sup>(Note 5)</sup>  
(Appraisal Value minus Book Value)

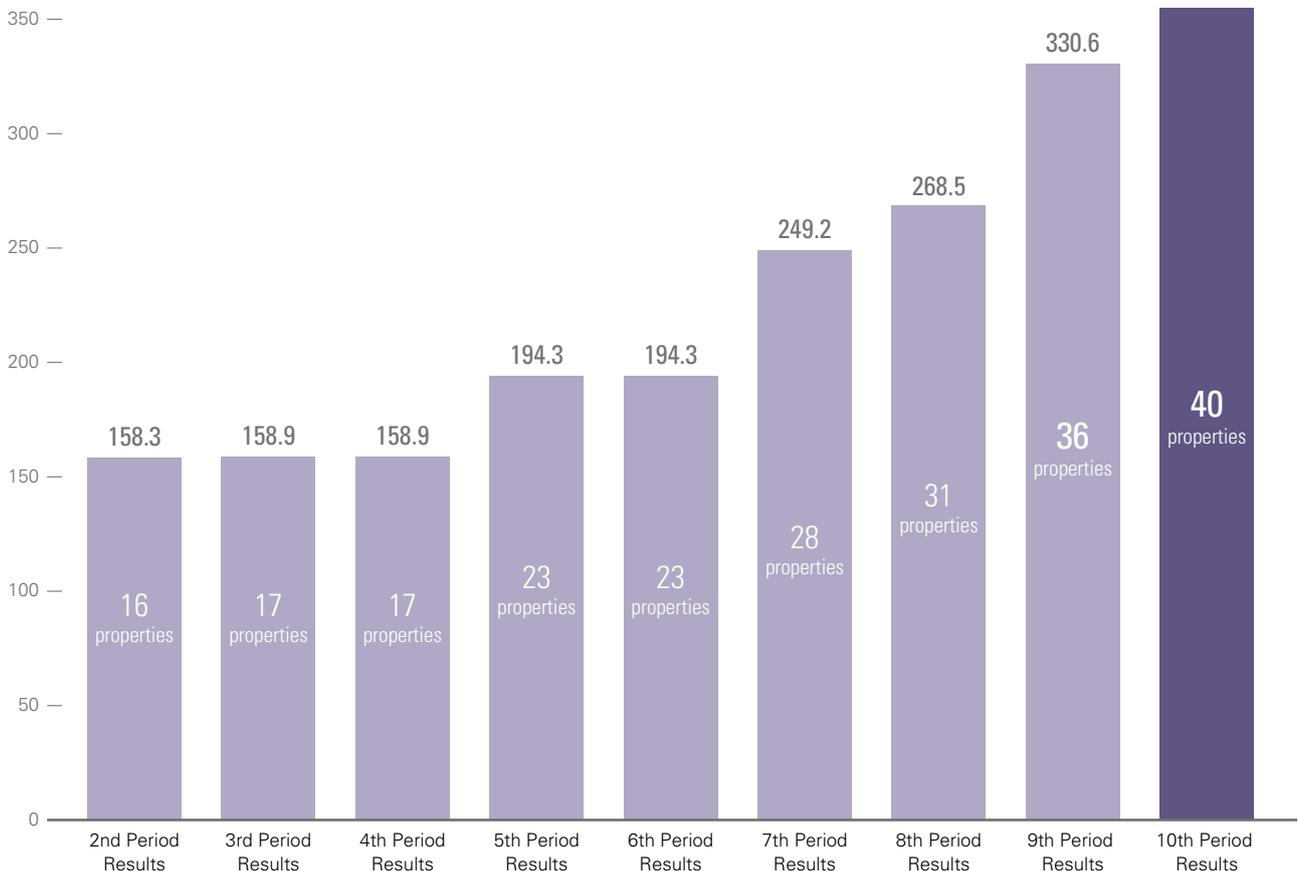
**+¥35.8** billion

**+¥4.5** billion  
(from the previous period)

- Notes: 1. Average building age represents the weighted average based on acquisition price, with January 31, 2018 set as the record date.  
 2. Total acquisition price indicates the amount (the purchase prices, etc. stated in the sales agreements, etc.) excluding miscellaneous costs (brokerage commissions, taxes and dues, etc.) that were required for the acquisition of the portfolio properties.  
 3. Average remaining lease term indicates the weighted average figure using the acquisition price, based on the lease agreements for each property effective as of January 31, 2018.  
 4. The figure uses the appraisal value indicated in the respective appraisal reports with January 31, 2018 as the appraisal date, or survey price indicated in the respective survey reports of properties.  
 5. Unrealized gain or loss = Appraisal value at end of each fiscal period – book value at end of each fiscal period  
 6. The calculation of each figure includes AEON MALL SEREMBAN 2, which AEON REIT owns through an overseas real estate holding corporation.

## Number of Properties and Total Acquisition Price

(Billions of yen)



## Overview of Newly Acquired Properties

AEON REIT acquired a large-scale retail property serving wider trade areas as well as community shopping centers in close proximity to railway stations and a logistics facility, promoting diversification of acquired assets by property type.

### Community shopping centers in close proximity to railway stations and rooted in the community

**CSC-3** Acquired on September 19, 2017

**ÆON Kireuriwari Shopping Center**



Location	Osaka City, Osaka Pref.
Acquisition price	¥4.3 billion
Appraisal value upon acquisition	¥4.5 billion
Appraisal NOI yield upon acquisition	5.7%

**CSC-2** Acquired on November 30, 2017

**ÆON STYLE Kemigawahama**



Location	Chiba City, Chiba Pref.
Acquisition price	¥3.7 billion
Appraisal value upon acquisition	¥3.8 billion
Appraisal NOI yield upon acquisition	7.2%

**Diversification by asset type**

**Retail property serving wider trade areas**

**RSC-30** Acquired on September 19, 2017

**ÆON MALL Shimotsuma**



Location	Shimotsuma City, Ibaraki Pref.
Acquisition price	¥9.5 billion
Appraisal value upon acquisition	¥9.7 billion
Appraisal NOI yield upon acquisition	6.6%

**Logistics facility**

**L-3** Acquired on October 2, 2017

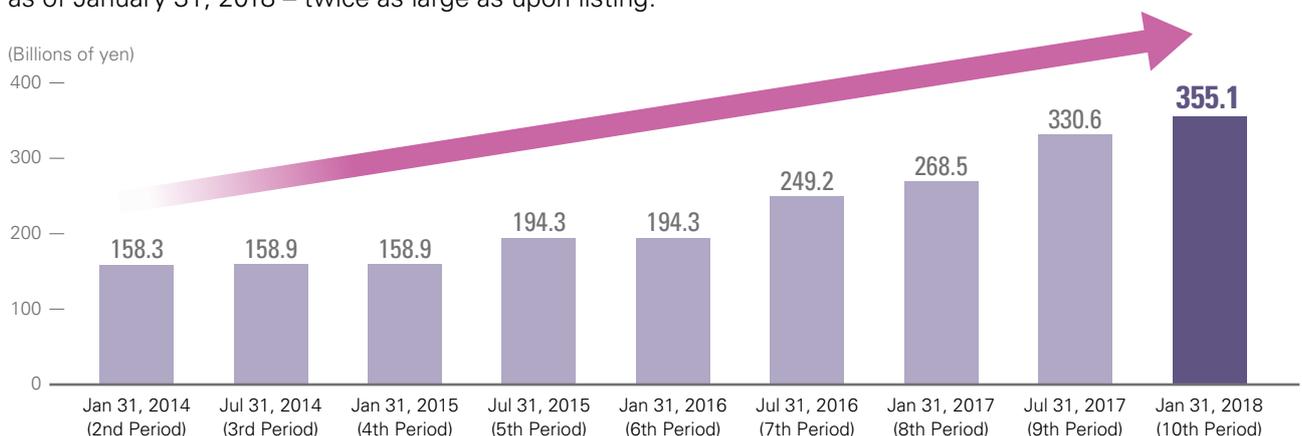
**Daiei Ibaraki Process Center**



Location	Ibaraki City, Osaka Pref.
Acquisition price	¥6.8 billion
Appraisal value upon acquisition	¥7.0 billion
Appraisal NOI yield upon acquisition	6.0%

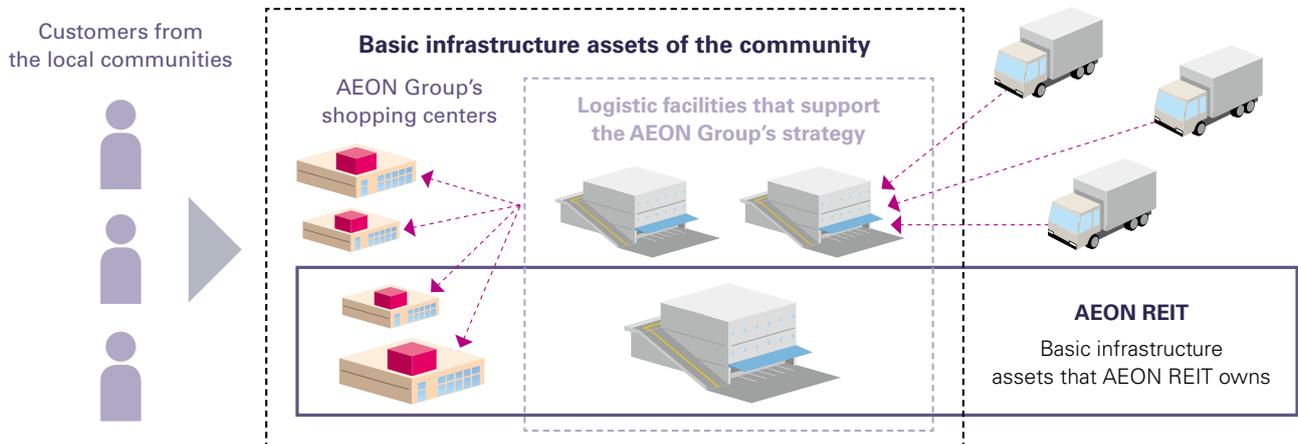
## Expansion of Portfolio Size Since Listing

Since listing in November 2013, AEON REIT has steadily expanded its portfolio size, reaching ¥355.1 billion as of January 31, 2018 – twice as large as upon listing.



## Incorporation of Logistics Bases to Support Product Distribution of the AEON Group

AEON REIT is building an optimum supply chain for the AEON Group by concentrating and enhancing efficiency of logistics functions and strategically deploying and operating logistics bases.



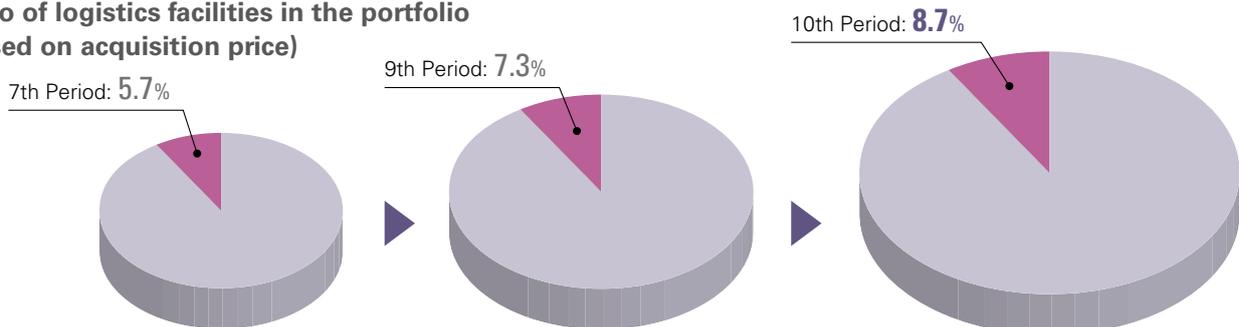
## Comparison of Logistics Facilities Owned by AEON REIT

Facility type	Major products to handle	Function and role in the AEON Group	Properties owned by AEON REIT	
			Kanto region	Kansai region
Process center (PC)	Perishable and processed food	<b>Perishable food processing center</b> Produce and process perishable foods that cannot be processed at each store, and provide materials to be cooked at each store	 Daiei-Kawasaki Process Center	 Daiei Ibaraki Process Center
Regional distribution center (RDC)	Products with high stock turnover	<b>Storage and inventory base</b> Serve mainly as a room temperature facility and work to temporarily keep and supply products that are frequently supplemented at each store		 AEON Minami-Osaka RDC

Note: RDC is an abbreviation of a Regional Distribution Center.

## Ratio of Logistics Facilities in the Portfolio Increasing

Ratio of logistics facilities in the portfolio (based on acquisition price)



## Proactively Conducted Investments for Revitalization to Enhance Property Competitiveness and Achieve an Increase in Annual Rents

Investments for revitalization

Floor-space expansion

In cooperation with the AEON Group, AEON REIT made investments for revitalization to enhance profitability and competitiveness of properties, achieving an increase in rents.



### AEON MALL Kofu Showa (Existing building: acquired in February 2016)

Floor-space expansion and large-scale renovation (Renovated and opened in November 2017)



Note: For the building with expanded floor space, AEON REIT has simply obtained preferential negotiation rights and has not decided on its acquisition. AEON REIT does not guarantee its acquisition in the future.

## Featured Revitalization Cases with Increase in Rent from April 2016 Onward

Property name	Date of rent increase	Revitalization project	Project cost	Effect of revitalization	
				Rent increase per annum	Rent increase as a percentage of project cost per annum
AEON MALL Morioka	April 2016	Renovation with floor expansion	¥790 million	¥57 million	7.3%
AEON MALL Ota	July 2017	Work to newly install directly operated escalators	¥199 million	¥14 million	7.3%
AEON MALL Yokkaichi-Kita	July 2017	Food court renovation	¥113 million	¥9 million	8.5%

### 10th Period

AEON MALL Kurashiki	August 2017	Large scale renovation	¥132 million	¥9.9 million	7.5%
AEON MALL Morioka	September 2017	Installation of drainage removal equipment	¥99 million	¥7.5 million	7.6%
AEON MALL Suzuka	November 2017	Large scale renovation	¥297 million	¥22 million	7.7%

Note: Project cost refers to the contract amount of construction works for enhancing the value of investment properties, including relevant capital expenditures.

## Large-Scale Renovation of AEON MALL Kurashiki

AEON REIT conducted renovation of the food court and the kids' space at AEON MALL Kurashiki it owns, in an effort to meet the ever-changing needs of customers.



Food court



Before

▶▶▶  
Renovation



After

Kids' space



Before

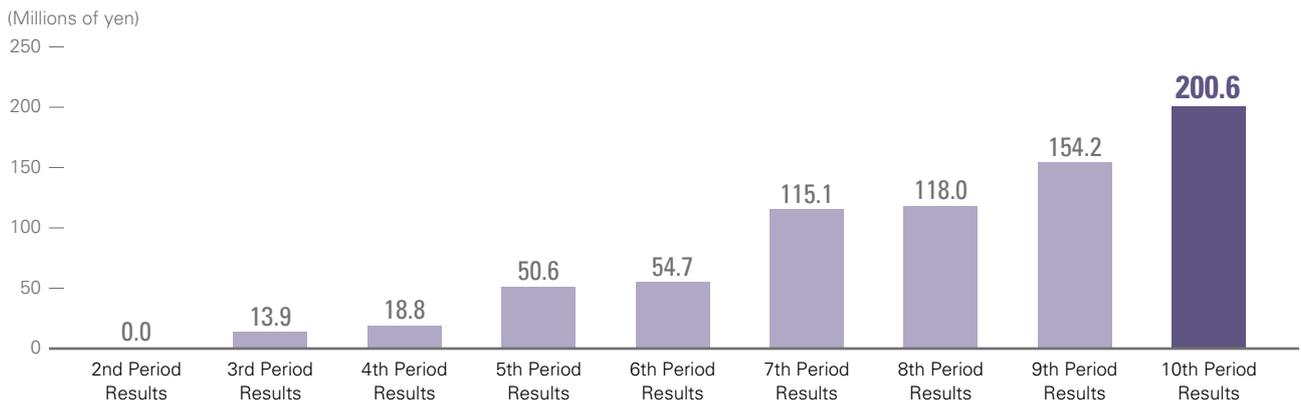
▶▶▶  
Renovation



After

## Accumulated Annual Rents that Have Increased through Investments for Revitalization since Listing

The accumulated annual rents that have increased through investments for revitalization since listing through the 10th Period has reached ¥200 million.



## A long-term framework for stable earnings and collaboration with the AEON Group will drive growth.

### A Growth Strategy Based on a Win-Win Relationship with the AEON Group

AEON REIT's growth strategy targets portfolio growth over the medium-to-long term by leveraging the comprehensive strengths of the AEON Group. This involves a sound, mutually reinforcing, win-win relationship with the objective of maximizing unitholder value.

#### Our Win-Win Relationship with the AEON Group



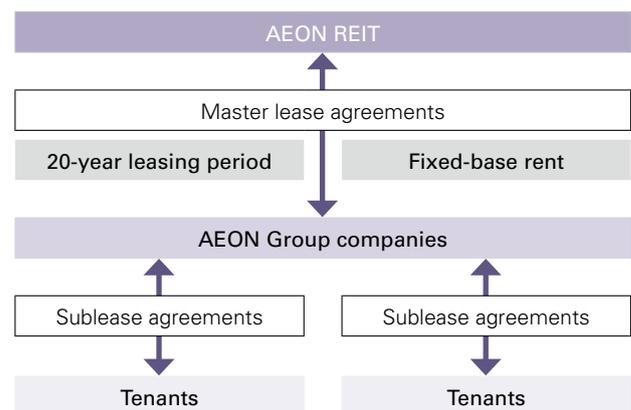
## 1. A Growth Strategy Based on Stable Earnings

We will build a stable framework for earnings as the foundation for achieving growth by concluding long-term, fixed-base rent master lease agreements with the AEON Group for suburban retail properties with few or no local peers.

### Fixed-Base Rent over 20-Year Leasing Periods

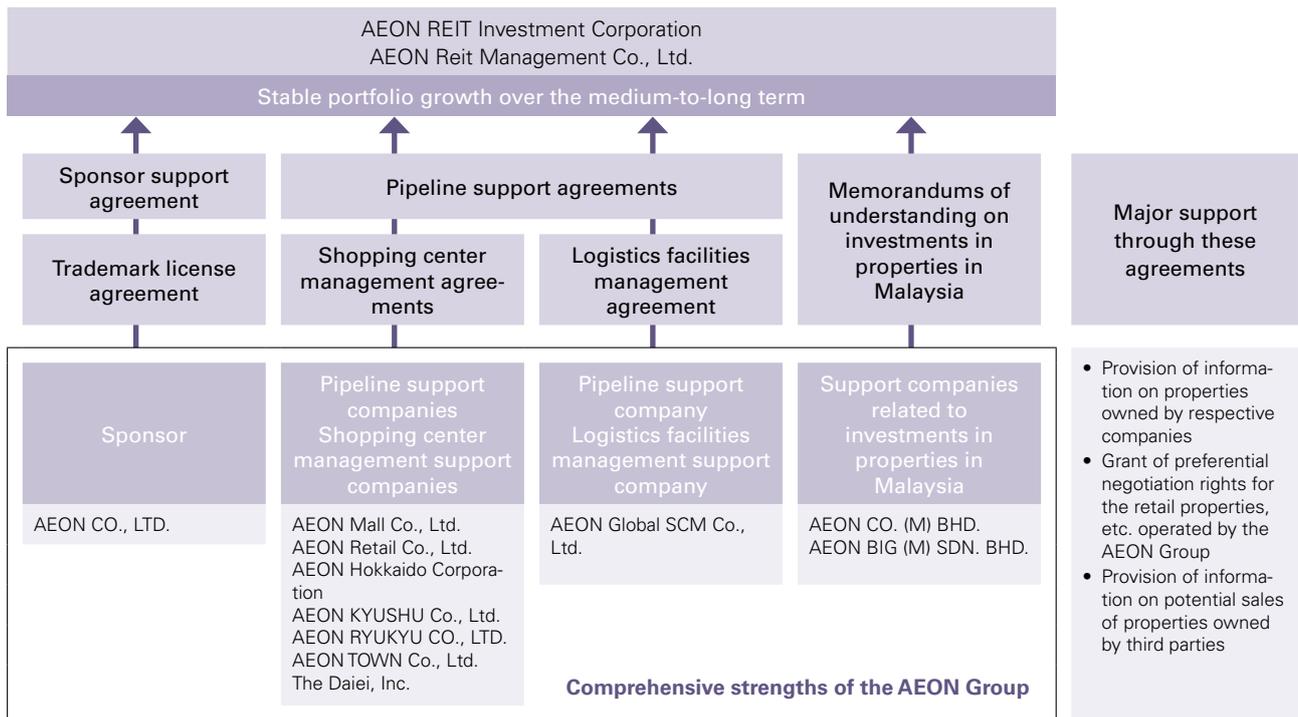
AEON REIT and the AEON Group conclude master lease agreements that provide AEON REIT with fixed-base rent over 20-year leasing periods, providing a long-term, stable source of earnings. AEON REIT enhances capital efficiency, stabilizes cash flow, and increases unitholder value over the medium-to-long term by providing an amount equivalent to depreciation expenses to internal reserves from which it periodically makes optimal distributions according to circumstances.

### Lease Structure



## 2. Expansion and Enhancement of the Support System by the AEON Group

In order to take advantage of the comprehensive strengths of the AEON Group, AEON REIT and the Asset Manager have concluded a sponsor support agreement and a trademark license agreement with AEON CO., LTD. as well as pipeline support agreements, shopping center management agreements and memorandums of understanding on investments in properties in Malaysia with respective companies of the AEON Group.



### Major Large-Scale Retail Properties Developed by the AEON Group (As of January 31, 2018)

(Including Properties under Development)

- Major Shopping Centers developed by the AEON Group
- Major Shopping Centers currently under development by AEON Group

#### Kinki Regions

- AEON MALL Kusatsu
- AEON MALL Kyotogojo
- AEON MALL Kyoto Katsuragawa
- AEON MALL Rinkusennan
- AEON MALL Dainichi
- AEON MALL Osaka Dome City
- AEON MALL Shijonawate
- AEON MALL Sakaiteppecho
- AEON MALL Kobeminami
- AEON MALL Kashihara
- AEON MALL Wakayama

#### Chugoku and Shikoku Regions

- AEON MALL Tottorikita
- AEON Matsue Shopping Center
- AEON MALL Izumo
- AEON MALL Okayama
- AEON MALL Hiroshima Fuchu
- AEON MALL Hiroshima Gion
- (tentative name) THE OUTLETS HIROSHIMA
- AEON Town Hofu
- AEON MALL Tokushima
- AEON MALL Takamatsu
- AEON MALL Niihama
- AEON MALL Imabarishintoshi
- AEON MALL Kochi

#### Kyushu and Okinawa Regions

- AEON MALL Fukuokaito
- AEON MALL Fukutsu
- AEON MALL Yahatahigashi
- AEON MALL Sagayamato
- AEON Daito Shopping Center
- AEON Yatsushiro Shopping Center
- AEON MALL Sankoh
- AEON MALL Miyazaki
- AEON MALL Okinawa Rycom

#### Tokai and Hokuriku Regions

- AEON MALL Takaoka
- AEON MALL Tonami
- AEON MALL Kahoku
- AEON MALL Shin-Komatsu
- AEON MALL Kakamigahara
- (tentative name) AEON MALL Toki
- AEON MALL Hamamatsuichino
- AEON MALL Odaka
- AEON MALL Nagoya Chaya
- AEON MALL Fuso
- AEON MALL Tokoname
- AEON MALL Nagakute
- AEON MALL Toin
- (tentative name) AEON MALL Tsuminami



AEON MALL Shin-Komatsu



AEON MALL Tokushima



AEON MALL Kobeminami



AEON MALL Matsumoto

#### Hokkaido and Tohoku Regions

- AEON MALL Asahikawa Ekimae
- AEON MALL Shimoda
- AEON MALL Moriokaminami
- AEON MALL Natori
- (tentative name) AEON MALL Rifu (new building)
- AEON MALL Akita
- AEON MALL Tendo
- Shopping Mall Festa
- (tentative name) AEON MALL Iwakionahama

#### Kanto and Koushinetsu Regions

- AEON MALL Tsukuba
- AEON MALL Sanoshintoshi
- AEON MALL Takasaki
- AEON MALL Urawamisono
- AEON MALL Hanyu
- AEON MALL Kasukabe
- AEON MALL Yono
- (tentative name) AEON MALL Ageo
- AEON MALL Makuhari New City
- AEON MALL Kisarazu
- AEON MALL Tamadaira Woods
- AEON MALL Hinode
- AEON Hadano Shopping Center
- (tentative name) AEON MALL Hiratsuka
- AEON MALL Zama
- AEON MALL Niigataminami
- AEON MALL Sakudaira
- AEON MALL Matsumoto

Source: Prepared by the Asset Manager based on the information provided by AEON CO., LTD. and AEON MALL Co., Ltd. (as of January 31, 2018).

Note: AEON REIT neither owns nor plans to acquire any of these properties as of now.

# Vigorously Selective Investments in “Properties and Facilities that Form the Backbone of Local Communities” with “Capability of Responding to Changes” and Initiatives by the AEON Group

- “Advantages of large-scale shopping malls” that cater to the ever-changing needs and lifestyles of consumers, and “retail facility operation capabilities of the AEON Group” to realize the advantages
- A solid portfolio built through vigorously selective investments in “retail facilities that are continuously chosen by customers” and “logistics facilities to support the operation of such retail facilities”
- Promotion of AEON STYLE stores (GMSs that keep evolving) by taking advantage of the retail facility operation capabilities of the AEON Group, and endeavors to integrate actual stores and e-commerce operations

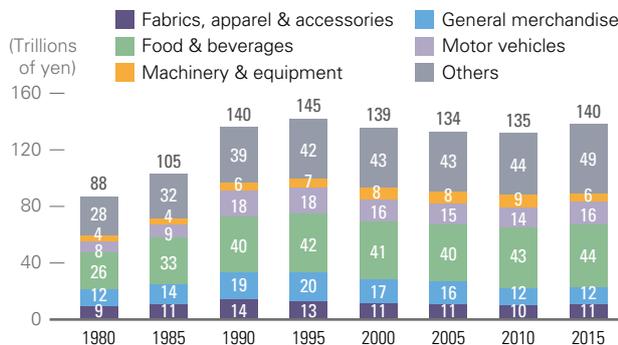
## Changes in Environment Surrounding Retail Industry and Retail Facilities



## Response to changes 1 Strengths exerted only by large-scale retail facilities End tenant composition that keeps changing in association with customers' needs

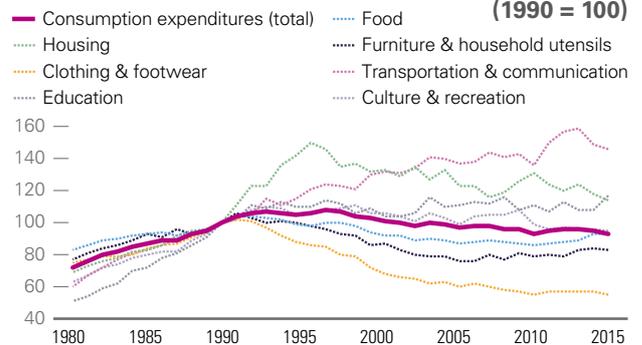
Total consumption has held steady over the last 25 years, while consumption items have changed

### Changes in Domestic Retail Market Size



Source: Prepared by the Asset Manager based on the “Commercial sales value by type of business and the percentage change from the same month/term of the previous year” in Current Survey of Commerce, Ministry of Economy, Trade and Industry.

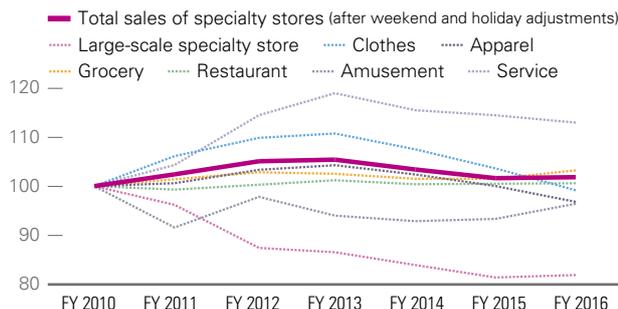
### Changes in Consumption Expenditures per Household



Source: Prepared by the Asset Manager based on the Workers' households in the Yearly average of monthly income and disbursements per household (two-or-more-person households) indicated in the Time Series, Two-or-more-person households, Income and Expenditure of the Family Income and Expenditure Survey by the Statistics Bureau, Ministry of Internal Affairs and Communications.

## End tenants that can cover the entirety of changing consumption

### Changes in Sales of Specialty Stores in AEON Malls



Source: Prepared by the Asset Manager based on the presentation materials on financial results (for fiscal 2011 through fiscal 2016 and for the first quarter of fiscal 2016) of AEON Mall Co., Ltd.

- Notes: 1. The graph on the left indicates the total sales of specialty stores (after weekend and holiday adjustments), sales of large-scale specialty stores and sales of specialty stores by business type at AEON Mall Co., Ltd., indexed with the sales of existing stores in fiscal 2010 set at 100 and calculated by multiplying the year-on-year comparison of sales of existing stores in each fiscal year by the index of the preceding fiscal year. The number of existing stores, of which sales for each fiscal year have been compiled, is 51, 54, 55, 58, 63 and 68 for fiscal 2011 through fiscal 2016, respectively.
2. Total sales of specialty stores (after weekend and holiday adjustments) represent the year-on-year comparison of the total sales of the entire retail facilities, etc. subject to the calculation, adjusted in accordance with the conditions determined to be reasonable by AEON Mall Co., Ltd. at its own judgment to the extent possible, in order to reduce the impact of the differences in the number of Saturdays, Sundays and National Holidays so that comparison is possible.

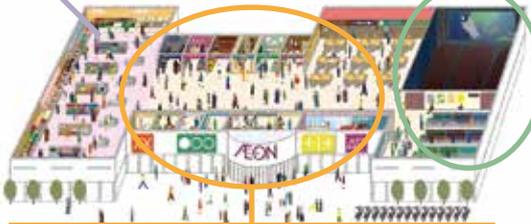
## Advantages of AEON Malls as large-scale retail facilities

**Anchor tenant**

General supermarkets have a high ability to attract customers from neighboring trade areas by providing a wide range of offerings and competitive products related to clothing, food and housing. They serve to enhance the attractiveness of AEON Malls by complementing the product offerings of specialty stores.



**Illustrative Drawing of AEON Mall**



**Specialty store mall zone**

Implement dynamic replacement of tenants to enhance the attractiveness of shopping centers by fully utilizing the leasing capabilities of the AEON Group

**Anchor tenant**

Secure even higher competitiveness by deploying cinema complexes and large-scale specialty stores, which are highly capable of attracting customers, as anchor tenants



**General supermarkets (GMSs)** that evolve by securing solid demand from neighboring trade areas

**Large-scale specialty stores** that handle durable consumer goods, etc. to attract customers from mid-range trade areas

**Time consumption and hands-on contents** to attract customers from wider trade areas

## Response to changes 2 AEON STYLE, an anchor GMS that keeps changing

### Shift to a new GMS from a conventional GMS

Become a store in the new AEON MALL, which has evolved into a concentration of attractive specialty stores, as the anchor tenant of the mall to suit the local trade area, departing from the standardized GMS of the past.

**AEON STYLE, a new GMS**

Food	Health & beauty care	Apparel	Kids' goods	Living and lifestyle	G.G. store
<p><b>Strengthening of delicatessens</b></p> <p>Response to diversified needs for food, such as ready-to-eat meals and instantly consumable meals</p> <p>New sales floors where customers can take in what they buy at the shops and enjoy a few drinks</p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Eat-in corner where customers can bring in food</p>  </div> <div style="width: 45%;"> <p>Counter selling to allow customers to eat on the spot</p>  </div> </div> <div style="display: flex; justify-content: space-around; font-size: small;"> <div>Bar</div> <div>Orthodox hearth-baked pizza</div> </div>					<p><b>G.G. Store</b></p> <p>A new store to provide "events" and "goods" as a venue for the local community, serving the "grand generation"<sup>(Note)</sup> customers, etc.</p> <div style="display: flex; justify-content: space-around; font-size: small;"> <div>Exercising in event space</div> <div>Mall walking</div> <div>Elaborate product offerings</div> </div> <div style="display: flex; justify-content: space-around;">    </div> <div style="display: flex; justify-content: space-around; font-size: x-small;"> <div>A variety of walking sticks offered</div> <div>A variety of foods offered in small packages</div> </div>

Note: "Grand Generation" (G.G.) respectfully refers to the customers of the best generation who are aged while remaining youthful and are enjoying the new stages of their lives with abundant knowledge and experiences.

## Response to changes 3 Endeavors of the AEON Group to integrate actual stores and e-commerce operations

The AEON Group's actual stores of various sizes integrate e-commerce operations to meet the various lifestyles and shopping styles of the customers in the local trade areas, addressing their needs for e-commerce.

**Online supermarket:**  
place orders online and products delivered at home



- Want to have products delivered from the usual store nearby
- Want to order what I forgot to buy

**Actual stores of various sizes**



- Want to see actual things to buy
- Want to enjoy buying
- Want to get it quickly

**e-commerce:**  
a wide variety of product offerings



- Want what I cannot find at the store
- Want something even though there is no store
- Want to send presents

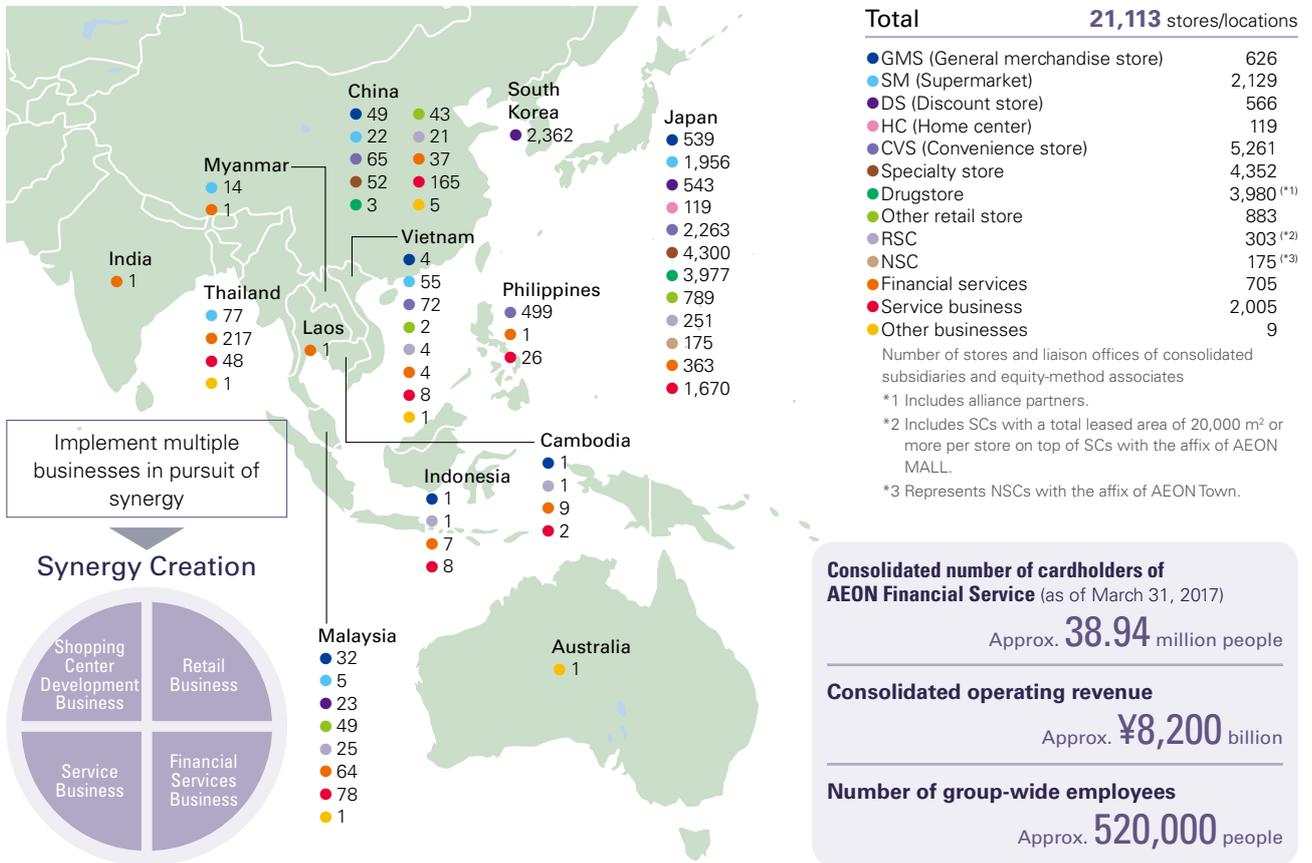
**Same-day delivery:**  
bought at store and delivered at home



- Too heavy to carry
- Want to get it quickly

# Utilizing the Comprehensive Strengths of the AEON Group and Maximizing Unitholder Value

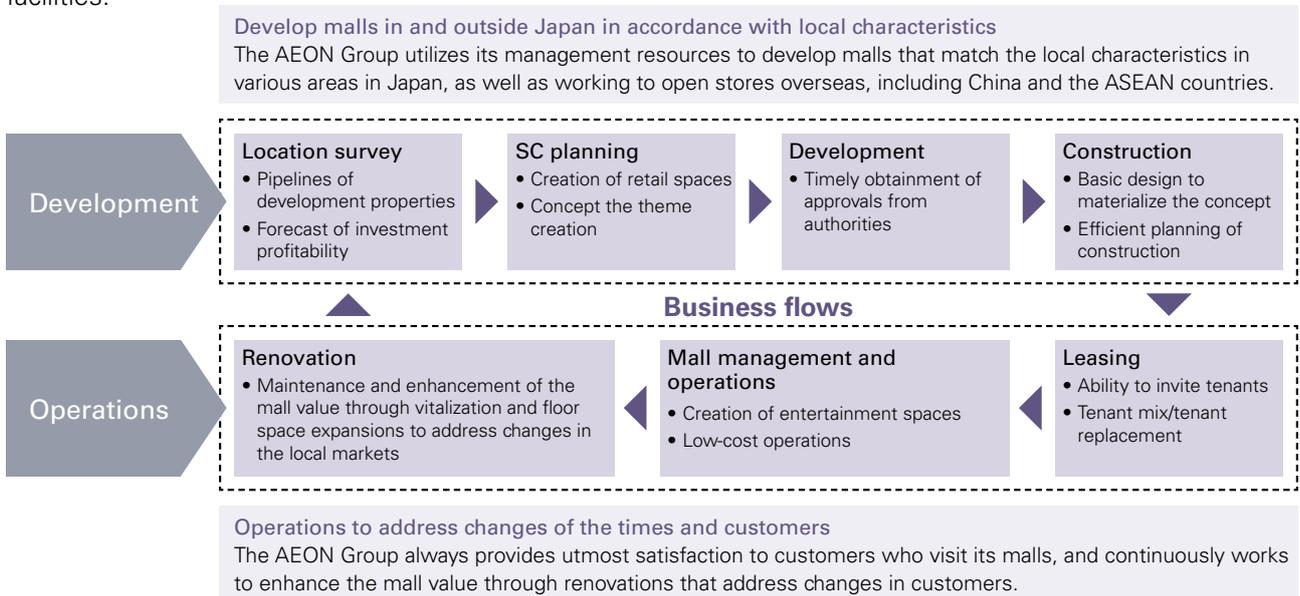
AEON Group Conducts Business Operations in 13 Countries (As of February 28, 2017)



## Development and Operation Capabilities of the AEON Group

Developing and Operating Retail Properties that Grow Sustainably by Meeting Changes in the Local Communities

The AEON Group totally provides shopping mall services, from developing to managing and operating the facilities.



## Building Organizations for Efficient and Strategic Mall Operations

### Reinforcement of Partnership with Tenant Companies

The AEON Group works to build strong relations with tenants housed in the retail properties of the Group companies by utilizing the “AEON Doyou Tenkai” (AEON friend shop association) that comprises such tenants.

### Enhancement of “On-Site Capabilities” of Each Staff

The AEON Group implements its own education and training system in order to foster “on-site capabilities” with which its staff meets customer needs in a timely manner.

### Exertion of the Group’s Comprehensive Strengths through its Area Strategies that Take Advantage of Economy of Scale

The AEON Group endeavors to achieve low-cost operations by taking advantage of the economy of scale from its wide-ranging store networks extending in and outside Japan and building an efficient operation system. The Group also works to clarify the positions and roles of its malls located in the same trade areas. Through these efforts, the Group aims to expand its market share as it makes the best use of its resources.

## Initiatives to Share Mutual Interests between Unitholders and the AEON Group

### Holding of AEON REIT’s investment units by AEON CO., LTD.

Work to keep the unitholding ratio of  
**19.9%** by AEON CO., LTD.

### Properties co-owned with the AEON Group

**3** properties in co-ownership  
(as of the date of this document)

### Introduction of Cumulative Investment Unit Purchase Program

- On May 1, 2014, AEON REIT introduced a program that allows its and the Asset Manager’s directors and employees to acquire its investment units by using the cumulative investment unit purchase program through securities firms.
- The program helps to further raise their awareness towards enhancing the value of AEON REIT’s investment units and improving its business performance, and provide them with greater financial motivation in line with the interests of the unitholders.

### Introduction of an Asset Management Fee Structure Linked to Distribution per Unit (Maximum Rate for Each)

- Management fee I: Total assets <sup>(Note 1)</sup> × 0.3% × (number of operating days / year)
- Management fee II: Distribution per unit before deducting Management fee II × NOI <sup>(Note 2)</sup> × 0.001 %
- Acquisition fee: Acquisition price × 0.5% <sup>(Note 3)</sup>
- Disposition fee: Disposition price × 0.5% <sup>(Note 4)</sup>

Notes: 1. Total assets are calculated by deducting the entire amount of equity investment related to an overseas real estate holding corporation, etc. from, and adding the amount of total assets of the overseas real estate holding corporation to, the amount of total assets stated in the balance sheets for the fiscal period immediately preceding the relevant fiscal period.  
2. NOI refers to the amount obtained by subtracting expenses related to real estate leasing business (depreciation and loss on retirement of non-current assets) from the sum total of revenues related to real estate leasing business of each fiscal period.  
3. Transaction with related parties: Acquisition price × 0.25%  
4. Transaction with related parties: No disposition fee  
5. The indicated asset management fee structure is based on the amended Articles of Incorporation that were approved by the General Meeting of Unitholders held on October 16, 2017. The amendments were put into force on February 1, 2018.

# AEON REIT's Portfolio

As of January 31, 2018

## List of Properties AEON REIT Acquired

Property number	Property name	Location	Acquisition price (millions of yen)	Investment ratio (%)	Completion date	Appraisal value (Note 1) (millions of yen)	Total leasable area (m <sup>2</sup> )
SRSC-1	AEON LakeTown mori (equivalent to 40% quasi co-ownership)	Koshigaya City, Saitama Pref.	¥ 21,190	6.0	September 9, 2008	¥ 23,800	205,711.70
SRSC-2	AEON LakeTown kaze (equivalent to 40% quasi co-ownership)	Koshigaya City, Saitama Pref.	6,730	1.9	September 9, 2008	7,880	127,183.81
RSC-1	AEON MALL Morioka	Morioka City, Iwate Pref.	5,340	1.5	July 23, 2003	6,720	98,968.59
RSC-2	AEON MALL Ishinomaki	Ishinomaki City, Miyagi Pref.	6,680	1.9	March 2, 2007	7,080	60,682.20
RSC-3	AEON MALL Mitouchihara (Note 2)	Mito City, Ibaraki Pref.	16,565	4.7	November 8, 2005	18,113	159,997.49
RSC-4	AEON MALL Ota	Ota City, Gunma Pref.	6,860	1.9	November 17, 2003	8,190	93,165.27
RSC-5	AEON Sagamiara Shopping Center	Sagamihara City, Kanagawa Pref.	10,220	2.9	August 9, 1993	10,900	75,056.62
RSC-6	AEON MALL Ogaki	Ogaki City, Gifu Pref.	4,950	1.4	March 29, 2007	5,110	64,246.26
RSC-7	AEON MALL Suzuka	Suzuka City, Mie Pref.	9,660	2.7	November 12, 1996	10,600	125,253.74
RSC-8	AEON MALL Meiwa	Taki County, Mie Pref.	3,290	0.9	August 6, 2001	3,700	44,193.80
RSC-9	AEON MALL Kasai-Hojo	Kasai City, Hyogo Pref.	7,230	2.0	October 3, 2008	7,690	48,229.25
RSC-10	AEON MALL Hiezu	Saihaku County, Tottori Pref.	7,780	2.2	March 8, 1999	8,440	102,045.24
RSC-11	AEON MALL Kurashiiki	Kurashiki City, Okayama Pref.	17,890	5.0	September 15, 1999	19,400	157,274.78
RSC-12	AEON MALL Ayagawa	Ayauta County, Kagawa Pref.	8,740	2.5	July 18, 2008	9,270	113,149.07
RSC-13	AEON MALL Nogata (Note 3)	Nogata City, Fukuoka Pref.	11,246	3.2	April 4, 2005	13,000	151,969.51
RSC-14	AEON MALL Kumamoto (Note 4)	Kamimashiki County, Kumamoto Pref.	13,148	3.7	September 16, 2005	12,500	101,132.38
RSC-15	AEON MALL KYOTO	Kyoto City, Kyoto Pref.	21,470	6.0	January 7, 2010	22,500	136,468.45
RSC-16	AEON MALL Sapporo-Hiraoka	Sapporo City, Hokkaido Pref.	5,900	1.7	November 10, 2000	6,340	78,360.81
RSC-17	AEON MALL Kushi-ro-Showa	Kushiro City, Hokkaido Pref.	1,780	0.5	September 13, 2000	1,930	51,763.05
RSC-18	AEON MALL Rifu	Miyagi County, Miyagi Pref.	2,560	0.7	April 18, 2000	2,770	66,478.91
RSC-19	AEON MALL Yamagata-Minami	Yamagata City, Yamagata Pref.	1,350	0.4	November 17, 2000	1,470	53,502.94
RSC-20	AEON MALL Yokkaichi-Kita	Yokkaichi City, Mie Pref.	2,210	0.6	January 23, 2001	2,610	41,447.33
RSC-21	AEON MALL Yamatokoriyama	Yamatokoriyama City, Nara Pref.	14,500	4.1	February 16, 2010	14,800	105,230.88
RSC-22	AEON MALL Chiba-Newtown (Mall, Cinema and Sports building)	Inzai City, Chiba Pref.	12,190	3.4	April 17, 2006	12,400	107,425.97
RSC-23	AEON MALL Kofu Showa	Nakakoma County, Yamanashi Pref.	8,389	2.4	March 11, 2011	8,610	66,509.51
RSC-24	AEON MALL Tomakomai	Tomakomai City, Hokkaido Pref.	7,840	2.2	April 8, 2005	8,220	71,308.33
RSC-25	AEON MALL Oyama	Oyama City, Tochigi Pref.	6,280	1.8	April 18, 1997	6,430	47,872.33
RSC-26	AEON MALL Itamikoya	Itami City, Hyogo Pref.	16,860	4.7	February 2, 2011	17,600	122,944.71
RSC-27	AEON MALL Kagoshima	Kagoshima City, Kagoshima Pref.	13,400	3.8	September 12, 2007	13,900	132,341.35
RSC-28	AEON MALL Tsuchiura	Tsuchiura City, Ibaraki Pref.	12,030	3.4	May 19, 2009	12,400	86,848.51
RSC-29	AEON MALL Kahoku	Kahoku City, Ishikawa Pref.	9,940	2.8	September 30, 2008	10,600	70,948.14
RSC-30	AEON MALL Shimotsuma	Shimotsuma City, Ibaraki Pref.	9,552	2.7	November 17, 1997	9,810	58,402.66
CSC-1	AEON Chigasaki-Chuo Shopping Center	Chigasaki City, Kanagawa Pref.	6,410	1.8	October 13, 2000	6,550	63,158.24
CSC-2	AEON STYLE Kemigawahama	Chiba City, Chiba Pref.	3,748	1.1	November 20, 1991	3,850	29,947.62
CSC-3	AEON Kireuiwari Shopping Center	Osaka City, Osaka Pref.	4,394	1.2	November 21, 2005	4,620	27,603.46
L-1	Daiei-Kawasaki Process Center	Kawasaki City, Kanagawa Pref.	14,280	4.0	April 22, 1997	15,000	59,265.77
L-2	AEON Minami-Osaka RDC	Sakai City, Osaka Pref.	9,870	2.8	April 25, 1995	10,300	50,197.06
L-3	Daiei-Ibaraki Process Center	Ibaraki City, Osaka Pref.	6,810	1.9	June 14, 1977	7,100	50,783.58
<b>Domestic subtotal</b>			<b>349,283</b>	<b>98.3</b>	—	<b>372,203</b>	<b>3,307,069.32</b>
M-1	AEON Taman Universiti Shopping Centre	Johor, Malaysia	658 (Note 5) (20 million RM)	0.2	May 30, 2002	600 (Note 5) (21 million RM)	22,870.00
M-2	AEON MALL SEREMBAN 2	Negeri Sembilan, Malaysia	5,252 (Note 6) (215 million RM)	1.5	2005	6,505 (Note 6) (233 million RM)	81,135.00
<b>Oversea subtotal</b>			<b>5,910</b>	<b>1.7</b>	—	<b>7,105</b>	<b>104,005.00</b>
<b>Total</b>			<b>¥355,194</b>	<b>100.0</b>	—	<b>¥379,308</b>	<b>3,411,074.32</b>

- Notes: 1. The appraisal value of each property shows the appraisal value indicated in the respective appraisal reports with January 31, 2018 as the appraisal date, or survey price indicated in the respective survey reports of properties.
2. The property has a real estate portion (the adjacent land additionally acquired on April 28, 2015), on top of the trust beneficiary rights in real estate.
3. The acquisition price of AEON MALL Nogata is lower than the price paid upon acquisition of the property, as part of its site has been sold.
4. The acquisition price of AEON MALL Kumamoto is lower than the price paid upon acquisition of the property, as part of its assets has been retired.
5. The acquisition price represents the sum total of the yen-based payments AEON REIT made in multiple installments to AEON CO. (M) BHD. The amount (the sale price, etc. stated in the sale agreement, etc.) does not include the expenses (commissions, taxes and dues, etc.) required for the acquisition of the property. The applied exchange rate, which is the weighted average based on the exchange rates applied at the respective payments, is RM1 = JPY32.92 (rounded down to the second decimal place). The appraisal value represents the amount equivalent to AEON REIT's pro-rata portion of the rights (18.18%), which is similar to the co-ownership right that is the trust property of the trust in the right pertaining to the trust for which AEON CO. (M) BHD. is the trustee, based on the appraisal value indicated on the appraisal report with the valuation date of January 31, 2018. The applied exchange rate is RM1 = JPY27.92 (rounded down to the second decimal place), which is the exchange rate on January 31, 2018.
6. The acquisition price represents the sale price (excluding such expenses as taxes and dues and transaction fees, rounded down to the nearest million yen) stated in the sale and purchase agreement on AEON MALL SEREMBAN 2 concluded between JAMBATAN MANSEIBASH (IM) Sdn. Bhd. and Swiss Advanced Technology Institute (M) Sdn. Bhd. The applied exchange rate is RM1 = JPY24.43 (rounded down to the second decimal place), which is the exchange rate on September 30, 2016. As for the appraisal value of the property, the method of supporting and supplementing the local appraisal is employed, and the appraisal work is consigned to Japan Real Estate Institute. The figure represents the appraisal value indicated in the appraisal report with the valuation date of January 31, 2018. The applied exchange rate is RM1 = JPY27.92 (rounded down to the second decimal place), which is the exchange rate on January 31, 2018.

### Portfolio Map

● Existing properties    ■ Location of existing properties

#### Kinki, Chugoku and Shikoku Regions

RSC-9 AEON MALL Kasai-Hojo	RSC-10 AEON MALL Hiezu	RSC-11 AEON MALL Kurashiki
RSC-12 AEON MALL Ayagawa	RSC-15 AEON MALL KYOTO	RSC-21 AEON MALL Yamatokoriyama
RSC-26 AEON MALL Itamikoya	CSC-3 AEON Kireuriwari Shopping Center	L-2 AEON Minami-Osaka RDC
L-3 Daiei-Ibaraki Process Center		

#### Hokkaido and Tohoku Regions

RSC-1 AEON MALL Morioka	RSC-2 AEON MALL Ishinomaki
RSC-16 AEON MALL Sapporo-Hiraoka	RSC-17 AEON MALL Kushiro-Showa
RSC-18 AEON MALL Rifu	RSC-19 AEON MALL Yamagata-Minami
RSC-24 AEON MALL Tomakomai	

#### Kanto Region

SRSC-1 AEON LakeTown mori	SRSC-2 AEON LakeTown kaze	RSC-3 AEON MALL Mitouchihara
RSC-4 AEON MALL Ota	RSC-5 AEON Sagamihara Shopping Center	RSC-22 AEON MALL Chiba-Newtown (Mall, Cinema and Sports building)
RSC-25 AEON MALL Oyama	RSC-28 AEON MALL Tsuchiura	RSC-30 AEON MALL Shimotsuma
CSC-1 AEON Chigasaki-Chuo Shopping Center	CSC-2 AEON STYLE Kemigawahama	L-1 Daiei-Kawasaki Process Center

#### Tokai, Hokuriku and Chubu Regions

RSC-6 AEON MALL Ogaki	RSC-7 AEON MALL Suzuka	RSC-8 AEON MALL Meiwa
RSC-20 AEON MALL Yokkaichi-Kita	RSC-23 AEON MALL Kofu Showa	RSC-29 AEON MALL Kahoku

#### Kyushu and Okinawa Region

RSC-13 AEON MALL Nogata	RSC-14 AEON MALL Kumamoto	RSC-27 AEON MALL Kagoshima

#### ASEAN Region

##### Malaysia

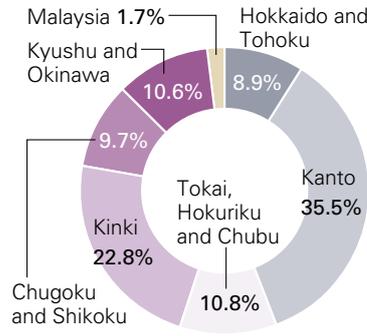
M-1 AEON Taman Universiti Shopping Centre	M-2 AEON MALL SEREMBAN 2

### Status of Portfolio Diversification

#### Investment Ratio by Property Type



#### Investment Ratio by Area





SRSC-1 **AEON LakeTown mori**  
 SRSC-2 **AEON LakeTown kaze**  
 Location: Koshigaya City, Saitama Pref.

- Honored with the 2011 Global Sustainability Design Award, Gold (best of the best winners and honorees) by International Council of Shopping Centers (ICSC)
- Honored with the 12th Annual (FY2009) Developers Chosen by Tenants Grand Prize "Innovation Award" by Senken Shimbun Co., Ltd.



RSC-30 **AEON MALL Shimotsuma**  
 Location: Shimotsuma City, Ibaraki Pref.



L-3 **Daiei Ibaraki Process Center**  
 Location: Ibaraki City, Osaka Pref.



CSC-2 **AEON STYLE Kemigawahama**  
Location: Chiba City, Chiba Pref.



CSC-3 **AEON Kireuriwari Shopping Center**  
Location: Osaka City, Osaka Pref.



RSC-26 **AEON MALL Itamikoya**  
Location: Itami City, Hyogo Pref.



RSC-29 **AEON MALL Kahoku**  
Location: Kahoku City, Ishikawa Pref.



RSC-15 **AEON MALL KYOTO**  
Location: Kyoto City, Kyoto Pref.



RSC-21 **AEON MALL Yamatokoriyama**  
Location: Yamatokoriyama City, Nara Pref.



RSC-3 **AEON MALL Mitouchihara**  
Location: Mito City, Ibaraki Pref.



RSC-27 **AEON MALL Kagoshima**  
Location: Kagoshima City, Kagoshima Pref.



RSC-28 **AEON MALL Tsuchiura**  
Location: Tsuchiura City, Ibaraki Pref.



CSC-1 **AEON Chigasaki-Chuo Shopping Center**  
Location: Chigasaki City, Kanagawa Pref.



RSC-23 **AEON MALL Kofu Showa**  
Location: Nakakoma County, Yamanashi Pref.



RSC-22 **AEON MALL Chiba-Newtown (Mall, Cinema and Sports building)**  
Location: Inzai City, Chiba Pref.



**RSC-24** **AEON MALL Tomakomai**  
Location: Tomakomai City, Hokkaido Pref.



**RSC-25** **AEON MALL Oyama**  
Location: Oyama City, Tochigi Pref.



**RSC-5** **AEON Sagamihara Shopping Center**  
Location: Sagamihara City, Kanagawa Pref.



**RSC-12** **AEON MALL Ayagawa**  
Location: Ayauta County, Kagawa Pref.



**L-1** **Daiei-Kawasaki Process Center**  
Location: Kawasaki City, Kanagawa Pref.



**L-2** **AEON Minami-Osaka RDC**  
Location: Sakai City, Osaka



**M-1** **AEON Taman Universiti Shopping Centre**  
Location: Johor, Malaysia



**M-2** **AEON MALL SEREMBAN 2**  
Location: Negeri Sembilan, Malaysia



RSC-1 **AEON MALL Morioka**  
Location: Morioka City, Iwate Pref.



RSC-8 **AEON MALL Meiya**  
Location: Taki County, Mie Pref.



RSC-2 **AEON MALL Ishinomaki**  
Location: Ishinomaki City, Miyagi Pref.



RSC-6 **AEON MALL Ogaki**  
Location: Ogaki City, Gifu Pref.



RSC-14 **AEON MALL Kumamoto**  
Location: Kamimashiki County, Kumamoto Pref.



RSC-7 **AEON MALL Suzuka**  
Location: Suzuka City, Mie Pref.



RSC-4 **AEON MALL Ota**  
Location: Ota City, Gunma Pref.



RSC-10 **AEON MALL Hiezu**  
Location: Saihaku County, Tottori Pref.



RSC-13 **AEON MALL Nogata**  
Location: Nogata City, Fukuoka Pref.



RSC-19 **AEON MALL Yamagata-Minami**  
Location: Yamagata City, Yamagata Pref.



RSC-17 **AEON MALL Kushiro-Showa**  
Location: Kushiro City, Hokkaido Pref.



RSC-16 **AEON MALL Sapporo-Hiraoka**  
Location: Sapporo City, Hokkaido Pref.



RSC-20 **AEON MALL Yokkaichi-Kita**  
Location: Yokkaichi City, Mie Pref.



RSC-11 **AEON MALL Kurashiki**  
Location: Kurashiki City, Okayama Pref.



RSC-18 **AEON MALL Rifu**  
Location: Miyagi County, Miyagi Pref.



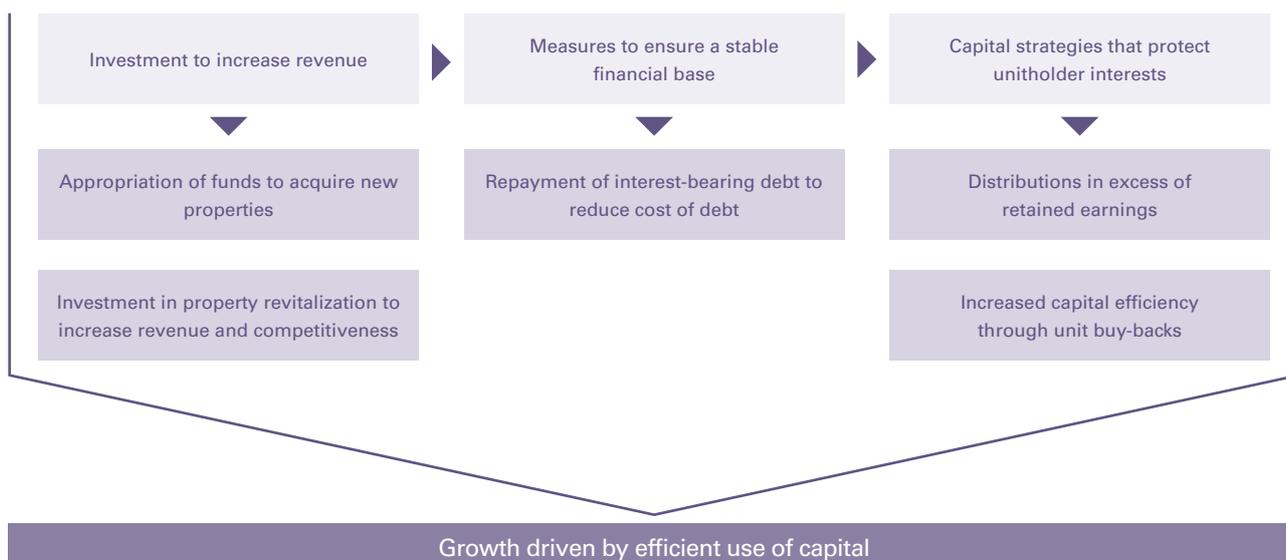
RSC-9 **AEON MALL Kasai-Hojo**  
Location: Kasai City, Hyogo Pref.

## Effective and Efficient Financial Management

**We have clear financial policies to ensure a stable financial base and deploy capital strategically.**

### 1. Strategic Cash Management

Many large-scale retail properties are located in suburbs, and therefore have a shorter depreciation schedule than office or residential properties because building value accounts for a greater proportion of the real estate value. Consequently, depreciation expenses tend to be greater relative to real estate value. AEON REIT enhances capital efficiency, stabilizes cash flow, and increases unitholder value over the medium-to-long term by providing an amount equivalent to depreciation expenses to internal reserves from which it periodically makes optimal distributions according to circumstances.



### 2. Stable Financial Base

AEON REIT operates according to clear financial policies to maintain and improve its strong financial base. These policies include a target loan-to-value (LTV) <sup>(Note)</sup> ratio; a high ratio of long-term debt to total debt, which is currently 100.0 percent; a high ratio of fixed-rate debt to total debt, which is currently 95.7 percent; and diversification of lenders as of January 31, 2018.

#### (1) Financial Policies

LTV	Maintain an LTV ratio of about 50 percent, with an upper limit of 60 percent
Extended loan maturities and fixed interest rates	Commit to loan maturities according to cash flow conditions based on tenant lease terms and content
Bank formation	Diversify lenders with a focus on megabanks

Note: LTV: (Interest-bearing debt + Tenant leasehold and security deposits) ÷ Total assets × 100

**(2) Debt (Including Investment Corporation Bonds)** (As of January 31, 2018)

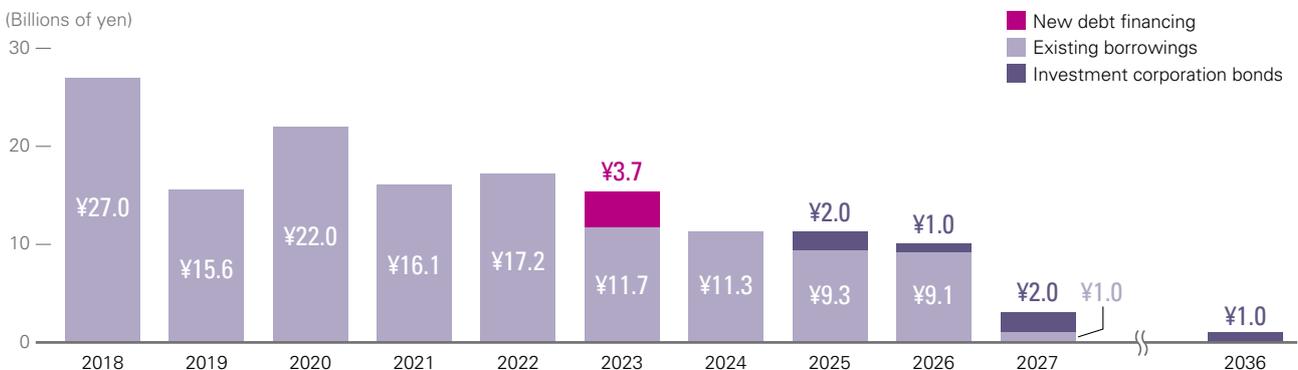
Type	Lenders	Amount		Drawdown date/ Issue date	Due date/ Maturity date	Interest rate	
			Breakdown				
Long-term	Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited	¥54.0 billion	¥27.0 billion	November 25, 2013	October 22, 2018	Effective fixed rate <sup>(Note 2)</sup> 0.78125%	
			¥22.0 billion		October 20, 2020	Effective fixed rate <sup>(Note 2)</sup> 1.17250%	
			¥5.0 billion		October 20, 2023	Effective fixed rate <sup>(Note 2)</sup> 1.76375%	
		¥9.7 billion	¥1.2 billion	February 27, 2015	October 21, 2019	Effective fixed rate <sup>(Note 2)</sup> 0.61910%	
			¥4.0 billion		October 20, 2021	Effective fixed rate <sup>(Note 2)</sup> 0.88915%	
			¥4.5 billion		October 21, 2024	Effective fixed rate <sup>(Note 2)</sup> 1.40390%	
		¥5.1 billion	¥4.1 billion	February 29, 2016	October 21, 2019	Effective fixed rate <sup>(Note 2)</sup> 0.14750%	
			¥1.0 billion		October 20, 2027	Effective fixed rate <sup>(Note 2)</sup> 1.40730%	
		¥11.8 billion	¥6.0 billion	March 29, 2016	October 20, 2021	Effective fixed rate <sup>(Note 2)</sup> 0.35125%	
			¥5.8 billion		October 20, 2022	Effective fixed rate <sup>(Note 2)</sup> 0.54100%	
		¥6.6 billion	¥6.6 billion	May 31, 2016	October 20, 2025	Effective fixed rate <sup>(Note 2)</sup> 0.99100%	
		¥23.4 billion	¥3.9 billion	October 20, 2016	October 21, 2019	Effective fixed rate <sup>(Note 2)</sup> 0.23700%	
			¥4.8 billion		October 20, 2022	Effective fixed rate <sup>(Note 2)</sup> 0.48750%	
			¥1.2 billion		October 20, 2022	Fixed rate 0.55000%	
			¥6.7 billion		October 20, 2023	Effective fixed rate <sup>(Note 2)</sup> 0.61375%	
			¥2.7 billion		October 20, 2025	Effective fixed rate <sup>(Note 2)</sup> 0.87250%	
			¥4.1 billion		October 20, 2026	Effective fixed rate <sup>(Note 2)</sup> 1.00300%	
		¥29.7 billion	¥6.4 billion	March 28, 2017	October 21, 2019	Floating base rate <sup>(Note 1)</sup> +0.22%	
			¥6.1 billion		October 20, 2021	Effective fixed rate <sup>(Note 2)</sup> 0.43200%	
			¥5.2 billion		October 20, 2022	Effective fixed rate <sup>(Note 2)</sup> 0.52800%	
			¥0.2 billion		October 20, 2022	Fixed rate 0.63000%	
			¥6.8 billion		October 21, 2024	Effective fixed rate <sup>(Note 2)</sup> 0.83800%	
			¥5.0 billion		October 20, 2026	Effective fixed rate <sup>(Note 2)</sup> 1.09710%	
		¥3.7 billion	¥3.4 billion	December 27, 2017	October 20, 2023	Effective fixed rate <sup>(Note 2)</sup> 0.52270% <b>NEW</b>	
			¥0.3 billion		October 20, 2023	Fixed rate 0.60000% <b>NEW</b>	
		1st Unsecured Investment Corporation Bond		¥2.0 billion	October 13, 2015	October 10, 2025	Interest rate: 0.961% per annum
		2nd Unsecured Investment Corporation Bond		¥1.0 billion	October 19, 2016	October 20, 2026	Interest rate: 0.470% per annum
3rd Unsecured Investment Corporation Bond		¥1.0 billion	October 19, 2016	October 20, 2036	Interest rate: 1.200% per annum		
4th Unsecured Investment Corporation Bond		¥2.0 billion	December 8, 2017	December 8, 2027	Interest rate: 0.680% per annum <b>NEW</b>		

Notes: 1. Refers to the Japanese yen TIBOR released by the Japanese Bankers Association; provided, however, that if there is no corresponding time period, it refers to the interest rate reasonably set by the agent by the straight-line method.

2. While funds are borrowed at floating rates, the interest rates are fixed in effect by entering into interest rate swap agreements to hedge interest rate fluctuation risk. The figures are the interest rates calculated after taking into consideration the effect of interest rate swaps.

**(3) Distribution of Maturities** (As of January 31, 2018)

As shown below in the distribution of maturities, we borrow at long-term, fixed interest rates and disperse the terms of repayment.



**(4) Acquisition of Credit Rating**

As of the date of this publication, AEON REIT had received a long-term issuer rating of AA- from Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. **AA-** [Stable]

## Highly Transparent Management Structure

**We are deepening collaboration with the AEON Group and structuring management to make decisions that are appropriate for growth over the medium-to-long term.**



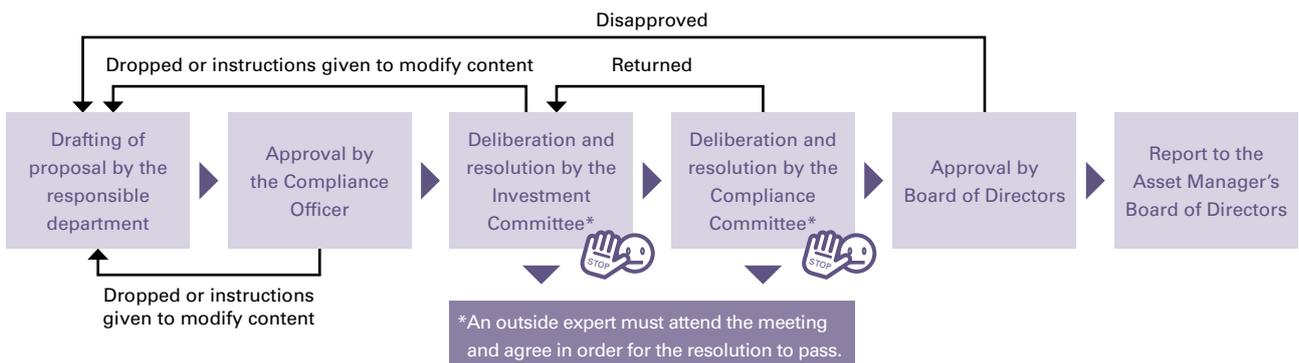
Chiyu Abo  
Supervisory  
Director

Yasuo Shiozaki  
Executive Director  
AEON REIT Investment  
Corporation

Yoko Seki  
Supervisory  
Director

### 1. Transparent Decision-Making Process

For asset acquisitions from the AEON Group or any other related-party transaction, the decision-making process includes a mechanism to incorporate the opinions of independent third parties having no relationship with the AEON Group as shown below.



## 2. Unit Ownership by AEON CO., LTD. and Co-Ownership of Properties with the AEON Group

AEON CO., LTD. carefully considers acquiring a portion of any new issue of units by AEON REIT, and maintains its holdings of AEON REIT units at the fixed percentage of 19.9 percent of total units issued. AEON REIT may engage in strategic co-ownership (including quasi co-ownership) of properties with AEON Group companies based on the sponsor support and pipeline support agreements after considering portfolio diversity and the particular features of properties.

## 3. Introduction of an Asset Management Fee Structure Linked to Distribution per Unit

AEON REIT is introducing an asset management fee structure linked to distribution per unit for its Asset Manager, AEON Reit Management Co., Ltd. The structure should synergistically enhance AEON REIT's value.

Asset management fee structure		Calculation method
Asset management fees	Asset management fee I	Total assets x 0.3% <sup>(Note 1)</sup> x (asset management days ÷ 365)
	Asset management fee II	Distribution per unit before subtraction of asset management fee II x NOI <sup>(Note 2)</sup> x 0.001% <sup>(Note 1)</sup> (rounded down to the nearest yen)
Acquisition fee		Acquisition payment x 0.5% <sup>(Note 1)</sup> (Related-party transaction: acquisition payment x 0.25%)
Disposition fee		Disposition receipts x 0.5% <sup>(Note 1)</sup> (Related-party transaction: no disposition fee)

Notes: 1. Each rate shown above represents the maximum rate in each fee category.

2. In the above table, net operating income (NOI) refers to real estate rental revenue for the relevant fiscal period less real estate leasing expenses (excluding depreciation and losses on disposal of fixed assets).

## 4. Our Policy for Compensation

Our articles of incorporation provide that we may pay our executive director up to ¥1 million per month and each of our supervisory directors up to ¥1 million per month. Our Board of Directors is responsible for determining a reasonable compensation amount for our executive director and each of our supervisory directors, taking into account general price movements and wage movements. We do not have any unit-based compensation plan.

Currently, our executive director is not receiving any compensation from us (although he, in his capacity as the Representative Director, President and Chief Executive Office of the Asset Manager, receives compensation from the Asset Manager).

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## 5. Remuneration Policy for the Asset Manager's Directors, Corporate Auditors and Employees

### 1. Remuneration for Asset Manager Directors

- (1) The Board of Directors approves remuneration for directors within the limits for total remuneration for directors authorized by the General Meeting of Shareholders.
- (2) Remuneration for individual directors is determined through comprehensive assessment that includes corporate performance, individual evaluation and other circumstances.
- (3) Remuneration for directors is structured as follows (except for outside directors, who receive only base remuneration and do not receive any performance-based remuneration or prepaid retirement allowances):
  - 1) Base remuneration: Determined individually within standard amounts based on position and rank.
  - 2) Performance-based remuneration: Determined within a range of 0 percent to 200 percent of the standard amount according to corporate performance during the relevant fiscal period and individual assessment (e.g., performance for which the director is responsible, degree to which targets were achieved, relative difficulty of responsibilities, and importance of responsibilities). One hundred percent of the standard amount is paid upon achievement of targets set at the beginning of the fiscal period.
  - 3) Prepaid retirement allowance: Determined based on the following formula that applies a coefficient based on position and rank to base remuneration.

$$\text{Prepaid retirement allowance (monthly payment)} = \text{Base remuneration} \times \text{coefficient} \div 12 \text{ (rounded to the nearest thousand yen)}$$

### 2. Remuneration for Asset Manager Corporate Auditors

- (1) Remuneration for corporate auditors is determined by resolution of the General Meeting of Shareholders.
- (2) Corporate auditors may express opinions, if any, regarding matters including remuneration for corporate auditors as needed to the Board of Directors and the General Meeting of Shareholders.

### 3. Remuneration for Asset Manager Employees

- (1) Employees of the Asset Manager receive remuneration according to their relative contribution to and expectations for the achievement of management targets.
- (2) Remuneration, methods of calculation and payment, timing of payment, and increases in remuneration are determined according to compensation rules.
- (3) Monthly remuneration is composed of job-based pay, merit pay and adjustments. Employees may receive increases or reductions after twelve months of their current job-based and merit pay based on personnel evaluations during the year. Such increases or decreases will be set based on a pay table determined for each job category.
- (4) Bonuses are calculated based on sales and performance, and are determined after deliberation by the Board of Directors. Bonuses take into account issues including qualifications (pay grades), personnel evaluations, performance, and attendance.

## Remuneration for Asset Manager Directors and Corporate Auditors

March 1, 2017 to February 28, 2018

	Directors		Corporate auditors		Total	
	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration	Number of person(s) remunerated	Remuneration
Remuneration based on Articles of Incorporation and resolutions of the General Meeting of Shareholders	4	¥79 million	1	¥1 million	5	¥80 million (Notes 1-4)

- Notes: 1. Remuneration for directors is as per the Companies Act of Japan, Article 361, Paragraph 1, Item 1.  
 2. Annual remuneration is limited to ¥500 million for directors and ¥100 million for corporate auditors, as per the Extraordinary General Meeting of Shareholders held on August 28, 2012.  
 3. AEON Reit Management Co., Ltd. had six directors and one corporate auditor as of February 28, 2018. Two directors received no compensation, which accounts for the discrepancy with persons remunerated above.

## Remuneration for Asset Manager Employees

March 1, 2017 to February 28, 2018

	All employees			
	Number of employees	Remuneration		
		Total	Fixed	Variable <sup>(Note)</sup>
Remuneration based on compensation rules	32	¥232 million	¥195 million	¥37 million

Note: Please refer to "3. Remuneration for Asset Manager Employees (4)" on how variable remuneration is determined.

The Asset Manager also introduced a unit ownership plan for directors and employees in May 2014.

The plan will keep directors and employees focused on AEON REIT's unit price and improving performance, with the objective of maximizing unitholder value by giving directors and employees an economic incentive to serve unitholder interests by increasing unit price.

There are potential conflicts of interest between AEON REIT and the Asset Manager with respect to remuneration for the Asset Manager's directors, corporate auditors and employees. We believe that the above remuneration policy mitigates such potential conflicts. In addition, the Asset Manager has adopted an internal set of rules that apply to all related-party transactions, such as transactions between AEON REIT and the Asset Manager. These rules require strict compliance by the Asset Manager with laws and regulations regarding related-party transactions. They also contain specific procedures to be followed in the event of a transaction that involves a related party, in order to implement arm's length terms.

## 1. Investment Policies

### 1) Basic Philosophy of AEON REIT

AEON REIT Investment Corporation (“AEON REIT”) intends to invest primarily in real property-related assets that consist of, or are backed by, properties that are or can be used as retail and related properties<sup>(Note 1)</sup> (including when multiple properties are developed or utilized in an integrated manner).

Note 1: The term “retail properties” refers to retail, logistics, and related properties.

We intend to invest primarily in retail and related properties that are an integral part of the communities in which they are located. We believe that these properties and facilities in which we plan to invest form the backbone of local communities and their retail business infrastructure. We also aim to ensure stable income in the medium-to-long term and achieve steady portfolio growth by investing in retail and related properties that contribute to betterment of individual lives and local communities.

Our sponsor, AEON CO., LTD. (“AEON” or “Sponsor”), is the parent company of the Asset Manager. AEON is a corporate group structured as a holding company called the AEON Group.<sup>(Note 2)</sup>

Note 2: The AEON Group consists of a pure holding company, AEON CO., LTD. (head office: Mihama-ku, Chiba-shi, Chiba), 291 consolidated subsidiaries and 31 equity-method affiliates (as of February 28, 2018).

The AEON Group aims to enable peaceful, prosperous living to grow in cooperation with the people living in the communities it serves through retail business infrastructure that forms the backbone of local communities. With a basic philosophy that helping the AEON Group grow will help AEON REIT grow, AEON REIT invests primarily in retail and related properties operated by the AEON Group.

### 2) Portfolio Composition Policy

AEON REIT bases portfolio composition on the following policies.

#### 1. Investment Area

Based on our Articles of Incorporation provisions and the management guidelines of our Asset Man-

ager, we invest primarily in Japan and overseas<sup>(Note 3)</sup> as well.

Note 3: The guidelines of AEON REIT’s Asset Manager stipulate that AEON REIT shall invest in Japan and overseas, and that overseas investments will primarily focus on the target areas of Malaysia, other ASEAN countries, and China, along with other countries with growing populations where economic development is expected over the medium-to-long term (Article of Incorporation 28, Paragraph 3).

#### A. Investments in Japan

We invest primarily in retail and related properties operated by the AEON Group in Japan.

We do so because of our focus on the strong earnings base and stable growth potential of various retail and related properties that the AEON Group has already constructed. The AEON Group developed its retail business based on its corporate philosophy of “pursuing peace, respecting humanity, and contributing to local communities.” In addition, the AEON Group regards the retail business as a local industry that is rooted in and grows with the community because the retail business is able to create sites and neighborhoods.

In accordance with the basic philosophy above, in principle AEON REIT will acquire assets in Japan with a policy of selectively investing in retail and related properties operated by the AEON Group in established commercial areas that are closely related to the community and that help maximize our unitholder value. In addition, AEON REIT will invest throughout Japan to construct a geographically diversified portfolio that is not concentrated in any one area.

#### B. Investments overseas

As presented in A. Investments in Japan above, AEON REIT primarily invests in Japan. We are also selectively considering investment in AEON Group retail properties overseas because we anticipate that the retail and related properties the AEON Group develops in countries and regions that are expected to develop economically over the medium-to-long term will generate stable cash flow.

With this in mind, our target investment areas are Malaysia and other ASEAN countries,<sup>(Note 4)</sup> China, and other countries with growing populations where economic development is expected over the medium-to-long term. We will determine the retail

properties to be acquired upon careful consideration of factors including population dynamics, economic growth, country risks, laws, tax regulations, political systems and cultural compatibility in the relevant country or area.

Note 4: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia constitute the ASEAN region.

## 2. Investment Targets and Ratios

AEON REIT will invest in the following types of retail and other properties. Real estate in Japan will account for 85 percent or more of our portfolio, and overseas real estate will account for 15 percent or less. Moreover, investments in large-scale retail properties will constitute 80 percent or more of our portfolio. However, we will review these ratios as our portfolio expands.

### A. Retail properties in Japan

#### (i) Target Investments

We will primarily invest in retail properties operated by the AEON Group in Japan. We believe that retail property size is positively correlated with customer traffic and a large floor space allows flexibility when dividing the retail area into sections. We therefore plan to invest mainly in large-scale retail properties that have few or no nearby competitors and a comparative advantage in various locations.

Furthermore, the AEON Group is a retail industry leader in establishing an advanced supply chain utilizing its own logistics facilities to support the operation of retail properties and the rest of its retail business. We will also invest in logistics facilities that are closely related to the AEON Group's

retail business.

#### (ii) Investment Percentage

Of the property types shown below, we categorize SRSCs, RSCs and CSCs as large-scale retail properties, which will account for 80 percent or more of our portfolio based on acquisition price. Logistics facilities will account for not more than 10 percent of our portfolio based on acquisition price.

### B. Overseas retail properties: the first J-REIT to invest in properties outside Japan

#### (i) Target Investments

In principle, AEON REIT will minimize the risks of investing in areas outside Japan by investing in retail and other properties that we will lease entirely to the AEON Group under a master lease agreement that ensures the AEON Group can and will manage and operate it.

In addition, we will carefully assess potential investments by reviewing the risks specific to overseas properties, including (1) country risk, (2) operational risk, and (3) currency risk, by considering the compatibility of laws, accounting and tax systems in Japan and overseas while also considering factors including political and economic trends.

#### (ii) Investment Percentage

The overseas retail and other properties in which we invest shall account for not more than 15 percent of our portfolio on an acquisition price basis.

Type		Investment Percentage <sup>(Note)</sup>	
		Domestic Real Estate	Overseas Real Estate
		85% or more	15% or less
Large-scale retail properties	Super regional shopping centers (SRSC)	80% or more	
	Regional shopping centers (RSC)		
	Community shopping centers (CSC)		
Other retail properties	Neighborhood shopping centers (NSC)	20% or less	
	Supermarkets (SM)		
Logistics facilities		10% or less	

Note: Investment percentage is calculated on an acquisition price basis. Acquisition and disposition of real estate and related assets may result in short-term variance with the above ratios. The same shall apply hereafter.

### 3) Investment Guidelines

AEON REIT will acquire properties in Japan and overseas according to the following investment guidelines.

#### 1. Location

AEON REIT will invest throughout Japan to construct a geographically diversified portfolio that is not concentrated in any one area.

Overseas, we will invest in the ASEAN region, China and other countries and regions with growing populations where economic development is expected over the medium-to-long term.

#### 2. Investment Amount

In principle, investment amount per property shall be ¥500 million or more (acquisition price excluding consumption or other taxes). In principle, investment amount per property overseas shall be ¥500 million or more when converted into yen at the time of acquisition.

#### 3. Acquisition Price

Investment decisions shall involve comprehensive deliberations that are based on our valuation of properties and take appraisal values into consideration.

In the case of a related-party transaction, the property must be acquired at or lower than the appraisal value (excluding taxes, brokerage fees, acquisition costs, costs for creating trusts, reserved funds in trust accounts, income from trusts, periodic settlements such as fixed asset taxes, and other miscellaneous expenses).

This also applies to acquisitions of overseas assets.

#### 4. Seismic Review

In principle, we shall invest in properties that have been constructed, reinforced or otherwise modified to meet applicable new earthquake resistance building codes (which are based on the Building Standards Act; 1950, Law No. 201; as amended in 1981) or have been deemed to have seismic capacity equivalent thereto. In the case of investments overseas, we will determine the properties to be acquired based on a comprehensive judgment

taking into account the practical operations in the relevant country or area, in addition to compliance with standards under applicable laws and regulations.

#### 5. Earthquake Probable Maximum Loss (PML)

In principle, we shall invest so that overall PML<sup>(Note 5)</sup> of our portfolio in Japan does not exceed 10 percent. We shall consider taking out earthquake insurance if we acquire a property with a PML that exceeds 15 percent. For overseas assets, we will comply with the earthquake resistance standards under applicable national or regional laws, and shall make investment decisions based on comprehensive deliberations that take into account the ability to obtain PML values in the region, the availability of earthquake insurance, and local practices.

Note 5: PML indicates the level of damage that may result from an earthquake of the assumed maximum size (major earthquake that occurs once every 475 years = major earthquake with a 10% probability of occurring within 50 years, or a probability of 0.211 percent) for the assumed scheduled use period (50 years = the useful life of a general building) expressed as a ratio of the replacement cost to the estimated expenses required to restore the damaged property to its pre-earthquake condition. However, the estimated loss only includes damage the earthquake causes directly to the building itself (structure, finishing, architectural equipment), and does not include damage to equipment, furniture and fixtures; losses caused by water or fire after the earthquake; compensation for victims; or collateral damage such as loss of sales caused by disruption of sales activities. The same applies hereafter. We will make investment decisions using alternative standards in the absence of PML regulations and standards in countries or regions overseas.

#### 6. Insurance Coverage Policy

We will take out necessary fire and casualty insurance for portfolio assets to cover the risks of damage to properties from fire or accident and demands for compensatory damages from third parties.

As presented in 5. Earthquake Probable Maximum Loss (PML) above, we will comprehensively consider earthquake insurance if PML for a specific property exceeds 15 percent, taking into account the impact on the property and the portfolio as a whole in the event of an earthquake as well as the feasibility of obtaining earthquake coverage.

However, even if the PML does not exceed 15 percent, we may take out earthquake insurance for the property after comprehensively taking into account the cost effectiveness including insurance

premiums and deductibles (Note).

(Note) As of October 25, 2016, the asset management company revised its asset management guidelines to determine its policy for taking out insurances when the individual PML value does not exceed 15 percent.

### 7. Environmental and Geological Conditions

In principle, we shall invest in properties for which the treatment and storage of asbestos and other hazardous substances within the buildings or the appearance and condition of soil within the premises meets the requirements under the Air Pollution Control Act and the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances or for which relevant countermeasures have otherwise been taken. However, we may acquire properties when we can expect prompt corrective action after acquisition. For overseas assets, we will make investment decisions based on comprehensive deliberation that takes into account practical operations in the relevant country or area, in addition to compliance with environmental, geological and other standards under applicable laws and regulations.

### 8. Tenants

In principle, we shall confirm the social credibility of potential tenants and their economic viability by evaluating and analyzing data such as rent rates, lease terms, tenant businesses, and competitiveness. This applies to assets both in Japan and overseas.

### 9. Property Rights

In principle, we shall confirm ownership, leasing, surface and other property rights. For shared or leased properties, we shall comprehensively consider property characteristics to confirm that owners of such property rights have no issues (e.g. creditworthiness and reputation) and that the property has few or no restrictions on or risks to operations, management or assignment. For overseas assets, we will make investment decisions based on comprehensive deliberation that takes into account practical operations in the relevant country or area, after investigating the property-related

rights in the relevant country or area.

### 10. Investment in Properties with Stable Operations

In principle, AEON REIT will ensure stable cash flow by investing largely in real estate that generates stable cash flow, and will not invest in real estate such as non-operating properties that are not generating cash flow because they are under development.

However, we may selectively decide to invest in properties that have experienced a short-term decline in occupancy rate in instances such as when we anticipate a swift increase in future occupancy rate and when we expect to collaborate with the AEON Group as a tenant opening stores and in leasing. We will do so after careful deliberation. The same applies to overseas assets.

### 4) Due Diligence Guidelines

Prior to investment in a property, the Asset Manager will conduct economic, physical and legal due diligence, generally covering the following topics. The Asset Manager will consider the appropriateness of the property by determining and evaluating issues such as factors that may inhibit the maintenance and improvement of asset value. To this end, the Asset Manager will consult engineering reports, market reports and earthquake risk-assessments prepared by third parties with research capacity and expertise, and conduct on-site investigation and hearings with scheduled assignees and others.

For investments in overseas properties, the Asset Manager will conduct due diligence<sup>(Note 6)</sup> using the same guidelines that are applicable to investments in Japan, taking into account the legal system and any special circumstances in the relevant country or area.

Note 6: Due diligence for overseas real estate shall include the items in the table below and also review of connections with roads and the supply of public services (e.g., water, gas, and sewage disposal services).

## Economic, Physical and Legal Due Diligence of Properties

Economic due diligence	Tenant evaluation	<ul style="list-style-type: none"> <li>• Tenant (and sublessees when needed; applicable to the following) creditworthiness (including business, operations, history, financial results and financial condition)</li> <li>• Status of tenant rent payments, existence of any disputes between the tenant and the current owner, or any possibility thereof</li> <li>• Purpose of the lease, structure of the lease agreement, terms and conditions of the lease agreement and whether it permits assignment</li> <li>• Past occupancy rates and rent</li> <li>• The percentage of each building that each existing tenant occupies and tenant distribution</li> </ul>
	Market analysis	<ul style="list-style-type: none"> <li>• Commercial area (population, number of households, commercial index)</li> <li>• Review of market rental rates and occupancy rates of similar properties in the surrounding area</li> <li>• Status of potential competing properties in the surrounding area</li> <li>• Plans for the development of new properties in the surrounding area</li> <li>• Tenant demand trends</li> <li>• Potential for attracting new tenants</li> <li>• Potential for property disposition (sale)</li> <li>• For overseas properties: review economic trends, political trends, business practices, and other issues</li> </ul>
	Revenues	<ul style="list-style-type: none"> <li>• Current lease structure and stability of rent</li> <li>• Variance between current and market rent and outlook</li> <li>• Potential for tenant relocation and ease of finding replacement tenants</li> <li>• Outlook for issues such as gaining or losing tenants and rent decreases</li> <li>• Medium- and long-term leasing policies of the property manager and the master lessee</li> </ul>
	Expenses	<ul style="list-style-type: none"> <li>• Potential for changes in taxes and public charges (e.g., expiration of tax abatement period, increase in valuation due to factors including redevelopment progress)</li> <li>• Structure of outsourced property management agreements, level of management provided by the property manager, appropriateness of management fees</li> <li>• Structure of outsourced building management agreements, level of management provided by the building manager, appropriateness of management fees</li> <li>• Cost of utilities and utility reimbursements from tenants</li> <li>• Estimated responsibility for and appropriateness of repair and renewal expenses based on historical and planned repairs and current state of disrepair</li> <li>• Status of reserve fund for repairs and the appropriateness of the amount of such fund (stratified ownership of a building, etc.)</li> </ul>
Physical due diligence	Location	<ul style="list-style-type: none"> <li>• Circumstances of streets and access to main highways</li> <li>• Convenience of railways and other public transport</li> <li>• Status of surrounding land; history of floods, fires and other disasters</li> <li>• Location and proximity of convenient facilities and public facilities in the surrounding area</li> <li>• Name recognition, reputation and size of the relevant area</li> <li>• Stability and growth potential of the commercial area; competitive situation; status of development of surrounding areas; potential for conversion of purpose (in the case of retail properties)</li> </ul>
	Building, facility and specifications analysis	<ul style="list-style-type: none"> <li>• Design, main structure, building age, architect and construction company, confirmation and inspection organization, etc.</li> <li>• Internal and external condition of the property</li> <li>• Leasable area, ceiling height, air conditioning, floor weight capacity, security systems, electric power capacity, lighting intensity, layout compatible with plotting lease, disaster prevention equipment, water supply and drainage facilities, elevating machines, parking lot and other common facilities</li> </ul>
	Building review	<ul style="list-style-type: none"> <li>• Document review including design documents, building certification documents, inspection documents</li> <li>• On-site inspection of outdoor facilities, rooftop, exterior finish, facilities, etc.</li> <li>• Review and verification of long-term repair plan set out in the engineering report</li> <li>• Status of compliance with applicable laws and regulations including the Building Standards Act and the City Planning Act of Japan (Law No. 100 of 1968, as amended)</li> <li>• Seismic capacity (seismic capacity that meets new earthquake resistance building codes or equivalent)</li> <li>• Verification of earthquake PML</li> </ul>

Physical due diligence	Building management	<ul style="list-style-type: none"> <li>• Terms and conditions of the outsourced building management agreements (including structure and specification standards); status of management of buildings; interviews with the building management company and others</li> <li>• Existence and content of detailed building management rules; quality and creditworthiness of the management companies</li> </ul>
	Environmental due diligence	<ul style="list-style-type: none"> <li>• History and status of use and storage of asbestos, PCBs and other hazardous substances</li> <li>• Issues including geological conditions, land use history, and soil contamination</li> </ul>
Legal due diligence	Legal restrictions and compliance	<ul style="list-style-type: none"> <li>• Whether properties are in compliance with applicable laws and regulations</li> <li>• Existence of building, application or use restrictions due to building codes, regulations, agreements, or other applicable legal restrictions</li> </ul>
	Boundary survey	<ul style="list-style-type: none"> <li>• Property boundaries; existence and status of encroachments</li> <li>• Determination of actual measured area</li> <li>• Existence of boundary disputes</li> </ul>
	Tenant analysis	<ul style="list-style-type: none"> <li>• Review of lease agreements, sublease agreements, use agreements, etc.</li> <li>• Existence of disputes with tenants</li> </ul>
	Property rights related investigation	<ul style="list-style-type: none"> <li>• Confirmation of property rights related to land and buildings, including ownership rights, surface rights, lease rights, co-ownership rights, stratified ownership rights and stratified co-ownership rights; review of various agreements and other documentation incidental to such property rights</li> <li>• Existence of disputes with owners of adjacent property rights</li> <li>• Conditions of trust agreements</li> </ul>

### 5) Standards for Outsourcing to Third Parties and Assessments by Third Parties

Based on our management guidelines, we have adopted standards for outsourcing and assessments to maintain the quality of outsourced services and order placement, for the fair selection of service providers and suppliers, and for renewing service provider contracts in Japan. As a general rule, however, we shall not outsource asset management services, which have been entrusted to the Asset Manager. For overseas properties, we comply with statutory standards in the relevant country or region, and we base our decision whether and to what extent to outsource a service on a comprehensive consideration of practices in each region.

#### 1. Outsourcing Standards for Each Type of Outsourced Service

Services are outsourced to service providers that satisfy specific standards to maintain designated quality levels for service implementation and service experience and performance according to the particular requirements of the outsourced services.

Specifically, for outsourced property management services we generally review the service provider’s (1) scale; (2) ability to perform the services; (3) compliance with laws and regulations; and (4) cost.

For property management service providers outside of Japan, we do not take (1) scale into consideration. For real estate appraisal services, due diligence, and engineering reports, we review the service provider’s (1) scale; (2) ability to perform the services; (3) compliance with laws and regulations; and (4) any history of misconduct on the part of the service provider. For providers of real estate appraisal services, due diligence, and engineering reports outside of Japan, we do not take (1) scale into consideration.

#### 2. Outsourcing Conditions

When AEON REIT and the Asset Manager outsource services, the service providers are responsible for establishing the appropriate mechanisms to provide services and report to us, to maintain confidentiality, and to cooperate with ongoing monitoring efforts. However, contracted items are negotiable. The responsibilities and duties of the service providers are specified in service outsourcing agreements.

#### 6) Forward Commitment Policies<sup>(Note 7)</sup>

We may enter into contracts to acquire properties under which the settlement of the contract occurs one or more months following the execution of the contract. Before making a decision to enter into any

such contract, we will carefully consider the following:

- contract termination penalties contained in the contract, the impact of any such contracts on our overall portfolio profits and our level of cash distributions (including the delisting standard of the Tokyo Stock Exchange)
- the time period between the execution and settlement of the contract, potential market risks caused by changes during this period in financial and real estate market conditions, and method for funding settlement.

Note 7: The purchase agreements for the overseas properties we intend to acquire are forward commitment contracts. We determine the advisability of executing these agreements after individually considering the risks associated with executing them.

## 7) Operation and Property Management Policies

We follow the policies and standards set forth below in operating and managing assets acquired in Japan. The standards for operating and managing assets acquired overseas will be based on, and generally be the same as, the standards used in Japan.

### 1. Basic Policy

Our goal is to achieve stable earnings over the medium-to-long term, maintain and improve the value of our portfolio, and enhance tenant satisfaction. We will therefore maintain and increase rental revenue and occupancy rate, conduct appropriate management and repair, and optimize management costs and raise efficiency based on the approaches below.

### 2. Adoption of Asset Management Plan

The Asset Manager will establish an asset management plan for the management and operation of our operating properties in accordance with the Asset Manager's internal rules, such as its asset management guidelines, and will manage and operate such properties in accordance with such plan. The asset management plan will provide concrete management and operation plans for our operating properties. It will consist of (1) income and expense plans for each of our portfolio properties; (2) an income and expense plan for the company as a whole that is based on those for each prop-

erty; and (3) other plans. The asset management plan will be reviewed for adoption by the Investment Committee following approval by the Compliance Officer.

The asset management plan will also be reviewed for adoption by the Compliance Committee after approval by the Investment Committee if deemed necessary by the Compliance Officer.

In principle, formulating the asset management plan above will involve the review of detailed information for each of our operating properties in cooperation with the support companies and the property manager.

In principle, the asset management plan will be reviewed every fiscal period and amended as appropriate, and may be amended from time to time as necessary.

### 3. Leasing Policy

When we acquire retail and related properties operated by the AEON Group, our basic policy will be to enter into a master lease agreement for the entire property with an AEON Group company as the lessee at the time of acquisition. The policy will be the same for assets acquired overseas.

We will utilize property managers to the maximum extent possible, share information with the master lessee, survey and identify market trends, and investigate appropriate leasing terms for individual properties.

When entering into lease agreements with the master lessees, the Asset Manager will confirm the creditworthiness of the master lessees, check for relationships with anti-social forces including end tenants, and make comprehensive determinations concerning the possibility of lease renewals.

### 4. Policies Concerning Selection of Property Managers and Monitoring

We will select property managers that we believe can contribute to raising our overall profitability. We will take into consideration the property manager's real estate operation and management experience and capabilities, performance with the target property, feasibility of carrying out operations in accordance with the operating plan, cost levels, continuity of operations, and other relevant factors.

To carry out the above policy on an even higher level, we will outsource property management services to the AEON Group when we determine that the AEON Group would be appropriate as the property manager for the relevant retail and related properties.

In such cases, we will periodically assess the level of services, compensation amounts, and other factors relating to the outsourced services in accordance with the Rules on Transactions with Interested Parties and the Outsourcing and Evaluation Standards, and if we determine that the performance of appropriate services and compensation levels cannot be maintained, we will then consider the cancellation or non-renewal of the agreement. For additional details, please refer to 5) Standards for Outsourcing to Third Parties and Assessments by Third Parties; 1. Outsourcing Standards for Each Type of Outsourced Service above.

## 5. Policies Relating to Repairs and Capital Expenditures

We will make repairs and capital expenditures needed to maintain and enhance the profitability of investment assets over the medium-to-long term after consulting with the property manager, taking into consideration the condition and attributes of the investment asset, tenant needs, and other factors.

We will generally take the depreciation expenses of the entire portfolio into consideration when making decisions about repairs and capital expenditures. We will promptly implement repairs and capital expenditures that are required for raising tenant satisfaction from an operational perspective. We will also time investments to raise shopping center value to coincide with large-scale renovations when end-tenant leases expire, including plans to concurrently renew exclusive tenant space and common areas in cooperation with the master lessee.

## 6. Disposition Policy

In general, we expect to own properties for medium-to-long-term operation, and do not expect short-term dispositions of our properties. However, we may consider the short-term disposal of any of

our properties if we believe it would support our goal of maintaining stable revenues from our portfolio.

When disposing of properties, we will refer to the opinions of third parties such as appraisers, and will comprehensively assess factors including the impact on our overall portfolio after considering issues including market research reports, examples of similar transactions, and the future profitability of the property in question.

## 8) Financing Policies

### 1. Equity Finance

We may issue additional investment units to acquire or repair properties, return tenant leasehold and security deposits, pay our operating expenses, repay debt, or other purposes. With the objective of stable long-term growth, we will flexibly issue new units with due consideration of the potential for dilution of our investment units. Dilution refers to reduced voting rights, net income and distributions per share as a result of the issue of new units.

### 2. Debt Finance

We may take on borrowings, including in the call money market, or issue investment corporation bonds to obtain capital largely to acquire or repair properties; pay dividends; obtain required operating capital; and repay borrowings, including tenant leasehold and security deposits, loans, and short- and long-term investment corporation bonds (collectively, "investment corporation bonds") in order to help us steadily increase operating assets and operate our assets efficiently and consistently. However, the use or the purpose of funds raised through the issuance of short-term investment corporation bonds must be within the scope prescribed in laws and regulations. We may only obtain loans from qualified institutional investors as specified by the Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended) and by Article 67, Paragraph 15 of the Act on Special Measures Concerning Taxation (Law No. 26 of 1957, as amended).

The maximum amount of each loan and each issue of investment corporation bonds shall be ¥1 trillion, and the aggregate amount of all such debt

shall not exceed ¥1 trillion. In general, we intend to obtain unsecured and unguaranteed financing. However, we may obtain loans or issue investment corporation bonds by collateralizing our properties.

When investing in overseas real estate, we may obtain loans denominated in local currency. We may also procure funds in Japanese yen and convert the funds into local currency based on market conditions and other factors at the time of procurement.

#### A. Ratio of interest-bearing liabilities to total assets and loan-to-value (LTV) ratio<sup>(Note 8)</sup>

We will consider our external and internal growth strategies while maintaining a strong financial base with a conservative ratio of liabilities to assets. We have set an upper limit of 60 percent for our LTV ratio, and generally intend to operate with an LTV ratio of approximately 50 percent. We may, however, temporarily exceed the 60 percent threshold as a result of property acquisitions or other events.

Note 8: 
$$\text{LTV} = \frac{\text{Interest-bearing debt} + \text{Leasehold and security deposits}}{\text{Total assets}}$$

#### B. Extended loan maturities and fixed interest rates

We commit to loan maturities according to cash flow conditions based on tenant lease terms and content. We also consider extended loan maturities and fixed interest rates to reduce various risks and operate properly.

#### C. Bank formation with a focus on megabanks and diversification of financing sources and methods

We use the AEON Group's creditworthiness when obtaining loans, with the goal of appropriately diversifying lender financial institutions with a focus on megabanks. We also diversify debt financing by comprehensively considering market conditions and financial position in using indirect and direct financing methods that include the issuance of investment corporation bonds.

### 3. Derivative Transactions

We may use derivatives mainly to hedge the interest-rate risk associated with loans and other debt in light of economic conditions and interest rate

movements.

We may also use derivatives to hedge the foreign-exchange risk associated with investments in overseas real estate, largely for foreign-currency receivables such as rent and payables.

### 4. Use of Leasehold and Security Deposits

Leasehold and security deposits that we receive from tenants are a stable, low-cost source of capital that we may use effectively.

We also hold cash and deposits in amounts deemed appropriate in light of factors including our commitment lines to address various financial needs including repair expenses; capital expenditures; distributions; minor debt repayments; working capital for our operations; refunding leasehold deposits; and real estate-related asset purchases.

### 5. Credit Ratings

As of the date of this publication, we have obtained a AA- long-term issuer rating from Japan Credit Rating Agency, Ltd. This rating is not a rating of our investment units. We have made no request for the investment units to receive a credit rating from a credit rating agency and have no plans for such a credit rating to be provided or submitted for inspection by a credit rating agency.

### 6. Investment Policy for Surplus Funds

We carefully manage surplus funds based on due consideration of the interest rate environment, cash flow and the safety and liquidity of the investment.

## 9) Information Management and Disclosure Policy

1. We maintain transparency for investors and make timely, appropriate disclosure of the information investors need for investment decisions. Our policy for timely and appropriate disclosure involves considering the transparency and comprehensibility of information and meeting investor needs with disclosure that is not legally required.

2. We have structured a system for aggregating and quickly disclosing accurate and useful information to provide opportunities for investors to fairly access information.
3. We appropriately disclose information specified by the Act Concerning Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange, and the Investment Trusts Association, Japan in the required format.

management of the assets listed in (1) real estate and (2) (i) through (v) that one party invests for a counterparty to manage)

- (vii) Trust beneficiary interests of a trust that has cash as its initial trust assets, the purpose of which is managing trust assets by investing primarily in the assets listed in (vi)
- (viii) Assets having a nature similar to assets listed in (iv) through (vii) structured in accordance with foreign laws and regulations

## 2. Target Investments

### 1) Asset Types Targeted for Investment

1. We invest in the assets listed below in accordance with the basic policies specified in Article of Incorporation 27.

#### A. Real estate

- B. The assets listed below (collectively, "Real estate equivalents"; Real estate and Real estate equivalents are collectively referred to as "Real estate, etc.")

- (i) Real estate leasehold rights
- (ii) Surface rights
- (iii) The assets listed in (1) or (2) (i) or (ii) pursuant to the foreign laws and regulations
- (iv) Trust beneficiary interests in a trust that has as trust assets real estate, real estate leasehold rights, surface rights, or assets listed in (iii) (including blanket trusts in which cash incidental to the real estate is also entrusted)
- (v) Trust beneficiary interests in a trust that has cash as its initial trust asset, the purpose of which is managing trust assets by investing in real estate, real estate leasehold rights, surface rights, or assets listed in (iii)
- (vi) Equity interests in anonymous associations related to real estate (equity interests in contracts that provide for distribution of earnings from the

- C. The following securities, the purpose of which is investment primarily in Real Estate, etc. (including the rights that should be indicated in the subject securities/certificates in instances in which securities/certificates indicating the interests are not issued) (collectively "Real Estate-Backed Securities;" and the Real Estate, etc. and the Real Estate-Backed Securities are referred to collectively as the "Real Estate-Related Assets")

- (i) Preferred equity securities (as defined in the Act on Securitization of Assets, Law No. 105 of 1998, as amended ("Asset Securitization Act"))
- (ii) Beneficiary certificates (as defined in the Act Concerning Investment Trusts and Investment Corporations ("Investment Trusts Act"))
- (iii) Investment securities (as defined in the Investment Trusts Act)
- (iv) Beneficiary certificates of specific purpose trusts (as defined in the Asset Securitization Act)
- (v) Equity interests in anonymous associations (equity interests in anonymous associations as defined in Article 2, Paragraph 2, Item 5 of the Financial Instruments and Exchange Act ("FIEA"))
- (vi) Assets having a nature similar to assets listed in (i) through (v) structured in accordance with foreign laws and regulations

2. We invest in the specified assets listed below in addition to the specified assets listed in 1 above
- Act Enforcement Order, same hereinafter; excluding securities enumerated above)
- A. Other specified assets
- (i) Deposits
  - (ii) Call loans
  - (iii) Japanese national government bonds (as defined in the FIEA)
  - (iv) Japanese regional government bonds (as defined in the FIEA)
  - (v) Corporate bonds issued under special Acts (as defined in the FIEA)
  - (vi) Specified corporate bonds as prescribed in the Asset Securitization Act (as defined in the Asset Securitization Act)
  - (vii) Corporate bonds (as defined in the FIEA, excluding corporate bonds with new share subscription rights)
  - (viii) Negotiable certificates of deposit
  - (ix) Trust beneficiary certificates for loan trusts (as defined in the FIEA)
  - (x) Commercial paper (as defined in the FIEA)
  - (xi) Monetary claims (as defined in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations Cabinet Order No. 480 of 2000, as amended (“Investment Trusts Act Enforcement Order,” excluding those falling under (xiv))
  - (xii) Share certificates (as defined in the FIEA)
  - (xiii) Securities or certificates issued by a foreign country or foreign party, with the nature of those securities or certificates listed in (iii) through (vii) or (xi), (x) or (xii)
  - (xiv) Monetary claims against the corporation holding overseas real estate
  - (xv) Trust beneficiary interests in a trust that has cash as its initial trust assets, the purpose of which is managing the trust assets by investing primarily in the assets listed in (i) through (xii)
  - (xvi) Securities (securities pursuant to Article 3, Paragraph 1 of the Investment Trusts
- B. Interests in derivative transactions (for the purposes of this paragraph, as defined in the Investment Trusts Act Enforcement Order)
- C. Facilities generating renewable energy (as defined in the Investment Trusts Act Enforcement Order)
3. In addition to the above, we may invest in the following rights, etc., the acquisition of which is deemed necessary or useful in connection with Real Estate-Related Assets, etc. or in light of the investment perspective as defined in Article of Incorporation 28
- A. Trademark rights, etc. based on the Trademark Act (trademarks or the exclusive or non-exclusive right to use trademarks)
  - B. Copyrights, etc. as defined in the Copyright Act
  - C. Movable (as defined in the Civil Code, excluding assets falling under facilities generating renewable energy)
  - D. Rights to use hot spring water sources as prescribed by the Hot Springs Act and facilities associated with these hot springs
  - E. Specified contributions (as defined in the Asset Securitization Act)
  - F. Equity interests in partnerships as defined in the Civil Code (excluding assets enumerated above)
  - G. Casualty insurance policies and rights or profits associated with them
  - H. Carbon dioxide equivalent quotas or other similar assets or emission rights (including emission rights for greenhouse gases) based

on the Act on Promotion of Global Warming Countermeasures

- I. Easements
  - J. Rights, etc. structured according to the laws and regulations of relevant countries and regions when we make investments in our primary area of Real Estate, etc. based on our Articles of Incorporation (including rights that, according to the laws and regulations of the relevant country or region, are the same as or similar to beneficiary interests in trusts that have Real Estate, etc., as the primary investment asset, but excluding assets enumerated above)
  - K. Shares issued by Japanese and foreign corporations for the exclusive management of assets in countries outside of Japan (including other contributions, but excluding assets enumerated above)
  - L. In addition to the above, we may invest in the other rights, the acquisition of which is deemed necessary or useful in connection with investments in Real Estate-Related Assets, etc. or in light of the investment perspective as defined in the Articles of Incorporation
4. In addition to the above, we may acquire other rights that we hold in conjunction with our organization management.
  5. As provided for in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, we may also acquire equity interests in corporations holding overseas real estate.

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### 3. Distribution Policy

#### 1) Distribution Policy

AEON REIT shall, in principle, make distributions pursuant to the following policy, and shall follow the

“Rules relating to Real Estate Investment Trusts and Real Estate Investment Corporations” stipulated by the Investment Trusts Association (Article of Incorporation 35, Paragraph 1).

1. The distributable amount (“Distributable Amount”) arising from the management of our Investment Assets will be the amount of profit prescribed in Article 136, Paragraph 1 of the Investment Trusts Act.
2. We shall determine the amount of distributions, which shall exceed 90% of the distributable profit (but, in any case, not to be greater than the Distributable Amount); (however, if there is a change in the method of calculation due to the amendment to laws and regulations, then the amount as calculated after such change), as defined in the special taxation measures for investment corporations as set forth in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (the “Special Taxation Measures for Investment Corporations”). However, this shall not apply if there is a loss for tax purposes or if there are no taxable earnings because of a tax loss carryforward, and the amount will be reasonably determined by the Investment Corporation. Furthermore, we may set aside funds from the Distributable Amount for the long-term repair reserve, reserve for payment and reserve for distributions, as well as similar reserves and allowances that we consider necessary to maintain or increase the value of our investment assets. In addition to the foregoing, the investment corporation may set aside funds for reserves for adjustments of temporary difference, etc. and reverse allowances for adjustments of temporary difference, etc.
3. The amount of profit not allocated to distributions and retained and the amount of profit earned by the Closing Date shall be invested in accordance with the stipulations of our basic investment policy and investment perspective, etc.

## 2) Distributions in Excess of the Amount of Profit

In cases that we determine to be appropriate, based on trends in the economic environment, the real estate market and the leasing market, etc., the state of its assets or the state of its finances or other similar reasons, or, in the case where we can reduce corporation tax, etc. that may be imposed on us, we may make distributions of funds in excess of the Distributable Amount, consisting of the distribution amount specified in 2. above plus an amount that is no greater than 60 percent of the depreciation costs for the relevant fiscal period. Further, if, in the case described above, the amount of funds distributed does not satisfy the requirements for Special Taxation Measures for Investment Corporations stipulated in laws and regulations, we may determine an amount of funds with the objective of satisfying such requirements (Article of Incorporation 35, Paragraph 2).

## 3) Method for Distribution of Funds

Distributions of funds shall be in cash and, in principle, shall be made within three months from the Closing Date to unitholders or to pledgees of investment units registered or recorded in the last registry of unitholders as of the Closing Date in accordance with the number of investment units (Article of Incorporation 35, Paragraph 3).

## 4) Period of Exclusion of Right to Demand Distributions

Once three full years have elapsed from the date of the start of the payment of a distribution, we will no longer be obligated to make the payment of such distribution. No interest shall accrue on unpaid distributions (Article of Incorporation 35, Paragraph 4).

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## 4. Restrictions on Investment

### 1) Restrictions on Investment Prescribed by the Articles of Incorporation

The restrictions on investment prescribed by Article of Incorporation 30 are as follows.

1. Monetary claims and marketable securities as defined in the Investment Trusts Act Enforcement Order (excluding Real Estate, etc., Real Estate-Backed Securities, and the specified assets in Article of Incorporation 29, Paragraph 2, (1) (xi) of the preceding article and the securities prescribed in Paragraph 2, (1) (xvi) of the preceding article shall not be the subject of active investments, and in cases where there are surplus funds, investments shall be made in such assets, taking security and liquidity of investment into consideration, and in other cases, investment shall be made taking into consideration relevance with Real Estate-Related Assets.
2. Investment in rights relating to derivative transactions as defined in the Investment Trusts Act Enforcement Order shall be limited to investment for the purpose of hedging against risks including interest rate risk arising from our liabilities and currency risk relating to our investment assets.

### 2) Investment Limits Pursuant to the FIEA and Investment Trusts Act Enforcement Order

The investment corporation is subject to investment limits pursuant to the FIEA and Investment Trusts Act Enforcement Order. Main restrictions are as follows.

#### 1. Limits on Asset Management by the Asset Manager

A registered investment corporation must entrust the management of its assets to an asset management company.

The asset management company is prohibited from performing certain acts related to the business of managing the assets of said investment corporation. As a result, an investment corporation is subject to certain investment restrictions. Main prohibited acts are as follows.

#### A. Internal transactions

Transactions between an asset management company and its directors or officers are prohibited (FIEA, Article 42, Paragraph 2, Item 1), except for

certain cases specified in Article 128 of the Cabinet Office Ordinance regarding the FIEA (2011, Cabinet Office Ordinance No. 52, as amended; “Ordinance 52”) that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

#### B. Reciprocal transactions with managed assets

Transactions between asset management companies of investment corporation assets are prohibited (FIEA, Article 42, Paragraph 2, Item 2), except for certain cases specified in Ordinance 52, Article 129 that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

#### C. Transactions for the benefit of third parties

An asset management company may not undertake transactions in certain financial instruments, indices or options based on fluctuations in the price, index, value, or amount of consideration related to transactions in the assets of an investment corporation, without a legally valid reason, with the objective of benefiting a third party other than the investment corporation or said investment (FIEA, Article 42, Paragraph 2, Item 3).

#### D. Transactions harmful to the interests of the investment corporation

An asset management company may not undertake transactions that are other than upon normal terms and conditions for such transactions, and further, such transactions upon said conditions would be harmful to the interests of the investment corporation (FIEA, Article 42, Paragraph 2, Item 4).

#### E. Prohibition of sales and purchases when separate management is not ensured

An asset management company may not undertake transactions (transactions listed in FIEA Article 2, Paragraph 8, Items 1 and 2 and Items 7 through 9) in connection with money invested or contributed for the following rights or securities (including types specified by a Cabinet Order) when said money is not managed separately as stipulated by govern-

ment ordinance from the property that belongs to the entity that conducts the relevant business to be operated using such money, or any other property pertaining to other businesses conducted by that entity (FIEA Article 40.3).

- (i) Rights listed in FIEA Article 2, Paragraph 2, Items 5 and 6
- (ii) Marketable securities are limited to those listed in FIEA Article 2, Paragraph 1, Item 21 (FIEA Enforcement Order; 1968, Cabinet Order No. 321, as amended; the “FIEA Enforcement Order”)
- (iii) Rights listed in FIEA Article 2, Paragraph 2, Item 7 (limited to those listed in the FIEA Enforcement Order)

#### F. Other transactions defined by cabinet office ordinances

In addition to the above, the asset management company may not undertake the following actions as defined by Cabinet Office Ordinance that are considered likely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business (FIEA Article 42, Paragraph 2, Item 7, FIEA Article 44, Paragraph 3, Item 1, Ordinance 52, Article 130)

- (i) Transactions among the auditors, officers and employees of an asset management company (excluding all items listed in Ordinance 52, Article 128)(Ordinance 52, Article 130, Paragraph 1, Item 1)
- (ii) Transactions for the benefit of the investment management company or third parties that would be harmful to the interests of the investment corporation (Ordinance 52, Article 130, Paragraph 1, Item 2)
- (iii) Transactions for the benefit of third parties (including the parent or subsidiary companies of the asset management company) that are not necessary according to investment management policies, the financial condition of assets under management, or market conditions (Ordinance 52, Article 130, Paragraph 1, Item 3).
- (iv) Asset management that introduces unfair restrictions or other limitations from external entities (Ordinance 52, Article 130,

Paragraph 1, Item 4).

- (v) The sale or purchase of investment securities, or similar transactions, with the objective of unfairly inflating transaction amounts or artificially inflating prices (Ordinance 52, Article 130, Paragraph 1, Item 5).
- (vi) Transactions between third parties and their agents (excluding specific transactions to which all rights holders have agreed pursuant to advance explanation of the rationale for the transaction provided by the asset management company) (Ordinance 52, Article 130, Paragraph 1, Item 6).
- (vii) Other activities prohibited by Cabinet Office Ordinance

## 2. Limitation on Acquisition of the Same Issue of Units

A registered investment corporation may not acquire the same units issued by a corporation in excess of 50/100 of total number of said issued and outstanding units. (Investment Trusts Act Article 194, Investment Trusts Act Enforcement Order Article 221).

## 3. Restriction on Acquisition of Own Units and Acceptance of Pledge

An investment corporation may not acquire units issued by itself, or accept them for the purpose of pledge, unless it acquires units issued by itself in the following cases (Investment Trusts Act Article 80, Paragraph 1):

### A. when the investment corporation acquires its investment units for value by entering into agreements with unitholders (Article of Incorporation 5, item 2);<sup>(Note 9)</sup>

Note 9: The Investment Trusts Act was amended on June 12, 2013 with the addition of the exception for the acquisition of own units as presented in A above. The revised Investment Trusts Act will be enforced by government ordinances within 18 months of its June 19, 2013 promulgation date. In accordance with the amended Investment Trusts Act, AEON REIT has amended its Articles of Incorporation with a provision to permit the acquisition of its own units with compensation pursuant to the agreement of unitholders (Article of Incorporation 5, Paragraph 2). However, the provision in Article of Incorporation 5, Paragraph 2 becomes effective on the effective date of the revision to the Investment Trusts Act that allows an investment corporation to acquire its own units with compensation pursuant to the agreement of unitholders (Article of Incorporation 41, Paragraph 1).

- B. when the units are acquired from another investment corporation as the surviving entity of a merger;
- C. when purchasing units pursuant to the provisions of the Investment Trusts Act; or
- D. when purchasing units pursuant to other government ordinances regarding the Investment Trusts Act.

## 4. Restriction on Acquisition of Parent Corporation's Units by Subsidiary Corporation

An investment corporation (subsidiary), a majority of the units of which is owned by another investment corporation (parent), may not acquire the units of such parent investment corporation except in the following cases (Investment Trusts Act, Article 81, Paragraph 1, Item 2):

- A. when the units are acquired from another investment corporation as the surviving entity of a merger; or
- B. when purchasing units pursuant to other government ordinances regarding the Investment Trusts Act of Japan.

When either a parent investment corporation and its subsidiary investment corporation or its subsidiary investment corporation owns a majority of the units issued by another investment corporation, the other investment corporation is considered to be a subsidiary of the said parent investment corporation (Investment Trusts Act, Article 81, Paragraph 4).

## 3) Other Investment Restrictions

### 1. Subscription and Margin Trading of Securities

The investment corporation may not subscribe to, or conduct margin trading of, securities.

### 2. Borrowing and Investment Corporation Bonds

- A. The investment corporation may borrow funds, including in the call market, or issue investment corporation bonds to support steady growth in investment assets and effi-

cient, stable asset management. The investment corporation may procure funds to acquire assets; pay repair costs, other maintenance and management expenses, or distributions; for its operations; or to repay its debts, including the refund of leasehold deposits and security deposits, the repayment of borrowing and the redemption of investment corporation bonds (including short-term investment corporation bonds). However, the use or the purpose of funds raised through the issuance of short-term investment corporation bonds must be within the scope prescribed in laws and regulations. Furthermore, the investment corporation may only borrow from qualified institutional investors as prescribed by the FIEA (limited to institutional investors as defined in Article 67-15 of the Special Taxation Measures Act).

- B. The investment corporation may collateralize investment assets as collateral when borrowing or issuing investment corporation bonds as prescribed in the preceding paragraph (Article of Incorporation 36, Paragraph 2).
- C. The maximum amount of each loan and each issue of investment corporation bonds shall be ¥1 trillion, and the aggregate amount of all such debt shall not exceed ¥1 trillion (Article of Incorporation 36, Paragraph 3).

### 3. Concentration of Investment

Concentration of investment is not legally restricted. Please refer to 1. Investment Policies above for policies related to investment that is diversified by the intended purpose and location of real estate.

### 4. Investment in Other Funds

The Articles of Incorporation do not restrict investments in other funds (investment units or the trust beneficiary certificates of investment trusts).

# Management's Discussion and Analysis

## Summary of Selected Financial Data

	Millions of yen (Except per unit data and where otherwise indicated)					Thousands of U.S. dollars <sup>(Note 5)</sup> (Except per unit data)	
	6th Period	7th Period	8th Period	9th Period	10th Period	10th Period	
	August 1, 2015 to January 31, 2016	February 1, 2016 to July 31, 2016	August 1, 2016 to January 31, 2017	February 1, 2017 to July 31, 2017	August 1, 2017 to January 31, 2018	August 1, 2017 to January 31, 2018	
Operating revenue <sup>(Note 1)</sup>	¥ 9,406	¥ 10,925	¥ 11,974	¥ 14,642	¥ 15,780	\$ 144	
Revenues related to real estate leasing business	9,406	10,925	11,974	14,561	15,656	143	
Operating expenses	5,817	6,656	7,303	9,017	9,503	87	
Expenses related to real estate leasing business	5,265	6,208	6,613	8,253	8,599	78	
Operating income	3,588	4,269	4,671	5,624	6,276	57	
Ordinary income	3,048	3,623	3,958	4,773	5,389	49	
Net income (net loss)	3,041	(1,627)	3,954	5,306	5,383	49	
Net operating income (NOI) from property leasing <sup>(Note 2)</sup>	6,817	7,886	8,747	10,483	11,437	105	
Funds from operation (FFO) <sup>(Note 2)</sup>	5,719	1,541	7,340	9,483	9,764	89	
Total cash distributions	3,041	1,898	3,953	4,786	5,383	49	
Ratio of FFO to total cash distributions (%) <sup>(Note 2)</sup>	53.2	123.2	53.9	50.5	55.1		
Depreciation	2,677	3,169	3,386	4,176	4,380	40	
Capital expenditures <sup>(Note 3)</sup>	238	2,951	389	2,777	1,063	9	
Total assets	204,447	259,216	278,328	345,017	362,698	3,331	
Interest-bearing debt	75,400	100,900	118,800	148,500	150,000	1,377	
Net assets	119,489	141,369	143,424	182,334	198,077	1,819	
Unitholders' capital <sup>(Note 8)</sup>	¥116,447	¥142,996	¥139,470	¥177,026	¥192,172	\$1,765	
Total number of investment units issued and outstanding (Units)	1,090,200	1,309,467	1,309,467	1,635,912	1,777,347		
FFO per unit (¥/\$) <sup>(Note 2)</sup>	5,246	1,177	5,605	5,797	5,493	50	
Net assets per unit (¥/\$)	109,603	107,959	109,528	111,457	111,445	1,023	
Distribution per unit (¥/\$)	2,790	1,450	3,019	2,926	3,029	27	
Distribution of retained earnings per unit (¥/\$)	2,790	—	3,019	2,926	3,029	27	
Distribution in excess of retained earnings per unit (¥/\$)	—	1,450	—	—	—	—	
Payout ratio (%) <sup>(Note 2)</sup>	100.0	—	100.0	90.2	100.0		
Return on assets (ROA) (%) <sup>(Note 2)</sup>	1.5	1.6	1.5	1.5	1.5		
Return on equity (ROE) (%) <sup>(Note 2)</sup>	2.5	(1.2)	2.8	3.3	2.8		
Equity ratio (%) <sup>(Note 2)</sup>	58.4	54.5	51.5	52.8	54.6		
Loan to value (LTV) (%) <sup>(Note 2)</sup>	40.8	42.8	46.4	46.7	44.9		
Number of days in the period <sup>(Note 4)</sup>	184	182	184	181	184		
Number of investment properties <sup>(Note 7)</sup>	23	28	31	36	40		
Total leasable area (m <sup>2</sup> ) <sup>(Note 6, 7)</sup>	2,133,670	2,580,741	2,781,057	3,244,337	3,411,074		
Occupancy rate (%) <sup>(Note 2, 7)</sup>	100	100	100	100	100		

Notes: 1. Operating revenues do not include consumption tax.

2. Calculations used above are as follows:

- **NOI from property leasing:** (Revenues related to real estate leasing business – Expenses related to real estate leasing business) + Depreciation
- **FFO:** Net income (excluding Gain or Loss on sale of investment properties) + Depreciation
- **Ratio of FFO to total cash distributions:** Total cash distributions (including distribution in excess of retained earnings) ÷ FFO × 100
- **FFO per unit:** FFO ÷ Total number of investment units issued and outstanding
- **Payout ratio:** Distribution per unit (excluding distribution in excess of retained earnings) ÷ Net income per unit × 100. The payout ratios for the 9th Period and 10th Period were calculated as follows because of the issue of new investment units: Total cash distributions (excluding distribution in excess of retained earnings) ÷ Net income × 100
- **ROA:** Income (loss) before income taxes / (Total assets at beginning of period + Total assets at end of period) ÷ 2 × 100
- **ROE:** Net income (loss) / (Net assets at beginning of period + Net assets at end of period) ÷ 2 × 100
- **Equity ratio:** Net assets at end of period ÷ Total assets at end of period × 100

- **LTV:** (Interest-bearing debt + Tenant leasehold and security deposits) ÷ Total assets × 100
  - **Occupancy rate:** Total leased area ÷ Total leasable area at the end of the period. The occupancy rate is 100 percent as of January 31, 2018 because AEON REIT operated all properties under master lease agreements.
3. Capital expenditures for the 7th Period include ¥103,516 thousand as real estate acquisition tax for AEON LakeTown mori and ¥14,548 thousand as real estate acquisition tax for AEON LakeTown kaze. Capital expenditures for the 10th Period include ¥2,015 thousand as real estate acquisition tax for AEON MALL Kofu Showa.
  4. Number of days in the period refers to the number of days of actual asset management.
  5. 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 ¥108.86 to \$1, the approximate rate of exchange at January 31, 2018.
  6. For AEON MALL Kumamoto, the total leasable area before the Kumamoto Earthquake has been counted. Furthermore, after the Kumamoto Earthquake, operations were resumed on April 20, 2016 for the first floor of the anchor store (AEON Kumamoto), on July 20 for the second floor of the store and the East Mall and on March 24, 2017 for the West Mall.
  7. The figure includes AEON MALL SEREMBAN 2 that AEON REIT owns through the Overseas SPC.
  8. The figure represents the net value obtained by subtracting the deduction from unitholders' capital from unitholders' capital.

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## Operations and Results

### (1) Overview

AEON REIT invests primarily in retail and related properties which, as an integral part of the communities in which they are located, form the backbone of the communities and their retail business infrastructure. Through the investment, we aim to ensure stable earnings over the medium to long term and achieve steady portfolio growth.

AEON REIT was established on November 30, 2012 in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the "Investment Trusts Act"), with AEON Reit Management Co., Ltd. (hereinafter, the "Asset Manager") serving as the organizer. AEON REIT was listed on the Real Estate Investment Trust Securities Market (J-REIT market) of the Tokyo Stock Exchange (securities code: 3292) on November 22, 2013. In the fiscal period under review (10th fiscal period), AEON REIT issued new investment units in September and October 2017 (total paid-in amount: ¥15,145 million). Using the procured funds in combination with ¥6,000 million in new debt financing, AEON REIT acquired 4 properties comprising AEON MALL Shimotsuma, AEON Kireuriwari Shopping Center, Daiei Ibaraki Process Center and AEON STYLE Kemigawahama (total acquisition price: ¥24,504 million).

As a result, the real estate held by AEON REIT as of January 31, 2018 totaled 40 properties in Japan and overseas, including AEON MALL SEREMBAN 2 it owns through an overseas real estate holding corporation established in Malaysia (hereinafter, the "Overseas SPC"), with a total acquisition price of ¥355,194 million. Total leasable area is 3,411,074.32m<sup>2</sup> and the occupancy rate of the entire portfolio is 100% as of the same date.

### (2) Operating Environment and Performance

#### Operating Environment

The Japanese economy stayed on a moderate recovery trend, as real GDP for the fourth quarter (October – December) of 2017 (preliminary release) achieved growth for eight consecutive quarters. The corporate sector, which continued to show improvements in performance led by exports, proactively made capital investments. Meanwhile, consumer spending has been and will remain solid backed by improvements in the employment and income environments.

In the real estate investment market, with investors highly willing to acquire properties given a favorable fund procurement environment in the low-interest-rate setting, the for-sale market continues to be felt overheated, as seen in the soaring transaction prices. This should make it increasingly important to discern the profitability of individual properties.

The long-term yields in Japan have remained stable at a low level due to the Bank of Japan continuing its monetary easing policy, and J-REITs have achieved strong performances. Although the J-REIT market had been on a weak note against the backdrop of such factors as a shift in the capital flows of investment trusts

offering monthly dividends (many of which incorporate J-REITs in their portfolios), it started to pick up in the second half of 2017, with the Tokyo Stock Exchange (TSE) REIT Index closing the fiscal period at 1,744.89 points on January 31, 2018 (on a closing price basis). AEON REIT will closely monitor the market trends going forward, paying close attention to the interest rate hike trend in the U.S. and the impact it will give on the financial and capital markets.

## Performance

Under these conditions, AEON REIT and the Asset Manager steadily promoted external growth through property acquisitions. AEON REIT acquired four properties (total acquisition price: ¥24,504 million) by using funds procured through issuance of new investment units in September and October 2017 as well as through new debt financing, expanding its portfolio size to ¥355.1 billion. Of these properties, AEON STYLE Kemigawahama (acquisition price: ¥3,748 million), which AEON REIT acquired on November 30, 2017, is a store for which AEON Retail Co., Ltd. had conducted refurbishment, including shift to an AEON STYLE store (a new store that has evolved into a concentration of attractive specialty stores to suit the local trade area), before the acquisition. AEON REIT acquired the property after AEON Retail Co., Ltd. started operations of the store as its operator.

With regard to internal growth, AEON REIT made investments for revitalization at AEON MALL Suzuka and AEON MALL Kurashiki with upward revisions of rents, enhancing the respective asset value. Moreover, as the construction of the building with expanded floor space completed, the entire buildings of AEON MALL Kofu Showa including its existing buildings made renewal opening on November 23, 2017. Note that AEON REIT neither owns the building with expanded floor space nor has decided to acquire it.

On top of these efforts, as AEON REIT makes endeavors for Environment, Social and Governance (ESG) awareness, it obtained "Green Star" in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment (the survey conducted in 2017), marking the second consecutive year of recognition with the highest ranking. In December 2017, AEON REIT received an "A" grade from Sumitomo Mitsui Banking Corporation in recognition of its commitment to environmentally aware initiatives in asset management, according to the bank's funding program based on an evaluation of environmental considerations. In January 2018, AEON MALL KYOTO and AEON MALL Mitouchihara were recognized with the highest rank in the five-level rating of the DBJ Green Building Certification conducted by the Development Bank of Japan Inc. Going forward, AEON REIT will continue to proactively take initiatives on ESG issues.

## Financing

### a. Issuance of new investment units

AEON REIT additionally issued new investment units, with payment dates set on September 27, 2017 for the new investment units through public offering (134,700 units) and on October 24, 2017 for the new investment units through third-party allotment (6,735 units), in order to partly fund the acquisition of four properties (AEON MALL Shimotsuma, AEON Kireuriwari Shopping Center, Daiei Ibaraki Process Center and AEON STYLE Kemigawahama) (total acquisition price: ¥24,504 million). The total number of investment units issued and outstanding is 1,777,347 units as of January 31, 2018.

### b. Debt financing, etc.

In the 10th fiscal period, AEON REIT conducted debt financing totaling ¥6,000 million in bridge loans on September 19, 2017 to partly fund the acquisition of two properties, which it acquired in September 2017, and related expenses, and repaid ¥4,500 million of the loans on September 29, 2017. For the remaining ¥1,500 million and the ¥4,200 million that was refinanced on October 20, 2017 in order to diversify debt repayment dates and extend loan maturities, AEON REIT refinanced the amount with ¥2,000 million in investment corporation bonds issued on December 8, 2017 and ¥3,700 million borrowed on December 27,

2017.

As of January 31, 2018, AEON REIT had a balance of interest-bearing debt totaling ¥150,000 million, with the LTV ratio (the ratio of the balance of interest-bearing debt plus tenant leasehold and security deposits and tenant leasehold and security deposits in trust to total assets held by AEON REIT) standing at 44.9%.

The ratio of long-term interest-bearing debt (the ratio of long-term interest-bearing debt (including the current portion of long-term loans payable) to total interest bearing debt) was 100% as of January 31, 2018. The ratio of fixed-rate debt (the ratio of interest-bearing debt with fixed interest payment (including interest-bearing debt with interest fixed through swaps) to total interest-bearing debt) was 95.7% as of the same date. Together with the LTV, these figures indicate that AEON REIT has maintained a sound and conservative financial structure. AEON REIT works to diversify the repayment dates and extend maturities of interest-bearing debt with an aim to further reinforce its financial base.

As of January 31, 2018, AEON REIT had the following credit rating.

Credit Rating Agency	Rating type	Credit Rating	Outlook
Japan Credit Rating Agency, Ltd.	Long-term issuer credit rating	AA-	Stable

### Results and Cash Distribution

As a result of the above operations, AEON REIT posted operating revenue of ¥15,780 million, operating income of ¥6,276 million, ordinary income of ¥5,389 million and net income of ¥5,383 million for the 10th fiscal period ended January 31, 2018.

As for cash distribution for the 10th fiscal period, AEON REIT decided to distribute approximately all unappropriated retained earnings, except for a fraction of less than ¥1 of distributions per, with the aim that the maximum amount of distribution of earnings is deducted as expenses based on application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, distribution per unit came to ¥3,029 for the fiscal period under review.

AEON REIT will not pay the portion in excess of the amount of profit defined in Article 35, Paragraph 2 of the Articles of Incorporation of AEON REIT.

## Distribution Information

Pursuant to the policy for cash distribution set forth in Article 35, Paragraph 1 of the Articles of Incorporation of AEON REIT, distributions shall be limited to the amount within profits, and also the amount of earnings in excess of an amount equivalent to ninety hundredths (90/100) of distributable profits, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. In consideration of this policy, AEON REIT decided to pay distributions of profits at the total amount of ¥5,383,584,063, which is the amount that does not exceed the unappropriated retained earnings (¥5,384,815,846) and is the greatest value among integral multiples of 1,777,347, which is the total number of investment units issued and outstanding; provided, however, that AEON REIT will not pay the portion of the amount that exceeds the profits defined in Article 35, Paragraph 2 of the Articles of Incorporation of AEON REIT.

	Thousands of yen (Except per unit data)				
	6th Period August 1, 2015 to January 31, 2016	7th Period February 1, 2016 to July 31, 2016	8th Period August 1, 2016 to January 31, 2017	9th Period February 1, 2017 to July 31, 2017	10th Period August 1, 2017 to January 31, 2018
Unappropriated retained earnings (undisposed loss)	¥3,042,224	(¥1,626,970)	¥3,954,064	¥5,307,682	¥5,384,815
Appropriations to reserves	566	—	783	521,004	521,231
Total cash distributions	3,041,658	1,898,727	3,953,280	4,786,678	5,383,584
(Distribution per unit)	(2,790)	(1,450)	(3,019)	(2,926)	(3,029)
Distribution of retained earnings	3,041,658	—	3,953,280	4,786,678	5,383,584
(Distribution of retained earnings per unit)	(2,790)	(—)	(3,019)	(2,926)	(3,029)
Return of capital	—	1,898,727	—	—	—
(Return of capital per unit)	(—)	(1,450)	(—)	(—)	(—)
Distribution from reserve for temporary difference adjustments included in return of capital (Distribution per unit from reserve for temporary difference adjustments included in return of capital per unit)	— (—)	— (—)	— (—)	— (—)	— (—)
Distribution reducing unitholders' capital for tax purposes included in return of capital (Distribution reducing unitholders' capital included in return of capital per unit)	— (—)	1,898,727 (1,450)	— (—)	— (—)	— (—)

## Equity Finance

Changes in total investment units issued and outstanding and unitholders' capital of AEON REIT in the last five years are as follows.

Date	Summary	Total Investment Units Issued and Outstanding (Units)		Unitholders' Capital (Millions of yen) <sup>(Note 1)</sup>		Remarks
		Increase	Balance	Increase	Balance	
November 21, 2013	Public offering	900,000	905,000	91,287	91,787	(Note 2)
December 17, 2013	Third-party allotment	45,000	950,000	4,564	96,351	(Note 3)
February 12, 2015	Public offering	133,190	1,083,190	19,090	115,442	(Note 4)
February 25, 2015	Third-party allotment	7,010	1,090,200	1,004	116,447	(Note 5)
February 8, 2016	Public offering	208,826	1,299,026	25,284	141,731	(Note 6)
February 25, 2016	Third-party allotment	10,441	1,309,467	1,264	142,996	(Note 7)
September 14, 2016	Capital reduction without compensation	—	1,309,467	(1,626)	141,369	(Note 8)
September 14, 2016	Cash distribution in excess of retained earnings (return of capital to unitholders)	—	1,309,467	(1,898)	139,470	(Note 9)
February 22, 2017	Public offering	310,900	1,620,367	35,767	175,238	(Note 10)
March 14, 2017	Third-party allotment	15,545	1,635,912	1,788	177,026	(Note 11)
September 27, 2017	Public offering	134,700	1,770,612	14,424	191,451	(Note 12)
October 24, 2017	Third-party allotment	6,735	1,777,347	721	192,172	(Note 13)

- Notes: 1. The figure represents the net value obtained by subtracting the deduction from unitholders' capital from unitholders' capital.
- Public offering of new investment units for ¥105,000 per unit (excluding underwriting fee: ¥101,430 per unit) for the purpose of procuring funds for new property acquisitions.
  - Third-party allotment of new investment units for ¥101,430 per unit in conjunction with the public offering and capital increase.
  - Public offering of new investment units for ¥148,200 per unit (excluding underwriting fee: ¥143,336 per unit) for the purpose of procuring funds for new property acquisitions.
  - Third-party allotment of new investment units for ¥143,336 per unit in conjunction with the public offering and capital increase.
  - Public offering of new investment units for ¥125,190 per unit (excluding underwriting fee: ¥121,081 per unit) for the purpose of procuring funds for new property acquisitions.
  - Third-party allotment of new investment units for ¥121,081 per unit in conjunction with the public offering and capital increase.
  - The undisposed loss of ¥1,626,970 thousand that was recorded as extraordinary losses for the 7th fiscal period has been eliminated as AEON REIT implemented a capital reduction without compensation (deducting the amount from unitholders' capital), as set forth in Article 136-2 of the Investment Trusts Act.
  - AEON REIT made a resolution at its Board of Directors meeting held on September 14, 2016 to make cash distribution in excess of retained earnings (¥1,450 per unit) (return of unitholders' capital that corresponds to distribution through capital reduction under Japanese tax laws) as cash distribution for the 7th fiscal period. Payment started on October 14, 2016.
  - Public offering of new investment units for ¥118,950 per unit (excluding underwriting fee: ¥115,046 per unit) for the purpose of procuring funds for new property acquisitions.
  - Third-party allotment of new investment units for ¥115,046 per unit in conjunction with the public offering and capital increase.
  - Public offering of new investment units for ¥110,662 per unit (excluding underwriting fee: ¥107,086 per unit) for the purpose of procuring funds for new property acquisitions.
  - Third-party allotment of new investment units for ¥107,086 per unit in conjunction with the public offering and capital increase.

## Historical Unit Price

Our investment units are listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange. Highest and lowest closing prices by period are as follows.

(Yen)

	6th Period August 1, 2015 to January 31, 2016	7th Period February 1, 2016 to July 31, 2016	8th Period August 1, 2016 to January 31, 2017	9th Period February 1, 2017 to July 31, 2017	10th Period August 1, 2017 to January 31, 2018
Highest	¥149,000	¥146,600	¥132,400	¥129,500	¥124,400
Lowest	116,400	111,700	121,600	119,500	112,100

## Assets, Liabilities and Net Assets

Total assets as of January 31, 2018 increased ¥17,680 million from July 31, 2017 to ¥362,698 million. Current assets decreased ¥3,561 million to ¥18,237 million mainly due to lack of consumption taxes receivable. Total property and equipment increased ¥18,000 million to ¥286,760 million mainly due to the acquisition of properties.

Current liabilities increased ¥22,796 million from July 31, 2017 to ¥28,705 million, while non-current liabilities decreased ¥20,858 million to ¥135,915 million largely because of certain long-term loans payable shifted to current liabilities as they will become due for payment within a year.

AEON REIT had no short-term loans as of January 31, 2018. Current portion of long-term loans payable totaled ¥27,000 million and long-term loans totaled ¥117,000 million as of January 31, 2018, with investment corporation bonds standing at ¥6,000 million.

Consequently, interest-bearing debt as of January 31, 2018 was ¥150,000 million. Tenant leasehold and security deposits in trust were ¥12,913 million.

Net assets increased ¥15,742 million from July 31, 2017 to ¥198,077 million due to issuance of new investment units as well as recording of unappropriated retained earnings.

## Significant Events after the Balance Sheet Date

Not applicable

## Borrowings

Loans by lender as of January 31, 2018 are as follows.

### Current Portion of Long-Term Loans Payable

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds	Remarks
The Hiroshima Bank, Ltd.	February 27, 2015	¥ 300	—	0.30727	October 20, 2017	Bullet repayment	(Note 3)	Unsecured and unguaranteed
Mizuho Bank, Ltd.		200	—					
Sumitomo Mitsui Banking Corporation		100	—					
Sumitomo Mitsui Trust Bank, Limited		100	—					
Mizuho Bank, Ltd.	February 29, 2016	1,000	—	0.27727	October 20, 2017	Bullet repayment	(Note 3)	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,000	—					
Mizuho Bank, Ltd.	October 20, 2016	800	—	0.27727	October 20, 2017	Bullet repayment	(Note 4)	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		700	—					
Mizuho Bank, Ltd.	November 25, 2013	—	¥ 4,000	0.78125 <sup>(Note 2)</sup>	October 22, 2018	Bullet repayment	(Note 3)	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		—	3,000					
The Norinchukin Bank		—	3,000					
Mizuho Trust & Banking Co., Ltd.		—	3,000					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		—	3,000					
AEON BANK, LTD.		—	2,000					
The Hyakugo Bank, Ltd.		—	2,000					
Sumitomo Mitsui Trust Bank, Limited		—	2,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		—	2,000					
The 77 Bank, Ltd.		—	1,000					
The Hiroshima Bank, Ltd.		—	1,000					
Resona Bank, Limited		—	1,000					
Subtotal	—	¥4,200	¥27,000	—	—	—	—	—

## Long-Term Loans Payable

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 3)</sup>	Remarks
Mizuho Bank, Ltd.	November 25, 2013	4,000	—	0.78125 <sup>(Note 2)</sup>	October 22, 2018	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		3,000	—					
The Norinchukin Bank		3,000	—					
Mizuho Trust & Banking Co., Ltd.		3,000	—					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		3,000	—					
AEON BANK, LTD.		2,000	—					
The Hyakugo Bank, Ltd.		2,000	—					
Sumitomo Mitsui Trust Bank, Limited		2,000	—					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		2,000	—					
The 77 Bank, Ltd.		1,000	—					
The Hiroshima Bank, Ltd.		1,000	—					
Resona Bank, Limited		1,000	—					
Mizuho Bank, Ltd.	November 25, 2013	4,000	4,000	1.17250 <sup>(Note 2)</sup>	October 20, 2020	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		4,000	4,000					
Sumitomo Mitsui Trust Bank, Limited		4,000	4,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		3,000	3,000					
Development Bank of Japan Inc.		2,000	2,000					
The Norinchukin Bank		1,000	1,000					
The Mie Bank, Ltd.		1,000	1,000					
Mizuho Trust & Banking Co., Ltd.		1,000	1,000					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		1,000	1,000					
Resona Bank, Limited		1,000	1,000					
Mizuho Bank, Ltd.	November 25, 2013	1,000	1,000	1.76375 <sup>(Note 2)</sup>	October 20, 2023	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,000	1,000					
The Mie Bank, Ltd.		1,000	1,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		1,000	1,000					
Sumitomo Mitsui Trust Bank, Limited		1,000	1,000					

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 3)</sup>	Remarks
AEON BANK, LTD.	February 27, 2015	300	300	0.61910 <sup>(Note 2)</sup>	October 21, 2019	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
The Hyakugo Bank, Ltd.		300	300					
The 77 Bank, Ltd.		300	300					
Mizuho Bank, Ltd.		100	100					
Sumitomo Mitsui Banking Corporation		100	100					
Sumitomo Mitsui Trust Bank, Limited		100	100					
The Norinchukin Bank	February 27, 2015	900	900	0.88915 <sup>(Note 2)</sup>	October 20, 2021	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		800	800					
Mizuho Trust & Banking Co., Ltd.		500	500					
Resona Bank, Limited		500	500					
Development Bank of Japan Inc.		500	500					
Mizuho Bank, Ltd.		200	200					
Sumitomo Mitsui Banking Corporation		200	200					
Sumitomo Mitsui Trust Bank, Limited		200	200					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		200	200					
Mizuho Bank, Ltd.	February 27, 2015	1,300	1,300	1.40390 <sup>(Note 2)</sup>	October 21, 2024	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,000	1,000					
Sumitomo Mitsui Trust Bank, Limited		1,000	1,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		900	900					
The Mie Bank, Ltd.		300	300					
Mizuho Bank, Ltd.	February 29, 2016	1,200	1,200	0.14750 <sup>(Note 2)</sup>	October 21, 2019	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		900	900					
Sumitomo Mitsui Trust Bank, Limited		600	600					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		300	300					
The Hyakugo Bank, Ltd.		300	300					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		200	200					
The Norinchukin Bank		200	200					
Mizuho Trust & Banking Co., Ltd.		200	200					
Resona Bank, Limited		200	200					
Mizuho Bank, Ltd.		600	600					
Sumitomo Mitsui Trust Bank, Limited	February 29, 2016	400	400	1.40730 <sup>(Note 2)</sup>	October 20, 2027	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 3)</sup>	Remarks
Mizuho Bank, Ltd.	March 29, 2016	700	700	0.35125 <sup>(Note 2)</sup>	October 20, 2021	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		700	700					
Sumitomo Mitsui Trust Bank, Limited		700	700					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		700	700					
Mizuho Trust & Banking Co., Ltd.		600	600					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		500	500					
The Norinchukin Bank		500	500					
Resona Bank, Limited		400	400					
The Mie Bank, Ltd.		300	300					
The Hyakugo Bank, Ltd.		300	300					
The 77 Bank, Ltd.		300	300					
The Hiroshima Bank, Ltd.		300	300					
Mizuho Bank, Ltd.	March 29, 2016	900	900	0.54100 <sup>(Note 2)</sup>	October 20, 2022	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		900	900					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		800	800					
Sumitomo Mitsui Trust Bank, Limited		700	700					
Development Bank of Japan Inc.		600	600					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		500	500					
The Norinchukin Bank		500	500					
Mizuho Trust & Banking Co., Ltd.		500	500					
AEON BANK, LTD.	400	400						
Mizuho Bank, Ltd.	May 31, 2016	1,500	1,500	0.99100 <sup>(Note 2)</sup>	October 20, 2025	Bullet repayment	<sup>(Note 3)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,500	1,500					
Sumitomo Mitsui Trust Bank, Limited		1,500	1,500					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		1,500	1,500					
AEON BANK, LTD.		300	300					
The Mie Bank, Ltd.		300	300					

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 4)</sup>	Remarks
Mizuho Bank, Ltd.	October 20, 2016	700	700	0.23700 <sup>(Note 2)</sup>	October 21, 2019	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		500	500					
Sumitomo Mitsui Trust Bank, Limited		500	500					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		200	200					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		500	500					
The Norinchukin Bank		500	500					
Mizuho Trust & Banking Co., Ltd.		500	500					
Resona Bank, Limited		200	200					
The Chiba Bank, Ltd.		300	300					
Mizuho Bank, Ltd.	October 20, 2016	800	800	0.48750 <sup>(Note 2)</sup>	October 20, 2022	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		600	600					
Sumitomo Mitsui Trust Bank, Limited		500	500					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		500	500					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		500	500					
The Norinchukin Bank		500	500					
Mizuho Trust & Banking Co., Ltd.		500	500					
Resona Bank, Limited		400	400					
AEON BANK, LTD.		200	200					
The Hyakugo Bank, Ltd	300	300						
The Hiroshima Bank, Ltd.	October 20, 2016	200	200	0.55000	October 20, 2022	Bullet repayment		Unsecured and unguaranteed
Nippon Life Insurance Company		500	500					
Meiji Yasuda Life Insurance Company		500	500					
Mizuho Bank, Ltd.	October 20, 2016	900	900	0.61375 <sup>(Note 2)</sup>	October 20, 2023	Bullet repayment		Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		900	900					
Sumitomo Mitsui Trust Bank, Limited		800	800					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		800	800					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		700	700					
The Norinchukin Bank		700	700					
Mizuho Trust & Banking Co., Ltd.		900	900					
Resona Bank, Limited		400	400					
Development Bank of Japan Inc.		400	400					
AEON BANK, LTD.	200	200						

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 4)</sup>	Remarks
Mizuho Bank, Ltd.	October 20, 2016	900	900	0.87250 <sup>(Note 2)</sup>	October 20, 2025	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		700	700					
Sumitomo Mitsui Trust Bank, Limited		600	600					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		500	500					
Mizuho Bank, Ltd.	October 20, 2016	1,000	1,000	1.00300 <sup>(Note 2)</sup>	October 20, 2026	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,000	1,000					
Sumitomo Mitsui Trust Bank, Limited		800	800					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		800	800					
AEON BANK, LTD.		200	200					
The Mie Bank, Ltd.		300	300					
Mizuho Bank, Ltd.	March 28, 2017	1,300	1,300	0.28297	October 21, 2019	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,200	1,200					
Sumitomo Mitsui Trust Bank, Limited		1,200	1,200					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		1,200	1,200					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		600	600					
The Norinchukin Bank		600	600					
Mizuho Trust & Banking Co., Ltd.		300	300					
Mizuho Bank, Ltd.	March 28, 2017	1,100	1,100	0.43200 <sup>(Note 2)</sup>	October 20, 2021	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		900	900					
Sumitomo Mitsui Trust Bank, Limited		900	900					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		600	600					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		700	700					
The Norinchukin Bank		700	700					
Development Bank of Japan Inc.		400	400					
Mizuho Trust & Banking Co., Ltd.		300	300					
AEON BANK, LTD.		300	300					
Nippon Life Insurance Company		200	200					

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds <sup>(Note 4)</sup>	Remarks
Mizuho Bank, Ltd.	March 28, 2017	1,400	1,400	0.52800 <sup>(Note 2)</sup>	October 20, 2022	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		1,200	1,200					
Sumitomo Mitsui Trust Bank, Limited		900	900					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		100	100					
The Hyakugo Bank, Ltd.		300	300					
The Daisan Bank, Ltd.		500	500					
Shinsei Bank, Limited.		800	800					
Mizuho Bank, Ltd.	March 28, 2017	1,100	1,100	0.83800 <sup>(Note 2)</sup>	October 21, 2024	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		900	900					
Sumitomo Mitsui Trust Bank, Limited		800	800					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		800	800					
Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 6)</sup>		500	500					
The Norinchukin Bank		500	500					
Mizuho Trust & Banking Co., Ltd.		400	400					
Development Bank of Japan Inc.		700	700					
AEON BANK, LTD.		300	300					
Nippon Life Insurance Company		300	300					
Shinsei Bank, Limited.		500	500					
Mizuho Bank, Ltd.	March 28, 2017	800	800	1.09710 <sup>(Note 2)</sup>	October 20, 2026	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		800	800					
Sumitomo Mitsui Trust Bank, Limited		800	800					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. <sup>(Note 7)</sup>		700	700					
AEON BANK, LTD.		500	500					
The Mie Bank, Ltd.		600	600					
Meiji Yasuda Life Insurance Company		800	800					
The Hiroshima Bank, Ltd.	March 28, 2017	200	200	0.63000	October 20, 2022	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Mizuho Bank, Ltd.	December 27, 2017	—	1,200	0.52270 <sup>(Note 2)</sup>	October 20, 2023	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Sumitomo Mitsui Banking Corporation		—	800					
Sumitomo Mitsui Trust Bank, Limited		—	800					
The Juroku Bank, Ltd.		—	300					
Momiji Bank, Ltd.		—	300					

Lender	Drawdown Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Average Interest Rate <sup>(Note 1)</sup> (%)	Repayment Date	Repayment Method	Use of Funds	Remarks
The Hiroshima Bank, Ltd.	December 27, 2017	—	300	0.60000	October 20, 2023	Bullet repayment	<sup>(Note 4)</sup>	Unsecured and unguaranteed
Total long-term loans	—	¥140,300	¥117,000	—	—	—	—	—
Total borrowings	—	¥144,500	¥144,000	—	—	—	—	—

- Notes: 1. The average interest rate represents the weighted average of the interest rates of each loan agreement at period-end. For loans covered by interest rate swaps conducted to hedge the interest rate fluctuation risk, the weighted average reflecting the swaps is indicated.
2. Although these loans have variable interest rates, the interest payables have been fixed through interest rate swaps. Accordingly, the weighted average reflecting the swaps is indicated.
3. The loans are used for acquiring trust beneficiary rights in real estate.
4. The loans are used to partially fund refinancing of loans.
5. AEON REIT borrowed ¥6,000 million on September 19, 2017 and ¥4,200 million on October 20, 2017, and made bullet repayment for the entire amount, repaying ¥4,500 million on September 29, 2017 and ¥5,700 million on December 27, 2017.
6. As of April 16, 2018, Mitsubishi UFJ Trust and Banking Corporation's corporate lending operations were transferred to The Bank of Tokyo-Mitsubishi UFJ, Ltd. through a company split. In accordance with this, the loan claims held by Mitsubishi UFJ Trust and Banking Corporation were succeeded to The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of the same date.
7. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. as of April 1, 2018. However, the bank is indicated in its former name in the above list.

## Investment Corporation Bonds (as of January 31, 2018)

Bond	Issue Date	Balance at Beginning of Period (Millions of yen)	Balance at End of Period (Millions of yen)	Interest Rate (%)	Maturity Date	Redemption Method	Use of Funds	Remarks
1st unsecured investment corporation bonds	October 13, 2015	¥2,000	¥2,000	0.961	October 10, 2025	Bullet repayment <sup>(Note 1)</sup>	<sup>(Note 2)</sup>	Unsecured and unguaranteed <sup>(Note 3)</sup>
2nd unsecured investment corporation bonds	October 19, 2016	1,000	1,000	0.470	October 20, 2026	Bullet repayment <sup>(Note 1)</sup>	<sup>(Note 2)</sup>	Unsecured and unguaranteed <sup>(Note 3)</sup>
3rd unsecured investment corporation bonds	October 19, 2016	1,000	1,000	1.200	October 20, 2036	Bullet repayment <sup>(Note 1)</sup>	<sup>(Note 2)</sup>	Unsecured and unguaranteed <sup>(Note 3)</sup>
4th unsecured investment corporation bonds	December 8, 2017	—	2,000	0.680	December 8, 2027	Bullet repayment <sup>(Note 1)</sup>	<sup>(Note 2)</sup>	Unsecured and unguaranteed <sup>(Note 3)</sup>
Total investment corporation bonds	—	¥4,000	¥6,000	—	—	—	—	—

- Notes: 1. The Company is allowed to redeem the investment corporation bonds by purchase at any time on and after the day following the payment date, unless otherwise stipulated by the depository.
2. The funds are used for repayment of loans.
3. The investment corporation bonds are equipped with pari passu clause among specified investment corporation bonds.

## Short-Term Investment Corporation Bonds

None

## Acquisitions and Sales during the 10th Period

Type of Assets	Property Name	Acquisition		Sale			
		Acquisition Date	Acquisition Price (Millions of yen)	Sale Date	Sale Price (Millions of yen)	Book Value (Millions of yen)	Gain or Loss on Sale (Millions of yen)
Trust beneficiary rights in real estate	AEON MALL Shimotsuma	September 19, 2017	¥ 9,552	—	—	—	—
	AEON Kireuriwari Shopping Center	September 19, 2017	4,394	—	—	—	—
	Daiei Ibaraki Process Center	October 2, 2017	6,810	—	—	—	—
	AEON STYLE Kemigawahama	November 30, 2017	3,748	—	—	—	—
Total	—	—	¥24,504	—	—	—	—

Note: Acquisition price and sale price represent the amount (the sale and purchase price, etc., shown on the sale and purchase agreement, etc.) excluding expenses incurred on the acquisition of the real estate, etc. and the shares (commission, taxes and dues, etc.).

## Capital Expenditures

### Planned Capital Expenditures

The following table shows the major items of capital expenditures for renovation works, etc. (those exceeding ¥30 million per renovation work) that AEON REIT currently plans to conduct for the properties it owned as of January 31, 2018. The planned work expenses include portions that will be expensed as incurred for accounting purposes.

Property Name (Location)	Objective	Scheduled Period	Estimated Cost of Work (Millions of yen)		
			Total	Paid in 10th Period	Amount Already Paid
AEON MALL Kushiro-Showa (Kushiro City, Hokkaido Pref.)	Renewal of air conditioning units	From October 2018 to November 2018	¥213	¥—	¥—
	Rooftop waterproofing	From September 2018 to November 2018	88	—	—
AEON MALL Morioka (Morioka City, Iwate Pref.)	Renewal of electric heat pumps for air conditioning units	From April 2018 to May 2018	34	—	—
	Renewal of electric heat pumps for air conditioning units	From October 2018 to November 2018	43	—	—
AEON MALL Ishinomaki (Ishinomaki City, Miyagi Pref.)	Exterior wall repairs	From May 2018 to November 2018	175	—	—
AEON MALL Yamagata-Minami (Yamagata City, Yamagata Pref.)	Renewal of emergency broadcasting equipment	From October 2018 to October 2018	22	—	—
	Renewal of fire alarms	From October 2018 to October 2018	30	—	—

Property Name (Location)	Objective	Scheduled Period	Estimated Cost of Work (Millions of yen)		
			Total	Paid in 10th Period	Amount Already Paid
AEON MALL Oyama (Oyama City, Tochigi Pref.)	Work on anti-smoke hanging incombustible sheets	From June 2018 to July 2018	38	—	—
AEON MALL Ota (Ota City, Gunma Pref.)	Renewal of air conditioning units	From October 2018 to November 2018	102	—	—
AEON Chigasaki Chuo Shopping Center (Chigasaki City, Kanagawa Pref.)	Work on anti-smoke hanging incombustible sheets	From June 2018 to July 2018	43	—	—
	Exterior wall painting	From May 2018 to November 2018	309	—	—
AEON MALL Suzuka (Suzuka City, Mie Pref.)	Renewal of gas heat pumps for air conditioning units	From October 2018 to November 2018	76	—	—
AEON MALL Meiwa (Taki County, Mie Pref.)	Renewal of air conditioning units	From October 2018 to November 2018	30	—	—
AEON MALL Yokkaichi-Kita (Yokkaichi City, Mie Pref.)	Renewal of fire alarm board and sensors	From November 2018 to November 2018	27	—	—
	Work on anti-smoke hanging incombustible sheets	From May 2018 to June 2018	46	—	—
AEON Kireuriwari Shopping Center (Osaka City, Osaka Pref.)	Exterior wall painting	From November 2017 to February 2018	120	—	—
AEON MALL Hiezu (Saihaku County, Tottori Pref.)	Waterproofing of slopes of East Building	From March 2018 to June 2018	60	—	—
	Revitalization of directly operated northern entrance of East Build- ing	From March 2018 to April 2018	59	—	—
	Exterior wall painting of East Building	From March 2018 to June 2018	134	—	—
	Waterproofing of the MOVIX roof	From September 2018 to September 2018	38	—	—
	Renewal of air conditioning units	From October 2018 to November 2018	35	—	—
AEON MALL Kurashiki (Kurashiki City, Okayama Pref.)	Renewal of electric heat pumps for air conditioning units	From March 2018 to April 2018	60	—	—
	Renewal of well water piping	From March 2018 to March 2018	81	—	—
	Renewal of electric heat pumps for air conditioning units	From September 2018 to September 2018	57	—	—
	Renewal of chilled-water pack- aged air conditioning units	From November 2018 to January 2019	246	—	—
	Revitalization	From March 2018 to August 2018	82	—	—
AEON MALL Nogata (Nogata City, Fukuoka Pref.)	Conversion of lighting to LEDs	From April 2018 to May 2018	78	—	—
	Renewal of gas heat pumps for air conditioning units	From November 2018 to December 2018	41	—	—
	Renewal of electric heat pumps for air conditioning units	From November 2018 to December 2018	81	—	—
AEON MALL Kumamoto (Kamimashiki County, Kumamoto Pref.)	External wall painting	From March 2018 to June 2018	230	—	—
	Renewal of central monitoring equipment	From June 2018 to June 2018	56	—	—
	Conversion of lighting to LEDs	From May 2018 to June 2018	102	—	—

Property Name (Location)	Objective	Scheduled Period	Estimated Cost of Work (Millions of yen)		
			Total	Paid in 10th Period	Amount Already Paid
AEON MALL Kagoshima (Kagoshima City, Kagoshima Pref.)	Work on anti-smoke hanging incombustible sheets	From October 2018 to November 2018	56	—	—

### Capital Expenditures during the 10th Period

The following table shows the major items of capital expenditures (those exceeding ¥30 million per work) the Company conducted during the 10th fiscal period for the properties it owned as of January 31, 2018. The capital expenditures for the 10th fiscal period amounted to ¥1,063 million. Combined with the repair expenses of ¥452 million that were classified as expenses, the Company conducted construction work of ¥1,516 million in total during the fiscal period.

Property name (Location)	Purpose	Period	Cost of construction works (Millions of yen)
AEON MALL Morioka (Morioka City, Iwate Pref.)	Installation of waste water pre-treatment facilities	From May 2017 to September 2017	¥ 96
AEON Chigasaki Chuo Shopping Center (Chigasaki City, Kanagawa Pref.)	Painting of exterior slope on the western side and stairs steel	From October 2017 to December 2017	62
AEON MALL Suzuka (Suzuka City, Mie Pref.)	Revitalization	From June 2017 to November 2017	300
AEON MALL Kurashiki (Kurashiki City, Okayama Pref.)	Revitalization	From August 2017 to December 2017	130
	Renewal of well water piping	From October 2017 to January 2018	112
AEON MALL Nogata (Nogata City, Fukuoka Pref.)	Setting of LED lighting	From December 2017 to January 2018	68

### Additions to Reserves for Long-Term Renovations

None

## Asset Management Expenses

(Thousands of yen)

	9th Period February 1, 2017 to July 31, 2017	10th Period August 1, 2017 to January 31, 2018
Asset management fees <sup>(Note)</sup>	¥613,960	¥722,381
Asset management fee I	364,516	461,328
Asset management fee II	249,443	261,052
Asset custody fees	17,380	18,478
Agent fees	50,702	58,076
Directors' remuneration	3,600	3,600
Other expenses	78,112	101,151
Total	¥763,755	¥903,688

Note: Asset management fees above do not include fees paid upon acquisition or disposition of real estate that are calculated based on the purchase or sale price. Real estate acquisition fees totaled ¥113,150 thousand in the 10th Period, and ¥179,925 thousand in the 9th Period.

## Transactions with Related Parties

### (1) Purchase and Sale Transactions with Related Parties

Category	Purchase or Sale Price (Millions of yen)	
	Purchase Price	Sale Price
Total	¥24,504	—
<b>Breakdown of Transactions with Related Parties</b>		
AEON Retail Co., Ltd.	¥3,748 (15.3%)	—
Total	¥3,748 (15.3%)	—

Note: The above table details transactions with related parties during the 9th fiscal period. "Related parties" are defined as related parties of the asset management companies under asset management agreement with AEON REIT as defined in Article 123 of Order for Enforcement of the Act on Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management reports of investment trusts and investment corporations set by The Investment Trusts Association, Japan.

### (2) Leasing to Related Parties

Lessee	Total Rent Received (Millions of yen)
AEON Retail Co., Ltd.	¥ 7,339
AEON Mall Co., Ltd.	6,074
AEON Hokkaido Corporation	678
AEON KYUSHU Co., Ltd.	589
The Daiei, Inc.	555
AEON Global SCM Co., Ltd.	289
AEON CO. (M) BHD. <sup>(Note)</sup>	20 (756 thousand RM)
Total	¥15,547

Note: The amount of total rent received is converted to Japanese yen using the exchange rate (the average exchange rate during the month prior to the transaction) at the time of the transaction.

### (3) Leasing from Related Parties

Lessor	Total Rent Paid (Millions of yen)
AEON Retail Co., Ltd.	¥1,148
AEON Mall Co., Ltd.	679
AEON Hokkaido Corporation	165
AEON KYUSHU Co., Ltd.	32
Total	¥2,026

### (4) Fees Paid

Type of Fee	Total Fees (A) (Thousands of yen)	Transactions with Related Parties		
		Recipient	Fees Paid (B) (Thousands of yen)	Share of Total Fees (B/A) (%)
Management service fees	¥ 41,812	AEON DELIGHT CO., LTD.	¥ 9,204	22.0
Interest expenses	627,653	AEON BANK, LTD.	13,605	2.2
Insurance expenses	307,476	AEON INSURANCE SERVICE CO., LTD.	307,459	100.0

Notes: 1. The above table includes fees paid for transactions with related parties of the Asset Manager during the 10th Period.  
2. In addition to the fees above, the amount paid to AEON DELIGHT CO., LTD. for repair work during the 10th Period was ¥473,022 thousand.  
3. Interest expenses include financial fees, interests paid and accrued interests.  
4. Amounts do not include consumption taxes.

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## Information Required under Article 22(2)(d) of the EU Alternative Investment Fund Managers Directive (AIFMD)

### **(1) Material Changes in Information Listed in Article 23 of AIFMD during the Financial Period Covered by the Report (Six-month fiscal period ended January 31, 2018)**

With respect to Article 23(1)(i), we made minor changes to the description of Type 1 and Type 2 Asset Management Fees based on amendments to the articles of incorporation related to revision of the fee calculation method.

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## Risk Factors

An investment in our units involves significant risks. The principal risks with respect to investment in AEON REIT are as follows.

### **Property and Business Risks**

- Any adverse conditions in Japan's retail industry or the Japanese economy could adversely affect us.
- We are dependent on the AEON Group for substantially all of our rental income; therefore, our financial condition and ability to make distributions may be adversely affected by lease terminations by, the bankruptcy or insolvency of, or a downturn in the business of the AEON Group.
- Our reliance on the Sponsor and other AEON Group companies could have a material adverse effect on our business.
- There are potential conflicts of interest between us and certain AEON Group companies, including the Asset Manager.
- As the first J-REIT to hold a property outside of Japan, we are subject to uncertainties to which other J-REITs may not be subject, which may make it difficult to evaluate our prospects.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings.
- Illiquidity in the real estate market may limit our ability to grow or adjust our portfolio and our master lease agreements could make our investments more illiquid.
- The past experience of the AEON Group in the Japanese real estate market is not an indicator or guarantee of our future results.
- The high concentration of retail properties in our portfolio may entail special risks not shared by J-REITs that invest in a more diversified range of real estate or real estate-related assets.
- Any inability to obtain financing for future acquisitions could adversely affect the growth of our portfolio.
- Liquidity and other limitations on our activities under debt financing arrangements may adversely affect our business, financial condition and results of operations.
- Increases in prevailing market interest rates may increase our interest expense and may result in a decline in the market price of our units.
- A high LTV ratio may increase our exposure to changes in interest rates and have a material adverse effect on our business, financial condition and results of operations.
- We may suffer impairment losses relating to our properties.
- Decreases in master lessees' leasehold deposits and/or security deposits may increase our funding costs.
- Any property defect may adversely affect our business, financial condition and results of operations.
- We may suffer large losses in the case of a natural or man-made disaster.
- We rely on expert appraisals and engineering, environmental and seismic reports, which are subject to significant uncertainties.

- We rely on industry and market data that are subject to significant uncertainties.
- We rely on third parties to evaluate the compliance of properties that we own or may acquire with building codes and earthquake standards, and we may suffer significant costs or incur sizable liabilities if any non-compliance is subsequently discovered.
- The environmental assessments of our properties made prior to our ownership may not uncover all environmental liabilities, and Japanese laws subject property owners to strict environmental liabilities.
- Entering into forward commitment contracts or contracts to purchase properties under development may expose us to contractual penalties and market risks.
- Unitholders have limited control over changes in our investment policies.
- Our success depends on the performance of service providers to which we are required to assign various key functions.
- Our performance depends on the efforts of key personnel of the Asset Manager.
- J-REITs and their asset managers are subject to tight supervision by the regulatory authorities.
- The Malaysian ringgit may be subject to exchange controls.
- The Asset Manager has limited experience in operating a J-REIT.

### **Taxation Risks**

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our cash distributions to our unitholders.
- If the Japanese tax authorities disagree with the interpretations of the Japanese tax laws and regulations we used for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain transfer taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We may be subject to taxes in countries other than Japan due to our investments outside of Japan and our investors may not be able to take advantage of available credits associated with such taxes.

### **Legal and Regulatory Risks**

- Our ownership rights in some of our properties may be declared invalid or limited.
- Our leasehold or subleasehold rights may be terminated or may not be asserted against a third party in some cases.
- Properties for which third parties hold leasehold interests in the land and own the buildings on the land may subject us to various risks.
- Some of the properties we acquire may be designated as reserved land (horyu-chi) or provisionally allocated land (kari-kanchi) and our rights relating to such properties may be affected by the operation of the Land Readjustment Act.
- We may from time to time own properties in the form of stratified ownership (kubun shoyu) interests and our rights relating to such properties may be affected by the rights and intentions of other owners.
- Some of the properties we may acquire may be held in the form of a property or trust beneficiary co-ownership interest, and our rights relating to such properties may be affected by the intentions of other owners.
- We may hold interests in some properties through preferred shares of a special purpose company (tokutei mokuteki kaisha) in the future, and illiquidity in the market for such shares may limit our ability to sell our interest, and our rights relating to the properties held by such special purpose companies may be limited.
- We may hold interests in some properties through Japanese anonymous association (tokumei kumiai) agreements, and our rights relating to such properties may be limited.
- Our Malaysian property or any part of it may be acquired compulsorily.
- We will own most of our properties through trust beneficiary interests and may suffer losses as a trust

beneficiary.

- There are important differences regarding the rights of unitholders in a J-REIT compared to those of shareholders in a corporation.
- Tax increases or adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations.

# AEON REIT Investment Corporation

## Balance Sheets

As of July 31, 2017 and January 31, 2018

	(Thousands of yen)		(Thousands of U.S. dollars)
	Previous fiscal period (As of July 31, 2017)	Current fiscal period (As of January 31, 2018)	Current fiscal period (As of January 31, 2018)
<b>Assets</b>			
Current assets			
Cash and deposits <sup>(Note 10, 12)</sup>	¥ 12,002,593	¥ 9,538,680	\$ 87,623
Cash and deposits in trust <sup>(Note 10, 12)</sup>	6,850,168	8,041,075	73,866
Prepaid expenses	512,960	647,245	5,945
Income taxes receivable	9	14	0
Consumption taxes receivable	2,421,369	—	—
Other	11,486	10,497	96
Total current assets	21,798,587	18,237,512	167,531
Non-current assets			
Property and equipment <sup>(Note 4)</sup>			
Land	108,463	108,463	996
Buildings in trust	184,255,828	194,730,075	1,788,812
Accumulated depreciation	(20,901,945)	(25,176,671)	(231,275)
Buildings in trust, net	163,353,883	169,553,403	1,557,536
Structures in trust	1,241,307	1,348,942	12,391
Accumulated depreciation	(663,978)	(769,638)	(7,069)
Structures in trust, net	577,328	579,303	5,321
Tools, furniture and fixtures in trust	3,467	9,191	84
Accumulated depreciation	(830)	(1,274)	(11)
Tools, furniture and fixtures in trust, net	2,636	7,917	72
Land in trust	104,717,380	116,511,568	1,070,288
Total property and equipment	268,759,693	286,760,656	2,634,215
Intangible assets <sup>(Note 4)</sup>			
Leasehold rights in trust	46,785,787	50,178,762	460,947
Total intangible assets	46,785,787	50,178,762	460,947
Investments and other assets			
Shares of subsidiaries and associates <sup>(Note 12)</sup>	6,078,453	6,078,453	55,837
Long-term prepaid expenses	1,280,749	1,138,607	10,459
Lease and guarantee deposits	10,460	10,460	96
Total investments and other assets	7,369,664	7,227,521	66,392
Total non-current assets	322,915,145	344,166,940	3,161,555
Deferred assets			
Investment unit issuance expenses	251,602	220,787	2,028
Investment corporation bond issuance costs	52,322	73,159	672
Total deferred assets	303,924	293,946	2,700
<b>Total assets</b>	<b>¥345,017,657</b>	<b>¥362,698,399</b>	<b>\$3,331,787</b>
<b>Liabilities</b>			
Current liabilities			
Operating accounts payable	¥ 1,177,198	¥ 851,409	\$ 7,821
Current portion of long-term loans payable <sup>(Note 5, 12)</sup>	4,200,000	27,000,000	248,024
Accounts payable - other	334,632	350,377	3,218
Accrued expenses	48,121	44,192	405
Income taxes payable	605	605	5
Accrued consumption taxes	—	268,141	2,463
Other	148,320	190,685	1,751
Total current liabilities	5,908,878	28,705,412	263,691
Non-current liabilities			
Investment corporation bonds <sup>(Note 5, 12)</sup>	4,000,000	6,000,000	55,116
Long-term loans payable <sup>(Note 5, 12)</sup>	140,300,000	117,000,000	1,074,774
Tenant leasehold and security deposits <sup>(Note 12)</sup>	2,628	2,628	24
Tenant leasehold and security deposits in trust <sup>(Note 12)</sup>	12,471,849	12,913,216	118,622
Total non-current liabilities	156,774,477	135,915,844	1,248,537
Total liabilities	162,683,355	164,621,256	1,512,229
<b>Net assets</b> <sup>(Note 6)</sup>			
Unitholders' equity			
Unitholders' capital	180,552,316	195,698,024	1,797,703
Deduction from unitholders' capital			
Other deduction from unitholders' capital	(3,525,697)	(3,525,697)	(32,387)
Total deduction from unitholders' capital	(3,525,697)	(3,525,697)	(32,387)
Unitholders' capital, net	177,026,618	192,172,327	1,765,316
Surplus			
Voluntary reserve			
Distribution reserve	—	520,000	4,776
Total voluntary reserve	—	520,000	4,776
Unappropriated retained earnings	5,307,682	5,384,815	49,465
Total surplus	5,307,682	5,904,815	54,242
Total unitholders' equity	182,334,301	198,077,143	1,819,558
Total net assets	182,334,301	198,077,143	1,819,558
<b>Total liabilities and net assets</b>	<b>¥345,017,657</b>	<b>¥362,698,399</b>	<b>\$3,331,787</b>

The accompanying notes form an integral part of these financial statements.

# AEON REIT Investment Corporation

## Statements of Income

AEON REIT Investment Corporation

For the six-month periods ended July 31, 2017 and January 31, 2018

	(Thousands of yen)		(Thousands of U.S. dollars)
	Previous fiscal period (From February 1, 2017 to July 31, 2017)	Current fiscal period (From August 1, 2017 to January 31, 2018)	Current fiscal period (From August 1, 2017 to January 31, 2018)
<b>Operating revenue</b>			
Rent revenue - real estate <sup>(Note 8)</sup>	¥14,561,163	¥15,656,508	\$143,822
Dividends received <sup>(Note 8)</sup>	81,390	123,790	1,137
Total operating revenue	14,642,554	15,780,299	144,959
<b>Operating expenses</b>			
Expenses related to rent business <sup>(Note 8)</sup>	8,253,947	8,599,621	78,997
Asset management fee	613,960	722,381	6,635
Asset custody fee	17,380	18,478	169
Administrative service fees	50,702	58,076	533
Directors' compensation	3,600	3,600	33
Taxes and dues	2,814	1,684	15
Other operating expenses	75,297	99,467	913
Total operating expenses	9,017,702	9,503,310	87,298
<b>Operating income</b>	5,624,851	6,276,989	57,661
<b>Non-operating income</b>			
Interest income	62	91	0
Refund of unpaid distributions	2,662	3,382	31
Interest on refund	—	3,249	29
Other	—	709	6
Total non-operating income	2,724	7,433	68
<b>Non-operating expenses</b>			
Interest expenses	546,237	578,222	5,311
Interest expenses on investment corporation bonds	17,907	20,061	184
Amortization of investment unit issuance expenses	70,587	77,002	707
Investment unit issuance expenses	4,413	30	0
Amortization of investment corporation bond issuance costs	2,438	2,832	26
Other offering costs associated with issuance of investment units	334	4	0
Borrowing related expenses	211,943	217,262	1,995
Other	13	—	—
Total non-operating expenses	853,875	895,417	8,225
<b>Ordinary income</b>	4,773,701	5,389,004	49,503
<b>Extraordinary income</b>			
Gain on reversal of provision for loss on disaster <sup>(Note 8)</sup>	500,263	—	—
Refund of fixed asset tax <sup>(Note 8)</sup>	37,555	—	—
Total extraordinary income	537,819	—	—
<b>Income before income taxes</b>	5,311,520	5,389,004	49,503
Income taxes - current <sup>(Note 9)</sup>	4,621	5,193	47
Total income taxes	4,621	5,193	47
<b>Net income</b>	5,306,899	5,383,811	49,456
Retained earnings brought forward	783	1,004	9
Unappropriated retained earnings (undisposed loss) <sup>(Note 7)</sup>	¥ 5,307,682	¥ 5,384,815	\$ 49,465

The accompanying notes form an integral part of these financial statements.

# AEON REIT Investment Corporation

## Statements of Changes in Net Assets

For the six-month periods ended July 31, 2017 and January 31, 2018

Previous fiscal period (From February 1, 2017 to July 31, 2017)

(Thousands of yen)

	Unitholders' equity							
	Deduction from unitholders' capital				Surplus			
	Unitholders' capital	Other deduction from unitholders' capital	Total deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity	Total net assets
Balance at beginning of current period	¥142,996,124	(¥3,525,697)	(¥3,525,697)	¥139,470,427	¥3,954,064	¥3,954,064	¥143,424,491	¥143,424,491
Changes of items during period								
Issuance of new investment units	37,556,191			37,556,191			37,556,191	37,556,191
Dividends of surplus					(3,953,280)	(3,953,280)	(3,953,280)	(3,953,280)
Net income					5,306,899	5,306,899	5,306,899	5,306,899
Total changes of items during period	37,556,191	—	—	37,556,191	1,353,618	1,353,618	38,909,809	38,909,809
Balance at end of current period	¥180,552,316	(¥3,525,697)	(¥3,525,697)	¥177,026,618	¥5,307,682	¥5,307,682	¥182,334,301	¥182,334,301

Current fiscal period (From August 1, 2017 to January 31, 2018)

(Thousands of yen)

	Unitholders' equity									
	Deduction from unitholders' capital				Surplus					
	Unitholders' capital	Other deduction from unitholders' capital	Total deduction from unitholders' capital	Unitholders' capital, net	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity	Total net assets
					Distribution reserve	Total voluntary reserve				
Balance at beginning of current period	¥180,552,316	(¥3,525,697)	(¥3,525,697)	¥177,026,618	¥ —	¥ —	¥5,307,682	¥5,307,682	¥182,334,301	¥182,334,301
Changes of items during period										
Issuance of new investment units	15,145,708			15,145,708					15,145,708	15,145,708
Provision of distribution reserve					520,000	520,000	(520,000)	—	—	—
Dividends of surplus							(4,786,678)	(4,786,678)	(4,786,678)	(4,786,678)
Net income							5,383,811	5,383,811	5,383,811	5,383,811
Total changes of items during period	15,145,708	—	—	15,145,708	520,000	520,000	77,133	597,133	15,742,841	15,742,841
Balance at end of current period	¥195,698,024	(¥3,525,697)	(¥3,525,697)	¥192,172,327	¥520,000	¥520,000	¥5,384,815	¥5,904,815	¥198,077,143	¥198,077,143

Current fiscal period (From August 1, 2017 to January 31, 2018)

(Thousands of U.S. dollars)

	Unitholders' equity									
	Deduction from unitholders' capital				Surplus					
	Unitholders' capital	Other deduction from unitholders' capital	Total deduction from unitholders' capital	Unitholders' capital, net	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity	Total net assets
					Distribution reserve	Total voluntary reserve				
Balance at beginning of current period	\$1,658,573	(\$32,387)	(\$32,387)	\$1,626,186	\$ —	\$ —	\$48,756	\$48,756	\$1,674,943	\$1,674,943
Changes of items during period										
Issuance of new investment units	139,130			139,130					139,130	139,130
Provision of distribution reserve					4,776	4,776	(4,776)	—	—	—
Dividends of surplus							(43,970)	(43,970)	(43,970)	(43,970)
Net income							49,456	49,456	49,456	49,456
Total changes of items during period	139,130	—	—	139,130	4,776	4,776	708	5,485	144,615	144,615
Balance at end of current period	\$1,797,703	(\$32,387)	(\$32,387)	\$1,765,316	\$4,776	\$4,776	\$49,465	\$54,242	\$1,819,558	\$1,819,558

The accompanying notes form an integral part of these financial statements.

# AEON REIT Investment Corporation

## Statements of Cash Flows

AEON REIT Investment Corporation

For the six-month periods ended July 31, 2017 and January 31, 2018

	(Thousands of yen)		(Thousands of U.S. dollars)
	Previous fiscal period (From February 1, 2017 to July 31, 2017)	Current fiscal period (From August 1, 2017 to January 31, 2018)	Current fiscal period (From August 1, 2017 to January 31, 2018)
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 5,311,520	¥ 5,389,004	\$ 49,503
Depreciation	4,176,697	4,380,830	40,242
Amortization of investment corporation bond issuance costs	2,438	2,832	26
Amortization of investment unit issuance expenses	70,587	77,002	707
Interest income	(62)	(91)	(0)
Interest expenses	564,144	598,284	5,495
Increase (decrease) in provision for loss on disaster	(3,755,901)	—	—
Decrease (increase) in consumption taxes refund receivable	(2,421,369)	2,421,369	22,242
Increase (decrease) in accrued consumption taxes	(183,490)	268,141	2,463
Decrease (increase) in prepaid expenses	21,577	(134,285)	(1,233)
Increase (decrease) in operating accounts payable	(77,089)	148,968	1,368
Increase (decrease) in accounts payable - other	73,379	15,745	144
Decrease (increase) in long-term prepaid expenses	(163,940)	142,142	1,305
Other, net	(523,578)	44,608	409
Subtotal	3,094,916	13,354,552	122,676
Interest income received	62	91	0
Interest expenses paid	(558,172)	(602,213)	(5,531)
Income taxes paid	(4,605)	(5,197)	(47)
<b>Net cash provided by operating activities</b>	2,532,200	12,747,233	117,097
<b>Cash flows from investing activities</b>			
Purchase of property and equipment in trust	(47,821,363)	(22,856,550)	(209,962)
Purchase of intangible assets in trust	(15,169,018)	(3,392,974)	(31,168)
Proceeds from tenant leasehold and security deposits in trust	2,025,203	441,366	4,054
<b>Net cash used in investing activities</b>	(60,965,178)	(25,808,158)	(237,076)
<b>Cash flows from financing activities</b>			
Proceeds from short-term loans payable	29,700,000	10,200,000	93,698
Repayments of short-term loans payable	(29,700,000)	(10,200,000)	(93,698)
Proceeds from long-term loans payable	29,700,000	3,700,000	33,988
Repayments of long-term loans payable	—	(4,200,000)	(38,581)
Proceeds from issuance of investment corporation bonds	—	1,976,330	18,154
Proceeds from issuance of investment units	37,379,068	15,099,520	138,705
Dividends paid	(3,954,937)	(4,788,643)	(43,989)
<b>Net cash provided by financing activities</b>	63,124,130	11,787,207	108,278
Effect of exchange rate change on cash and cash equivalents	(10)	710	6
<b>Net increase (decrease) in cash and cash equivalents</b>	4,691,142	(1,273,006)	(11,693)
Cash and cash equivalents at beginning of period	14,161,619	18,852,762	173,183
<b>Cash and cash equivalents at end of period</b> <sup>(Note 10)</sup>	¥18,852,762	¥17,579,755	\$161,489

The accompanying notes form an integral part of these financial statements.

# AEON REIT Investment Corporation

## Notes to Financial Statements

For the six-month periods ended July 31, 2017 and January 31, 2018

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### 1. Organization

AEON REIT Investment Corporation (the “Company”) is a real estate investment trust mainly investing in retail properties that form local communities’ retail business infrastructure.

The Company was established on November 30, 2012, with AEON Reit Management Co., Ltd. as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trusts Act”) and registered with the Kanto Local Finance Bureau on December 20, 2012.

On November 22, 2013, the Company was listed on the real estate investment trust securities market of Tokyo Stock Exchange.

In the fiscal period under review (10th fiscal period), AEON REIT issued new investment units in September and October 2017 (total paid-in amount: ¥15,145 million). Using the procured funds in combination with ¥6,000 million in new debt financing, AEON REIT acquired four properties comprising AEON MALL Shimotsuma, AEON Kireuriwari Shopping Center, Daiei Ibaraki Process Center and AEON STYLE Kemigawahama (total acquisition price: ¥24,504 million).

As a result, the real estate held by the Company as of January 31, 2018 totaled 40 properties in Japan and overseas, including AEON MALL SEREMBAN 2 it owns through an overseas real estate holding corporation (hereinafter, the “Overseas SPC”), with a total acquisition price of ¥355,194 million. Total leasable area is 3,411,074.32 m<sup>2</sup> and the occupancy rate of the entire portfolio is 100% as of the same date.

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### 2. Basis of Presentation

The Company maintains its books of accounts in accordance with the provisions set forth in the Investment Trusts Act, the Financial Instruments and Exchange Act of Japan and other 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 (hereinafter “IFRS”). The accompanying financial statements have been compiled from the financial statements that were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, certain rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the regulation under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements in yen do not necessarily agree with the sums of the individual amounts.

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 ¥108.86 to \$1, the approximate rate of exchange at January 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

The Company does not prepare consolidated financial statements. The Company has six-month fiscal periods ending January 31 and July 31 of each calendar year.

### 3. Summary of Significant Accounting Policies

#### (a) Valuation Standard and Method for Securities

##### Securities

Shares of subsidiaries and associates

Shares issued by an overseas real estate holding corporation, as set forth in Article 221-2-1 of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations, are stated utilizing the moving-average cost method.

#### (b) Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed by the straight-line method over the following useful lives:

Buildings in trust	3 to 51 years
Structures in trust	3 to 35 years
Tools, furniture and fixtures in trust	6 years

#### (c) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

#### (d) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date, and differences arising from the translation are included in the statements of income.

#### (e) Investment Unit Issuance Expenses

Investment unit issuance expenses are capitalized and amortized by the straight-line method over three years.

#### (f) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are capitalized and amortized by the straight-line method over the respective terms of the investment corporation bonds.

#### (g) Income Taxes

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.

#### (h) Consumption Taxes

National and local consumption taxes are excluded from transaction amounts.

#### (i) Property-related Taxes

Property-related taxes, such as fixed asset tax, city planning tax, and depreciable asset tax, are imposed on real property held on a calendar year basis. The amount of such taxes assessed and determined by the local government that corresponds to the respective fiscal period is charged to expense as expenses related to rent business.

Generally, the seller of a property is liable for property-related taxes for the calendar year in which the property is disposed and is reimbursed by the buyer for a tax amount calculated from the date of disposal through the end of the calendar year. The tax amount is not charged to expense but capitalized as part of the acquisition cost for the respective property.

Capitalized property-related taxes for the six-month period ended January 31, 2018 are ¥53,041 thousand

(\$487 thousand). Capitalized property-related taxes for the six-month period ended July 31, 2017 were ¥542,976 thousand.

#### (j) Revenue Recognition

Revenue from leasing of retail space includes fixed rental revenue and the amount equivalent to fixed asset tax, city planning tax, and depreciable asset tax, which are all recognized on an accrual basis over the life of each lease.

#### (k) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months from the date of acquisition.

#### (l) Hedge Accounting

The Company enters into derivative transactions for the purpose of hedging risks defined in the Articles of Incorporation of the Company pursuant to the regulations that stipulate the basic policy of risk management. The Company hedges the risks of fluctuation in interest rates on borrowings using interest rate swaps.

The Company applies the exceptional treatment where interest rate swaps that qualify for hedge accounting and meet specific criteria are not remeasured at fair value but differentials paid or received under swap agreements are recognized and included in interest expenses or income. The Company does not assess hedge effectiveness since the interest rate swaps meet the criteria required for such exceptional treatment.

#### (m) Accounting Treatment for Trust Beneficiary Rights in Real Estate

For trust beneficiary rights in real estate, all assets and liabilities with respect to assets in trust as well as all revenues generated and expenses incurred with respect to assets in trust are recorded in the relevant accounts for balance sheets and statements of income of the accompanying financial statements.

## 4. Investment and Rental Properties

The Company holds retail properties for rental purposes. The following table shows the carrying amount and fair value of these rental properties for the six-month periods ended July 31, 2017 and January 31, 2018.

The amounts for the six-month period ended July 31, 2017 and the amounts for the six-month period ended January 31, 2018 do not include AEON Mall Seremban 2 held through the overseas SPC.

	As of / For the six-month period ended		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Thousands of yen)		(Thousands of U.S. dollars)
<b>Carrying amount</b> <sup>(Note 1)</sup>			
Balance at beginning of period	¥253,980,614	¥315,545,481	\$2,898,635
Changes during period <sup>(Note 2, 3)</sup>	61,564,866	21,393,938	196,527
Balance at end of period	¥315,545,481	¥336,939,419	\$3,095,162
<b>Fair value at end of period</b> <sup>(Note 4)</sup>	¥346,866,700	¥372,803,280	\$3,424,612

Notes: 1. The carrying amount is stated at acquisition cost less accumulated depreciation.

2. Of the changes during the period for the six-month period ended July 31, 2017, the increase is mainly due to the acquisition of five properties: AEON MALL Itamikoya, AEON MALL Kagoshima, AEON MALL Tsuchiura, AEON MALL Kahoku and AEON Minami-Osaka RDC, amounting to ¥62,964,184 thousand and capital expenditures, such as replacement of electric heat pumps of air conditioning units at existing properties, amounting to ¥2,777,379 thousand, while the decrease is principally attributable to depreciation amounting to ¥4,176,697 thousand.

3. Of the changes during the fiscal period for the six month period ended January 31, 2018, the increase is mainly due to acquisition of four properties (AEON MALL Shimotsuma, AEON Kireuiwari Shopping Center, Daiei Ibaraki Process Center and AEON STYLE Kemigawahama),

amounting to ¥24,711,426 thousand (\$227,001 thousand) and capital expenditures at existing properties amounting to ¥1,063,341 thousand (\$9,767 thousand), while the decrease is principally attributable to depreciation amounting to ¥4,380,830 thousand (\$40,242 thousand).

4. The fair value at the end of the period is the sum of the appraisal or survey values provided by an independent real estate appraiser.

Please refer to “8. Revenues and Expenses Related to Real Estate Leasing Business” for revenues and expenses related to investment and rental property.

### Limitations on Management of Assets

#### For the six-month period ended July 31, 2017

The Company owns the shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd., which falls under the category of an overseas real estate holding corporation in the sense that the Company holds the shares issued by an overseas real estate holding corporation or equity interests in the corporation with the number of issues or the value of equity interests surpassing the number or value obtained by multiplying the total number of shares issued by the corporation or the total value of the equity interests in the corporation (excluding the treasury shares or equity investment on its own of the corporation) by the rate designated in Article 221 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations. Matters related to JAMBATAN MANSEIBASHI (M) Sdn. Bhd. are as follows. Furthermore, the financial statements based on Malaysia’s accounting standards (equivalent to IFRS) have been audited by PwC Malaysia.

#### (1) Total acquisition price of shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

RM240,185,002 (¥6,078,453,998) <sup>(Note)</sup>

Note: The value converted to Japanese yen from Malaysian Ringgit indicates the sum total of the yen-based payments AEON REIT made in multiple installments for the shares of the Overseas SPC. The amount includes the expenses required for the acquisition of the shares.

#### (2) Ratio of the number of shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. that belong to the Company’s assets to the total number of shares issued by JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

100%

#### (3) Amounts of major items in the balance sheets and statements of income of JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

##### Items on the balance sheets

	As of January 31, 2017	
	RM (Thousands of yen) <sup>(Note 1, 2)</sup>	
Total current assets	RM17,936,268	(¥461,500)
Total non-current assets	221,994,963	(5,711,930)
(Of which, total investment properties)	221,994,963	(5,711,930)
Total current liabilities	1,469,109	(37,800)
Total non-current liabilities		— (—)
Total net assets	RM238,462,122	(¥6,135,630)

Notes: 1. For the balance sheets, figures of the financial statements prepared on the basis of Malaysia’s accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards).

2. The exchange rate on the closing date (January 31, 2017) (RM1 = JPY25.73; rounded down to the second decimal place) is used for the conversion.

##### Items on the statements of income

	For the period from August 1, 2016 to January 31, 2017	
	RM (Thousands of yen) <sup>(Note 1, 2)</sup>	
Net sales	RM4,972,727	(¥125,710)
Income (loss) before income taxes	805,799	(20,370)
Net income (loss)	(RM366,702)	((¥9,270))

- Notes: 1. For the statements of income, figures of the financial statements prepared on the basis of Malaysia's accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards). For the six-month period ended July 31, 2017 of the Company, RM3,139,732 (¥81,390 thousand) was paid as dividend to the Company. In receiving dividends, the Company conducts forward exchange transactions in which the exchange rate for converting RM to Japanese yen is set in advance, and the applied exchange rate for such transactions is RM1 = JPY25.92 (rounded down to the second decimal place).
2. The average exchange rate for the period (RM1 = JPY25.28; rounded down to the second decimal place) is used for the conversion.

As for the closing of accounts of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. for the first fiscal period (March 2, 2016 to July 31, 2017), audits have been completed within 18 months from the inception date (March 2, 2016) pursuant to the laws of Malaysia. Of the company's audited financial statements for the fiscal period ended July 2017 based on the relevant laws, amounts of major items in the balance sheets and statements of income are as follows.

#### Items on the balance sheets

	As of July 31, 2017
	RM (Thousands of yen)
Total current assets	RM20,554,043 (¥530,294)
Total non-current assets	217,440,209 (5,609,957)
(Of which, total investment properties)	217,440,209 (5,609,957)
Total current liabilities	2,367,622 (61,084)
Total non-current liabilities	— (—)
Total net assets	RM235,626,630 (¥6,079,167)

- Notes: 1. For the balance sheets above, figures of the financial statements prepared on the basis of Malaysia's accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards).
2. The exchange rate on the closing date (July 31, 2017) (RM1 = JPY25.80; rounded down to the second decimal place) is used for the conversion.

#### Items on the statements of income

	For the period from March 2, 2016 to July 31, 2017
	RM (Thousands of yen) <sup>(Note 1)</sup>
Net sales	RM12,369,157 (¥320,484)
Income (loss) before income taxes	2,860,605 (74,118)
Net income (loss)	(RM62,462) ((¥1,618))

- Notes: 1. For the statements of income above, figures of the financial statements prepared on the basis of Malaysia's accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards).
2. The average exchange rate for the period (RM1 = JPY25.91; rounded down to the second decimal place) is used for the conversion.

#### For the six-month period ended January 31, 2018

The Company owns the shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd., which falls under the category of an overseas real estate holding corporation in the sense that the Company holds the shares issued by an overseas real estate holding corporation or equity interests in the corporation with the number of issues or the value of equity interests surpassing the number or value obtained by multiplying the total number of shares issued by the corporation or the total value of the equity interests in the corporation (excluding the treasury shares or equity investment on its own of the corporation) by the rate designated in Article 221 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations. Matters related to JAMBATAN MANSEIBASHI (M) Sdn. Bhd. are as follows. Furthermore, the financial statements based on Malaysia's accounting standards (equivalent to IFRS) have been audited by PwC Malaysia. Audit procedures for the financial statements of the interim period (ended January 2018) have also been completed and AEON REIT has received the audit report.

(1) Total acquisition price of shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

RM240,185,002 (¥6,078,453,998) <sup>(Note)</sup>

Note: The value converted to Japanese yen from Malaysian Ringgit indicates the sum total of the yen-based payments AEON REIT made in multiple installments for the shares of the Overseas SPC. The amount includes the expenses required for the acquisition of the shares.

(2) Ratio of the number of shares of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. that belong to the Company's assets to the total number of shares issued by JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

100%

(3) Amounts of major items in the balance sheets and statements of income of JAMBATAN MANSEIBASHI (M) Sdn. Bhd.

With regard to the closing of accounts of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. for the first fiscal period (March 2, 2016 to July 31, 2017), audits have been completed within 18 months from the inception date (March 2, 2016) pursuant to the laws of Malaysia. Of the company's audited financial statements for the fiscal period ended July 2017 based on the relevant laws, amounts of major items in the balance sheets and statements of income are as follows.

Items on the balance sheets

	As of July 31, 2017
	RM (Thousands of yen) <sup>(Note 1, 2)</sup>
Total current assets	RM20,554,043 (¥530,294)
Total non-current assets	217,440,209 (5,609,957)
(Of which, total investment properties)	217,440,209 (5,609,957)
Total current liabilities	2,367,622 (61,084)
Total non-current liabilities	— (—)
Total net assets	RM235,626,630 (¥6,079,167)

Notes: 1. For the balance sheets, figures of the financial statements prepared on the basis of Malaysia's accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards). For the first fiscal period (March 2, 2016 to July 31, 2017), RM3,139,732 (¥81,390 thousand) was paid as interim dividend to the Company. In receiving dividends, the Company conducts forward exchange transactions in which the exchange rate for converting RM to Japanese yen is set in advance, and the applied exchange rate for such transactions is RM1 = JPY25.92 (rounded down to the second decimal place).

2. The exchange rate on the closing date (July 31, 2017) (RM1 = JPY25.80; rounded down to the second decimal place) is used for the conversion.

Items on the statements of income

	For the period from March 2, 2016 to July 31, 2017
	RM (Thousands of yen) <sup>(Note 1, 2)</sup>
Net sales	RM12,369,157 (¥320,484)
Income (loss) before income taxes	2,860,605 (74,118)
Net income (loss)	(RM62,462) ((¥1,618))

Notes: 1. For the statements of income, figures of the financial statements prepared on the basis of Malaysia's accounting standards (equivalent to IFRS) have been reclassified to figures based on Japanese accounting standards (although disclosure is not based on Japanese accounting standards). For the six-month period ended January 31, 2018 of the Company, RM4,849,374 (¥123,790 thousand) was paid as dividend to the Company. In receiving dividends, the Company conducts forward exchange transactions in which the exchange rate for converting RM to Japanese yen is set in advance, and the applied exchange rate for such transactions is RM1 = JPY25.52 (rounded down to the second decimal place).

2. The average exchange rate for the period (RM1 = JPY25.91; rounded down to the second decimal place) is used for the conversion.

## 5. Long-term Loans Payable and Investment Corporation Bonds

Long-term loans payable and investment corporation bonds outstanding as of July 31, 2017 and January 31, 2018 are as follows:

	Average interest rate (Note 1)	As of		
		July 31, 2017	January 31, 2018	January 31, 2018
		(%)	(Thousands of yen)	(Thousands of U.S. dollars)
<b>Long-term loans payable</b>				
Unsecured loans due on October 22, 2018	0.78125 (Note 2)	¥ 27,000,000	¥ 27,000,000	\$ 248,024
Unsecured loans due on October 20, 2020	1.17250 (Note 2)	22,000,000	22,000,000	202,094
Unsecured loans due on October 20, 2023	1.76375 (Note 2)	5,000,000	5,000,000	45,930
Unsecured loans due on October 21, 2019	0.61910 (Note 2)	1,200,000	1,200,000	11,023
Unsecured loans due on October 20, 2021	0.88915 (Note 2)	4,000,000	4,000,000	36,744
Unsecured loans due on October 21, 2024	1.40390 (Note 2)	4,500,000	4,500,000	41,337
Unsecured loans due on October 21, 2019	0.14750 (Note 2)	4,100,000	4,100,000	37,663
Unsecured loans due on October 20, 2027	1.40730 (Note 2)	1,000,000	1,000,000	9,186
Unsecured loans due on October 20, 2021	0.35125 (Note 2)	6,000,000	6,000,000	55,116
Unsecured loans due on October 20, 2022	0.54100 (Note 2)	5,800,000	5,800,000	53,279
Unsecured loans due on October 20, 2025	0.99100 (Note 2)	6,600,000	6,600,000	60,628
Unsecured loans due on October 21, 2019	0.23700 (Note 2)	3,900,000	3,900,000	35,825
Unsecured loans due on October 20, 2022	0.48750 (Note 2)	4,800,000	4,800,000	44,093
Unsecured loans due on October 20, 2022	0.55000	1,200,000	1,200,000	11,023
Unsecured loans due on October 20, 2023	0.61375 (Note 2)	6,700,000	6,700,000	61,546
Unsecured loans due on October 20, 2025	0.87250 (Note 2)	2,700,000	2,700,000	24,802
Unsecured loans due on October 20, 2026	1.00300 (Note 2)	4,100,000	4,100,000	37,663
Unsecured loans due on October 21, 2019	0.28297	6,400,000	6,400,000	58,791
Unsecured loans due on October 20, 2021	0.43200 (Note 2)	6,100,000	6,100,000	56,035
Unsecured loans due on October 20, 2022	0.52800 (Note 2)	5,200,000	5,200,000	47,767
Unsecured loans due on October 21, 2024	0.83800 (Note 2)	6,800,000	6,800,000	62,465
Unsecured loans due on October 20, 2026	1.09710 (Note 2)	5,000,000	5,000,000	45,930
Unsecured loans due on October 20, 2022	0.63000	200,000	200,000	1,837
Unsecured loans due on October 20, 2023	0.52270 (Note 2)	—	3,400,000	31,232
Unsecured loans due on October 20, 2023	0.60000	—	300,000	2,755
Subtotal		¥140,300,000	¥144,000,000	\$1,322,799

Average interest rate (Note 1)	As of			
	July 31, 2017	January 31, 2018	January 31, 2018	
	(%)	(Thousands of yen)	(Thousands of U.S. dollars)	
<b>Investment corporation bonds</b>				
1st unsecured investment corporation bonds due on October 10, 2025 <sup>(Note 3)</sup>	0.961	¥ 2,000,000	¥ 2,000,000	\$ 18,372
2nd unsecured investment corporation bonds due on October 20, 2026 <sup>(Note 3)</sup>	0.470	1,000,000	1,000,000	9,186
3rd unsecured investment corporation bonds due on October 20, 2036 <sup>(Note 3)</sup>	1.200	1,000,000	1,000,000	9,186
4th unsecured investment corporation bonds due on December 8, 2027 <sup>(Note 3)</sup>	0.680	—	2,000,000	18,372
Subtotal		4,000,000	6,000,000	55,116
Total		¥144,300,000	¥150,000,000	\$1,377,916

Notes: 1. The average interest rate represents the weighted average of the interest rates of each loan agreement at period-end; reflects the use of swaps to hedge interest-rate risk.  
2. Weighted average that reflects the use of swaps to fix interest payments on variable rate loans.  
3. The bonds were issued with pari passu conditions among specified investment corporation bonds.  
4. The loans are used for acquiring trust beneficiary rights in real estate and for partly funding refinances.  
5. The Company borrowed ¥6,000 million (\$55 million) on September 19, 2017 and ¥4,200 million (\$38 million) on October 20, 2017, and made bullet repayment for the entire amount, repaying ¥4,500 million (\$41 million) on September 29, 2017 and ¥5,700 million (\$52 million) on December 27, 2017.

## 6. Net Assets

In accordance with the Investment Trusts Act, investment units issued by the Company shall have no par value, and when the Company has issued an investment unit after its establishment, it shall incorporate the total amount to be paid in for the investment unit into unitholders' capital in net assets. In addition, the Company shall maintain its net assets of ¥50,000 thousand or more in accordance with the Investment Trusts Act. The total number of investment units which the Company is authorized to issue is 10,000,000 units, and the total number of investment units issued and outstanding as of July 31, 2017 and January 31, 2018 is 1,635,912 units and 1,777,347 units, respectively.

## 7. Appropriation of Retained Earnings

Pursuant to the policy on the distribution of funds in Article 35, Paragraph 1 of the Articles of Incorporation of the Company, distributions shall be limited to the amount of profit and exceed 90% of the distributable profit of the Company as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation.

For the six-month period ended July 31, 2017, the Company decided to distribute ¥4,786,678,512, which is the amount that does not exceed the balance of retained earnings (¥5,307,682,761) after internally reserving ¥520,000,000, which is part of the gain on reversal of provision for loss on disaster and refund of fixed asset tax, as distribution reserve and is the greatest value among integral multiples of 1,635,912, which is the total number of investment units issued and outstanding; provided, however, that the Company will not pay the portion of the amount that exceeds the profits defined in Article 35, paragraph 2 of its Articles of Incorporation.

For the six month period ended January 31, 2018, the Company decided to distribute ¥5,383,584,063 (\$49,454,198), which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 1,777,347, which is the number of investment units issued and

outstanding; provided, however, that the Company will not pay the portion of the amount that exceeds the profits defined in Article 35, paragraph 2 of its Articles of Incorporation.

Distributions of retained earnings and disposition of undisposed loss for the six-month periods ended July 31, 2017 and January 31, 2018 are as follows:

	For the six-month period ended		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Unappropriated retained earnings (undisposed loss)	¥5,307,682	¥5,384,815	\$49,465
Total cash distributions	4,786,678	5,383,584	49,454
(Distribution per unit)	(2,926)	(3,029)	(27)
Voluntary reserve			
(Provision of distribution reserve)	520,000	—	—
Retained earnings brought forward	¥ 1,004	¥ 1,231	\$ 11

## 8. Statements of Income

### (a) Revenues and Expenses Related to Real Estate Leasing Business

Revenues and expenses related to real estate leasing business for the six-month periods ended July 31, 2017 and January 31, 2018 consist of the following:

	For the six-month period ended		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Revenues related to real estate leasing business			
Rent revenue - real estate			
Rent	¥14,502,617	¥15,599,991	\$143,303
Other lease business revenue - real estate	58,546	56,517	519
Total revenues related to real estate leasing business	¥14,561,163	¥15,656,508	\$143,822
Expenses related to real estate leasing business			
Expenses related to rent business			
Property and facility management fees	¥ 38,616	¥ 41,812	\$ 384
Repairs and maintenance expenses	445,511	452,715	4,158
Insurance expenses	136,943	150,025	1,378
Trust fees	18,359	20,149	185
Land rent paid	1,913,179	2,026,984	18,620
Taxes and dues	1,473,539	1,473,499	13,535
Depreciation	4,176,697	4,380,830	40,242
Water charges	47,842	51,549	473
Other expenses related to rent business	3,258	2,055	18
Total expenses related to real estate leasing business	¥ 8,253,947	¥ 8,599,621	\$ 78,997
Operating income from real estate leasing business	¥ 6,307,216	¥ 7,056,886	\$ 64,825

**(b) Breakdown of Dividends Received**

For the six-month period ended July 31, 2017, the entire amount of the profit available for dividend (RM 3,139,732 (¥81,390 thousand)) based on the first fiscal period interim results of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. was paid to AEON REIT as dividends, which were calculated on the following basis.

Items of Statements of Income of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. and the Basis of Calculating Dividends (from March 2, 2016 to January 31, 2017)

	(Unit: RM (Thousands of yen))	
Revenue	RM4,972,727	(¥129,489)
Property operating expenses	231,707	(6,033)
Other expenses	428,785	(11,165)
Unrealized gain from valuation of investment properties	7,217,424	(187,941)
Net profit before taxation	11,529,659	(300,232)
Net profit before taxation after deducting unrealized gain	4,312,234	(112,290)
Tax expense on net income before income taxes after deducting unrealized gain	1,172,502	(30,531)
Profit available for dividend <sup>(Note 3)</sup>	RM3,139,732	(¥81,390)

- Notes: 1. The table above is based on the accounting standards of Malaysia (equivalent to IFRS), although disclosure is not based on the Malaysian standards.  
 2. For the exchange rate, the period-average exchange rate (RM1 = JPY26.04 (rounded down to the second decimal place)) is used.  
 3. Profit available for dividend and dividends are converted to the yen value by using the forward exchange rate of RM1 = JPY25.92 (rounded down to the second decimal place.)

For the six month period ended January 31, 2018, the entire amount of the profit available for dividend (RM4,849,374 (¥123,790 thousand)) after deducting interim dividends based on the first fiscal period results of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. was paid to AEON REIT as dividends <sup>(Note 4)</sup>, which were calculated on the following basis.

Items of Statements of Income of JAMBATAN MANSEIBASHI (M) Sdn. Bhd. and the Basis of Calculating Dividends (from March 2, 2016 to July 31, 2017).

	(Unit: RM (Thousands of yen))	
Revenues	RM12,369,157	(¥320,484)
Property operating expenses	902,497	(23,383)
Other expenses	554,485	(14,366)
Unrealized gain from valuation of investment properties	7,227,044	(187,252)
Net profit before taxation	18,139,219	(469,987)
Net profit before taxation after deducting unrealized gain	10,912,174	(282,734)
Tax expense on net income before income taxes after deducting unrealized gain	2,923,068	(75,736)
Profit available for dividend <sup>(Note 4)</sup>	7,989,106	(203,881)
Interim dividends <sup>(Note 3)</sup>	3,139,732	(81,390)
Profit available for dividend after deducting interim dividends <sup>(Note 4)</sup>	RM4,849,374	(¥123,790)

- Notes: 1. The table above is based on the accounting standards of Malaysia (equivalent to IFRS), although disclosure is not based on the Malaysian standards.  
 2. For the exchange rate, the period-average exchange rate (RM1 = JPY25.91 (rounded down to the second decimal place)) is used.  
 3. Interim dividends are converted to the yen value by using the forward exchange rate on May 26, 2017 of RM 1 = JPY25.92 (rounded down to the second decimal place.)  
 4. Profit available for dividend, profit available for dividend after deducting interim dividends and dividends are converted to the yen value by using the forward exchange rate on September 5, 2017 of RM1 = JPY25.52 (rounded down to the second decimal place.)

**(c) Breakdown of Extraordinary Income**

For the six-month ended July 31, 2017, the Company recorded the following items.

**1) Gain on Reversal of Provision for Loss on Disaster**

The work volume of the piping reinforcement work for ground improvement at the West Mall of AEON MALL Kumamoto was reasonably reduced and, of the restoration work expenses recorded as provision for loss on disaster, the expenses classified as repairs and maintenance expenses were reduced by ¥500 million. Accordingly, AEON REIT recorded the amount as gain on reversal of provision for loss on disaster in extraordinary income.

**2) Refund of Fixed Asset Tax**

With regard to the fixed asset tax in fiscal 2016 for AEON MALL Kumamoto, AEON REIT received a tax refund notice dated April 7, 2017 because of a reduction in tax for the Kumamoto Earthquake, and ¥37 million was refunded. Accordingly, AEON REIT recorded the refund as refund of fixed asset tax in extraordinary income.

For the six-month period ended January 31, 2018, the Company recorded no extraordinary income.

**9. Income Taxes**

The following table shows a reconciliation between the statutory tax rate and effective tax rate for the six-month periods ended July 31, 2017 and January 31, 2018.

	For the six-month period ended	
	July 31, 2017	January 31, 2018
	(%)	
Statutory tax rate	31.74	31.74
Deductible cash distributions	(28.60)	(31.71)
Increase (decrease) in valuation allowance	(3.11)	(0.00)
Other	0.06	0.07
Effective tax rate	0.09	0.10

Deferred tax assets and liabilities consist of the following:

	As of		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Deferred tax assets			
Tax loss carried forward	¥350,650	¥350,386	\$3,218
Valuation allowance	(350,650)	(350,386)	(3,218)
Total	—	—	—
Net deferred tax assets	¥ —	¥ —	\$ —

## 10. Cash and Cash Equivalents

Cash and cash equivalents as of July 31, 2017 and January 31, 2018 consist of the following:

	As of		January 31, 2018 (Thousands of U.S. dollars)
	July 31, 2017 (Thousands of yen)	January 31, 2018 (Thousands of yen)	
Cash and deposits	¥12,002,593	¥ 9,538,680	\$ 87,623
Cash and deposits in trust	6,850,168	8,041,075	73,886
Cash and cash equivalents	¥18,852,762	¥17,579,755	\$161,489

## 11. Leases

The Company leases its retail properties to tenants. The future minimum lease payments to be received under non-cancelable operating leases of properties as of July 31, 2017 and January 31, 2018 are as follows:

	As of		January 31, 2018 (Thousands of U.S. dollars)
	July 31, 2017 (Thousands of yen)	January 31, 2018 (Thousands of yen)	
Due within 1 year	¥ 29,578,927	¥ 31,934,211	\$ 293,351
Due after 1 year	137,185,786	137,523,674	1,263,307
Total	¥166,764,713	¥169,457,885	\$1,556,658

## 12. Financial Instruments

### (a) Status of Financial Instruments

#### (i) Policy for financial instruments

The Company's basic policy is to execute a stable, flexible and efficient financial strategy. It procures funds by borrowing, issuing investment corporation bonds (including short-term investment corporation bonds) and investment units and other means for purposes including portfolio growth through property acquisitions.

The Company enters into derivative transactions only to hedge risks such as risk of fluctuations in interest rates associated with borrowings and exchange rate fluctuation risk associated with operating receivables and payables denominated in foreign currencies.

#### (ii) Nature and extent of risks arising from financial instruments and risk management

Loans payable and investment corporation bonds are used mainly for acquiring real estate and trust beneficiary rights in real estate.

Tenant leasehold and security deposits in trust are deposits received from tenants under lease agreements.

Loans payable with floating interest rates are exposed to the risk of fluctuations in interest rates. However, by appropriately managing the debt ratio, etc., it is possible to limit the impact of a rise in market interest rates on the Company's operations. Furthermore, for some of the loans payable with floating interest rates, derivative transactions (interest rate swaps) are utilized as hedging instruments in order to hedge the risk of

fluctuations in interest rates and to fix interest expenses. The hedge effectiveness of interest rate swaps is assessed by comparing the cumulative changes in cash flows of hedging instruments and hedged items and based on the respective amount of changes. However, the assessment of hedge effectiveness is omitted for those interest rate swaps that meet the criteria for exceptional treatment.

Derivative transactions are conducted and managed in accordance with internal regulations that specify the basic policy for risk management.

Loans payable, investment corporation bonds and tenant leasehold and security deposits in trust are exposed to liquidity risks. However, the Company manages these risks through preparing monthly financing plans, maintaining liquidity, and other means by its asset manager.

Operating receivables denominated in foreign currencies associated with the acquisition of overseas properties are exposed to the risk of fluctuations in exchange rates. However, since the percentage of these receivables to total assets is low, they are handled under a system in which the asset manager monitors the risk and examines the necessity of hedging it with the use of derivative transactions such as forward foreign exchange contract transactions.

The Company may be engaged in foreign currency denominated transactions in connection with investments in overseas real estate, etc. Such transactions carry the risk of fluctuations in exchange rates, and exchange rate fluctuations may negatively affect the Company's earnings. If the yen increasingly appreciates against other currencies, the yen-based value of foreign currency denominated transactions that arise in connection with investments in overseas real estate, etc. may be diminished to negatively impact the Company's net income for the relevant fiscal period.

Moreover, if there are foreign denominated assets and liabilities in connection with investments in overseas real estate, etc., certain accounts of these assets and liabilities will be converted into the yen at the exchange rate prevailing on the closing date for the preparation of financial statements. Due to exchange rate fluctuations, these accounts may negatively affect the Company's net income.

### (iii) Supplementary explanations on fair values of financial instruments

The fair values of financial instruments include values based on market prices or reasonably calculated values if there are no market prices available. As certain assumptions are used in calculating these values, if different assumptions are used, these values could vary.

**(b) Fair Values of Financial Instruments**

The following table shows carrying amounts, fair values, and unrealized gains or losses of financial instruments as of July 31, 2017 and January 31, 2018. Financial instruments whose fair values are extremely difficult to determine are not included in the following table. Please refer to Note 2 below.

	As of								
	July 31, 2017			January 31, 2018			January 31, 2018		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
(Thousands of yen)						(Thousands of U.S. dollars)			
<b>Assets</b>									
(1) Cash and deposits	¥ 12,002,593	¥ 12,002,593	¥ —	¥ 9,538,680	¥ 9,538,680	¥ —	\$ 87,623	\$ 87,623	\$ —
(2) Cash and deposits in trust	6,850,168	6,850,168	—	8,041,075	8,041,075	—	73,866	73,866	—
Total	¥ 18,852,762	¥ 18,852,762	¥ —	¥ 17,579,755	¥ 17,579,755	¥ —	\$ 161,489	\$ 161,489	\$ —
<b>Liabilities</b>									
(3) Current portion of long-term loans payable	¥ 4,200,000	¥ 4,200,000	¥ —	¥ 27,000,000	¥ 27,099,581	¥ 99,581	\$ 248,024	\$ 248,939	\$ 914
(4) Investment corporation bonds	4,000,000	4,000,600	600	6,000,000	5,995,200	(4,800)	55,116	55,072	(44)
(5) Long-term loans payable	140,300,000	141,170,120	870,120	117,000,000	117,654,222	654,222	1,074,774	1,080,784	6,009
Total	¥148,500,000	¥149,370,720	¥870,720	¥150,000,000	¥150,749,004	¥749,004	\$1,377,916	\$1,384,797	\$6,880
(6) Derivative transactions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

Notes: 1. Methods used to calculate fair values of financial instruments

**Assets****(1) Cash and deposits and (2) Cash and deposits in trust**

The carrying amounts of these items approximate fair values because of their short maturities.

**Liabilities****(3) Current portion of long-term loans payable and (5) Long-term loans payable**

Because interest rates of long-term loans payable with floating interest rates are to be revised periodically, their carrying amounts approximate fair values. Fair value of long-term loans payable with fixed interest rates is calculated by discounting the total of principal and interest at the rate assumed when a new, similar loan corresponding to the remaining period is made. Fair value of interest rate swaps, to which the exceptional treatment is applied, is included in the fair value of long-term loans payable, a hedged item.

**(4) Investment corporation bonds**

The fair value of investment corporation bonds is based on the reference price disclosed by the Japan Securities Dealers Association.

**(6) Derivative transactions**

Please refer to "13. Derivatives" described below.

2. Carrying amount of financial instruments whose fair value is extremely difficult to determine

	As of		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Thousands of yen)		(Thousands of U.S. dollars)
Shares of subsidiaries and associates	¥ 6,078,453	¥ 6,078,453	\$ 55,837
Tenant leasehold and security deposits	2,628	2,628	24
Tenant leasehold and security deposits in trust	12,471,849	12,913,216	118,622
Total	¥18,552,931	¥18,994,298	\$174,483

Shares of subsidiaries and associates, tenant leasehold and security deposits as well as tenant leasehold and security deposits in trust that are deposited by lessees of rental properties are not subject to fair value disclosure because their fair values are extremely difficult to determine as there are no market prices available and it is not possible to reasonably estimate their future cash flows.

## 3. Redemption schedule for monetary claims

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
As of July 31, 2017	(Thousands of yen)					
Cash and deposits	¥12,002,593	¥—	¥—	¥—	¥—	¥—
Cash and deposits in trust	6,850,168	—	—	—	—	—
Total	¥18,852,762	¥—	¥—	¥—	¥—	¥—
As of January 31, 2018	(Thousands of yen)					
Cash and deposits	¥ 9,538,680	¥—	¥—	¥—	¥—	¥—
Cash and deposits in trust	8,041,075	—	—	—	—	—
Total	¥17,579,755	¥—	¥—	¥—	¥—	¥—
As of January 31, 2018	(Thousands of U.S. dollars)					
Cash and deposits	\$ 87,623	\$—	\$—	\$—	\$—	\$—
Cash and deposits in trust	73,866	—	—	—	—	—
Total	\$161,489	\$—	\$—	\$—	\$—	\$—

## 4. Repayment schedule for investment corporation bonds and loans payable

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
As of July 31, 2017	(Thousands of yen)					
Current portion of long-term loans payable	¥4,200,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	—	—	4,000,000
Long-term loans payable	—	27,000,000	15,600,000	22,000,000	16,100,000	59,600,000
Total	¥4,200,000	¥27,000,000	¥15,600,000	¥22,000,000	¥16,100,000	¥63,600,000
As of January 31, 2018	(Thousands of yen)					
Current portion of long-term loans payable	¥27,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	—	—	6,000,000
Long-term loans payable	—	15,600,000	22,000,000	16,100,000	17,200,000	46,100,000
Total	¥27,000,000	¥15,600,000	¥22,000,000	¥16,100,000	¥17,200,000	¥52,100,000
As of January 31, 2018	(Thousands of U.S. dollars)					
Current portion of long-term loans payable	\$248,024	\$ —	\$ —	\$ —	\$ —	\$ —
Investment corporation bonds	—	—	—	—	—	55,116
Long-term loans payable	—	143,303	202,094	147,896	158,001	423,479
Total	\$248,024	\$143,303	\$202,094	\$147,896	\$158,001	\$478,596

### 13. Derivatives

The following table shows derivative transactions, to which hedge accounting is applied, as of July 31, 2017 and January 31, 2018. The Company enters into derivative transactions only for hedging purposes.

As of July 31, 2017

Method of hedge accounting	Type	Hedged item	Contract amount		Fair value
			Total	Due after 1 year	
(Thousands of yen)					
Exceptional treatment for hedge accounting of interest rate swaps	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	¥132,500,000	¥132,500,000	(Note)

As of January 31, 2018

Method of hedge accounting	Type	Hedged item	Contract amount		Fair value	Contract amount		
			Total	Due after 1 year		Total	Due after 1 year	Fair value
(Thousands of yen)						(Thousands of U.S. dollars)		
Exceptional treatment for hedge accounting of interest rate swaps	Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term loans payable	¥135,900,000	¥108,900,000	(Note)	\$1,248,392	\$1,000,367	(Note)

Note: Interest rate swaps, to which exceptional treatment is applied, are accounted for as a single unit with the hedged item, long-term loans payable. Thus, the fair value of the interest rate swaps is included in the fair value of "(5) Long-term loans payable" in "12. Financial Instruments, (b) Fair Values of Financial Instruments."

## 14. Related Party Transactions

As of / For the six-month period ended July 31, 2017

Attribute	Name	Location	Capital stock or investments in capital (Millions of yen)	Business or occupation	Ownership of voting rights (%)
Subsidiary of other affiliate	AEON Reit Management Co., Ltd.	Chiyoda City, Tokyo	¥ 350	Investment management business	—
Subsidiary of other affiliates	AEON Retail Co., Ltd.	Chiba City, Chiba Pref.	¥48,970	Retail business	—
Subsidiary of other affiliates	AEON Mall Co., Ltd.	Chiba City, Chiba Pref.	¥42,258	Real estate business	—
Subsidiary of other affiliates	AEON Hokkaido Corporation	Sapporo City, Hokkaido Pref.	¥ 6,100	Retail business	—
Subsidiary of other affiliates	AEON BANK, LTD.	Koto City, Tokyo	¥51,250	Banking business	—
Subsidiary of other affiliates	AEON CO. (M) BHD.	Kuala Lumpur, Malaysia	702 million RM	Retail business	—
Officer	Yasuo Shiozaki	—	—	Executive Director of the Company and Representative Director and President of AEON Reit Management Co., Ltd.	(owned) Direct 0.0%

- Notes: 1. The amount of transaction does not include consumption taxes.  
2. Transaction terms are determined through price negotiations based on current market prices.  
3. Amount of transaction is converted to Japanese yen based on the exchange rate at the time of the transaction (based on the average spot exchange rate of the month preceding the month in which the transaction was carried out).  
4. Transaction terms are determined taking into consideration current market prices.  
5. The asset management fee represents transactions performed by Yasuo Shiozaki in the role of representative of a third party (AEON Reit Management Co., Ltd.). The amount of the asset management fee is in accordance with the terms set forth in the Articles of Incorporation of the Company.  
6. The amount of the asset management fee includes ¥179,925 thousand (\$1,652 thousand) as asset management fee for property acquisitions, which has been included in the book value of each property.

Relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Ending balance (Thousands of yen)
Interlocking officers	Business relationship				
One officer	Asset manager	Payment of asset management fee	¥ 793,885 <small>(Note 1, 2, 6)</small>	Accounts payable - other	¥ 269,399
—	Seller of trust beneficiary rights in real estate, lessee and recipient of land rent payment	Purchase of trust beneficiary rights in real estate	¥52,230,000 <small>(Note 1, 2)</small>	—	—
		Rent revenue - real estate	¥ 6,564,405 <small>(Note 1, 2)</small>	Tenant leasehold and security deposits in trust	¥5,935,920
		Land rent paid, etc.	¥ 1,040,354 <small>(Note 1, 2)</small>	—	—
—	Lessee and recipient of land rent payment	Rent revenue - real estate	¥ 6,017,455 <small>(Note 1, 2)</small>	Tenant leasehold and security deposits	¥ 2,628
				Tenant leasehold and security deposits in trust	¥6,121,795
		Land rent paid, etc.	¥ 679,573 <small>(Note 1, 2)</small>	—	—
—	Lessee and recipient of land rent payment	Rent revenue - real estate	¥ 678,399 <small>(Note 1, 2)</small>	—	—
		Land rent paid, etc.	¥ 165,475 <small>(Note 1, 2)</small>	—	—
—	Lender	Borrowing of long-term loans	¥ 1,100,000 <small>(Note 1, 2)</small>	Long-term loans payable	¥4,700,000
		Interest expenses	¥ 12,126 <small>(Note 1, 2)</small>	Accrued expenses	¥ 878
—	Lessee	Rent revenue - real estate	¥ 19,385 <small>(Note 1, 2, 3)</small>	—	—
Executive Director of the Company and Representative Director and President of AEON Reit Management Co., Ltd.		Payment of asset management fee to asset manager	¥ 793,885 <small>(Note 1, 4, 5, 6)</small>	Accounts payable - other	¥ 269,399

As of / For the six-month period ended January 31, 2018

Attribute	Name	Location	Capital stock or investments in capital (Millions of yen)	Business or occupation	Ownership of voting rights (%)
Subsidiary of other affiliate	AEON Reit Management Co., Ltd.	Chiyoda City, Tokyo	¥ 350	Investment management business	—
Subsidiary of other affiliates	AEON Retail Co., Ltd.	Chiba City, Chiba Pref.	¥48,970	Retail business	—
Subsidiary of other affiliates	AEON Mall Co., Ltd.	Chiba City, Chiba Pref.	¥42,270	Real estate business	—
Subsidiary of other affiliates	AEON Hokkaido Corporation	Sapporo City, Hokkaido Pref.	¥ 6,100	Retail business	—
Subsidiary of other affiliates	AEON BANK, LTD.	Koto City, Tokyo	¥51,250	Banking business	—
Subsidiary of other affiliates	AEON CO. (M) BHD.	Kuala Lumpur, Malaysia	702 million RM	Retail business	—
Officer	Yasuo Shiozaki	—	—	Executive Director of the Company and Representative Director and President of AEON Reit Management Co., Ltd.	(owned) Direct 0.0%

- Notes: 1. The amount of transaction does not include consumption taxes.  
2. Transaction terms are determined through price negotiations based on current market prices.  
3. Amount of transaction is converted to Japanese yen based on the exchange rate at the time of the transaction (based on the average spot exchange rate of the month preceding the month in which the transaction was carried out).  
4. Transaction terms are determined taking into consideration current market prices.

Relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account title	Ending balance (Thousands of yen)
Interlocking officers	Business relationship		[Thousands of U.S. dollars]		[Thousands of U.S. dollars]
Interlocking directorate: 1	Asset manager	Payment of asset management fee (Note 3)	¥ 835,531 (Note 1, 2, 6) [\$7,675]	Accounts payable - other	¥ 281,937 [\$2,589]
—	Purchase of real estate beneficiary interests, lessee and recipient of land rent payment	Purchase of trust beneficiary rights in real estate	¥ 3,748,000 (Note 1, 2) [\$34,429]	—	—
		Rent revenue - real estate	¥ 7,339,748 (Note 1, 2) [\$67,423]	Tenant leasehold and security deposits in trust	¥6,113,373 [\$56,158]
		Land rent paid, etc.	¥ 1,148,906 (Note 1, 2) [\$10,553]	—	—
—	Lessee and recipient of land rent payment	Rent revenue - real estate	¥ 6,074,724 (Note 1, 2) [\$55,803]	Tenant leasehold and security deposits	¥ 2,628 [\$24]
				Tenant leasehold and security deposits in trust	¥6,121,795 [\$56,235]
		Land rent paid, etc.	¥ 679,573 (Note 1, 2) [\$6,242]	—	—
—	Lessee and recipient of land rent payment	Rent revenue - real estate	¥ 678,276 (Note 1, 2) [\$6,230]	—	—
		Land rent paid, etc.	¥ 165,475 (Note 1, 2) [\$1,520]	—	—
—	Lender	Interest expenses	¥ 13,605 (Note 1, 2) [\$124]	Current portion of long-term loans payable	¥2,000,000 [\$18,372]
				Long-term loans payable	¥2,700,000 [\$24,802]
				Accrued expenses	¥ 746 [\$6]
—	Lessee	Rent revenue - real estate (Note 4)	¥ 20,132 (Note 1, 2, 3) [\$184]	—	—
Executive Director of the Company and Representative Director and President of AEON Reit Management Co., Ltd.		Payment of asset management fee to asset manager	¥ 835,531 (Note 1, 4, 5, 6) [\$7,675]	Accounts payable - other	¥ 281,937 [\$2,589]

5. The asset management fee represents transactions performed by Yasuo Shiozaki in the role of representative of a third party (AEON Reit Management Co., Ltd.). The amount of the asset management fee is in accordance with the terms set forth in the Articles of Incorporation of the Company.

6. The amount of the asset management fee includes ¥113,150 thousand (\$1,039 thousand) as asset management fee for property acquisitions, which has been included in the book value of each property.

## 15. Per Unit Information

Net assets per unit as of July 31, 2017 and January 31, 2018 and net income per unit for the six-month periods then ended are as follows:

	As of / For the six-month period ended		
	July 31, 2017	January 31, 2018	January 31, 2018
	(Yen)		(U.S. dollars)
Net assets per unit	¥111,457	¥111,445	\$1,023
Net income per unit	¥ 3,324	¥ 3,107	\$ 28
Weighted average number of investment units for the period (Units)	1,596,319	1,732,544	

Net income per unit is calculated by dividing net income by the weighted average number of investment units outstanding during the period. Diluted net income per unit is not presented since there were no potentially dilutive investment units.

## 16. Segment Information

Segment information for the six-month periods ended July 31, 2017 and January 31, 2018 is omitted as the Company is comprised of a single reportable segment engaged in the real estate leasing business.

### Related Information

#### (i) Information by product and service

For the six-month periods ended July 31, 2017 and January 31, 2018, disclosure is omitted since operating revenue from external customers of products and services within a single category were more than 90% of operating revenue on the statements of income.

#### (ii) Information by geographical area

##### Operating revenue

For the six-month periods ended July 31, 2017 and January 31, 2018, disclosure is omitted since operating revenue from external customers in Japan exceeded 90% of operating revenue on the statements of income.

##### Property and equipment

For the six-month periods ended July 31, 2017 and January 31, 2018, disclosure is omitted since the amount of property and equipment located in Japan exceeded 90% of property and equipment on the balance sheets.

## (iii) Information by major customer

Name of customer	Operating revenue for the six-month period ended			Related segment
	July 31, 2017	January 31, 2018	January 31, 2018	
	(Thousands of yen)		(Thousands of U.S. dollars)	
AEON Retail Co., Ltd.	¥6,564,405	¥7,339,748	\$67,423	Real estate leasing business
AEON Mall Co., Ltd.	¥6,017,455	¥6,074,724	\$55,803	Real estate leasing business
AEON Hokkaido Corporation	¥ 678,399	¥ 678,276	\$ 6,230	Real estate leasing business
AEON KYUSHU Co., Ltd.	¥ 494,875	¥ 589,739	\$ 5,417	Real estate leasing business
The Daiei, Inc.	¥ 385,237	¥ 555,027	\$ 5,098	Real estate leasing business
AEON Global SCM Co., Ltd.	¥ 286,172	¥ 289,620	\$ 2,660	Real estate leasing business
AEON CO. (M) BHD. <sup>(Note)</sup>	¥ 19,385	¥ 20,132	\$ 184	Real estate leasing business

Note: Amount of operating revenue is converted to Japanese yen based on the exchange rate at the time of the transaction (based on the average spot exchange rate of the month preceding the month in which the transaction was carried out).

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## 17. Subsequent Events

Not applicable

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## 18. Others

### Forward commitment, etc.

For the six-month ended July 31, 2017, the Asset Manager resolved at its Investment Committee meeting held on June 23, 2017 to acquire Kemigawahama Bayside Mall FERIA (tentative name: AEON STYLE Kemigawahama) (planned acquisition price: ¥3,748 million) from AEON Retail Co., Ltd. on November 30, 2017.

For the six-month period ended January 31, 2018, there was no item related to forward commitment, etc.



## **Independent Auditor's Report**

To the Board of Directors of AEON REIT Investment Corporation

We have audited the accompanying financial statements of AEON REIT Investment Corporation ("the Company"), which comprise the balance sheets as at January 31, 2018, and the statements of income, statements of changes in net assets and statements of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2018, and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### ***Convenience translation***

The U.S. dollar amounts in the accompanying financial statements with respect to the six months period ended January 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the financial statements.

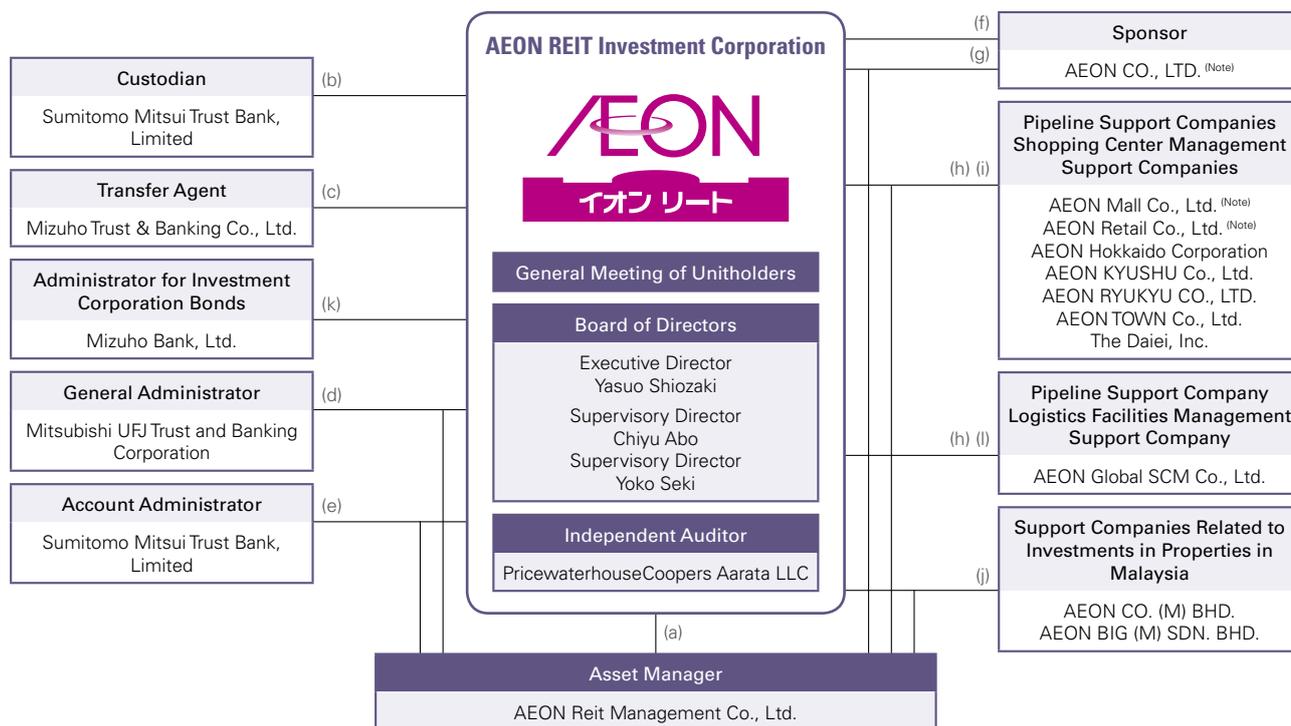
*Pricewaterhouse Coopers Aarata LLC*

May 28, 2018

***PricewaterhouseCoopers Aarata LLC***

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T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance*

## Structure and Formation of AEON REIT Investment Corporation

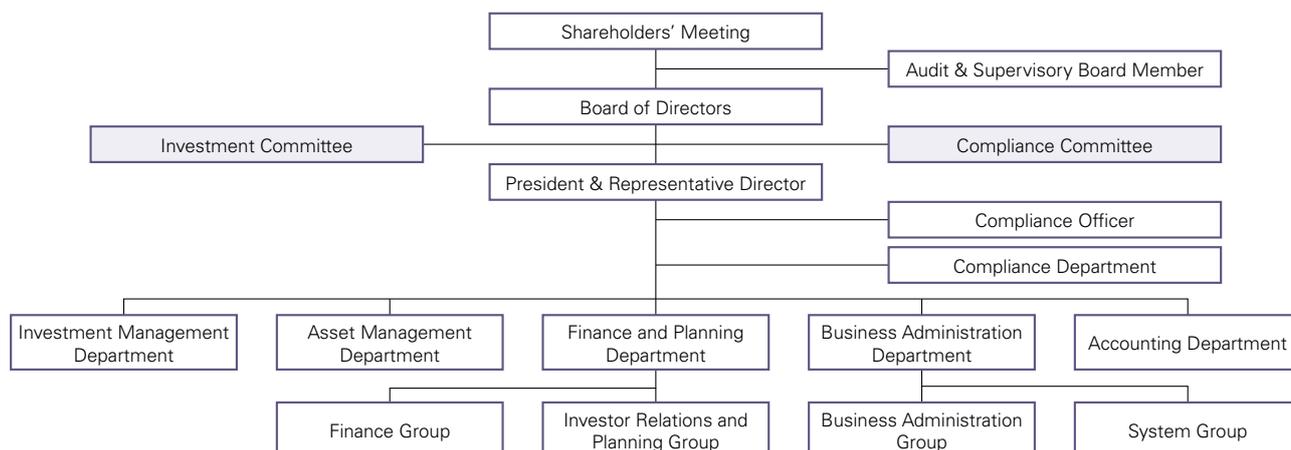


- (a) Asset management agreement
- (b) Asset custody agreement
- (c) Transfer agency agreement
- (d) General administration agreement
- (e) Account administration agreement
- (f) Trademark license agreement
- (g) Sponsor support agreement
- (h) Pipeline support agreements
- (i) Shopping center management agreements
- (j) Memorandums of understanding on investments in properties in Malaysia
- (k) Fiscal, issuing, and payment agency agreement
- (l) Logistics facilities management agreement

Note: AEON CO., LTD., AEON Mall Co., Ltd. and AEON Retail Co., Ltd. qualify as designated related parties.

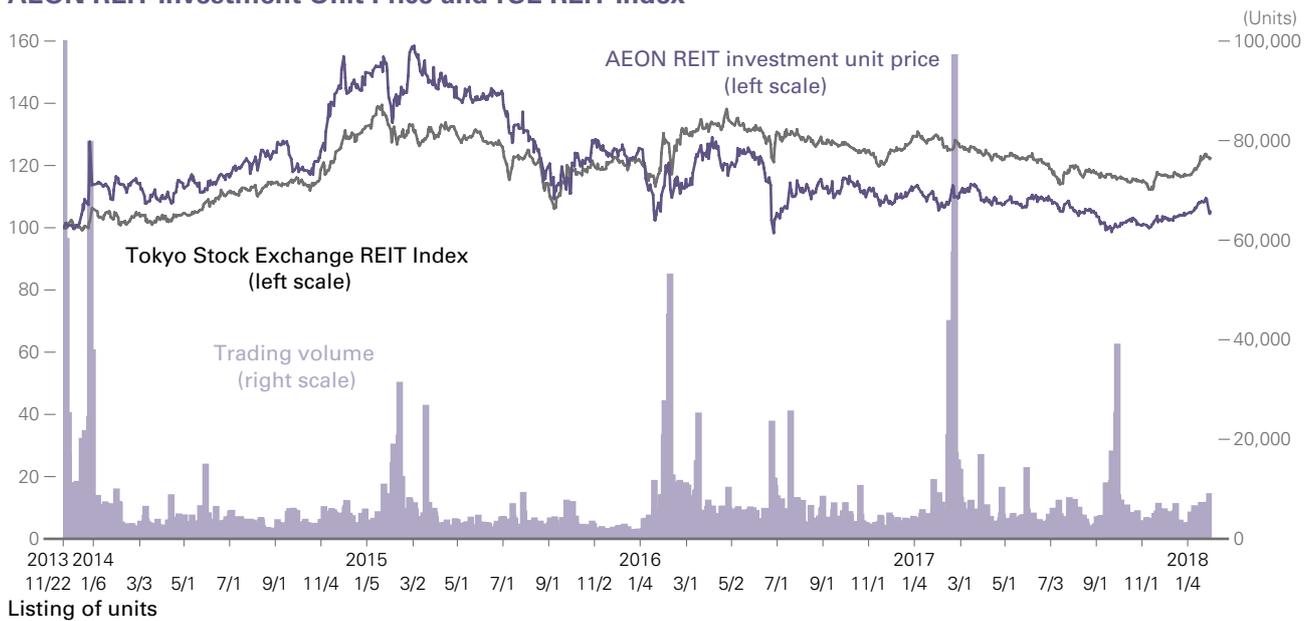
## Profile of the Asset Manager

Name	AEON Reit Management Co., Ltd.
Paid-in Capital	¥350 million (as of the date of this document)
Shareholder	AEON CO., LTD. (100%)
President & Representative Director	Yasuo Shiozaki
License/Permission/Registration	<ul style="list-style-type: none"> <li>• License for building lots and building transaction business: Governor of Tokyo (2) No. 94328</li> <li>• Permission for discretionary transaction agent, etc., under the Building Lots and Building Transaction Business Act: Minister of Land, Infrastructure, Transport and Tourism, Permit No. 73</li> <li>• Registration of financial instruments business: Kanto Local Finance Bureau, Director-General (Financial Instruments), No. 2668</li> <li>• Member of The Investment Trusts Association Japan</li> </ul>



# Investor Information

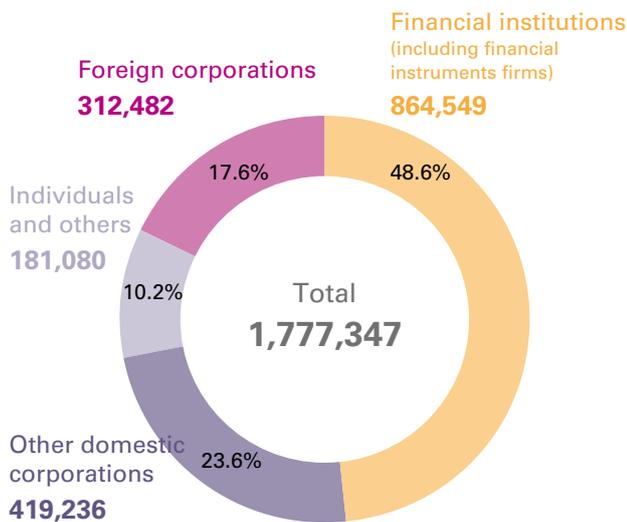
## AEON REIT Investment Unit Price and TSE REIT Index



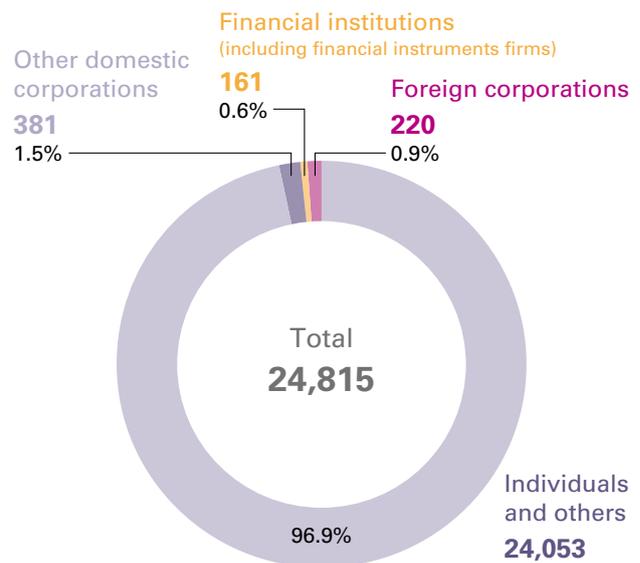
Note: The investment unit price of AEON REIT is indexed with the closing price (¥113,600) on November 22, 2013, the listing date, set at 100. The Tokyo Stock Exchange REIT Index is indexed with the closing price of November 22, 2013, the listing date of AEON REIT, set at 100.

## Unitholders by Type (As of January 31, 2018)

### Number of Units



### Number of Unitholders



## IR Schedule

- Jan.** Closing date of fiscal period ending January
- Feb.**
- Mar.** Announcement of financial results for fiscal period ending January  
Analyst meeting for fiscal period ending January
- Apr.** Commencement of distribution payments for fiscal period ending January  
Sending of asset management report for fiscal period ending January
- May**
- Jun.**

- Jul.** Closing date of fiscal period ending July
- Aug.**
- Sep.** Announcement of financial results for fiscal period ending July  
Analyst meeting for fiscal period ending July
- Oct.** Commencement of distribution payments for fiscal period ending July  
Sending of asset management report for fiscal period ending July
- Nov.**
- Dec.**





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