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March 15, 2017

## Financial Report for the Fiscal Period Ended January 31, 2017 (August 1, 2016 – January 31, 2017)

### AEON REIT Investment Corporation

Listing: Tokyo Stock Exchange  
 Securities code: 3292  
 URL: <http://www.aeon-jreit.co.jp/en/>  
 Representative: Yasuo Shiozaki, Executive Director

Asset management company: AEON Reit Management Co., Ltd.  
 Representative: Yasuo Shiozaki, Representative Director and President  
 Contact: Keiji Tsukahara, Senior Managing Director, General Manager of the Finance and Planning Department  
 Phone: +81-3-5283-6360

Scheduled date to file securities report: April 26, 2017  
 Scheduled date to commence distribution payments: April 14, 2017

Preparation of supplementary material on financial report: Yes  
 Holding of financial report presentation meeting: Yes (for institutional investors and analysts)

(Amounts truncated to the nearest million yen)

### 1. Summary of financial results for the fiscal period ended January 31, 2017 (August 1, 2016 – January 31, 2017)

#### (1) Operating results (Percentages show changes from the previous period)

Fiscal period ended	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2017	11,974	9.6	4,671	9.4	3,958	9.3	3,954	–
July 31, 2016	10,925	16.2	4,269	19.0	3,623	18.8	(1,627)	–

  

Fiscal period ended	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
	Yen	%	%	%
January 31, 2017	3,019	2.8	1.5	33.1
July 31, 2016	(1,251)	(1.2)	1.6	33.2

#### (2) Distributions

Fiscal period ended	Distribution per unit (excluding distributions in excess of retained earnings)	Total cash distributions (excluding distributions in excess of retained earnings)	Distribution in excess of retained earnings per unit	Total cash distributions in excess of retained earnings	Payout ratio	Cash distributions to net assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
January 31, 2017	3,019	3,953	0	0	100.0	2.8
July 31, 2016	0	0	1,450	1,898	–	–

(Note 1) The full amount of *Total distributions in excess of retained earnings* for the fiscal period ended July 31, 2016 is the return of capital corresponding to distributions through capital reduction under Japanese tax law.

(Note 2) Ratio of net asset value attributable to a capital reduction following distributions in excess of retained earnings for the fiscal period ended July 31, 2016 (return of capital corresponding to distributions through capital reduction under Japanese tax law) is 0.014. Ratio of net asset value attributable to a capital reduction is calculated based on Article 23, Paragraph 1 of the Order for Enforcement of the Corporation Tax Act.

### (3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2017	278,328	143,424	51.5	109,528
July 31, 2016	259,216	141,369	54.5	107,959

(Reference) Equity As of January 31, 2017: ¥143,424 million As of July 31, 2016: ¥141,369 million

### (4) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2017	9,250	(23,000)	15,966	14,161
July 31, 2016	4,127	(56,949)	48,819	11,945

## 2. Forecasts of performance for the fiscal periods ending July 31, 2017 (February 1, 2017 – July 31, 2017) and January 31, 2018 (August 1, 2017 – January 31, 2018)

(Percentages show changes from the previous period)

Fiscal period ending	Operating revenue		Operating income		Ordinary income		Net income		Distributions per unit (excluding distributions in excess of retained earnings)	Distributions in excess of retained earnings per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
July 31, 2017	14,632	22.2	5,580	19.5	4,714	19.1	4,709	19.1	2,875	-
January 31, 2018	15,128	3.4	5,811	4.1	4,895	3.8	4,890	3.8	2,990	-

(Reference) Forecasted net income per unit (Forecasted net income / Forecasted total number of investment units issued and outstanding)  
For the fiscal period ending July 31, 2017: ¥2,879  
For the fiscal period ending January 31, 2018: ¥2,989

### \* Other

#### (1) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- Changes in accounting policies due to revisions to accounting standards and other regulations: None
- Changes in accounting policies due to reasons other than a. above: None
- Changes in accounting estimates: None
- Retrospective restatement: None

#### (2) Total number of investment units issued and outstanding

- Total number of investment units issued and outstanding at end of period (including treasury investment units)
  - As of January 31, 2017 1,309,467 units
  - As of July 31, 2016 1,309,467 units
- Number of treasury investment units at end of period
  - As of January 31, 2017 0 units
  - As of July 31, 2016 0 units

(Note) Please refer to “Per Unit Information” on page 28 for the number of investment units used as the basis for calculating net income per unit.

### \* Status of audit procedures

As of the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

### \* Remarks on appropriate use of forecasts of performance and other special notes

Forward-looking statements presented in this financial report, including forecasts of performance, are based on information currently available to AEON REIT and on certain assumptions AEON REIT deems to be reasonable. As such, actual operating and other results may differ materially from these forecasts as a consequence of numerous factors. Furthermore, these forecasts shall not be construed as a guarantee of the distribution amount. Please refer to “Assumptions for Forecasts of Performance for the Fiscal Periods Ending July 31, 2017 (February 1, 2017 – July 31, 2017) and January 31, 2018 (August 1, 2017 – January 31, 2018)” on pages 7 and 8 for information on assumptions for the forecasts of operating results.

## 1. AEON REIT Investment Corporation and Related Corporations

Disclosure is omitted since there have been no significant changes from the “Management structure of the Investment Corporation” in the latest Securities Report (submitted on October 26, 2016; prepared in Japanese only).

## 2. Investment Policies and Status of Asset Management

### (1) Investment Policies

Disclosure is omitted since there have been no significant changes from policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the latest Securities Report (submitted on October 26, 2016; prepared in Japanese only).

### (2) Status of Asset Management

#### i) Summary of results for the current fiscal period

##### (A) Overview of AEON REIT

AEON REIT Investment Corporation (hereinafter, “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 said 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 (8th fiscal period), AEON REIT acquired AEON MALL Oyama, of which it obtained preferential negotiation rights for acquisition in July 2016, for an acquisition price of ¥6,280 million in August 2016, and AEON MALL Tomakomai for an acquisition price of ¥7,840 million in September 2016, respectively. In September 2018, moreover, AEON REIT additionally acquired the shares (205,110,000 Malaysian Ringgit hereinafter, “RM”) (¥5,097 million at a contracted exchange rate of RM 1 = JPY 24.85) issued by an overseas real estate holding company (hereinafter, the “Overseas SPC”) established in Malaysia, aiming to acquire overseas real estate by using – for the first time as a J-REIT – the overseas SPC scheme. Through the Overseas SPC, AEON REIT acquired AEON MALL SEREMBAN 2.

As a result, the real estate held by AEON REIT as of January 31, 2017 totaled 31 properties in Japan and overseas, including AEON MALL SEREMBAN 2 it owns through the Overseas SPC, with a total acquisition price of ¥268,590 million.

##### (B) Operating environment and performance

###### (a) Operating environment

The Japanese economy was on a moderate recovery trend, as real GDP for the fourth quarter (October – December) of 2016 (preliminary release) achieved growth for four consecutive quarters. Consumer spending has been subject to weather conditions, as seen in fresh foods for which prices soared due to fickle weather. Consumer sentiment showed a certain improvement backed by the favorable employment environment, with the consumer confidence index for January standing at 43.2 (up 1.9 over July 2016), although the improvement remained modest. The corporate sector also exhibited a modest improvement due to the yen becoming increasingly weaker against the U.S. dollar, while the inauguration of the Trump administration in the U.S. caused growing uncertainties among companies about its policies.

As for the interest rate and yield environment, the Quantitative and Qualitative Monetary Easing with Yield Curve Control introduced by the Bank of Japan set the target level of long-term yields at near zero. On the other hand, the long-term yields rose in the U.S. due to expectations for expansionary fiscal policy by the U.S. government. In accordance with the rise, the long-term yields in Japan showed a heightened volatility within the positive zone for the moment.

On the J-REIT market, the Tokyo Stock Exchange (TSE) REIT Index had shown a downward trend since August 2016 due to uncertainties about monetary policies in Japan and the U.S., and the figure fell to as low as 1,715.86 on November 14 (on a closing price basis). Subsequently, the Index regained to the 1,800 level as selling by foreign investors came to a temporary stop as well as the Bank of Japan conducted fixed-rate purchase operations and increased purchase volume of government bonds.

(b) Performance

Under these conditions, AEON REIT and the Asset Manager focused on achieving an early recovery of AEON MALL Kumamoto, to which the Kumamoto Earthquake that broke out in April 2016 caused serious damage, while receiving support from AEON Mall Co., Ltd. and other AEON Group companies. As of January 31, 2017, operations were resumed for not only the anchor store (AEON Kumamoto) and the East Mall but also the restaurant zone of the West Mall. Moreover, as restoration works completed for the rest of the West Mall that had suspended operations, the entire buildings excluding the Sub-Anchor Zone, which is slated for demolition to be reconstructed, are scheduled to resume operations on March 24, 2017.

As for the expenses for restoration works related to the Kumamoto Earthquake, the amount that had been reasonably estimated was recorded in the previous fiscal period. Accordingly, AEON REIT anticipates no expense for restoration works that may be additionally incurred in the next fiscal period and thereafter as well as in the 8th fiscal period under review.

With regard to existing properties, a Floor-Space Expansion Development Agreement for AEON MALL Kofu Showa was concluded in August 2016. AEON REIT succeeded the contractual position, rights and obligations for constructing the expanded building, and obtained preferential negotiation rights to acquire the expanded building after it is completed.

(C) Financing

As of January 31, 2017, AEON REIT had a balance of interest-bearing debt totaling ¥118,800 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 46.4%.

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, 2017. 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 96.5% as of the same date. Together with the above-mentioned LTV, these figures indicate that AEON REIT has maintained a sound and conservative financial structure.

As of January 31, 2017, AEON REIT had the following credit rating.

<Credit rating>

Credit rating agency	Rating type	Credit rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	AA-	Stable

(D) Results and cash distribution

As a result of the above operations, AEON REIT posted operating revenue of ¥11,974 million, operating income of ¥4,671 million, ordinary income of ¥3,958 million and net income of ¥3,954 million for the 8th fiscal period ended January 31, 2017.

The undisposed loss of ¥1,626 million 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. As the capital reduction without compensation does not involve any return of capital to the unitholders, the number of investment units issued and outstanding remains unchanged.

As for cash distribution for the 8th fiscal period, AEON REIT decided to distribute the mostly entire amount of the retained earnings (except for the fraction amount corresponding to the distribution per unit of less than 1 yen), with the aim of having the maximum amount of distribution of retained earnings.

deducted as expenses based on application of the special treatment for corporate income taxes (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, distribution per unit came to 3,019 yen for the fiscal period under review.

Furthermore, AEON REIT does not conduct distribution in excess of retained earnings as set forth in Article 35-2 of its Articles of Incorporation.

## ii) Outlook for the next fiscal period

### (A) Outlook for overall performance

Looking ahead of the Japanese economy, there are growing uncertainties due to such external factors as the possibility of increasing protectionist trends in the U.S. and political events in Europe including elections in Germany and France, although the proactive fiscal policy by the U.S. government is expected to buoy the business conditions. On the other hand, exports remain solid and the corporate sector is showing a recovery trend. Accordingly, AEON REIT anticipates Japan's real GDP growth rate in fiscal 2017 to stand roughly at the lower half of the 1% level. In the household sector, while the employment environment is likely to remain favorable, wage growth will be slow. Given such a situation, recovery in consumer spending will lack momentum due to an increase in consumer prices in association with the yen's depreciation trend and a rise in natural resource prices, and the improvement will continue to stay modest, as AEON REIT sees it.

As for consumer prices, it is forecasted that natural resource prices, which served as a factor to push prices downward in fiscal 2016, will turn out to be a factor pushing prices upward. Together with an increase in prices of foodstuffs and other imports due to weaker yen, AEON REIT foresees that the inflation rate in fiscal 2017 will be roughly in the upper half of the 0% level.

In terms of the environment surrounding retail properties, the Monthly Economic Report for February 2017 announced by the Cabinet Office made a downward revision of its assessment, describing that "private consumption appears to be pausing recently, while it remains in pickup." However, consumer sentiment is observed to pick up, and the pickup is expected to continue going forward. In terms of consumption behavior, a transition is under way from consumption of "goods" to consumption of "events" (experiences), and consumers demonstrate a stronger orientation toward being selective.

As for the Malaysian economy, real GDP growth rate for fiscal 2016 was 4.2% over the previous year, marking the second year with a year-on-year decrease. However, consumer spending appears to be picking up from the drop after the Government Standard Tax (GST) was introduced. Benefits to low-income individuals and an increase in minimum wage should also bolster consumption. In addition, AEON REIT foresees that the corporate sector will head toward moderate recovery as a whole, since an increase in natural resource prices is anticipated to improve corporate earnings and lowering of interest rates in July 2016 is expected to spur capital investment.

With regard to the risk factors going forward, close attention must be paid in Japan to what stance the Bank of Japan will take toward purchasing government bonds, as such a stance will impact the long-term yields. Overseas, how the Trump administration in the U.S. will implement policy management and how it will affect the emerging economies should be closely monitored.

### (B) Future investment policy

#### (a) Basic policy

AEON REIT aims to secure stable income as well as to maintain and enhance asset value over the medium to long term by endeavoring to sustain and improve rent revenue, conduct adequate management and repairs and maintenance measures, and optimize and streamline management costs.

#### (b) Investment policy and growth strategy

The Aeon Group has the collective strength to consistently develop and operate large-scale retail properties and other retail properties of various types. In implementing its growth strategy, AEON REIT seeks for growth of its portfolio over the medium to long term by fully utilizing the collective strengths of the Aeon Group.

AEON REIT believes that it can expand its portfolio size, improve the stability of investments, and enhance its financing capabilities by acquiring retail and related properties developed by the AEON Group from the Group, based on the Sponsor Support Agreements, Pipeline Support Agreements and

Memorandum of Understanding on Investments in Properties in Malaysia. Moreover, by improving financing capabilities, it works to acquire more properties, thereby expanding its portfolio size. From the viewpoint of the Aeon Group, selling its retail and related properties to AEON REIT allows the Group to use the obtained funds to execute investments for growth (such as development of new stores). Executing such investment for growth should contribute to increased revenue and higher corporate value of the AEON Group, which in turn supports further growth of AEON REIT. By building a mutually beneficial relationship with the Aeon Group that creates a virtuous cycle for both entities, as discussed above, AEON REIT aims to maximize unitholder value.

(c) Financial strategy

AEON REIT will maintain a strong financial base while working to control the debt ratio in a conservative manner. In conducting financial operations, it has set the upper limit of its LTV ratio at 60% and works to keep the ratio at around 50% as a rule. To mitigate refinance risk and interest rate fluctuation risk, AEON REIT will consider extending loan maturities and fixing interest rates in an effort to ensure appropriate operations.

**iii) Significant events after balance sheet date**

(A) Issuance of new investment units

AEON REIT resolved at its Board of Directors meetings held on February 1, 2017 and February 15, 2017 to issue new investment units, as outlined below. Payment completed on February 22, 2017 for the new investment units issued through public offering and on March 14, 2017 for the new investment units issued through third-party allotment, respectively.

a. Issuance of new investment units through public offering

Number of investment units issued:	310,900 units (232,151 units in Japan and 78,749 units overseas (Note))
Issue price:	118,950 yen per unit
Total issue price:	36,981,555,000 yen
Paid-in amount:	115,046 yen per unit
Total paid-in amount:	35,767,801,400 yen
Payment date:	February 22, 2017
Base date for distribution:	February 1, 2017

(Note) Refers to international offering of the investment units in overseas markets mainly in the U.S., Europe and Asia (in the U.S., however, only to qualified institutional buyers pursuant to Rule 144A under the United States Securities Act of 1933).

b. Issuance of new investment units through third-party allotment

Number of investment units issued:	15,545 units
Paid-in amount:	115,046 yen per unit
Total paid-in amount:	1,788,390,070 yen
Payment date:	March 14, 2017
Base date for distribution:	February 1, 2017
Allottee:	Nomura Securities Co., Ltd.

c. Use of proceeds

The proceeds from the aforementioned public offering will be used to partly fund the acquisition of the trust beneficiary rights in real estate for the properties described in (B) Property acquisitions below, with the exception of AEON Minami-Osaka RDC. The proceeds from third-party allotment will be kept as cash on hand, and will be used to partly fund acquisitions of specified assets or repayment of interest-bearing debt in the future.

(B) Property acquisitions

AEON REIT acquired trust beneficiary rights in real estate for the following five properties (total acquisition price: ¥62,100 million).

Property name	Location	Acquisition price (Millions of yen)	Acquisition date	Seller
AEON MALL Itamikoya	Itami City, Hyogo Pref.	16,860	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Kagoshima	Kagoshima City, Kagoshima Pref.	13,400	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Tsuchiura	Tsuchiura City, Ibaraki Pref.	12,030	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Kahoku	Kahoku City, Ishikawa Pref.	9,940	February 28, 2017	AEON Retail Co., Ltd.
AEON Minami-Osaka RDC	Sakai City, Osaka Pref.	9,870	February 3, 2017	Tokyo Century Corporation
Total	—	62,100	—	—

(Note) *Acquisition price* represents the amount (the sale and purchase price of each trust beneficiary right, shown on the sale and purchase agreement of each acquired property) excluding expenses incurred on the acquisition, including national and local consumption taxes, transaction fees and other costs.

(C) Debt financing

AEON REIT conducted the following debt financing in order to partly fund the acquisition of the five properties described in (B) Property acquisitions above and related expenses.

Term	Lender	Loan amount (Millions of yen)	Interest rate	Drawdown date	Principal repayment date	Repayment Method	Security
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	10,000	Base Interest Rate (1-month JBA Japanese Yen TIBOR) + 0.22%	February 3, 2017	October 20, 2017	Bullet repayment on the principal repayment date	Unsecured and unguaranteed
	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	19,700	Base Interest Rate (1-month JBA Japanese Yen TIBOR) + 0.22%	February 28, 2017	October 20, 2017		
Total		29,700		—			

In addition, AEON REIT resolved at its Board of Directors meetings held on February 1, 2017 and February 27, 2017 to conduct early repayment and debt financing as described below.

Lender	Balance before repayment (Millions of yen)	Repayment amount (Millions of yen)	Balance after repayment	Planned repayment date	Drawdown date	Repayment date
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	10,000	10,000	—	March 28, 2017	February 3, 2017	October 20, 2017
	19,700	19,700	—		February 28, 2017	
Total	29,700	29,700	—		—	

Term	Lender	Loan amount (Millions of yen)	Interest rate	Planned drawdown date	Financing method	Principal repayment Date	Repayment method	Security
Long-term	Syndicate with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited as arrangers	6,400	Base interest rate (3-month JBA Japanese Yen TIBOR) + 0.22%	March 28, 2017	Debt financing based on individual term loan agreements entered into on March 24, 2017 with the lenders shown on the left	October 21, 2019	Bullet repayment on the principal repayment date	Unsecured and unguaranteed
		6,100	Base interest rate (3-month JBA Japanese Yen TIBOR) + 0.31%			October 20, 2021		
		5,200	Base interest rate (3-month JBA Japanese Yen TIBOR) + 0.37%			October 20, 2022		
		200	TBD (fixed interest rate)			October 20, 2022		
		6,800	Base interest rate (3-month JBA Japanese Yen TIBOR) + 0.61%			October 21, 2024		
		5,000	Base interest rate (3-month JBA Japanese Yen TIBOR) + 0.79%			October 20, 2026		
Total		29,700	—					



**Assumptions for Forecasts of Performance for the Fiscal Periods Ending July 31, 2017 (February 1, 2017 – July 31, 2017) and January 31, 2018 (August 1, 2017 – January 31, 2018)**

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> <li>● Fiscal period ending July 31, 2017 (181 days from February 1, 2017 to July 31, 2017, the 9th fiscal period)</li> <li>● Fiscal period ending January 31, 2018 (184 days from August 1, 2017 to January 31, 2018, the 10th fiscal period)</li> </ul>
Portfolio	<ul style="list-style-type: none"> <li>● For the forecasts of performance, it is assumed that, through the end of the 10th fiscal period ending January 2018, there will be no change (acquisition of new properties or sale of existing properties, etc.) in the number of investment assets (36 properties including AEON MALL SEREMBAN 2 that AEON REIT owns through the overseas SPC) AEON REIT owns as of March 15, 2017.</li> <li>● The actual figure may vary due to acquisition of new properties or disposal of owned properties, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>● Rent revenue – real estate from the assets currently held has been calculated by taking into account such factors as the relevant lease agreements effective as of March 15, 2017 and market trends. Dividends from the overseas SPC have been calculated based on the assumption that interim dividends will be received during the fiscal period ending July 31, 2017 (9th fiscal period) and period-end dividends will be received during the fiscal period ending January 31, 2018 (10th fiscal period).</li> <li>● However, revenue from AEON MALL Kumamoto, which was affected by the Kumamoto Earthquake, has been calculated based on the assumption that a portion of the rent for the fiscal period ending July 31, 2017 (9th fiscal period) and the fiscal period ending January 31, 2018 (10th fiscal period) will not be received.</li> <li>● It is assumed that there is no delinquencies or non-payment of rents by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>● Operating expenses mainly comprise expenses related to rent business. Those expenses, excluding depreciation expenses, are calculated on the basis of historical data and by reflecting variable factors of expenses. As for AEON MALL Itamikoya and other four properties for which AEON REIT announced acquisition in “Notice Concerning Acquisition and Leases of Domestic Properties” dated February 1, 2017 and which have already been acquired as of March 15, 2017 (hereinafter “five newly acquired properties”), the expenses have been calculated based on amounts stated in appraisal reports and by reflecting variable factors of expenses, with considerations given to information provided by the previous owners, etc. of the five newly acquired properties.</li> <li>● Generally, fixed asset taxes, city planning taxes and depreciable asset taxes for the acquired properties are prorated based on the period of ownership with the previous owners and settled at the time of acquisition. The amount equivalent to such settlement is included in the acquisition costs and therefore not recognized as expenses for the fiscal period in which the acquisition took place. The total amount of fixed asset taxes, city planning taxes and depreciable asset taxes for the five newly acquired properties is assumed to be ¥545 million, which will be included in the acquisition costs. As for fixed asset taxes, city planning taxes and depreciable asset taxes for the assets currently held, AEON REIT assumes to record ¥1,504 million for the 9th fiscal period and ¥1,504 million for the 10th fiscal period as expenses. For the five newly acquired properties, fixed asset taxes, city planning taxes and depreciable asset taxes will be expensed from the 11th fiscal period ending July 31, 2018.</li> <li>● For repairs and maintenance expenses for buildings, amounts assumed to be required in each fiscal period is recorded as expenses, based on the medium- to long-term repair and maintenance plan formulated by the Asset Manager. However, actual repairs and maintenance expenses in each fiscal period may differ substantially from the forecasts, as (i) there is no denying the possibility of repairs and maintenance expenses being incurred urgently due to damages to buildings caused by unforeseeable factors, (ii) generally, incurred expenses differ substantially from one fiscal period to another, and (iii) expenses are not incurred on a regular basis, among other reasons.</li> <li>● Depreciation of property and equipment is computed by the straight-line method, including related expenses, and is assumed to be ¥4,178 million for the 9th fiscal period and ¥4,224 million for the 10th fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>● Interest expenses and other borrowing-related expenses are assumed to be ¥785 million for the 9th fiscal period and ¥840 million for the 10th fiscal period.</li> </ul>

Item	Assumptions
Borrowings	<ul style="list-style-type: none"> <li>● As of March 15, 2017, AEON REIT has interest-bearing debt totaling ¥148,500 million. LTV ratio is anticipated to be approximately 46.3% as of the end of the 9th fiscal period (July 31, 2017) and approximately 46.3% as of the end of the 10th fiscal period (January 31, 2018).</li> <li>● LTV is calculated by using the following formula: LTV = Total interest-bearing debt plus tenant leasehold and security deposits (including tenant leasehold and security deposits in trust) / Total assets × 100</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>● Distribution per unit for the 9th and 10th fiscal periods is calculated based on the assumption that the forecasted total number of investment units issued and outstanding as of the respective period-end will be 1,635,912 units.</li> </ul>
Distribution per unit	<ul style="list-style-type: none"> <li>● Distribution per unit (excluding distribution in excess of retained earnings) has been calculated based on the cash distribution policy prescribed in the Articles of Incorporation of AEON REIT.</li> <li>● Fluctuations in rent revenue due to changes in the portfolio and other factors, unforeseeable repairs and maintenance incurred and other various factors may lead to changes in the amount of distribution per unit.</li> </ul>
Distribution in excess of retained earnings per unit	<ul style="list-style-type: none"> <li>● AEON REIT currently has no plan to pay cash distribution in excess of retained earnings (distribution in excess of retained earnings per unit).</li> </ul>
Others	<ul style="list-style-type: none"> <li>● It is assumed that no revisions that may impact the above projections will be made to laws and regulations, tax systems, accounting standards, securities listing regulations and the rules of The Investment Trusts Association, Japan, or others.</li> <li>● It is assumed that no unforeseeable significant changes will occur in general economic trends or conditions in the real estate market, etc.</li> </ul>

### 3. Financial Statements

#### (1) Balance Sheets

(Unit: Thousands of yen)

	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	6,301,209	7,976,907
Cash and deposits in trust	5,644,727	6,184,712
Prepaid expenses	352,645	534,537
Income taxes receivable	129	25
Consumption taxes receivable	2,031,100	-
Other	8,922	8,881
Total current assets	14,338,735	14,705,064
Non-current assets		
Property and equipment		
Land	108,463	108,463
Buildings in trust	138,495,163	146,571,336
Accumulated depreciation	(13,533,615)	(16,838,853)
Buildings in trust, net	124,961,547	129,732,482
Structures in trust	828,132	862,590
Accumulated depreciation	(469,610)	(550,639)
Structures in trust, net	358,521	311,950
Tools, furniture and fixtures in trust	2,352	2,640
Accumulated depreciation	(362)	(563)
Tools, furniture and fixtures in trust, net	1,989	2,076
Land in trust	85,670,655	92,208,872
Construction in progress in trust	759	2,237,059
Total property and equipment	211,101,937	224,600,904
Intangible assets		
Leasehold rights in trust	31,616,769	31,616,769
Total intangible assets	31,616,769	31,616,769
Investments and other assets		
Shares of subsidiaries and associates	954,761	6,078,453
Long-term prepaid expenses	968,013	1,116,809
Lease and guarantee deposits	10,460	10,460
Total investments and other assets	1,933,235	7,205,724
Total non-current assets	244,651,941	263,423,397
Deferred assets		
Investment unit issuance expenses	203,779	145,067
Investment corporation bond issuance costs	21,844	54,761
Total deferred assets	225,624	199,828
Total assets	259,216,301	278,328,290

(Unit: Thousands of yen)

	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	2,532,498	740,165
Current portion of long-term loans payable	9,000,000	4,200,000
Accounts payable - other	52,583	261,252
Accrued expenses	33,306	42,149
Income taxes payable	605	605
Accrued consumption taxes	–	183,490
Provision for loss on disaster	3,755,901	3,755,901
Other	402,408	670,961
<b>Total current liabilities</b>	<b>15,777,304</b>	<b>9,854,525</b>
Non-current liabilities		
Investment corporation bond	2,000,000	4,000,000
Long-term loans payable	89,900,000	110,600,000
Tenant leasehold and security deposits	2,628	2,628
Tenant leasehold and security deposits in trust	10,167,213	10,446,645
<b>Total non-current liabilities</b>	<b>102,069,841</b>	<b>125,049,273</b>
<b>Total liabilities</b>	<b>117,847,146</b>	<b>134,903,799</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	142,996,124	142,996,124
Deduction from unitholders' capital		
Other deduction from unitholders' capital	–	(3,525,697)
Total deduction from unitholders' capital	–	(3,525,697)
<b>Unitholders' capital, net</b>	<b>142,996,124</b>	<b>139,470,427</b>
Surplus		
Unappropriated retained earnings (undisposed loss)	(1,626,970)	3,954,064
<b>Total surplus</b>	<b>(1,626,970)</b>	<b>3,954,064</b>
<b>Total unitholders' equity</b>	<b>141,369,154</b>	<b>143,424,491</b>
<b>Total net assets</b>	<b>*1 141,369,154</b>	<b>*1 143,424,491</b>
<b>Total liabilities and net assets</b>	<b>259,216,301</b>	<b>278,328,290</b>

(2) Statements of Income

(Unit: Thousands of yen)

	Previous fiscal period (From February 1, 2016 to July 31, 2016)		Current fiscal period (From August 1, 2016 to January 31, 2017)	
Operating revenue				
Rent revenue - real estate	*1	10,925,666	*1	11,974,815
Total operating revenue		10,925,666		11,974,815
Operating expenses				
Expenses related to rent business	*1	6,208,008	*1	6,613,972
Asset management fee		274,495		544,722
Asset custody fee		12,849		14,211
Administrative service fees		40,283		43,947
Directors' compensation		3,600		3,600
Taxes and dues		59		4,688
Other operating expenses		116,964		78,217
Total operating expenses		6,656,261		7,303,361
Operating income		4,269,404		4,671,454
Non-operating income				
Interest income		851		165
Interest on refund		–		4,920
Total non-operating income		851		5,086
Non-operating expenses				
Interest expenses		388,897		462,590
Interest expenses on investment corporation bonds		9,625		14,466
Amortization of investment unit issuance expenses		76,357		58,712
Investment unit issuance expenses		4,454		310
Amortization of investment corporation bond issuance costs		1,191		2,022
Other offering costs associated with issuance of investment units		2,864		–
Borrowing related expenses		162,511		179,149
Other		1,232		589
Total non-operating expenses		647,135		717,841
Ordinary income		3,623,121		3,958,699
Extraordinary losses				
Loss on disaster	*2	1,489,759		–
Provision for loss on disaster	*2	3,755,901		–
Total extraordinary losses		5,245,660		–
Income (loss) before income taxes		(1,622,539)		3,958,699
Income taxes - current		4,976		4,635
Income taxes - deferred		19		–
Total income taxes		4,996		4,635
Net income (loss)		(1,627,536)		3,954,064
Retained earnings brought forward		566		–
Unappropriated retained earnings (undisposed loss)		(1,626,970)		3,954,064

### (3) Statements of Unitholders' Equity

Previous fiscal period (From February 1, 2016 to July 31, 2016)

(Unit: Thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	116,447,057	3,042,224	3,042,224	119,489,281	119,489,281
Changes of items during period					
Issuance of new investment units	26,549,067			26,549,067	26,549,067
Dividends of surplus		(3,041,658)	(3,041,658)	(3,041,658)	(3,041,658)
Net income (loss)		(1,627,536)	(1,627,536)	(1,627,536)	(1,627,536)
Total changes of items during period	26,549,067	(4,669,194)	(4,669,194)	21,879,873	21,879,873
Balance at end of current period	* 1 142,996,124	(1,626,970)	(1,626,970)	141,369,154	141,369,154

Current fiscal period (From August 1, 2016 to January 31, 2017)

(Unit: Thousands of yen)

	Unitholders' equity						Total net assets	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Surplus			Total unitholders' equity
		Other deduction from unitholders' capital	Total deduction from unitholders' capital		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	142,996,124	—	—	142,996,124	(1,626,970)	(1,626,970)	141,369,154	141,369,154
Changes of items during period								
Capital reduction without compensation		(1,626,970)	(1,626,970)	(1,626,970)	1,626,970	1,626,970	—	—
Cash distribution in excess of retained earnings		(1,898,727)	(1,898,727)	(1,898,727)			(1,898,727)	(1,898,727)
Net income (loss)					3,954,064	3,954,064	3,954,064	3,954,064
Total changes of items during period	—	(3,525,697)	(3,525,697)	(3,525,697)	5,581,034	5,581,034	2,055,337	2,055,337
Balance at end of current period	* 1 142,996,124	(3,525,697)	(3,525,697)	139,470,427	3,954,064	3,954,064	143,424,491	143,424,491

**(4) Statements of Cash Distributions**

(Unit: Yen)

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
I Unappropriated retained earnings (undisposed loss)	(1,626,970,162)	3,954,064,258
II Disposition of loss	1,626,970,162	—
Deduction from unitholders' capital	1,626,970,162	—
III Addition of distributions in excess of retained earnings	1,898,727,150	—
Deduction from unitholders' capital	1,898,727,150	—
IV Total cash distributions	1,898,727,150	3,953,280,873
[Distribution per unit]	[1,450]	[3,019]
Distribution of retained earnings	—	3,953,280,873
[Distribution per investment unit]	[-]	[3,019]
Distribution in excess of retained earnings	1,898,727,150	—
[Distribution in excess of retained earnings per unit]	[1,450]	—
V Retained earnings brought forward	—	783,385
Calculation method for distributions	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. The undisposed loss recognized in the current period of 1,626,970,162 yen shall be disposed of through implementation of capital reduction without compensation in accordance with Article 136-2 of the Investment Trusts Act and deduction from total unitholders' capital. AEON REIT decided to distribute 1,898,727,150 yen out of 1,901,512,275 yen, which is 60% of the amount of depreciation for the current period of 3,169,187,126 yen, as distributions of cash in excess of retained earnings in accordance with the distribution policy set out in the Articles of Incorporation (return of contribution corresponding to reduction in capital, etc. under tax laws).	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 will pay distributions of profits at the total amount of ¥3,953,280,873, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 1,309,467, 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.

## (5) Statements of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(1,622,539)	3,958,699
Depreciation	3,169,187	3,386,468
Amortization of investment corporation bond issuance costs	1,191	2,022
Amortization of investment unit issuance expenses	76,357	58,712
Interest income	(851)	(165)
Interest expenses	398,522	477,057
Loss on disaster	1,489,759	-
Increase in provision for loss on disaster	3,755,901	-
Decrease (increase) in consumption taxes refund receivable	(2,031,100)	2,031,100
Increase (decrease) in accrued consumption taxes	(651,868)	183,490
Increase in prepaid expenses	(25,284)	(181,892)
Increase (decrease) in operating accounts payable	(99,887)	(521,088)
Increase (decrease) in accounts payable - other	(138,207)	208,668
Decrease (increase) in long-term prepaid expenses	(190,754)	(148,795)
Other, net	394,684	268,606
Subtotal	4,525,109	9,722,885
Interest income received	851	165
Interest expenses paid	(394,140)	(468,214)
Income taxes paid	(4,699)	(4,531)
Net cash provided by operating activities	4,127,121	9,250,305
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(755)	-
Purchase of property and equipment in trust	(49,572,593)	(18,156,681)
Purchase of intangible assets in trust	(8,479,011)	-
Proceeds from tenant leasehold and security deposits in trust	2,057,702	279,431
Proceeds from tenant leasehold and security deposits	(460)	-
Purchase of Shares of subsidiaries and associates	(954,761)	(5,123,692)
Net cash used in investing activities	(56,949,880)	(23,000,942)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	25,500,000	43,300,000
Repayments of long-term loans payable	-	(27,400,000)
Proceeds from issuance of investment corporation bonds	-	1,965,060
Proceeds from issuance of investment units	26,360,269	-
Dividends paid	(3,041,097)	(1,898,480)
Net cash (used in) provided by financing activities	48,819,172	15,966,580
Effect of exchange rate change on cash and cash equivalents	(1,298)	(260)
Net increase (decrease) in cash and cash equivalents	(4,004,884)	2,215,683
Cash and cash equivalents at beginning of period	15,950,821	11,945,936
Cash and cash equivalents at end of period	*1 11,945,936	*1 14,161,619



**(6) Notes on Assumption of Going Concern**

Not applicable.

**(7) Notes on Significant Accounting Policies**

1. Valuation standard and method for securities	<p>Securities</p> <p>Shares of subsidiaries and associates</p> <p>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.</p>						
2. Method of depreciation of non-current assets	<p>(1) Property and equipment</p> <p>Depreciation of property and equipment is computed by the straight-line method over the following useful lives:</p> <table border="0" data-bbox="560 712 1134 819"> <tr> <td>Buildings in trust</td> <td>3 to 51 years</td> </tr> <tr> <td>Structures in trust</td> <td>3 to 35 years</td> </tr> <tr> <td>Tools, furniture and fixtures in trust</td> <td>6 years</td> </tr> </table> <p>(2) Long-term prepaid expenses</p> <p>Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings in trust	3 to 51 years	Structures in trust	3 to 35 years	Tools, furniture and fixtures in trust	6 years
Buildings in trust	3 to 51 years						
Structures in trust	3 to 35 years						
Tools, furniture and fixtures in trust	6 years						
3. Accounting method for deferred assets	<p>(1) Investment unit issuance expenses</p> <p>Investment unit issuance expenses are capitalized and amortized by the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance expenses</p> <p>Investment corporation bond issuance costs are capitalized and amortized by the straight-line method over the respective terms of the investment corporation bonds.</p>						
4. Standards for recognition of allowances	<p>Provision for loss on disaster</p> <p>Of the expenses for restoration works for the property that was damaged by the Kumamoto Earthquake in 2016, the amount that was reasonably estimated as of the end of the fiscal period ended January 31, 2017 was recorded as allowance for loss on disaster.</p>						
5. Conversion of assets and liabilities in foreign currency into Japanese yen	<p>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.</p>						
6. Recognition of revenue and expenses	<p>Property-related taxes</p> <p>For fixed asset tax, city planning tax, depreciable asset tax, etc., for real properties held, the amount of tax levied corresponding to the accounting period is recorded as expenses related to rent business.</p> <p>The amount equivalent to property-related taxes to be paid by AEON REIT in the first year for acquisition of real properties or beneficiary rights of real estate in trust is not recorded as expenses but included in the acquisition costs for the related properties.</p> <p>In the current fiscal period, the amount equivalent to property-related taxes included in the acquisition costs for the related real properties was ¥64,889 thousand, and in the previous fiscal period the amount equivalent to property-related taxes included in the acquisition costs for the related real properties was ¥417,509 thousand.</p>						

7. Method of hedge accounting	<p>(1) Method of hedge accounting Special treatment is applied for interest rate swaps.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Interest on borrowings</p> <p>(3) Hedging policy AEON REIT conducts derivative transactions for the purpose of hedging risks provided for in the Articles of Incorporation of AEON REIT pursuant to the regulations that stipulate the basic policy of risk management.</p> <p>(4) Method of assessing hedge effectiveness The assessment of hedge effectiveness is omitted since the interest rate swaps satisfy the requirements for special treatment.</p>
8. Scope of cash and cash equivalents in the statement of cash flows	Cash and cash equivalents in the statement of cash flows 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 of the date of acquisition.
9. Other significant information for preparation of financial statements	<p>(1) Accounting policy for beneficiary rights of real estate, etc. in trust With regard to beneficiary rights of real estate, etc. in trust, all assets and liabilities as well as all revenue and expense items associated with all trust assets are accounted for under the respective account items of the balance sheets and statements of income. Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the balance sheets:</p> <ul style="list-style-type: none"> <li>i) Cash and deposits in trust</li> <li>ii) Buildings in trust, structures in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust</li> <li>iii) Leasehold rights in trust</li> <li>iv) Tenant leasehold and security deposits in trust</li> </ul> <p>(2) Accounting policy for consumption taxes National and local consumption taxes are accounted for by the tax-exclusion method.</p>

## (8) Notes to Financial Statements

### Notes to Balance Sheets

- \*1. Minimum net assets as provided in Article 67, paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: Thousands of yen)

Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
50,000	50,000

## Notes to Statements of Income

### \*1. Breakdown of revenues and expenses related to real estate leasing business

	(Unit: Thousands of yen)	
	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
A. Revenues related to real estate leasing business		
Rent revenue—real estate		
Rent	10,868,705	11,924,334
Other rent revenue—real estate	56,960	50,481
Total revenues related to real estate leasing business	10,925,666	11,974,815
B. Expenses related to real estate leasing business		
Expenses related to rent business		
Property and facility management fees	30,705	34,056
Repairs and maintenance expenses	218,531	314,347
Insurance expenses	55,747	80,943
Trust fees	14,499	16,014
Land rent paid	1,539,507	1,595,197
Taxes and dues	1,134,310	1,134,420
Depreciation	3,169,187	3,386,468
Water charges	43,856	49,328
Other expenses related to rent business	1,662	3,197
Total expenses related to real estate leasing business	6,208,008	6,613,972
C. Operating income from real estate leasing business (A – B)	4,717,657	5,360,842

### \*2. Breakdown of extraordinary losses

Previous fiscal period (from February 1, 2016 to July 31, 2016)

(i) Loss on disaster

Losses related to the asset that was damaged by the Kumamoto Earthquake in 2016 (expenses for restoration works and loss on retirement of non-current assets in trust) was recognized as loss on disaster,

(ii) Provision for loss on disaster

Expenses for restoration works that were reasonably estimated as of the end of the fiscal period ended July 31, 2016 (¥3,755,901 thousand) were recorded as provision of allowance for loss on disaster.

Current fiscal period (from August 1, 2016 to January 31, 2017)

Not applicable.

## Notes to Statements of Unitholders' Equity

\*1. Total number of authorized investment units and total number of investment units issued and outstanding

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	1,309,467 units	1,309,467 units

## Notes to Statements of Cash Flows

\*1. Reconciliation between cash and cash equivalents at end of period and relevant amount on the balance sheets

(Unit: Thousands of yen)

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
Cash and deposits	6,301,209	7,976,907
Cash and deposits in trust	5,644,727	6,184,712
Cash and cash equivalents	11,945,936	14,161,619

## Lease Transactions

Operating lease transactions (Lessor)

Future lease payments

(Unit: Thousands of yen)

	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
Due within 1 year	23,306,057	24,521,942
Due after 1 year	119,431,038	115,207,970
Total	142,737,095	139,459,912

## Financial Instruments

1. Matters regarding financial instruments

(1) Policy for financial instruments

AEON REIT seeks as its basic policy to execute a stable, flexible and efficient financial strategy, and procures funds by borrowing, issuing investment corporation bonds (including short-term investment corporation bonds; the same shall apply hereafter), or issuing investment units for purposes including portfolio growth through property acquisitions.

Derivative transactions are carried out only to hedge the risk of fluctuations in interest rates associated with borrowings, exchange rate fluctuation risks associated with operating receivables or obligations in foreign currency, and other risks.

(2) Content and risks of financial instruments and risk management system therefor

Proceeds from loans payable and investment corporation bonds are used mainly for the purpose of acquiring real estate and trust beneficiary rights in real estate.

Tenant leasehold and security deposits in trust are deposits provided by 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 operations of AEON REIT. Furthermore, these risks are managed through derivative transactions (interest rate swaps) as hedging instruments in certain floating-rate loans payable in order to fix interest rate payments and hedge the risk of fluctuations in interest rates. The hedge effectiveness of

the interest rate swaps is assessed, by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items and based on the respective amount of changes; provided, however, that the assessment of hedge effectiveness be omitted for those interest rate swaps that meet the criteria for exceptional treatment.

Derivative transactions are conducted and managed in accordance with the 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, AEON REIT manages these risks through preparing monthly financing plans, maintaining liquidity on hand, and other means by the 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.

AEON REIT 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 AEON REIT's earnings. If the yen is increasingly appreciated against other currencies, the yen-value of foreign currency denominated transactions that arise in connection with investments in overseas real estate, etc. may be diminished to negatively impact AEON REIT'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 yen at the exchange rates prevailing on the closing date for the preparation of financial statements. Due to exchange rate fluctuations, these accounts may negatively affect AEON REIT's net income.

### (3) Supplementary explanations on fair value, etc. 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, etc., are used, these values could vary.

## 2. Matters regarding fair value, etc. of financial instruments

Balance sheet carrying amounts, fair values, and the difference between the two values are as shown below. Financial instruments whose fair values are considered to be extremely difficult to determine are not included in the table below <sup>(Note 2)</sup>.

Previous fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	6,301,209	6,301,209	-
(2) Cash and deposits in trust	5,644,727	5,644,727	-
Total assets	11,945,936	11,945,936	-
(3) Current portion of long-term loans payable	9,000,000	9,000,000	-
(4) Investment corporation bonds	2,000,000	2,094,200	94,200
(5) Long-term loans payable	89,900,000	101,341,694	2,441,694
Total liabilities	100,900,000	112,435,894	2,535,894
(6) Derivative transactions	-	-	-

Current fiscal period (as of January 31, 2017)

(Unit: Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	7,976,907	7,976,907	—
(2) Cash and deposits in trust	6,184,712	6,184,712	—
Total assets	14,161,619	14,161,619	—
(3) Current portion of long-term loans payable	4,200,000	4,200,000	—
(4) Investment corporation bonds	4,000,000	3,981,000	(19,000)
(5) Long-term loans payable	110,600,000	112,290,530	1,690,530
Total liabilities	118,800,000	120,471,530	1,671,530
(6) Derivative transactions	—	—	—

(Note 1) Measurement of fair values of financial instruments

(1) Cash and deposits, (2) Cash and deposits in trust,

The book value is used as the fair value of these items, given that the fair value is almost equivalent to the amount of the book value, as it is settled in a short time.

(3) Current portion of long-term loans payable, (5) Long-term loans payable

Because the interest rates of long-term loans payable with floating interest rates are to be revised periodically and thus their fair value is almost the same as the book value, the book value is used as the fair value of these liabilities. The fair value of long-term loans payable carrying 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. The fair value for interest rate swaps, to which special 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 “Derivative Transactions” described later.

(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine

	(Unit: Thousands of yen)	
	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
Shares of subsidiaries and associates	954,761	6,078,453
Tenant leasehold and security deposits	2,628	2,628
Tenant leasehold and security deposits in trust	10,167,213	10,446,645
Total	11,124,603	16,527,727

*Shares of subsidiaries and associates* and *Tenant leasehold and security deposits* and *tenant leasehold and security deposits in trust*, which are deposited by lessees of rental properties, are not subject to fair value disclosure because there are no market prices for them and it is not possible to reasonably estimate future cash flow, and therefore it is considered to be extremely difficult to determine their fair values.

(Note 3) Redemption schedule for monetary claims after balance sheet date

Previous fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)	
	Due in 1 year or less
Cash and deposits	6,301,209
Cash and deposits in trust	5,644,727
Total	11,945,936

Current fiscal period (as of January 31, 2017)

(Unit: Thousands of yen)

	Due in 1 year or less
Cash and deposits	7,976,907
Cash and deposits in trust	6,184,712
Total	14,161,619

(Note 4) Expected amount of repayments of investment corporation bonds and loans payable after balance sheet date

Previous fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)

	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
Current portion of long-term loans payable	9,000,000	-	-	-	-	-
Investment corporation bonds	-	-	-	-	-	2,000,000
Long-term loans payable	-	2,700,000	27,000,000	5,300,000	22,000,000	32,900,000
Total	9,000,000	2,700,000	27,000,000	5,300,000	22,000,000	34,900,000

Current fiscal period (as of January 31, 2017)

(Unit: Thousands of yen)

	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
Current portion of long-term loans payable	4,200,000	-	-	-	-	-
Investment corporation bonds	-	-	-	-	-	4,000,000
Long-term loans payable	-	27,000,000	9,200,000	22,000,000	10,000,000	42,400,000
Total	4,200,000	27,000,000	9,200,000	22,000,000	10,000,000	46,400,000

## Securities

Previous fiscal period (as of July 31, 2016)

### 1. Shares of subsidiaries and associates

Please refer to “(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine” in “2. Matters regarding fair value, etc., of financial instruments” of “Matters regarding financial instruments” above.

Current fiscal period (as of January 31, 2017)

### 1. Shares of subsidiaries and associates

Please refer to “(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine” in “2. Matters regarding fair value, etc., of financial instruments” of “Matters regarding financial instruments” above.

## Derivative Transactions

### 1. Derivative transactions not applying hedge accounting

Previous fiscal period (as of July 31, 2016)

Not applicable.

Current fiscal period (as of January 31, 2017)

Not applicable.

### 2. Derivative transactions applying hedge accounting

The following table shows the contracted amount or principal amount equivalent or the like set forth in the contract as of the balance sheet date for each hedge accounting method.

Previous fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)

Method of hedge accounting	Type of derivative transaction	Major hedged item	Contract amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Exceptional treatment for hedge accounting of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	87,200,000	87,200,000	(Note)	–

(Note) Fair value of interest rate swap with the special treatment is included in fair value of “(5) Long-term loans payable” in “Financial Instruments, 2. Matters regarding fair value, etc., of financial instruments” described above, as it is processed as a single unit with the hedged long-term loans payable.

Current fiscal period (as of January 31, 2017)

(Unit: Thousands of yen)

Method of hedge accounting	Type of derivative transaction	Major hedged item	Contract amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Exceptional treatment for hedge accounting of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	109,400,000	109,400,000	(Note)	–

(Note) Fair value of interest rate swap with the exceptional treatment is included in fair value of “(5) Long-term loans payable” in “Financial Instruments, 2. Matters regarding fair value, etc., of financial instruments” described above, as it is processed as a single unit with the hedged long-term loans payable.

## Retirement Benefits

Previous fiscal period (as of July 31, 2016)

Not applicable.

Current fiscal period (as of January 31, 2017)

Not applicable.



## Tax Effect Accounting

### 1. Significant components of deferred tax assets and liabilities

	(Unit: Thousands of yen)	
	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
Deferred tax assets		
Tax loss carried forward	–	515,927
Valuation reserve		(515,927)
Total deferred tax assets	–	–
Net deferred tax assets	–	–

### 2. Reconciliation of significant difference between the normal effective statutory tax rate and the actual effective tax rate after application of tax effect accounting

	(Unit: %)	
	Previous fiscal period (As of July 31, 2016)	Current fiscal period (As of January 31, 2017)
Normal effective statutory tax rate	– (Note)	31.74
(Adjustments)		
Distributions paid included in deductibles	– (Note)	(31.73)
Other	– (Note)	0.01
Effective tax rate after application of tax effect accounting	– (Note)	0.02

(Note) Omitted because a net loss before taxes was recorded.

## Share of Profit or Loss of Entities Accounted for Using Equity Method

Previous fiscal period (as of July 31, 2016)

Not applicable.

Current fiscal period (as of January 31, 2017)

Not applicable.

## Related Party Transactions

### 1. Parent company and major corporate unitholders

Previous fiscal period (from February 1, 2016 to July 31, 2016)

Not applicable.

Current fiscal period (from August 1, 2016 to January 31, 2017)

Not applicable.

### 2. Associates, etc.

Previous fiscal period (from February 1, 2016 to July 31, 2016)

Not applicable.

Current fiscal period (from August 1, 2016 to January 31, 2017)

Not applicable.

3. Sister companies, etc.

Previous fiscal period (from February 1, 2016 to July 31, 2016)

Attribute	Name	Location	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ownership of voting rights (%)	Relationship		Nature of transaction	Amount of transaction (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Interlocking officers	Business relationship				
Subsidiary of other affiliate	AEON Reit Management Co., Ltd.	Chiyoda City, Tokyo	350	Investment management business	-	Interlocking directorate : 1	Asset Manager	Payment of asset management fee (Note 3)	497,091	-	-
Subsidiary of other affiliate	AEON Retail Co., Ltd.	Chiba City, Chiba Pref.	48,970	Retail business	-	-	Lessee and recipient of land rent payment	Rent revenue – real estate	4,219,562	Tenant leasehold and security deposits in trust	3,776,095
								Land rent paid, etc.	733,934	-	-
Subsidiary of other affiliate	AEON Mall Co., Ltd.	Chiba City, Chiba Pref.	42,230	Real estate business	-	-	Purchase of real estate beneficiary interests, lessee and recipient of land rent payment	Purchase of trust beneficiary rights in real estate	22,500,000	-	-
								Rent revenue – real estate	5,544,844	Tenant leasehold and security deposits	2,628
								Land rent paid, etc.	639,905	Tenant leasehold and security deposits in trust	6,121,795
Subsidiary of other affiliate	AEON Hokkaido Corporation	Sapporo City, Hokkaido	6,100	Retail business	-	-	Lessee and recipient of land rent payment	Rent revenue – real estate	678,139	-	-
								Land rent paid, etc.	165,475	-	-
Subsidiary of other affiliate	AEON Bank, Ltd.	Koto City, Tokyo	51,250	Banking business	-	-	Lender	Borrowing of long-term loans	700,000	Long-term loans payable	3,000,000
								Interest expenses	7,264	Accrued expenses	510
Subsidiary of other affiliate	AEON CO. (M) BHD.	Kuala Lumpur, Malaysia	702 million RM	Retail business	-	-	Lessee	Rent revenue – real estate	19,219 (Note 4)	-	-

(Note 1) Of the above amounts, the amount of transaction does not include consumption taxes.

(Note 2) Transaction terms are determined through price negotiations based on current market prices.

(Note 3) The asset management fee includes ¥222,596 thousand in management fees related to property acquisitions, included in the book values of the individual real properties, etc.

(Note 4) *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).

Current fiscal period (from August 1, 2016 to January 31, 2017)

Attribute	Name	Location	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party		Nature of transaction	Amount of transaction (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking directorate, etc.	Business relationship				
Subsidiary of other affiliate	AEON Reit Management Co., Ltd.	Chiyoda City, Tokyo	350	Investment management business	–	Interlocking directorate: 1	Asset Manager	Payment of asset management fee (Note 3)	625,884	Accounts payable - other	209,697
Subsidiary of other affiliate	AEON Retail Co., Ltd.	Chiba City, Chiba Pref.	48,970	Retail business	–	–	Purchase of real estate beneficiary interests, lessee and recipient of land rent payment	Purchase of trust beneficiary rights in real estate	6,280,000	–	–
								Rent revenue – real estate	4,887,379	Tenant leasehold and security deposits in trust	4,055,527
								Land rent paid, etc.	749,912	–	–
Subsidiary of other affiliate	AEON Mall Co., Ltd.	Chiba City, Chiba Pref.	42,256	Real estate business	–	–	Lessee and recipient of land rent payment	Rent revenue – real estate	5,898,379	Tenant leasehold and security deposits	2,628
								Land rent paid, etc.	679,573	–	–
										Tenant leasehold and security deposits in trust	6,121,795
Subsidiary of other affiliate	AEON Hokkaido Corporation	Sapporo City, Hokkaido	6,100	Retail business	–	–	Lessee and recipient of land rent payment	Rent revenue – real estate	678,000	–	–
								Land rent paid, etc.	165,475	–	–
Subsidiary of other affiliate	AEON Bank, Ltd.	Koto City, Tokyo	51,250	Banking business	–	–	Lender	Borrowing of long-term loans	600,000	Long-term loans payable	3,600,000
								Interest expenses	8,928	Accrued expenses	637
Subsidiary of other affiliate	AEON CO. (M) BHD.	Kuala Lumpur, Malaysia	702 million RM	Retail business	–	–	Lessee	Rent revenue – real estate (Note 4)	18,040	Accounts receivable	205
Affiliate	JAMBATAN MANSEIBA SHI(M)Sdn. Bhd.	Kuala Lumpur, Malaysia	239 million RM	Real estate leasing business	–	–	Underwriting of capital increase	Underwriting of capital increase (Note 5)	5,097,430	–	–

(Note 1) Of the above amounts, the amount of transaction does not include consumption taxes.

(Note 2) Transaction terms are determined through price negotiations based on current market prices.

(Note 3) The asset management fee includes ¥81,162 thousand in management fees related to property acquisitions, included in the book values of the individual real properties, etc.

(Note 4) *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).

(Note 5) AEON REIT underwrote the capital increase conducted by a subsidiary.

#### 4. Officers and principal individual unitholders

Previous fiscal period (from February 1, 2016 to July 31, 2016)

Attribute	Name	Location	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party		Nature of transaction	Amount of transaction (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking directorate, etc.	Business relationship				
Officer	Yasuo Shiozaki	-	-	Executive Director of AEON REIT and Representative Director and President of AEON Reit Management Co., Ltd.	(Owned) Direct 0.0%		Executive Director of AEON REIT and Representative Director and President of AEON Reit Management Co., Ltd.	Payment of asset management fee to the Asset Manager	497,091	-	-

(Note 1) Of the above amounts, the amount of transaction does not include consumption taxes.

(Note 2) Transaction terms and policy for determining transaction terms, etc.

1. Transaction terms are determined taking into consideration current market prices.
2. 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 AEON REIT. Kenji Kawahara retired as Executive Director on May 24, 2016. *Amount of transaction* represents the amount of transaction for the 7th fiscal period including the period of office of Kenji Kawahara.
3. The asset management fee includes ¥222,596 thousand in management fees related to property acquisitions, included in the book values of the individual real properties, etc.

Current fiscal period (from August 1, 2016 to January 31, 2017)

Attribute	Name	Location	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party		Nature of transaction	Amount of transaction (Thousands of yen)	Account title	Ending balance (Thousands of yen)
						Interlocking directorate, etc.	Business relationship				
Officer	Yasuo Shiozaki	-	-	Executive Director of AEON REIT and Representative Director and President of AEON Reit Management Co., Ltd.	(Owned) Direct 0.0%		Executive Director of AEON REIT and Representative Director and President of AEON Reit Management Co., Ltd.	Payment of asset management fee to the Asset Manager	625,884	Accounts payable - other	209,697

(Note 1) Of the above amounts, the amount of transaction does not include consumption taxes.

(Note 2) Transaction terms and policy for determining transaction terms, etc.

1. Transaction terms are determined taking into consideration current market prices.
2. 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 AEON REIT.
3. The asset management fee includes ¥81,162 thousand in management fees related to property acquisitions, included in the book values of the individual real properties, etc.

#### Asset Retirement Obligations

Previous fiscal period (as of July 31, 2016)

Not applicable.

Current fiscal period (as of January 31, 2017)

Not applicable.

## Investment and Rental Properties

AEON REIT holds retail properties. The balance sheet carrying amounts, changes during the fiscal period, and fair values of these rental properties are as follows. Amounts do not include AEON Mall Kumamoto and AEON Mall Seremban 2 held through the overseas SPC. The profit or loss concerning investment and rental properties is indicated under “Notes to Statements of Income.”

(Unit: Thousands of yen)

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
Balance sheet carrying amount		
Balance at beginning of period	173,808,945	229,047,065
Changes during period	55,238,119	11,451,449
Balance at end of period	229,047,065	240,498,514
Fair value at end of period	251,358,000	268,525,195

(Note 1) The balance sheet carrying amount is the acquisition cost less accumulated depreciation.

(Note 2) Of the changes during the previous fiscal period, the increase is mainly due to acquisition of five properties (AEON MALL Chiba New Town, AEON Chigasaki-Chuo Shopping Center, Daiei-Kawasaki Process Center, AEON MALL Kofu Showa and AEON MALL Yamatokoriyama) with a total acquisition price of ¥56,510,272 thousand, expansion of AEON MALL Morioka amounting to ¥953,051 thousand and capital expenditures, such as external wall painting of existing properties, amounting to ¥776,915 thousand, while the decrease is principally attributable to depreciation amounting to ¥2,991,535 thousand. Of the changes during the current fiscal period, the increase is mainly due to acquisition of two properties (AEON MALL Oyama and AEON MALL Tomakomai) with a total acquisition price of ¥14,259,268 thousand and capital expenditures, such as replacement of electric heat pumps of air conditioning units at existing properties, amounting to ¥389,579 thousand, while the decrease is principally attributable to depreciation amounting to ¥3,197,398 thousand.

(Note 3) The fair value at end of the current fiscal period is the appraisal value or survey price provided by an independent real estate appraiser.

(Note 4) Regarding AEON Mall Kumamoto, although the real estate in question is deemed to have physical damage, etc. as a result of the Kumamoto Earthquake, data on repairs, etc. necessary to judge the impact on the price of the real estate in question is not available and it is, therefore, judged extremely difficult to determine the fair value of AEON Mall Kumamoto. A summary of the real estate in question is given in “5. Reference Information (2) Investment Assets iii) Other Main Investment Assets (A) Summary of real estate and beneficiary rights of real estate in trust and (B) Overview of lease.” The balance sheet carrying amount at the beginning of the previous fiscal period is ¥13,443,487 thousand and the balance sheet carrying amount at the end of the previous fiscal period ¥13,670,881 thousand. The balance sheet carrying amount at the beginning of the fiscal period under review is ¥13,670,881 thousand and the balance sheet carrying amount at the end of the fiscal period under review is ¥13,482,100 thousand.

## Segment Information, etc.

### 1. Segment information

Disclosure is omitted as AEON REIT is comprised of a single reportable segment engaged in the real estate leasing business.

### 2. Related information

Previous fiscal period (from February 1, 2016 to July 31, 2016)

#### (1) Information about products and services

Disclosure is omitted since operating revenue from external customers of products and services within a single segment exceeds 90% of operating revenue on the statement of income.

#### (2) Information about geographical area

##### i) Operating revenue

Disclosure is omitted since operating revenue from external customers in Japan exceeds 90% of operating revenue on the statement of income.

##### ii) Property and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the balance sheet.

(3) Information about major customers

(Unit: Thousands of yen)

Name	Operating revenue	Related segment
AEON Retail Co., Ltd.	4,219,562	Real estate leasing business
AEON Mall Co., Ltd.	5,544,844	Real estate leasing business
AEON Hokkaido Corporation	678,139	Real estate leasing business
The Daiei, Inc.	325,011	Real estate leasing business
AEON CO. (M) BHD. (Note)	19,219	Real estate leasing business

(Note) *Operating revenue* in converted into yen using the foreign exchange rate prevailing at the time the transaction occurred (monthly average spot exchange rate for the month directly preceding the month in which the transaction took place).

Current fiscal period (from August 1, 2016 to January 31, 2017)

(1) Information about products and services

Disclosure is omitted since operating revenue from external customers of products and services within a single segment exceeds 90% of operating revenue on the statement of income.

(2) Information about geographical area

i) Operating revenue

Disclosure is omitted since operating revenue from external customers in Japan exceeds 90% of operating revenue on the statement of income.

ii) Property and equipment

Disclosure is omitted since the amount of property and equipment located in Japan exceeds 90% of property and equipment on the balance sheet.

(3) Information about major customers

(Unit: Thousands of yen)

Name	Operating revenue	Related segment
AEON Retail Co., Ltd.	4,887,379	Real estate leasing business
AEON Mall Co., Ltd.	5,898,379	Real estate leasing business
AEON Hokkaido Corporation	678,000	Real estate leasing business
The Daiei, Inc.	386,720	Real estate leasing business
AEON CO. (M) BHD. (Note)	18,040	Real estate leasing business

(Note) *Operating revenue* in converted into yen using the foreign exchange rate prevailing at the time the transaction occurred (monthly average spot exchange rate for the month directly preceding the month in which the transaction took place).

### Per Unit Information

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
Net assets per unit	¥107,959	¥109,528
Net income per unit (net loss per unit)	¥(1,251)	¥3,019

(Note 1) Net income per unit (net loss per unit) is calculated by dividing net income (net loss) by the day-weighted average number of investment units for the period. Fully diluted net income (loss) per investment unit is not presented, as there is no potential investment unit.

(Note 2) The basis for calculating net income (loss) per unit is as follows:

	Previous fiscal period (From February 1, 2016 to July 31, 2016)	Current fiscal period (From August 1, 2016 to January 31, 2017)
Net income (net loss) (Thousands of yen)	(1,627,536)	3,954,064
Amount not attributable to common unitholders (Thousands of yen)	–	–
Net income (net loss) attributable to common investment units (Thousands of yen)	(1,627,536)	3,954,064
Average number of investment units for the period (Units)	1,300,058	1,309,467

## Significant Subsequent Events

### 1. Issuance of new investment units

AEON REIT resolved at its Board of Directors meetings held on February 1, 2017 and February 15, 2017 to issue new investment units, as outlined below. Payment completed on February 22, 2017 for the new investment units issued through public offering and on March 14, 2017 for the new investment units issued through third-party allotment, respectively.

#### a. Issuance of new investment units through public offering

Number of investment units issued:	310,900 units (232,151 units in Japan and 78,749 units overseas (Note))
Issue price:	118,950 yen per unit
Total issue price:	36,981,555,000 yen
Paid-in amount:	115,046 yen per unit
Total paid-in amount:	35,767,801,400 yen
Payment date:	February 22, 2017
Base date for distribution:	February 1, 2017

(Note) Refers to international offering of the investment units in overseas markets mainly in the U.S., Europe and Asia (in the U.S., however, only to qualified institutional buyers pursuant to Rule 144A under the United States Securities Act of 1933).

#### b. Issuance of new investment units through third-party allotment

Number of investment units issued:	15,545 units
Paid-in amount:	115,046 yen per unit
Total paid-in amount:	1,788,390,070 yen
Payment date:	March 14, 2017
Base date for distribution:	February 1, 2017
Allottee:	Nomura Securities Co., Ltd.

#### c. Use of proceeds

The proceeds from the aforementioned public offering will be used to partly fund the acquisition of the trust beneficiary rights in real estate for the properties described in 2. Property acquisitions below, with the exception of AEON Minami-Osaka RDC. The proceeds from third-party allotment will be kept as cash on hand, and will be used to partly fund acquisitions of specified assets or repayment of interest-bearing debt in the future.

### 2. Property acquisitions

AEON REIT acquired trust beneficiary rights in real estate for the following five properties (total acquisition price: ¥62,100 million).

Property name	Location	Acquisition price (Millions of yen)	Acquisition date	Seller
AEON MALL Itamikoya	Itami City, Hyogo Pref.	16,860	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Kagoshima	Kagoshima City, Kagoshima Pref.	13,400	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Tsuchiura	Tsuchiura City, Ibaraki Pref.	12,030	February 28, 2017	AEON Retail Co., Ltd.
AEON MALL Kahoku	Kahoku City, Ishikawa Pref.	9,940	February 28, 2017	AEON Retail Co., Ltd.
AEON Minami-Osaka RDC	Sakai City, Osaka Pref.	9,870	February 3, 2017	Tokyo Century Corporation
Total	—	62,100	—	—

(Note) *Acquisition price* represents the amount (the sale and purchase price of each trust beneficiary right, shown on the sale and purchase agreement of each acquired property) excluding expenses incurred on the acquisition, including national and local consumption taxes, transaction fees and other costs.



### 3. Debt financing

AEON REIT conducted the following debt financing in order to partly fund the acquisition of the five properties described in 2. Property acquisitions above and related expenses.

Term	Lender	Loan amount (Millions of yen)	Interest rate	Drawdown date	Principal repayment date	Repayment method	Security
Short-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	10,000	Base Interest Rate (1-month JBA Japanese Yen TIBOR) + 0.22%	February 3, 2017	October 20, 2017	Bullet repayment on the principal repayment date	Unsecured and unguaranteed
	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	19,700	Base Interest Rate (1-month JBA Japanese Yen TIBOR) + 0.22%	February 28, 2017	October 20, 2017		
Total		29,700	—				

In addition, AEON REIT resolved at its Board of Directors meetings held on February 1, 2017 and February 27, 2017 to conduct early repayment and debt financing as described below.

Lender	Balance before repayment (Millions of yen)	Repayment amount (Millions of yen)	Balance after repayment	Planned repayment date	Drawdown date	Repayment date
Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited	10,000	10,000	—	March 28, 2017	February 3, 2017	October 20, 2017
	19,700	19,700	—		February 28, 2017	
Total	29,700	29,700	—	—		

Term	Lender	Loan amount (Millions of yen)	Interest rate	Planned drawdown date	Financing method	Principal repayment Date	Repayment method	Security
Long-term	Syndicate with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited as arrangers	6,400	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.22%	March 28, 2017	Debt financing based on individual term loan agreements entered into on March 24, 2017 with the lenders shown on the left	October 21, 2019	Bullet repayment on the principal repayment date	Unsecured and unguaranteed
		6,100	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.31%			October 20, 2021		
		5,200	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.37%			October 20, 2022		
		200	TBD (fixed interest rate)			October 20, 2022		
		6,800	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.61%			October 21, 2024		
		5,000	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.79%			October 20, 2026		
Total		29,700	—					

### (9) Changes in Total Number of Investment Units Issued

Changes in the total number of investment units issued and the total unitholders' capital of AEON REIT since its incorporation until January 31, 2017 are as follows:

Date	Event	Total number of investment units issued (Units)		Total unitholders' capital (Millions of yen) (Note 1)		Remarks
		Change	Balance	Change	Balance	
November 30, 2012	Incorporation through private placement	5,000	5,000	500	500	(Note 2)
November 21, 2013	Capital increase through public offering	900,000	905,000	91,287	91,787	(Note 3)
December 17, 2013	Capital increase through third-party allotment	45,000	950,000	4,564	96,351	(Note 4)
February 12, 2015	Capital increase through public offering	133,190	1,083,190	19,090	115,442	(Note 5)
February 25, 2015	Capital increase through third-party allotment	7,010	1,090,200	1,004	116,447	(Note 6)
February 8, 2016	Capital increase through public offering	208,826	1,299,026	25,284	141,731	(Note 7)
February 25, 2016	Capital increase through third-party allotment	10,441	1,309,467	1,264	142,996	(Note 8)
September 14, 2016	Capital reduction without compensation	—	1,309,467	(1,626)	141,369	(Note 9)
September 14, 2016	Cash distribution in excess of retained earnings (return of capital to unitholders)	—	1,309,467	(1,898)	139,470	(Note 10)

(Note 1) Difference between unitholders' capital and the amount of deduction from unitholders' capital is indicated.

(Note 2) At the incorporation of AEON REIT, investment units were issued with an issue price per unit of ¥100,000.

(Note 3) New investment units were issued through public offering with an issue price per unit of ¥105,000 (issue value: ¥101,430), for the purpose of procuring funds to acquire new properties.

(Note 4) In conjunction with the capital increase through public offering, new investment units were issued through third-party allotment with an issue value per unit of ¥101,430.

(Note 5) New investment units were issued through public offering with an issue price per unit of ¥148,200 (issue value: ¥143,336), for the purpose of procuring funds to acquire new properties.

(Note 6) In conjunction with the capital increase through public offering, new investment units were issued through third-party allotment with an issue value per unit of ¥143,336.

(Note 7) New investment units were issued through public offering with an issue price per unit of ¥125,190 (issue value: ¥121,081), for the purpose of procuring funds to acquire new properties.

(Note 8) In conjunction with the capital increase through public offering, new investment units were issued through third-party allotment with an issue value per unit of ¥121,081.

(Note 9) 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.

(Note 10) 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.

## **4. Changes in Officers**

### **(1) Changes in Officers of AEON REIT**

There have been no changes from the “Status of Officers” in the latest Securities Report (submitted on October 26, 2016; prepared in Japanese only).

### **(2) Changes in Officers of Asset Manager**

As of September 28, 2016, Hiroshi Kato resigned as Corporate Auditor (part-time), and Nobuaki Kobayashi took office as Corporate Auditor (part-time) as of the same date.

## 5. Reference Information

### (1) Status of Investment

#### Composition of assets

Type of assets	Property type	Region (Note 1)	Previous fiscal period (As of July 31, 2016)				Current fiscal period (As of January 31, 2017)					
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%)	Holding assets denominated in foreign currency (Millions of yen)		Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%)	Holding assets denominated in foreign currency (Millions of yen)			
					Unrealized gain (loss) on valuation of foreign currency (Millions of yen) (Note 3)	Percentage to total assets (%)			Unrealized gain (loss) on valuation of foreign currency (Millions of yen) (Note 4)	Percentage to total assets (%)		
Beneficiary rights of real estate in trust	Retail and related properties	Hokkaido and Tohoku	23,605	9.1	—	—	31,129	11.2	—	—	—	
		Kanto (Note 5)	92,204	35.6	—	—	97,493	35.0	—	—	—	
		Tokai, Hokuriku and Chubu	27,585	10.6	—	—	27,311	9.8	—	—	—	
		Kinki	42,426	16.4	—	—	41,968	15.1	—	—	—	
		Chugoku and Shikoku	32,087	12.4	—	—	31,653	11.4	—	—	—	
		Kyushu and Okinawa	24,127	9.3	—	—	23,743	8.5	—	—	—	
		Malaysia	680	0.3	680	(145)	0.3	680	0.2	680	(144)	0.2
Total			242,717	93.6	680	(145)	0.3	253,980	91.3	680	(144)	0.2
Shares of subsidiaries and associates (Note 6)			954	0.4	954	(77)	0.4	6,078	2.2	6,078	101	2.2
Deposits and other assets			15,543	6.0	179	0	0.1	18,269	6.6	4	0	0.0
Total assets			259,216	100.0	1,814	(222)	0.7	278,328	100.0	6,763	(43)	2.4

	Previous fiscal period (As of July 31, 2016)		Current fiscal period (As of January 31, 2017)	
	Amount (Millions of yen)	Percentage to total assets (%)	Amount (Millions of yen)	Percentage to total assets (%)
Total liabilities	117,847	45.5	134,903	48.5
Total net assets	141,369	54.5	143,424	51.5

(Note 1) Details of the constituents of *Region* categories are shown below.

Hokkaido and Tohoku:	Hokkaido, Aomori, Akita, Iwate, Yamagata, Miyagi, and Fukushima prefectures
Kanto:	Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, and Gunma prefectures
Tokai, Hokuriku and Chubu:	Aichi, Shizuoka, Mie, Niigata, Toyama, Ishikawa, Fukui, Nagano, Yamanashi, and Gifu prefectures
Kinki:	Osaka, Kyoto, Nara, Shiga, Wakayama, and Hyogo prefectures
Chugoku and Shikoku:	Tottori, Okayama, Shimane, Hiroshima, Yamaguchi, Kagawa, Tokushima, Ehime, and Kochi prefectures
Kyushu and Okinawa:	Fukuoka, Kumamoto, Saga, Nagasaki, Oita, Miyazaki, Kagoshima, and Okinawa prefectures
Malaysia:	The whole land of Malaysia is presented as one category.

(Note 2) *Total amount held* represents the balance sheet carrying amount (for real estate and beneficiary rights of real estate in trust, book value less depreciation expenses) as of the end of the fiscal period. Construction in progress in trust is not included in beneficiary rights of real estate in trust.

(Note 3) *Unrealized gain (loss) on valuation of foreign currency* as of July 31, 2016 represents the amount found by subtracting the book value at end of period that is evaluated and converted to Japanese yen based on the exchange rate at the time of the acquisition from the book value at end of period which has been converted to Japanese yen based on the exchange rate as of the end of the fiscal period (July 31, 2016); however, it was converted to Japanese yen based on the exchange rate as of the business day immediately preceding the end of the fiscal period (July 29, 2016; 1 RM = ¥25.80; rounded down to the nearest 100th) because July 31, 2016, was not a business day. As there is no official foreign exchange rate for the RM, the reference exchange rate of Mizuho Bank, Ltd. is adopted for conversion to the yen.

(Note 4) *Unrealized gain (loss) on valuation of foreign currency* as of January 31, 2017 represents the amount obtained by subtracting the book value at end of period that is evaluated and converted to Japanese yen based on the exchange rate

at the time of the acquisition from the book value at end of period which has been converted to Japanese yen based on the exchange rate on the closing date (January 31, 2017). The applied exchange rate on the closing date (January 31, 2017) is RM 1 = ¥25.73.

(Note 5) “AEON MALL Mitouchihara,” located in “Kanto,” includes, in addition to the beneficiary rights of real estate in trust portion, a real estate portion (adjacent land portion that was additionally acquired on April 28, 2015; the balance sheet carrying amount is ¥108 million).

(Note 6) *Shares of subsidiaries and associates* represents stocks issued by overseas real estate holding corporations defined in Article 221-2, Paragraph 1 of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations.

## (2) Investment Assets

### i) Major investment securities

Investment securities held by AEON REIT as of the end of the current period are as follows.

Security name	Type of assets	Business type	Quantity (shares)	Book value		Estimated value		As a percentage of total assets (%)
				Unit value (yen)	Amount (Thousands of yen)	Unit value (yen)	Amount (Thousands of yen)	
JAMBATAN MANSEIBASH I (M) Sdn. Bhd.	Shares of affiliate company	Overseas real estate holding corporation	239,110,002	25.4 (1RM)	6,078,453 (40,185,002RM)	25.4 (1RM)	6,078,453 (240,185,002RM)	2.2

(Note) The *Estimated value* of the stocks of the affiliate in question represents the acquisition value since it was deemed extremely difficult to assess their market value.

### Investment ratio by asset type and business type

Type	Area	Business type	As a percentage of total assets (%)
Shares of affiliate company	Malaysia	Overseas real estate holding corporation	2.2
Total			2.2

### ii) Investment properties

A summary of the properties held by AEON REIT is provided for the convenience of readers in “(iii) Other main investment assets” below.

### iii) Other main investment assets

#### (A) Summary of real estate and beneficiary rights of real estate in trust

The summary of real estate, etc., held by AEON REIT as of January 31, 2017 (the end of the 8th fiscal period) is shown below.

Property number	Property name	Acquisition price (Millions of yen) (Note 1)	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)	Investment percentage (%) (Note 3)	Seller
SRSC-1	AEON LakeTown mori (Note 4)	21,190	20,061	23,800	7.9	AEON Retail Co., Ltd.
SRSC-2	AEON LakeTown kaze (Note 4)	6,730	6,461	7,880	2.5	AEON Retail Co., Ltd.
RSC-1	AEON MALL Morioka	5,340	5,784	6,720	2.0	AEON Mall Co., Ltd.
RSC-2	AEON MALL Ishinomaki	6,680	6,229	7,080	2.5	AEON Retail Co., Ltd.
RSC-3	AEON MALL Mitouchihara (Note 5)	16,565	15,500	18,112	6.2	AEON Mall Co., Ltd. Mito City, Ibaraki Pref.
RSC-4	AEON MALL Ota	6,860	6,278	7,990	2.6	Tokyo Century Corporation
RSC-5	AEON Sagamihara Shopping Center	10,220	10,042	10,800	3.8	AEON Retail Co., Ltd.
RSC-6	AEON MALL Ogaki	4,950	4,264	5,130	1.8	AEON Retail Co., Ltd.
RSC-7	AEON MALL Suzuka	9,660	9,317	10,200	3.6	AEON Mall Co., Ltd.
RSC-8	AEON MALL Meiwa	3,290	3,261	3,700	1.2	AEON Retail Co., Ltd.
RSC-9	AEON MALL Kasai-Hojo	7,230	6,622	7,670	2.7	AEON Retail Co., Ltd.
RSC-10	AEON MALL Hiezu	7,780	7,121	8,410	2.9	AEON Retail Co., Ltd.
RSC-11	AEON MALL Kurashiki	17,890	16,783	19,200	6.7	AEON Mall Co., Ltd.
RSC-12	AEON MALL Ayagawa	8,740	7,749	9,260	3.3	AEON Retail Co., Ltd.
RSC-13	AEON MALL Nogata	11,246	10,261	13,000	4.2	Tokyo Century Corporation AEON Mall Co., Ltd.
RSC-15	AEON MALL KYOTO	21,470	21,013	22,500	8.0	AEON Mall Co., Ltd.
RSC-16	AEON MALL Sapporo-Hiraoka	5,900	5,687	6,340	2.2	Forester Special Purpose Company
RSC-17	AEON MALL Kushiro-Showa	1,780	1,807	1,930	0.7	Forester Special Purpose Company
RSC-18	AEON MALL Rifu	2,560	2,464	2,770	1.0	Forester Special Purpose Company
RSC-19	AEON MALL Yamagata-Minami	1,350	1,321	1,470	0.5	Forester Special Purpose Company
RSC-20	AEON MALL Yokkaichi-Kita	2,210	2,146	2,450	0.8	Forester Special Purpose Company
RSC-21	AEON MALL Yamatokoriyama	14,500	14,332	14,800	5.4	AEON Mall Co., Ltd.
RSC-22	AEON MALL Chiba Newtown (mall, and cinema and sports complex)	12,190	12,185	12,400	4.5	Tokyo Century Corporation
RSC-23	AEON MALL Kofu Showa	8,389	8,321	8,610	3.1	AEON Mall Co., Ltd. Showa-cho Joei Land Readjustment Association
RSC-24	AEON MALL Tomakomai	7,840	7,835	8,060	2.9	Mevius Gamma Special Purpose Company
RSC-25	AEON MALL Oyama	6,280	6,241	6,430	2.3	AEON Retail Co., Ltd.
CSC-1	AEON Chigasaki-Chuo Shopping Center	6,410	6,428	6,560	2.4	Sumitomo Mitsui Finance & Leasing Co., Ltd.
L-1	Daiei-Kawasaki Process Center	14,280	14,293	14,700	5.3	Tokyo Century Corporation
M-1	AEON Taman Universiti Shopping Centre (Note 6)	658 [20 million RM]	680 [20 million RM]	553 [21 million RM]	0.2	AEON CO. (M) BHD.
M-2	AEON MALL SEREMBAN 2 (Note 7)	5,252 [215 million RM]	—	5,995 [223 million RM]	2.0	Swiss Advanced Technology Institute(M) Sdn. Bhd.
	Subtotal	255,441	240,498 (Note 8)	274,520	95.1	
RSC-14	AEON MALL Kumamoto (Note 9)	13,148	13,482	—	4.9	AEON Mall Co., Ltd.
	Total	268,590	253,980 (Note 8)	—	100.0	

(Note 1) *Acquisition price* represents the amount (the sale and purchase price, etc., shown on the sale and purchase agreement, etc.) excluding expenses incurred on the acquisition of each property (commission, taxes and dues, etc.).

- (Note 2) *Assessed value at end of period* represents the appraisal value shown on the appraisal report of property as of the valuation date of January 31, 2017, or survey price shown on a survey report of property. For the summary of appraisal, please refer to “Summary of real estate appraisal” described below.
- (Note 3) *Investment percentage* is calculated by dividing the acquisition price of each property by the total of the acquisition price, and is rounded to the nearest tenth.
- (Note 4) AEON REIT holds 40% of each beneficiary right of real estate in trust of “AEON LakeTown mori” and “AEON LakeTown kaze” as a quasi-co-ownership interest (*jun kyōyū-mochibun*). *Assessed value at end of period* describes the amount representing AEON REIT’s pro-rata portion of the quasi-co-ownership interest (*jun kyōyū-mochibun*) in the beneficiary rights of real estate in trust (40% for each property).
- (Note 5) This property includes, in addition to the beneficiary rights of real estate in trust portion, a real estate portion (adjacent land portion that was additionally acquired on April 28, 2015; the acquisition price is ¥105 million, the book value at the end of the period is ¥108 million, and the assessed value at the end of the period is ¥112 million).
- (Note 6) *Acquisition price* represents the total yen amount of the considerations actually paid by AEON REIT to AEON CO. (M) BHD. over several times, and is the amount (the sale and purchase price, etc., shown on the sale and purchase agreement, etc.) excluding expenses incurred on the acquisition of the property (commission, taxes and dues, etc.). The weighted average exchange rate calculated from the exchange rates applied at each payment was ¥32.92 to 1 RM, rounded down to the nearest 100th.
- Book value at end of period* represents the amount obtained by subtracting the accumulated depreciation amount at the end of the fiscal period from the sum of the amount presented in the *Acquisition price* and expenses incurred on the acquisition of the property (related expenses). For related expenses paid in Japanese yen, the paid amount has been added to the *Acquisition price*, while for related expenses paid in RM, the amount obtained after converting it to Japanese yen using the exchange rate at the time of the transaction (the average spot exchange rate of the month preceding the month in which the transaction was carried out) has been added to the *Acquisition price*.
- AEON REIT holds the rights (18.18%) similar to the co-ownership interest (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust of AEON Taman Universiti Shopping Centre (rights to the trust for part of AEON Taman Universiti Shopping Centre located in Johor, Malaysia; the same shall apply hereinafter). *Assessed value at end of period* describes the amount for the appraisal value shown on the appraisal report of property as of the valuation date of July 31, 2016, or survey price shown on a survey report of property, equivalent to AEON REIT’s pro-rata portion of the rights (18.18%) similar to the co-ownership interest (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust. The amount of *Assessed value at end of period* is converted to Japanese yen based on the exchange rate (RM 1 = ¥25.73; rounded down to the second decimal place) on the closing date (January 31, 2017).
- (Note 7) The amount of Acquisition Price indicates the value at which AEON REIT acquired AEON MALL SEREMBAN 2 from the seller through the Overseas SPC (the sale price, etc. stated in the sale agreement, etc., excluding the expenses (brokerage commissions, taxes and dues, etc.) that were required for the acquisition of AEON MALL SEREMBAN 2). The exchange rate on September 30, 2016 (RM 1 = ¥24.43; rounded down to the second decimal place) is applied for the conversion from RM to Japanese yen.
- (Note 8) The total amount excludes AEON MALL SEREMBAN 2 that AEON REIT owns through the Overseas SPC.
- (Note 9) Information for AEON MALL Kumamoto is shown separately since it is difficult to determine the assessed value at the end of the fiscal period because the mall was severely damaged in the Kumamoto Earthquake, including subsidence of foundation by liquefaction, falling of ceiling plates and equipment, and breaking on floor tiles and exterior walls. The decrease in *Acquisition price* in the fiscal period under review is due to the retirement of some of the assets of AEON MALL Kumamoto. The survey price of AEON MALL Kumamoto was set at ¥15,200 million in a survey report prepared by the Japan Real Estate Institute. However, although the real estate in question was found to have physical damage, etc. as a result of the Kumamoto Earthquake, the data on repairs, etc. necessary to determine the impact on the price of the real estate in question was not available and the report therefore added the condition that the price survey did not take such factors into consideration.

(B) Overview of lease

The overview of lease (annual contracted rent, leasehold and security deposits, total leasable area, total leased area, and occupancy rate) of real estate, etc., held by AEON REIT as of the end of the current fiscal period (January 31, 2017) is shown below.

Property type	Property number	Property name	Location	Date of construction	Annual contracted rent (Millions of yen)	Leasehold and security deposits (Millions of yen)	Total leasable area (m <sup>2</sup> ) (Note 1)	Total leased area (m <sup>2</sup> )	Occupancy rate (%)
Retail properties	SRSC-1	AEON LakeTown mori (Note 2)	Koshigaya City, Saitama Pref.	September 9, 2008	682	685	205,711.70	205,711.70	100.0
	SRSC-2	AEON LakeTown kaze (Note 2)	Koshigaya City, Saitama Pref.	September 9, 2008	340	330	127,183.81	127,183.81	100.0
	RSC-1	AEON MALL Morioka	Morioka City, Iwate Pref.	July 23, 2003	365	338	98,968.59	98,968.59	100.0
	RSC-2	AEON MALL Ishinomaki	Ishinomaki City, Miyagi Pref.	March 2, 2007	351	354	60,682.20	60,682.20	100.0
	RSC-3	AEON MALL Mitouchihara	Mito City, Ibaraki Pref.	November 8, 2005	725 (Note 3)	726 (Note 3)	159,997.49	159,997.49	100.0
	RSC-4	AEON MALL Ota	Ota City, Gunma Pref.	November 17, 2003	475	476	93,165.27	93,165.27	100.0
	RSC-5	AEON Sagamihara Shopping Center	Sagamihara City, Kanagawa Pref.	August 9, 1993	419	420	75,056.62	75,056.62	100.0
	RSC-6	AEON MALL Ogaki	Ogaki City, Gifu Pref.	March 29, 2007	326	330	64,246.26	64,246.26	100.0
	RSC-7	AEON MALL Suzuka	Suzuka City, Mie Pref.	November 12, 1996	442	446	125,253.74	125,253.74	100.0
	RSC-8	AEON MALL Meiwa	Taki County, Mie Pref.	August 6, 2001	213	214	44,193.80	44,193.80	100.0
	RSC-9	AEON MALL Kasai-Hojo	Kasai City, Hyogo Pref.	October 3, 2008	325	328	48,229.25	48,229.25	100.0
	RSC-10	AEON MALL Hiezu	Saihaku County, Tottori Pref.	March 8, 1999	426	426	102,045.24	102,045.24	100.0
	RSC-11	AEON MALL Kurashiki	Kurashiki City, Okayama Pref.	September 15, 1999	736	741	157,274.78	157,274.78	100.0
	RSC-12	AEON MALL Ayagawa	Ayauta County, Kagawa Pref.	July 18, 2008	456	460	113,149.07	113,149.07	100.0
	RSC-13	AEON MALL Nogata	Nogata City, Fukuoka Pref.	April 4, 2005	549	545	151,969.51	151,969.51	100.0
	RSC-14	AEON MALL Kumamoto (Note 4)	Kamimashiki County, Kumamoto Pref.	September 16, 2005	331	584	101,132.38	101,132.38	100.0
	RSC-15	AEON MALL KYOTO	Kyoto City, Kyoto Pref.	January 7, 2010	697	698	136,468.45	136,468.45	100.0
	RSC-16	AEON MALL Sapporo-Hiraoka	Sapporo City, Hokkaido	November 10, 2000	448	—	78,360.81	78,360.81	100.0
	RSC-17	AEON MALL Kushiro-Showa	Kushiro City, Hokkaido	September 13, 2000	229	—	51,763.05	51,763.05	100.0
	RSC-18	AEON MALL Rifu	Miyagi County, Miyagi Pref.	April 18, 2000	208	—	66,478.91	66,478.91	100.0
	RSC-19	AEON MALL Yamagata-Minami	Yamagata City, Yamagata Pref.	November 17, 2000	162	—	53,502.94	53,502.94	100.0
RSC-20	AEON MALL Yokkaichi-Kita	Yokkaichi City, Mie Pref.	January 23, 2001	228	—	41,447.33	41,447.33	100.0	
RSC-21	AEON MALL Yamatokoriyama	Yamatokoriyama City, Nara Pref.	February 16, 2010	767	768	105,230.88	105,230.88	100.0	



Retail properties	RSC-22	AEON MALL Chiba Newtown (mall, and cinema and sports complex)	Inzai City, Chiba Pref.	April 17, 2006	403	403	107,425.97	107,425.97	100.0
	RSC-23	AEON MALL Kofu Showa	Nakakoma-gun, Yamanashi Pref.	March 11, 2011	405	392	66,509.51	66,509.51	100.0
	RSC-24	AEON MALL Tomakomai	Tomakomai City, Hokkaido Pref.	April 8, 2005	284	—	71,308.33	71,308.33	100.0
	RSC-25	AEON MALL Oyama	Oyama City, Tochigi Pref.	April 18, 1997	237	279	47,872.33	47,872.33	100.0
	CSC- 1	AEON Chigasaki-Chuo Shopping Center	Chigasaki City, Kanagawa Pref.	October 13, 2000	223	223	63,158.24	63,158.24	100.0
	L-1	Daiei-Kawasaki Process Center	Kawasaki City, Kanagawa Pref.	April 22, 1997	491	269	59,265.77	59,265.77	100.0
	M-1	AEON Taman Universiti Shopping Centre (Note 5)	Johor, Malaysia	May 30, 2002	18 [712 thousand RM]	—	22,870.00	22,870.00	100.0
	M-2	AEON MALL SEREMBAN 2 (Note 6)	Negeri Sembilan, Malaysia	2005	125 [4,972 thousand RM]	—	81,135.00	81,135.00	100.0
Total					12,100 (Note 7)	10,449	2,781,057.23	2,781,057.23	100.0

(Note 1) *Total leasable area* represents gross leasable space based on the lease agreement or floor plan for buildings in each acquired property.

*Total leasable area* includes the area of attached buildings.

(Note 2) AEON REIT holds 40% of each beneficiary right of real estate in trust of “AEON LakeTown mori” and “AEON LakeTown kaze” as a quasi-co-ownership interest (*jun kyōyū-mochibun*). *Annual contracted rent* and *Leasehold/security deposits* represent the amounts equivalent to AEON REIT’s pro-rata portion of the quasi-co-ownership interest (*jun kyōyū-mochibun*) in the beneficiary rights of real estate in trust (40% for each property).

(Note 3) *Annual contracted rent* and *Leasehold/security deposits* of “AEON MALL Mitouchihara” include an amount based on the lease agreement for land of AEON MALL Mitouchihara that was additionally acquired on April 28, 2015.

(Note 4) *Leasehold/security deposits*, *Total leasable area*, *Total leased area* and *Occupancy rate* for AEON Mall Kumamoto are figures before the Kumamoto Earthquake. *Annual contracted rent* is based on rent for the *Total leasable area* used in operations.

(Note 5) *Date of construction* represents the date noted in the Technical Due Diligence Review (including the Supplementary Letter, “Technical Due Diligence Review”) prepared by Knight Frank Malaysia Sdn. Bhd. (the Malaysia office of Knight Frank LLP.) and Knight Frank Estate Management Pte. Ltd. (collectively, “Knight Frank Malaysia”) as the date of obtaining the Certificate of Fitness for Occupation Approval for main buildings.

AEON REIT holds the rights (18.18%) similar to the co-ownership interest (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust of AEON Taman Universiti Shopping Centre. *Annual contracted rent* describes the figure equivalent to AEON REIT’s pro-rata portion of the rights (18.18%) similar to the co-ownership interest (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust. *Annual contracted rent* represents the amount after the conversion 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).

*Total leasable area* and *Total leased area* represent the gross floor area as indicated in the Technical Due Diligence Review prepared by Knight Frank Malaysia or the building floor area as indicated in the real estate appraisal report prepared by the Japan Real Estate Institute.

(Note 6) AEON REIT owns the property through the Overseas SPC. For annual contracted rent, the figure has been converted to Japanese yen based on the period-average exchange rate (RM 1 = ¥25.28; rounded down to the second decimal place).

(Note 7) The total amount of annual contracted rent is calculated by including AEON MALL SEREMBAN 2 that AEON REIT owns through the Overseas SPC. Accordingly, the total amount of annual contracted rent in the above table does not match the rent revenue – real estate of AEON REIT.

(C) Summary of real estate appraisal

The summary of real estate appraisal (appraisal value; return price based on direct capitalization method and direct capitalization rate; return price based on DCF method, discount rate and terminal capitalization rate; and NOI) for the properties held as of January 31, 2017 (the end of the 8th fiscal period) is shown below.

Property number	Property name	Appraisal agency	Appraisal value (Millions of yen) (Note 1)	Return price					
				Price based on direct capitalization method (Millions of yen)	Capitalization rate (%)	Price based on DCF method (Millions of yen)	Discount rate (%)	Terminal capitalization rate (%)	NOI (Millions of yen) (Note 2)
SRSC-1	AEON LakeTown mori (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	23,800	24,100	4.8	23,600	4.8 4.9 (Note 4)	5.0	1,179
SRSC-2	AEON LakeTown kaze (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	7,880	8,120	5.2	7,780	5.1 5.2 (Note 5)	5.5	438
RSC-1	AEON MALL Morioka	Japan Real Estate Institute	6,720	6,760	6.6	6,670	6.2	6.8	517
RSC-2	AEON MALL Ishinomaki	Japan Real Estate Institute	7,080	7,180	6.2	6,980	5.9	6.5	479
RSC-3	AEON MALL Mitouchihara (Beneficiary rights of real estate in trust) (Note 6)	Japan Real Estate Institute	18,000	18,200	6.0	17,800	5.6	6.2	1,118
	AEON MALL Mitouchihara (Land) (Note 6)	Japan Real Estate Institute	112	—	—	112	5.2	—	—
RSC-4	AEON MALL Ota	Japan Real Estate Institute	7,990	8,040	6.4	7,940	5.9	6.6	574
RSC-5	AEON Sagami-hara Shopping Center	Japan Real Estate Institute	10,800	10,900	5.2	10,700	4.9	5.4	646
RSC-6	AEON MALL Ogaki	Japan Real Estate Institute	5,130	5,140	6.9	5,110	6.3	7.2	380
RSC-7	AEON MALL Suzuka	Japan Real Estate Institute	10,200	10,300	6.2	10,100	5.8	6.6	727
RSC-8	AEON MALL Meiwa	The Tanizawa Sōgō Appraisal Co., Ltd.	3,700	3,800	6.5	3,660	6.4 6.5 (Note 7)	6.8	283
RSC-9	AEON MALL Kasai-Hojo	Japan Real Estate Institute	7,670	7,700	6.8	7,630	6.5	7.0	536
RSC-10	AEON MALL Hiezu	Japan Real Estate Institute	8,410	8,470	6.8	8,350	6.4	7.1	603
RSC-11	AEON MALL Kurashiki	Japan Real Estate Institute	19,200	19,300	6.0	19,100	5.7	6.2	1,233
RSC-12	AEON MALL Ayagawa	Japan Real Estate Institute	9,260	9,350	6.4	9,170	6.0	6.7	618
RSC-13	AEON MALL Nogata	Japan Real Estate Institute	13,000	13,100	6.4	12,900	6.0	6.6	872
RSC-15	AEON MALL KYOTO	Japan Real Estate Institute	22,500	22,700	4.8	22,300	4.5	5.0	1,097
RSC-16	AEON MALL Sapporo-Hiraoka	The Tanizawa Sōgō Appraisal Co., Ltd.	6,340	6,540	6.2	6,260	6.2 6.3 (Note 8)	6.5	437
RSC-17	AEON MALL Kushiro-Showa	The Tanizawa Sōgō Appraisal Co., Ltd.	1,930	2,010	6.8	1,900	6.8 6.9 (Note 9)	7.1	173
RSC-18	AEON MALL Rifu	The Tanizawa Sōgō Appraisal Co., Ltd.	2,770	2,860	6.4	2,730	6.4 6.5 (Note 10)	6.7	220
RSC-19	AEON MALL Yamagata-Minami	The Tanizawa Sōgō Appraisal Co., Ltd.	1,470	1,530	6.6	1,450	6.6 6.7 (Note 11)	6.9	129

RSC-20	AEON MALL Yokkaichi-Kita	The Tanizawa Sōgō Appraisal Co., Ltd.	2,450	2,550	6.2	2,410	6.2 6.3 (Note 12)	6.5	198
RSC-21	AEON MALL Yamatokoriyama	Japan Real Estate Institute	14,800	15,000	5.6	14,600	5.1	5.8	878
RSC-22	AEON MALL Chiba Newtown (mall, and cinema and sports complex)	Japan Real Estate Institute	12,400	12,500	4.9	12,200	4.6	5.1	625
RSC-23	AEON MALL Kofu Showa	Japan Real Estate Institute	8,610	8,690	5.8	8,520	5.3	6.0	526
RSC-24	AEON MALL Tomakomai	The Tanizawa Sōgō Appraisal Co., Ltd.	8,060	8,180	5.9	8,010	5.9 6.0 (Note 13)	6.1	531
RSC-25	AEON MALL Oyama	Japan Real Estate Institute	6,430	6,460	6.7	6,400	6.4	6.9	456
CSC- 1	AEON Chigasaki-Chuo Shopping Center	Japan Real Estate Institute	6,560	6,590	5.0	6,520	4.7	5.2	344
L-1	Daiei-Kawasaki Process Center	Japan Real Estate Institute	14,700	14,900	5.0	14,500	4.5	5.4	764
M-1	AEON Taman Universiti Shopping Centre (Note 14)	Japan Real Estate Institute	553 [21 million RM]	–	–	553 [21 million RM]	6.5 6.0 (Note 15)	7.0	37 [1 million RM]
M-2	AEON MALL SEREMBAN 2 (Note 14)	Japan Real Estate Institute	5,995 [233 million RM]	–	–	5,995 [233 million RM]	6.0 6.0 (Note 16)	6.5	351 [13 million RM]
Subtotal			274,520	–	–	271,950	–	–	–
RSC-14	AEON MALL Kumamoto (Note 17)	Japan Real Estate Institute	–	–	–	–	–	–	–
Total			–	–	–	–	–	–	–

(Note 1) *Appraisal value* represents the appraisal value as of the valuation date of July 31, 2017.

(Note 2) *NOI* (Net Operating Income) is defined as operating revenue less operating expenses contained in the relevant appraisal report, which is before depreciation. This is different from NCF (Net Cash Flow) calculated by subtracting the gain on investment of leasehold deposit, etc., and capital expenditures from NOI. NOI shown above is assumed with the direct capitalization method. Amounts of NOI are rounded down to the nearest million yen.

(Note 3) For AEON LakeTown mori and AEON LakeTown kaze, their appraisal values, price based on direct capitalization method, price based on DCF method, and NOI describe AEON REIT's pro-rata portion of the quasi-co-ownership interest (*jun kyōyū-mochibun*) in the beneficiary rights of real estate in trust (40% for each property).

(Note 4) Discount rates for AEON LakeTown mori are 4.8% during the initial seventh years and 4.9% from the eighth year.

(Note 5) Discount rates for AEON LakeTown kaze are 5.1% during the initial seventh years and 5.2% from the eighth year.

(Note 6) For AEON MALL Mitouchihara, there exist both a portion of beneficiary rights of real estate in trust and a real estate portion, and as we have obtained separate appraisal report for each, these have been entered separately.

(Note 7) Discount rates for AEON MALL Meiwa are 6.4% during the initial year and 6.5% from the second year.

(Note 8) Discount rates for AEON MALL Sapporo-Hiraoka are 6.2% during the initial five years and 6.3% from the sixth year.

(Note 9) Discount rates for AEON MALL Kushiro-Showa are 6.8% during the initial two years and 6.9% from the third year.

(Note 10) Discount rates for AEON MALL Rifu are 6.4% during the initial five years and 6.5% from the sixth year.

(Note 11) Discount rates for AEON MALL Yamagata-Minami are 6.6% during the initial three years and 6.7% from the fourth year.

(Note 12) Discount rates for AEON MALL Yokkaichi-Kita are 6.2% during the initial two years and 6.3% from the third year.

(Note 13) Discount rates for AEON MALL Tomakomai are 5.9% during the initial seven years and 6.0% from the eighth year.

(Note 14) Pursuant to the local appraisal methodology, the evaluation of the appraisal value of the property has been entrusted to Japan Real Estate Institute. *Appraisal value* is based on the appraisal value as indicated on the appraisal report as of the valuation date of January 31, 2017, and shows the amount equivalent to the rights (18.18%) similar to the co-ownership right (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust for AEON Taman Universiti Shopping Centre, and the value of real estate for AEON MALL SEREMBAN 2 that AEON REIT owns through the Overseas SPC. The prices and NOI in *Return price* are based on the value, etc. calculated by the standard income approach applied in Malaysia to real estate for investment (the investment method), and shows the amounts equivalent to the rights (18.18%) similar to the co-ownership right (*kyōyū-mochibun*) of the trust property pertaining to the trust of the beneficiary rights of real estate in trust for AEON Taman Universiti Shopping Centre, and the values of real estate for AEON MALL SEREMBAN 2 that AEON REIT owns through the Overseas SPC. The amounts are converted to Japanese yen based on the exchange rate (RM 1 = ¥25.73; rounded down to the second decimal place) as of the end of the fiscal period (January 31, 2017).

(Note 15) Discount rates for AEON Taman Universiti Shopping Centre are 6.5% during the contract period and 6.0% after the contract period.

(Note 16) Discount rates for AEON MALL SEREMBAN 2 are 6.0% during the contract period and 6.0% after the contract period.

(Note 17) Information for AEON MALL Kumamoto is shown separately since it is difficult to determine the real estate appraisal value because the mall was severely damaged in the 2016 Kumamoto Earthquake, including subsidence of foundation by liquefaction, falling of ceiling plates and equipment, and breaking on floor tiles and exterior walls. The survey report prepared by the Japan Real Estate Institute regarding AEON MALL Kumamoto states the survey price as ¥15,200 million, the price based on the direct capitalization method as ¥15,300 million, the return yield as 6.0%, the price based on the DCF method as ¥15,000 million, the discount rate as 5.7%, the final return yield as 6.3%, and NOI as ¥952 million. However, although the real estate in question was found to have physical damage, etc. as a result of the Kumamoto Earthquake, the data on repairs, etc. necessary to determine the impact on the price of the real estate in question was not available and the report therefore added the condition that the price survey did not take such factors into consideration.

(D) Capital expenditures for properties held

a. Schedule of capital expenditures

The following table shows major estimated capital expenditure for renovation work, etc. (those exceeding ¥30 million per work) that AEON REIT plans to conduct for properties held as of January 31, 2017.

The estimated construction cost below includes the portion expensed for accounting purposes.

In addition, during the current fiscal period, AEON REIT carried out construction work to restore assets damaged in the Kumamoto Earthquake to their original condition, and plans to reverse the allowance for loss on disaster of ¥3,755 million recognized at the end of the current fiscal period (end of January 2017) and apply this to the construction cost.

Property name (Location)	Purpose	Scheduled period	Estimated cost of construction works (Millions of yen)		
			Total amount	Payment for the period	Total amount already paid
AEON MALL Sapporo-Hiraoka (Sapporo City, Hokkaido Pref.)	External wall painting work	From May 2017 to June 2017	46	—	—
AEON MALL Tomakomai (Tomakomai City, Hokkaido Pref.)	External wall painting work	From October 2016 to July 2017	231	80	—
AEON MALL Morioka (Morioka City, Iwate Pref.)	Work to install waste water pre-treatment facilities	From May 2017 to July 2017	99	—	—
	Work to renew EHP of air-conditioning system	From April 2017 to May 2017	40	—	—
AEON MALL Ota (Ota City, Gunma Pref.)	External wall painting work	From April 2017 to November 2017	360	—	—
	Work to newly install directly operated escalators	From March 2017 to September 2017	236	—	—
AEON Sagami-hara Shopping Center (Sagami-hara City, Kanagawa Pref.)	Work to renew EHP of air-conditioning system	From May 2017 to July 2017	44	—	—
	Work on anti-smoke hanging incombustible sheets	From April 2017 to July 2017	37	—	—
Daiei-Kawasaki Process Center (Kawasaki City, Kanagawa Pref.)	Repair of exterior walls of administration building	From August 2017 to October 2017	70	—	—
AEON MALL Suzuka (Suzuka City, Mie Pref.)	Work to replace extra high tension power receiving parts	From April 2017 to April 2017	35	—	—
	Work to revitalize	From May 2017 to October 2017	540	—	—
AEON MALL Yokkaichi-Kita (Yokkaichi City, Mie Pref.)	Work to revitalize	From March 2017 to July 2017	200	—	—
AEON MALL Kasai-Hojo (Kasai City, Hyogo Pref.)	Work on anti-smoke hanging incombustible sheets	From April 2017 to July 2017	61	—	—
AEON MALL Hiezu (Saihaku County, Tottori Pref.)	Asphalting work	From March 2017 to April 2017	65	—	—
	Air conditioning renewal work	From October 2017 to November 2017	55	—	—
	Work on anti-smoke hanging incombustible sheets	From April 2017 to June 2017	56	—	—
AEON MALL Kurashiki (Kurashiki City, Okayama Pref.)	Work to renew EHP of air-conditioning system	From March 2016 to April 2017	36	—	—
	Work to renew EHP of air-conditioning system s	From November 2017 to December 2017	57	—	—
	Work to revitalize	From May 2017 to November 2017	153	—	—
AEON MALL Nogata (Nogata City, Fukuoka Pref.)	External wall painting work	From October 2016 to April 2017	215	—	—
	Work to convert lighting to LEDs	From October 2016 to February 2017	79	—	—
	Work to convert lighting to LEDs	From September 2017 to November 2017	83	—	—
AEON MALL Kumamoto (Kamimashiki County, Kumamoto Pref.)	Work on electrical facilities, etc.	From April 2016 to March 2017	7,208	4,185	—

b. Capital expenditures during the period

For properties held by AEON REIT as of January 31, 2017, the major construction works that fall into capital expenditure (those exceeding ¥30 million per work) conducted by AEON REIT during the current fiscal period are shown in the table below. The capital expenditure for the current period amounted to ¥389 million. Combined with ¥314 million in repairs and maintenance that was classified as expenses, AEON REIT conducted construction works totaling ¥704 million in the fiscal period.

Property name (Location)	Purpose	Period	Cost of construction works (Millions of yen)
AEON MALL Kushiro-Showa (Kushiro City, Hokkaido Pref.)	Work to renew EHP of air-conditioning system	From October 2016 to November 2016	41
AEON MALL Meiwa (Taki County, Mie Pref.)	Work to renew EHP of air-conditioning system	From September 2016 to January 2017	104

(E) Statements of income of individual properties

8th fiscal period (from August 1, 2016 to January 31, 2017)

(Unit: Thousands of yen)

Property number	SRSC-1	SRSC-2	RSC-1	RSC-2	RSC-3	RSC-4
Property name	AEON LakeTown mori	AEON LakeTown kaze	AEON MALL Morioka	AEON MALL Ishinomaki	AEON MALL Mitouchihara	AEON MALL Ota
Number of operating days	184	184	184	184	184	184
(A) Revenues related to real estate leasing business	682,574	340,490	365,342	351,835	725,760	475,166
Rent revenue—real estate	682,574	340,490	365,342	351,835	725,760	475,166
(B) Expenses related to real estate leasing business	99,474	119,027	121,811	112,415	178,461	184,882
Property and facility management fees (Note 1)	1,826	1,284	1,820	1,790	1,400	1,400
Taxes and dues	82,902	34,932	43,657	46,582	77,128	39,518
Insurance expenses	3,551	2,610	3,077	1,836	4,937	2,691
Repairs and maintenance expenses	11,131	26	23,488	7,104	18,998	8,634
Land rent paid	-	78,952	49,748	54,704	75,121	132,591
Utilities	-	-	-	-	-	-
Other expenses related to rent business	63	1,221	19	398	875	47
(C) NOI (A – B)	583,100	221,462	243,531	239,419	547,298	290,283
(D) Depreciation	224,878	102,447	124,829	83,537	245,591	113,805
(E) Income from leasing business (C – D)	358,221	119,015	118,701	155,881	301,707	176,477
(F) Capital expenditures	961	-	16,993	3,268	2,946	1,995
(G) NCF (C – F)	582,138	221,462	226,537	236,151	544,352	288,288

(Note 1) *Property and facility management fees* include trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).

(Unit: Thousands of yen)

Property number	RSC-5	RSC-6	RSC-7	RSC-8	RSC-9	RSC-10
Property name	AEON Sagami-hara Shopping Center	AEON MALL Ogaki	AEON MALL Suzuka	AEON MALL Meiwa	AEON MALL Kasai-Hojo	AEON MALL Hiezu
Number of operating days	184	184	184	184	184	184
(A) Revenues related to real estate leasing business	419,402	326,629	442,298	213,211	325,581	426,356
Rent revenue—real estate	419,402	326,629	442,298	213,211	325,581	426,356
(B) Expenses related to real estate leasing business	104,290	142,652	75,194	66,663	60,924	188,042
Property and facility management fees (Note 1)	1,400	1,760	1,850	1,850	1,850	1,850
Taxes and dues	75,955	33,911	55,310	22,972	41,588	43,142
Insurance expenses	3,907	1,944	3,785	1,079	1,365	2,242
Repairs and maintenance expenses	22,992	10,824	14,223	3,194	6,439	68,714
Land rent paid	-	94,212	-	37,567	9,677	72,092
Utilities	-	-	-	-	-	-
Other expenses related to rent business	35	-	24	-	4	-
(C) NOI (A – B)	315,111	183,976	367,104	146,547	264,656	238,314
(D) Depreciation	84,202	119,127	104,517	38,698	104,013	141,335
(E) Income from leasing business (C – D)	230,909	64,848	262,587	107,849	160,643	96,979
(F) Capital expenditures	22,459	703	5,200	105,318	-	56,009
(G) NCF (C – F)	292,652	183,272	361,904	41,229	264,656	182,304

(Note 1) *Property and facility management fees* include trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).

(Unit: Thousands of yen)

Property number	RSC-11	RSC-12	RSC-13	RSC-14	RSC-15	RSC-16
Property name	AEON MALL Kurashiki	AEON MALL Ayagawa	AEON MALL Nogata	AEON MALL Kumamoto	AEON MALL KYOTO	AEON MALL Sapporo-Hiraoka
Number of operating days	184	184	184	184	184	184
(A) Revenues related to real estate leasing business	736,665	456,371	549,594	331,525	697,184	448,508
Rent revenue—real estate	736,665	456,371	549,594	331,525	697,184	448,508
(B) Expenses related to real estate leasing business	117,471	149,696	117,904	103,994	138,753	220,938
Property and facility management fees (Note 1)	1,850	1,850	1,850	1,850	1,562	2,180
Taxes and dues	97,580	53,782	59,908	62,048	122,712	45,870
Insurance expenses	5,219	3,127	5,840	2,867	4,848	2,689
Repairs and maintenance expenses	12,727	5,967	6,904	3,883	9,614	4,724
Land rent paid	-	84,915	43,384	33,345	-	165,475
Utilities	-	-	-	-	-	-
Other expenses related to rent business	93	53	15	-	16	-
(C) NOI (A – B)	619,194	306,674	431,689	227,531	558,430	227,569
(D) Depreciation	210,783	184,313	200,724	189,069	184,992	96,196
(E) Income from leasing business (C – D)	408,411	122,360	230,965	38,461	373,438	131,373
(F) Capital expenditures	36,804	9,752	5,608	288	4,511	7,705
(G) NCF (C – F)	582,390	296,922	426,081	227,242	553,919	219,864

(Note 1) *Property and facility management fees* include trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).

(Unit: Thousands of yen)

Property number	RSC-17	RSC-18	RSC-19	RSC-20	RSC-21	RSC-22
Property name	AEON MALL Kushiro-Showa	AEON MALL Rifu	AEON MALL Yamagata- Minami	AEON MALL Yokkaichi-Kita	AEON MALL Yamatokoriyama	AEON MALL Chiba Newtown (mall, and cinema and sports complex)
Number of operating days	184	184	184	184	184	184
(A) Revenues related to real estate leasing business	229,492	208,888	162,218	228,219	767,525	403,277
Rent revenue—real estate	229,492	208,888	162,218	228,219	767,525	403,277
(B) Expenses related to real estate leasing business	145,470	105,807	98,611	122,913	259,631	10,167
Property and facility management fees (Note 1)	2,180	1,760	1,820	1,760	1,760	1,670
Taxes and dues	30,571	21,652	19,752	22,154	-	-
Insurance expenses	1,730	2,108	1,729	1,311	3,364	2,700
Repairs and maintenance expenses	15,124	14,350	10,769	6,218	2,102	5,538
Land rent paid	95,864	65,915	64,541	91,469	252,386	236
Utilities	-	-	-	-	-	-
Other expenses related to rent business	-	21	-	-	18	22
(C) NOI (A – B)	84,021	103,080	63,606	105,305	507,893	393,110
(D) Depreciation	28,462	39,954	24,187	33,565	176,424	102,309
(E) Income from leasing business (C – D)	55,559	63,126	39,419	71,740	331,469	290,801
(F) Capital expenditures	50,223	-	8,117	7,336	2,271	-
(G) NCF (C – F)	33,798	103,080	55,488	97,969	505,621	393,110

(Note 1) *Property and facility management fees* trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).

(Unit: Thousands of yen)

Property number	RSC-23	RSC-24	RSC-25	CSC-1	L-1	M-1
Property name	AEON MALL Kofu Showa	AEON MALL Tomokomai	AEON MALL Oyama	AEON Chigasaki-Chuo Shopping Center	Daiei-Kawasaki Process Center	AEON Taman Universiti Shopping Centre (Note 2)
Number of operating days	184	153	156	184	184	184
(A) Revenues related to real estate leasing business	405,186	284,591	237,517	223,500	491,862	18,040
Rent revenue—real estate	405,186	284,591	237,517	223,500	491,862	18,040
(B) Expenses related to real estate leasing business	99,616	7,398	3,141	6,248	64,599	1,298
Property and facility management fees (Note 1)	1,820	1,542	1,189	1,400	1,580	366
Taxes and dues	-	-	-	-	-	790
Insurance expenses	1,837	2,008	1,487	1,522	3,377	139
Repairs and maintenance expenses	2,963	3,848	461	3,314	10,063	-
Land rent paid	92,995	-	-	-	-	-
Utilities	-	-	-	-	49,328	-
Other expenses related to rent business	-	-	3	11	249	2
(C) NOI (A – B)	305,569	277,192	234,375	217,251	427,262	16,742
(D) Depreciation	96,995	98,158	88,653	43,196	93,016	8,480
(E) Income from leasing business (C – D)	208,574	179,034	145,722	174,055	334,245	8,261
(F) Capital expenditures	-	4,358	-	-	28,730	8,302
(G) NCF (C – F)	305,569	272,833	234,375	217,251	398,532	8,440

(Note 1) *Property and facility management fees* include trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).



(Unit: Thousands of yen)

Property number	
Property name	Total
Number of operating days	–
(A) Revenues related to real estate leasing business	11,974,815
Rent revenue–real estate	11,974,815
(B) Expenses related to real estate leasing business	3,227,504
Property and facility management fees (Note 1)	50,070
Taxes and dues	1,134,420
Insurance expenses	80,943
Repairs and maintenance expenses	314,347
Land rent paid	1,595,197
Utilities	49,328
Other expenses related to rent business	3,197
(C) NOI (A – B)	8,747,311
(D) Depreciation	3,386,468
(E) Income from leasing business (C – D)	5,360,842
(F) Capital expenditures	389,867
(G) NCF (C – F)	8,357,444

(Note 1) *Property and facility management fees* include trust fees.

(Note 2) *Revenues related to real estate leasing business* and *Expenses related to real estate leasing business* represent the amount after the conversion 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).