

This is an English translation of summarized financial results prepared for reference purposes only. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

September 14, 2016

Financial Report for the Fiscal Period Ended July 31, 2016 (February 1, 2016 – July 31, 2016)

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
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Scheduled date to file securities report: October 27, 2016
 Scheduled date to commence distribution payments: October 14, 2016

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 July 31, 2016 (February 1, 2016 – July 31, 2016)

(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	%
July 31, 2016	10,925	16.2	4,269	19.0	3,623	18.8	(1,627)	–
January 31, 2016	9,406	2.6	3,588	2.4	3,048	2.4	3,041	2.4

Fiscal period ended	Net income per unit	Return on equity (ROE)	Ordinary income to total assets	Ordinary income to operating revenue
	Yen	%	%	%
July 31, 2016	(1,251)	(1.2)	1.6	33.2
January 31, 2016	2,790	2.5	1.5	32.4

(2) Distributions

Fiscal period ended	Distributions per unit (excluding distributions in excess of earnings)	Total distributions (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distributions to net assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
July 31, 2016	0	0	1,450	1,898	–	–
January 31, 2016	2,790	3,041	0	0	100.0	2.5

(Note 1) The full amount of *Total distributions in excess of 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 reduction in capital following distributions in excess of 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 reduction in capital 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
July 31, 2016	259,216	141,369	54.5	107,959
January 31, 2016	204,447	119,489	58.4	109,603
(Reference) Equity	As of July 31, 2016:	¥141,369 million	As of January 31, 2016:	¥119,489 million

(4) Cash flows

	Net cash provided by operating activities	Net cash 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
July 31, 2016	4,127	(56,949)	48,819	11,945
January 31, 2016	7,935	(456)	(2,992)	15,950

2. Forecasts of performance for the fiscal periods ending January 31, 2017 (August 1, 2016 – January 31, 2017) and July 31, 2017 (February 1, 2017 – July 31, 2017)

(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 earnings)	Distributions in excess of earnings per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
January 31, 2017	11,972	9.6	4,645	8.8	3,912	8.0	3,908	–	2,980	0
July 31, 2017	12,231	2.2	4,298	(7.5)	3,558	(9.1)	3,553	(9.1)	2,710	0

(Reference) Forecasted net income per unit (Forecasted net income / Forecasted total number of investment units issued)
For the fiscal period ending January 31, 2017: ¥2,984
For the fiscal period ending July 31, 2017: ¥2,713

* Other

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

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

(2) Total number of investment units issued

- a. Total number of investment units issued at end of period (including treasury investment units)
 - As of July 31, 2016 1,309,467 units
 - As of January 31, 2016 1,090,200 units
- b. Number of treasury investment units at end of period
 - As of July 31, 2016 0 units
 - As of January 31, 2016 0 units

(Note) Please refer to “Per Unit Information” on page 30 for the number of investment units used as the basis for calculating net income per unit.

* Status of audit procedures

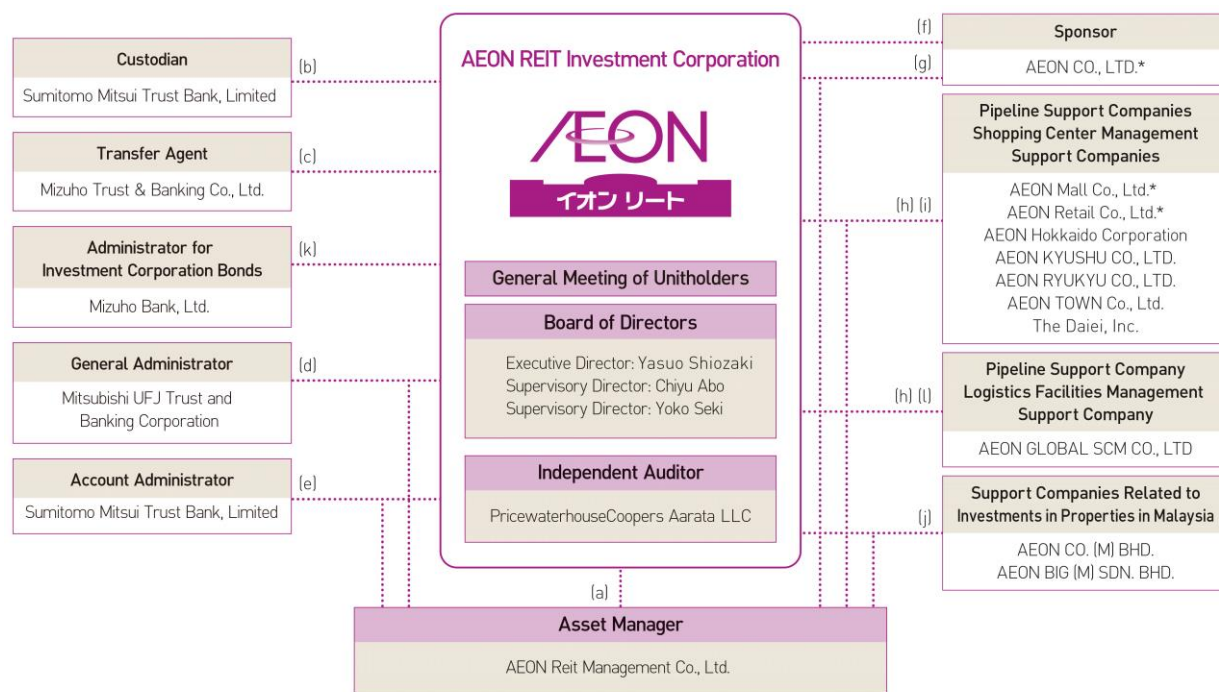
As of the time of disclosure of this financial report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act of Japan are incomplete.

* 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 the Investment Corporation and on certain assumptions the Investment Corporation 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 are not intended to guarantee the distribution amount. Please refer to “Assumptions for Forecasts of Performance for the Fiscal Periods Ending January 31, 2017 (August 1, 2016 – January 31, 2017) and July 31, 2017 (February 1, 2017 – July 31, 2017)” on pages 9 and 10 for information on assumptions for the forecasts of operating results.

1. The Investment Corporation and Related Corporations

The following gives an overview of AEON REIT Investment Corporation (hereinafter referred to as the “Investment Corporation”) and its related corporations, showing their names, roles and details of related work (including other important related parties of the Investment Corporation). The Daiei, Inc. has been added to shopping center management support company in the “Management structure of the Investment Corporation” stated in the latest Securities Report (submitted on April 26, 2016, including subsequent revisions).



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

(Note) AEON Co., Ltd., AEON Mall Co., Ltd. and AEON Retail Co., Ltd. fall under the category of specified associated corporations specified in the Financial Instruments Exchange Act and other laws and regulations.

2. Investment Policies and Status of Asset Management

(1) Investment Policies

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

(2) Status of Asset Management

i) Summary of results for the current fiscal period

(A) Transition of the Investment Corporation

The Investment Corporation intends to invest primarily in retail and related properties that form the backbone of communities and their retail business infrastructure, and we aim to ensure stable income in the medium to long term and achieve steady portfolio growth by investing in retail and related properties.

The Investment Corporation was established on November 30, 2012, with AEON Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”) as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, as amended). The Investment Corporation 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. New investment units (219,267 units) were issued in February 2016, and with the funds procured through this issuance of new investment units as well as the funds procured from ¥25,500 million of new borrowings, the Investment Corporation acquired five properties (total acquisition price of ¥55,769 million). In April 2016, the Investment Corporation acquired shares (¥954 million) issued by an overseas real estate holding corporation (hereinafter the “Overseas SPC”) established in Malaysia, to achieve the first acquisitions of overseas real estate using the overseas SPC scheme by a J-REIT.

As a result, the real estate held by the Investment Corporation as of July 31, 2016, numbered 28 properties in Japan and overseas, with a total acquisition price of ¥249,217 million.

(B) Investment environment and performance

(a) Investment environment

In the Japanese economy, there was concern that the yen’s appreciation amid fading expectations of a U.S. rate hike in addition to the slowdown of emerging economies such as China and disarray over the U.K.’s exit from the EU will adversely affect corporate earnings. Also in the household sector, although there were signs of firmer employment conditions, this did not translate into improvement in real consumer expenditure, and personal consumption remained weak.

On the J-REIT market, the TSE REIT Index rose to 1,970.72 in April due to the lowering of long-term interest rates in line with the negative interest rate policy introduced in January 2016. Despite falling to 1,729.56 following the U.K.’s decision to leave the EU in June, the index more recently recovered to the 1,800 mark and remained firm.

(b) Performance

Operating under these conditions, the Investment Corporation and the Asset Manager, with support from AEON Mall Co., Ltd. and other group companies, focused on the early recovery of AEON Mall Kumamoto which was severely affected by the Kumamoto Earthquake, including subsidence of foundations by liquefaction, ceiling or equipment falls, and damage to floor tiles and exterior walls, in April. On July 28, 2016, the Investment Corporation and the Asset Manager also executed a Pipeline Support Agreement and SC Management Agreement with the Daiei, Inc., to further consolidate the base for future external growth.

We also worked to maintain and enhance capital value in relation to current properties held, including investment to renovate AEON Mall Morioka by turning a multi-story car park area into the expansion zone “Ginga Mall”.

The damage to AEON Mall Kumamoto is summarized in the following table.

	Sub-Anchor Zone	West Mall	East Mall	Anchor Store (AEON Kumamoto)
Summary of Damage Status	Subsidence of foundation by liquefaction Fall of ceiling Collapse of partition wall Damage on floor tile, etc.	Subsidence of foundation by liquefaction Fall of wall and ceiling Damage on floor tile Fall of equipment, etc.	Fall of ceiling Damage on floor tile, etc.	Fall of ceiling Fall of equipment Damage on exterior walls, etc.
Operational Status	Operations suspended	Operations suspended	Resumed operations on July 20, 2016	1 st Floor: Resumed operations on April 20, 2016 2 nd Floor: Resumed operations on July 20, 2016
Amounts Recognized in the 7th Fiscal Period	—	—	Capital expenditure ¥1,222 million	
	Loss on disaster (loss on removal) ¥827 million Provision of allowance for loss on disaster ¥145 million	Provision of allowance for loss on disaster ¥3,610 million	Loss on disaster ¥657 million	

(C) Financing

The Investment Corporation's interest-bearing debt balance as of July 31, 2016 was ¥100,900 million and loan-to-value, or LTV (which is defined as the ratio of (i) aggregate amount of our interest-bearing debt plus tenant leasehold and security deposits, and the tenant leasehold and security deposits in trust to (i) total assets that the Investment Corporation holds) came to 42.8%.

The ratio of long-term interest-bearing debt as of July 31, 2016 (which we define as the ratio of (i) long-term interest-bearing debt, including current portion of long-term loans payable, to (ii) total interest-bearing debts) is 100.0%. The fixed interest rate (which we define as the ratio of (i) interest-bearing debts with payment of fixed interests, including interest-bearing debts fixed by an interest swap, to (ii) total interest-bearing debts) is 88.4%. The Investment Corporation maintains a sound and conservative financial structure in light of these ratios as well as the above-mentioned LTV ratio.

The credit rating the Investment Corporation has obtained as of July 31, 2016 is as follows:

<Credit rating>

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

(D) Overview of financial results and distributions

As a result of the above-mentioned operations, operating revenue came to ¥10,925 million, operating income came to ¥4,269 million, ordinary income came to ¥3,623 million, net loss came to ¥1,627 million, and undisposed loss to ¥1,626 million for the fiscal period under review, mainly reflecting the posting of an extraordinary loss of ¥5,245 million for the fiscal period ended July 31, 2016 in relation to the recovery of AEON Mall Kumamoto.

The extraordinary loss is the total of *Loss on disaster* and *Provision of allowance for loss on disaster*, and *Loss on disaster* is the total of costs for restoring assets to their original condition of ¥661 million and a loss on the retirement of fixed assets of ¥827 million. *Provision for loss of disaster* of ¥3,755 million represents the amount of restoration costs that could be reasonably estimated as of the end of the fiscal period under review.

The undisposed loss for the fiscal period under review of ¥1,626 million will be disposed of through the implementation of a capital reduction without compensation provided for in Article 136-2 of the Investment Trusts Act and deduction from unitholders' capital. Since the capital reduction without compensation will not involve the return of capital, there will be no change in the number of issued investment units.

Regarding distributions for the current fiscal period, distributions per investment unit came to ¥0. However, distributions in excess of earnings per unit no greater than 60% of the depreciation costs for the fiscal period ended July 31, 2016 (7th period) in accordance with Article 35-2 of the Investment Corporation's Articles of Incorporation came to ¥1,450.

ii) Outlook for the next fiscal period

(A) Outlook for overall performance

In our outlook for the Japanese economy, we expect that exports will weaken due to the persistently strong yen fueled by uncertainty about future U.S. monetary policy and the weakness of emerging economies. However, consumption is likely to pick up moderately and we, therefore, predict that the GDP growth rate for FY2016 will be no more than around 1.0%.

Turning to consumer prices, given that crude prices appear to be falling less dramatically recently, downward pressure from energy factors is expected to weaken. However, the impact of falling prices for imported goods due to the stronger yen is expected to increase. On this basis, we expect the Consumer Price Index to rise by no more than 0.5%.

In the environment surrounding retail properties, according to the "Consumer Confidence Survey" announced by the Cabinet Office of Japan, the "Consumer Confidence Index" had gone up and down in a tight range, and the Cabinet Office lowered its assessment of consumer spending, saying "consumer spending has reached a plateau", and future changes in consumer sentiment amid modest increases in real wage income need to be borne in mind. Also, at urban retail properties, inbound demand of foreign visitors to Japan, which had driven growth, is showing a tendency to shift from luxury items to low-ticket items such as cosmetics and is tending to weaken alongside the impact of a stronger yen.

Looking at the global economy, although the pace of U.S. rate hikes will be slower than initially anticipated, resource-rich economies remain in a state of stagnation and given China's excessive debt levels and the political problems in the Eurozone triggered by the U.K.'s exit from the EU, further downward revision in the growth rate of the world economy is expected.

Looking at risk factors for the future, fluctuation in long-term interest rates following the BOJ's comprehensive verification of monetary easing measures in Japan, and developments overseas such as the emergence of protectionism following the outcome of the U.S. presidential election, downward pressure on China's economy, and disarray in the EU economy amid difficult negotiations on the UK's exit from the EU need to be kept under careful scrutiny.

(B) Future investment policy

During the fiscal period under review, the Investment Corporation carried out restoration work relating to the 2016 Kumamoto Earthquake, and recorded *Loss on disaster* and *Provision for loss on disaster* totaling ¥5,245 million as extraordinary loss. *Loss on disaster* is the total of restoration costs of ¥661 million and loss on the retirement of fixed assets of ¥827 million. *Provision for loss of disaster* of ¥3,755 million represents the amount of restoration costs that could be reasonably estimated as of the end of the fiscal period under review.

Due to the recognition of an extraordinary loss in the fiscal period under review, net loss came to ¥1,627 million, resulting in an undisposed loss at the end of the fiscal period under review of ¥1,627 million. The Investment Corporation will dispose of the undisposed loss at the end of the fiscal period under review amounting to ¥1,627 million through the implementation of a "capital reduction without compensation" provided for in Article 136-2 of the Investment Trusts Act and deduction from unitholders' capital. The Investment Corporation also decided to distribute ¥1,898 million out of ¥1,901 million, which is 60% of depreciation costs recognized for the fiscal period under review of ¥3,169 million, as cash distributions in excess of the amount of profits (return of capital corresponding to distributions through capital reduction under Japanese tax law) in accordance with its Articles of Incorporation. Since the capital reduction without compensation will not involve the return of capital, there will be no change in the number of issued investment units.

(a) Basic policy

The Investment Corporation aims to secure stable profits as well as to maintain and raise asset values in the medium to long term. It will work to sustain and improve rent income, conduct adequate management and repair and maintenance measures, and optimize and streamline management costs.

(b) Investment policy and growth strategy

The Aeon Group has the ability to collectively develop and operate large-scale and other types of retail properties. Under the Investment Corporation's growth strategy, we aim to grow our portfolio in the medium to long term by fully utilizing Aeon Group's collective strengths.

The Investment Corporation aims to expand asset size, improve the stability of investments, and improve fund procurement capabilities by acquiring from the AEON Group commercial facilities and other types of properties developed by the AEON Group based on Sponsor Support Agreements, Pipeline Support Agreements and Memorandum of Understanding on Investments in Properties in Malaysia. Furthermore, by improving fund procurement capabilities, we aim to acquire further properties, thereby expanding our portfolio size. From the standpoint of the Aeon Group, by selling retail and other types of properties to the Investment Corporation, it becomes possible for the Aeon Group to use the acquired funds to execute growth investment (such as for development of new stores). Executing such growth investment contributes to increasing the revenue of the Aeon Group and boosting its corporate value, which in turn further supports the growth of the Investment Corporation. We are building a mutually beneficial relationship with the Aeon Group that creates a virtuous cycle for both entities, as discussed above, and thus aim to maximize unitholder value.

(c) Financial strategy

The Investment Corporation will maintain a strong financial structure and aim to keep a conservative debt ratio. In investing, we have set an upper limit for the LTV at 60% and intend to maintain an LTV ratio of about 50%. To reduce risks of refinancing and fluctuations in interest rates, the Investment Corporation will consider extending the terms of its loans and fixing interest rates as a part of its efforts to ensure appropriate operation.

(d) Others

The Investment Corporation will not incur a loss brought forward from the previous period in the fiscal period ending January 31, 2017 because, on September 14, 2016, the Investment Corporation implemented a capital reduction without compensation to eliminate the undisposed loss recognized for the fiscal period ended July 31, 2016.

iii) Significant events after balance sheet date

(A) New acquisitions

The Investment Corporation acquired trust beneficiary rights in the following two properties (total acquisition price: ¥14,120 million).

Name	Location	Acquisition Price (million yen)	Acquisition Date	Seller
AEON MALL Oyama	Oyama City, Tochigi Pref.	6,280	August 29, 2016	AEON Retail Co., Ltd.
AEON MALL Tomakomai	Tomakomai City, Hokkaido Pref.	7,840	September 1, 2016	Mebius Gamma, Specific Purpose Co.
Total	—	14,120	—	—

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

(B) New borrowings

The Investment Corporation drew down the following loans to partially finance the acquisitions of AEON MALL Oyama and AEON MALL Tomakomai stated in (A) New acquisitions above and to partially cover related expenses.

Category	Lender	Amount Borrowed (million yen)	Interest Rate	Drawdown Date	Principal Repayment Date	Repayment Method	Collateral
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	6,700	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.22%	August 29, 2016	October 20, 2017	To be repaid in full on the principal repayment date	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	8,700		September 1, 2016			
Total		15,400	—	—	—	—	—

(C) Capital reduction without compensation

At the meeting of the Investment Committee held on September 13, 2016, the Asset Manager resolved to submit a proposal to the Investment Corporation proposing disposition of the undisposed loss at the end of the fiscal period under review by means of capital reduction without compensation provided for in Article 136(2) of the Act on investment Trusts and Investment Corporations. The proposed disposition will take effect upon approval of financial statements, etc. by the Investment Corporation's Board of Directors. Details of the proposal are as follows:

(1) Purpose	To enable profit distributions in the 8th fiscal period and subsequent periods, without carrying forward the loss incurred in the 7th fiscal period.
(2) Method	In accordance with the provisions on capital reduction without compensation set out in Article 136-2 of the Act on Investment Trusts and Investment Corporations.
(3) Reduction in unitholders' capital	Undisposed loss for the fiscal period under review amounting to ¥1,626 million
(4) Reduction in total number of issued investment units	Since there will be no return of capital, the total number of issued investment units will remain unchanged.
(5) Schedule for reduction, etc.	Disposition of loss through deduction from unitholders' capital in statement of cash distributions for the fiscal period ended July 31, 2016 (7th fiscal period)

Assumptions for Forecasts of Performance for the Fiscal Periods Ending January 31, 2017 (August 1, 2016 – January 31, 2017) and July 31, 2017 (February 1, 2017 – July 31, 2017)

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> ● Fiscal period ending January 31, 2017 (184 days from August 1, 2016 to January 31, 2017, the 8th fiscal period) ● Fiscal period ending July 31, 2017 (181 days from February 1, 2017 to July 31, 2017, the 9th fiscal period)
Portfolio	<ul style="list-style-type: none"> ● We have assumed that we will acquire the additional shares (205,110,000 shares) to be issued by the Overseas SPC before the end of the fiscal period ending January 31, 2017 (8th fiscal period) (hereinafter “additional capital contribution”). We have also assumed that the Overseas SPC will acquire overseas real estate (hereinafter “assets-to-be-acquired”) and commence operation of such real estate. ● The additional capital contribution will be made on a certain date after acquisition of approval, etc. from the state government with jurisdiction as required in Malaysia and we have assumed that we will acquire the shares on September 30, 2016. However, acquisition may be delayed by several months depending on the status of the approval procedures, etc. ● We hold 30 properties as of the date of this report, and we have assumed that we acquire the assets-to-be-acquired on the planned acquisition dates above, and there will be no change in the investment portfolio (acquisition of new properties, transfers of assets currently held, etc.) until the end the ninth fiscal period ending July 31, 2017. ● The actual figures may fluctuate due to changes in the investment portfolio besides the foregoing.
Operating revenue	<ul style="list-style-type: none"> ● We have calculated leasing business revenue from the assets currently held taking into account factors such as the relevant lease agreements effective as of the date of this financial report and market trends. We have calculated dividends income from the overseas SPC based on the assumption that we will receive interim dividends during the fiscal period ending July 31, 2017 (9th fiscal period). ● However, we have calculated revenue from Aeon Mall Kumamoto, which was affected in the 2016 Kumamoto Earthquake, based on the assumption that a portion of the rent for the fiscal period ending January 31, 2017 (8th fiscal period) and the fiscal period ending July 31, 2017 (9th fiscal period) will not be received. ● We have assumed no delinquencies or non-payment of rents by tenants.
Operating expenses	<ul style="list-style-type: none"> ● Operating expenses mainly comprise expenses related to rent business. Our assumptions for those expenses, excluding depreciation expenses, are calculated based on historical experience, making certain adjustments as appropriate so as to reflect changeable factors in expenses. We announced acquisitions in “Notice Concerning Acquisition and Leases of Domestic Properties” dated August 24, 2016, and our assumptions for Aeon Mall Tomakomai and Aeon Mall Oyama, which we have already required as of the date of this report (hereinafter “two newly acquired properties”), are calculated based on amounts stated in appraisal reports, taking information provided by the owners of the assets-to-be-acquired into consideration and making certain adjustments as appropriate so as to reflect changeable factors in expenses. ● Generally, fixed asset tax, city planning tax and depreciable asset tax to the acquired properties are prorated based on the period of ownership with the previous holder and settled at the time of acquisition. Such settlement money equivalent is included in the acquisition costs and therefore not recognized as expenses during the accounting period of the acquisition. We estimated the total amount of fixed asset tax, city planning tax and depreciable asset tax on the two newly acquired properties at ¥64 million, which will be included in the acquisition costs. For fixed asset tax, city planning tax and depreciable asset tax on the assets currently held, we have assumed expenses of ¥1,134 million for the 8th fiscal period and ¥1,413 million for the 9th fiscal period. With respect to the two newly acquired properties, we have assumed that fixed asset tax, city planning tax and depreciable asset tax will be expensed from the fiscal period ending July 31, 2017 (9th fiscal period). ● We have assumed the repair and maintenance expenses for buildings required in each fiscal period based on the medium- to long-term repair and maintenance plan formulated by the Asset Manager. However, actual repair and maintenance expenses in each period may differ substantially from our forecasts, as (i) we acknowledge that we may incur

Item	Assumptions
	<p>expenses for urgent repairs to properties due to damage to buildings caused by a number of factors that are difficult to foresee, (ii) generally, there is a substantial difference in expenses incurred from one fiscal period to another, and (iii) expenses are not incurred based on a regular schedule.</p> <ul style="list-style-type: none"> ● We have assumed that we will incur depreciation expenses, including some related expenses, of ¥3,438 million for the 8th fiscal period and ¥3,508 million for the 9th fiscal period. These figures are calculated using the straight-line method.
Non-operating expenses	<ul style="list-style-type: none"> ● We have assumed interest expenses and other borrowing-related expenses of ¥672 million for the 8th fiscal period and ¥698 million for the 9th fiscal period.
Borrowings	<ul style="list-style-type: none"> ● As of July 31, 2016, the Investment Corporation has interest-bearing debt totaling ¥116,300 million. We anticipate our LTV ratio will be approximately 46.3% as of the end of the 8th fiscal period, January 31, 2017, and approximately 46.3% as of the end of the 9th fiscal period, July 31, 2017. ● To calculate our LTV, we use 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
Investment units	<ul style="list-style-type: none"> ● Distributions per unit for the 8th and 9th fiscal periods are calculated based on the assumption that the forecasted total number of investment units issued as of the respective period-end will be 1,309,467 units.
Distributions per unit	<ul style="list-style-type: none"> ● We have calculated distributions per unit (excluding distributions in excess of earnings) based on the cash distribution policy prescribed in our Articles of Incorporation. ● Fluctuations in rent revenue due to changes in our portfolio and other factors, unforeseeable repair and maintenance incurred and other various factors may lead to changes in the amount of distributions per unit.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ● We currently have no plans to pay cash distributions in excess of earnings (distributions in excess of earnings per unit).
Others	<ul style="list-style-type: none"> ● Our forecasts assume no revisions that impact on 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. ● Our forecasts assume no unforeseeable significant changes will occur in general economic trends or conditions in the real estate market.

3. Financial Statements

(1) Balance Sheets

(Unit: Thousands of yen)

	Previous fiscal period (As of January 31, 2016)	Current fiscal period (As of July 31, 2016)
Assets		
Current assets		
Cash and deposits	11,288,616	6,301,209
Cash and deposits in trust	4,662,204	5,644,727
Prepaid expenses	327,360	352,645
Deferred tax assets	19	-
Income taxes receivable	481	129
Consumption taxes receivable	-	2,031,100
Other	13,046	8,922
Total current assets	16,291,729	14,338,735
Non-current assets		
Property and equipment		
Land	107,708	108,463
Buildings in trust	110,698,513	138,495,163
Accumulated depreciation	(10,543,880)	(13,533,615)
Buildings in trust, net	100,154,633	124,961,547
Structures in trust	801,705	828,132
Accumulated depreciation	(381,653)	(469,610)
Structures in trust, net	420,052	358,521
Tools, furniture and fixtures in trust	2,352	2,352
Accumulated depreciation	(164)	(362)
Tools, furniture and fixtures in trust, net	2,187	1,989
Land in trust	63,430,093	85,670,655
Construction in progress in trust	1,512	759
Total property and equipment	164,116,186	211,101,937
Intangible assets		
Leasehold rights in trust	23,137,757	31,616,769
Total intangible assets	23,137,757	31,616,769
Investments and other assets		
Stocks of affiliates	-	954,761
Long-term prepaid expenses	777,258	968,013
Lease and guarantee deposits	10,000	10,460
Total investments and other assets	787,258	1,933,235
Total non-current assets	188,041,203	244,651,941
Deferred assets		
Investment unit issuance expenses	91,339	203,779
Investment corporation bond issuance costs	23,035	21,844
Total deferred assets	114,375	225,624
Total assets	204,447,308	259,216,301

(Unit: Thousands of yen)

	Previous fiscal period (As of January 31, 2016)	Current fiscal period (As of July 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	561,038	2,532,498
Current portion of long-term loans payable	9,000,000	9,000,000
Accounts payable - other	190,791	52,583
Accrued expenses	28,924	33,306
Income taxes payable	679	605
Accrued consumption taxes	651,868	-
Allowance for loss on disaster	-	3,755,901
Other	12,585	402,408
Total current liabilities	10,445,888	15,777,304
Non-current liabilities		
Investment corporation bond	2,000,000	2,000,000
Long-term loans payable	64,400,000	89,900,000
Tenant leasehold and security deposits	2,628	2,628
Tenant leasehold and security deposits in trust	8,109,511	10,167,213
Total non-current liabilities	74,512,139	102,069,841
Total liabilities	84,958,027	117,847,146
Net assets		
Unitholders' equity		
Unitholders' capital	116,447,057	142,996,124
Surplus		
Unappropriated retained earnings (undisposed loss)	3,042,224	(1,626,970)
Total surplus	3,042,224	(1,626,970)
Total unitholders' equity	119,489,281	141,369,154
Total net assets	*1 119,489,281	*1 141,369,154
Total liabilities and net assets	204,447,308	259,216,301

(2) Statements of Income

(Unit: Thousands of yen)

	Previous fiscal period (From August 1, 2015 to January 31, 2016)		Current fiscal period (From February 1, 2016 to July 31, 2016)	
Operating revenue				
Rent revenue - real estate	*1	9,406,039	*1	10,925,666
Total operating revenue		9,406,039		10,925,666
Operating expenses				
Expenses related to rent business	*1	5,265,919	*1	6,208,008
Asset management fee		416,931		274,495
Asset custody fee		10,609		12,849
Administrative service fees		38,634		40,283
Directors' compensations		3,600		3,600
Taxes and dues		114		59
Other operating expenses		81,307		116,964
Total operating expenses		5,817,118		6,656,261
Operating income		3,588,920		4,269,404
Non-operating income				
Interest income		3,915		851
Interest on refund		2,301		-
Total non-operating income		6,216		851
Non-operating expenses				
Interest expenses		356,775		388,897
Interest expenses on investment corporation bonds		5,776		9,625
Amortization of investment unit issuance expenses		44,891		76,357
Investment unit issuance expenses		-		4,454
Amortization of investment corporation bond issuance costs		794		1,191
Investment unit offering related expenses		-		2,864
Borrowing related expenses		138,037		162,511
Other		351		1,232
Total non-operating expenses		546,626		647,135
Ordinary income		3,048,510		3,623,121
Extraordinary loss				
Loss on disaster		-		1,489,759
Provision of allowance for loss on disaster		-	*2	3,755,901
Total extraordinary loss		-	*2	5,245,660
Income before income taxes		3,048,510		(1,622,539)
Income taxes - current		6,658		4,976
Income taxes - deferred		(19)		19
Total income taxes		6,638		4,996
Net income		3,041,872		(1,627,536)
Retained earnings brought forward		351		566
Unappropriated retained earnings (undisposed loss)		3,042,224		(1,626,970)

(3) Statements of Unitholders' Equity

Previous fiscal period (From August 1, 2015 to January 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 period	116,447,057	2,970,056	2,970,056	119,417,113	119,417,113
Changes of items during period					
Dividends of surplus		(2,969,704)	(2,969,704)	(2,969,704)	(2,969,704)
Net income (loss)		3,041,872	3,041,872	3,041,872	3,041,872
Total changes of items during period	–	72,167	72,167	72,167	72,167
Balance at end of period	*1 116,447,057	3,042,224	3,042,224	119,489,281	119,489,281

Current 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 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 period	*1 142,996,124	(1,626,970)	(1,626,970)	141,369,154	141,369,154

(4) Statements of Cash Distributions

(Unit: Yen)

	Previous fiscal period (From August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
I Unappropriated retained earnings	3,042,224,005	(1,626,970,162)
II Loss disposition	—	1,626,970,162
Deduction of total unitholders' capital	—	1,626,970,162
III Addition of distributions in excess of earnings	—	1,898,727,150
Deduction of total unitholders' capital	—	1,898,727,150
IV Distributions	3,041,658,000	1,898,727,150
[Distributions per investment unit]	[2,790]	[1,450]
Distributions	3,041,658,000	—
[Distributions per investment unit]	[2,790]	[—]
Distributions in excess of earnings	—	1,898,727,150
[Distributions in excess of earnings per investment unit]	[—]	[1,450]
V Earnings carried forward	566,005	—
Calculation method for distributions	Pursuant to the policy for cash distribution set forth in Article 35, paragraph 1 of the Articles of Incorporation of the Investment Corporation, 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, the Investment Corporation will pay distributions of profits at the total amount of ¥3,041,658,000, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 1,090,200, which is the total number of investment units issued; provided, however, that the Investment Corporation will not pay the portion of the amount that exceeds the profits defined in Article 35, paragraph 2 of the Articles of Incorporation of the Investment Corporation.	Pursuant to the policy for cash distribution set forth in Article 35, paragraph 1 of the Articles of Incorporation of the Investment Corporation, 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. The Investment Corporation decided to distribute 1,898,727,150 yen out of 1,901,512,275 yen, which is 60% of the depreciation costs for the current period of 3,169,187,126 yen, as distributions of cash in excess of 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).

(5) Statements of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Cash flows from operating activities		
Income before income taxes	3,048,510	(1,622,539)
Depreciation	2,677,691	3,169,187
Amortization of investment corporation bond issuance costs	794	1,191
Amortization of investment unit issuance expenses	44,891	76,357
Interest income	(3,915)	(851)
Interest expenses	362,551	398,522
Loss on disaster	–	1,489,759
Increase (decrease) in allowance for loss on disaster	–	3,755,901
Decrease (increase) in consumption taxes receivable	1,270,899	(2,031,100)
Increase (decrease) in accrued consumption taxes	651,868	(651,868)
Decrease (increase) in prepaid expenses	(9,266)	(25,284)
Increase (decrease) in operating accounts payable	133,269	(99,887)
Increase (decrease) in accounts payable - other	3,053	(138,207)
Decrease (increase) in long-term prepaid expenses	126,168	(190,754)
Other, net	(13,482)	394,684
Subtotal	8,293,036	4,525,109
Interest income received	4,296	851
Interest expenses paid	(355,100)	(394,140)
Income taxes paid	(6,572)	(4,699)
Net cash provided by (used in) operating activities	7,935,661	4,127,121
Cash flows from investing activities		
Purchase of property and equipment	–	(755)
Purchase of property and equipment in trust	(456,746)	(49,572,593)
Purchase of intangible assets in trust	–	(8,479,011)
Proceeds from tenant leasehold and security deposits in trust	–	2,057,702
Payments for lease and guarantee deposits	–	(460)
Purchase of stocks of affiliates	–	(954,761)
Net cash provided by (used in) investing activities	(456,746)	(56,949,880)
Cash flows from financing activities		
Decrease in short-term loans payable	(2,000,000)	–
Proceeds from long-term loans payable	–	25,500,000
Proceeds from issuance of investment corporation bonds	1,976,169	–
Proceeds from issuance of investment units	–	26,360,269
Dividends paid	(2,968,261)	(3,041,097)
Net cash provided by (used in) financing activities	(2,992,091)	48,819,172
Effect of exchange rate change on cash and cash equivalents	(347)	(1,298)
Net increase (decrease) in cash and cash equivalents	4,486,475	(4,004,884)
Cash and cash equivalents at beginning of period	11,464,345	15,950,821
Cash and cash equivalents at end of period	*1 15,950,821	*1 11,945,936

(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>Stocks of affiliates</p> <p>These are stocks issued by the overseas real estate holding corporation provided for in Article 221-2, Paragraph 1 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, and they are recorded at cost using the moving average method.</p>						
2. Method of depreciation of non-current assets	<p>(1) Property and equipment</p> <p>The straight-line method is used.</p> <p>The useful lives of property and equipment are listed below.</p> <table data-bbox="560 712 1134 824"> <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>The straight-line method is used.</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>These expenses are depreciated using the straight-line method over three years.</p> <p>(2) Investment corporation bond issuance expenses</p> <p>These expenses are depreciated using the straight-line method over the term of the investment corporation bonds.</p>						
4. Standards for recognition of allowances	<p>Allowance for loss on disaster</p> <p>The amount of the cost of restoring the assets that were damaged in 2016 Kumamoto Earthquake to their original condition that could be reasonably estimated at the end of the current period was recognized.</p>						
5. Conversion of assets and liabilities in foreign currency into Japanese yen	<p>Monetary claims and obligations in foreign currency are converted based on the spot exchange rate as of the end of the fiscal period. Translation adjustment is recognized in income or loss.</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 the Investment Corporation 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 ¥417,509 thousand, and there was no such amount in the previous fiscal period.</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 The Investment Corporation conducts derivative transactions for the purpose of hedging risks provided for in the Articles of Incorporation of the Investment Corporation 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 include 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"> i) Cash and deposits in trust ii) Buildings in trust, structures in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust iii) Leasehold rights in trust iv) Tenant leasehold and security deposits in trust <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 January 31, 2016)	Current fiscal period (As of July 31, 2016)
50,000	50,000

Notes to Statements of Income

*1. Breakdown of income (loss) from real estate leasing business

	(Unit: Thousands of yen)	
	Previous fiscal period (From August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
A. Real estate leasing business revenue		
Rent revenue—real estate		
Rent	9,387,809	10,868,705
Other rent revenue—real estate	18,229	56,960
Total real estate leasing business revenue	9,406,039	10,925,666
B. Real estate leasing business expenses		
Expenses related to rent business		
Expenses for management and operation	26,539	30,705
Repairs and maintenance expenses	371,869	218,531
Insurance expenses	50,673	55,747
Trust fees	12,710	14,499
Land rent paid	1,248,376	1,539,507
Taxes and dues	876,394	1,134,310
Depreciation	2,677,691	3,169,187
Water	—	43,856
Other expenses related to rent business	1,664	1,662
Total real estate leasing business expenses	5,265,919	6,208,008
C. Income (loss) from real estate leasing business (A – B)	4,140,119	4,717,657

*2. Breakdown of extraordinary loss

(i) Loss on disaster

Loss related to assets damaged in the 2016 Kumamoto Earthquake (cost of restoring assets to their original condition and loss on retirement of tangible fixed assets in trust) was recognized as loss on disaster,

(ii) Provision of allowance for loss on disaster

Restoration costs that could be reasonably estimated as of the end of the fiscal period under review were recognized as provision of allowance for loss on disaster of ¥3,755,901 thousand.

Notes to Statements of Unitholders' Equity

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

	Previous fiscal period (From August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued	1,090,200 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 August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Cash and deposits	11,288,616	6,301,209
Cash and deposits in trust	4,662,204	5,644,727
Cash and cash equivalents	15,950,821	11,945,936

Lease Transactions

Operating lease transactions (Lessor)

Future lease payments

(Unit: Thousands of yen)

	Previous fiscal period (As of January 31, 2016)	Current fiscal period (As of July 31, 2016)
Due within 1 year	18,778,463	23,306,057
Due after 1 year	96,702,515	119,431,038
Total	115,480,979	142,737,095

Financial Instruments

1. Matters regarding financial instruments

(1) Policy for financial instruments

The Investment Corporation 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; 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

Borrowings and investment corporation bonds are received mainly for the purpose of acquiring real estate and beneficiary rights of real estate in trust.

Tenant leasehold and security deposits in trust are deposits provided by tenants under lease agreements.

Floating-rate loans payable are exposed to the risk of fluctuations in interest rates. However, by appropriately managing debt ratio, etc., it is possible to limit the impact of market interest rate rises on the operations of the Investment Corporation. 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 is omitted for those interest rate swaps that satisfy the requirements for special treatment.

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

Borrowings, investment corporation bonds and tenant leasehold and security deposits in trust are exposed to liquidity risks. However, the Investment Corporation manages these risks through preparing a monthly

funding plan, maintaining liquidity on hand, and other means by the Asset Manager.

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

The Investment Corporation sometimes engages in foreign currency denominated transactions in connection with investments in overseas real estate, etc. Such transactions carry the risk of fluctuations in exchange rates, and exchange rate fluctuations may negatively affect the Investment Corporation's profitability. If the yen appreciates against other currencies, the yen-value of foreign currency denominated transactions that arise in connection with investments in overseas real estate may be diminished and this may negatively impact on the Investment Corporation's net income for the relevant fiscal period.

If foreign denominated assets and liabilities arise in connection with investments in overseas real estate, some of these 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 assets and liabilities may negatively affect the Investment Corporation's net income.

(3) Supplementary remarks on fair value, etc., of financial instruments

The fair value of financial instruments is based on market prices or reasonably calculated value if there is no market price 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 value is considered to be extremely difficult to determine are not included in the table below ^(Note 2).

Previous fiscal period (as of January 31, 2016)

(Unit: Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	11,288,616	11,288,616	–
(2) Cash and deposits in trust	4,662,204	4,662,204	–
Total assets	15,950,821	15,950,821	–
(3) Current portion of long-term loans payable	9,000,000	9,000,000	–
(4) Investment corporation bonds	2,000,000	2,038,400	38,400
(5) Long-term loans payable	64,400,000	65,944,720	1,544,720
Total liabilities	75,400,000	76,983,120	1,583,120
(6) Derivative transactions	–	–	–

Current 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	–	–	–

(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 carrying 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 values for interest rate swaps, to which special treatment is applied, are included in the fair value of long-term loans payable, a hedged item.

(4) Investment corporation bonds

The reference value disclosed by the Japan Securities Dealers Association is used as the fair value.

(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 January 31, 2016)	Current fiscal period (As of July 31, 2016)
Stocks of affiliates	–	954,761
Tenant leasehold and security deposits	2,628	2,628
Tenant leasehold and security deposits in trust	8,109,511	10,167,213
Total	8,112,139	11,124,603

Stocks of affiliated companies 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 January 31, 2016)

(Unit: Thousands of yen)

	Due within 1 year
Cash and deposits	11,288,616
Cash and deposits in trust	4,662,204
Total	15,950,821

Current fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)

	Due within 1 year
Cash and deposits	6,301,209
Cash and deposits in trust	5,644,727
Total	11,945,936

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

Previous fiscal period (as of January 31, 2016)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 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	–	700,000	27,000,000	1,200,000	22,000,000	13,500,000
Total	9,000,000	700,000	27,000,000	1,200,000	22,000,000	15,500,000

Current fiscal period (as of July 31, 2016)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 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

Securities

Previous fiscal period (as of January 31, 2016)

Not applicable.

Current fiscal period (as of July 31, 2016)

1. Stocks of affiliates

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 January 31, 2016)

Not applicable.

Current fiscal period (as of July 31, 2016)

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 January 31, 2016)

(Unit: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment for interest rate swap	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	63,700,000	63,700,000	(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 July 31, 2016)

(Unit: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment for interest rate swap	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.

Retirement Benefits

Previous fiscal period (as of January 31, 2016)

Not applicable.

Current fiscal period (as of July 31, 2016)

Not applicable.

Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities

(Unit: Thousands of yen)

	Previous fiscal period (As of January 31, 2016)	Current fiscal period (As of July 31, 2016)
Deferred tax assets		
Accrued business office taxes, currently not deductible	19	–
Total deferred tax assets	19	–
Net deferred tax assets	19	–

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 January 31, 2016)	Current fiscal period (As of July 31, 2016)
Normal effective statutory tax rate	32.31	32.31
(Adjustments)		
Distributions paid included in deductibles	(32.24)	– (Note)
Other	0.15	– (Note)
Effective tax rate after application of tax effect accounting	0.22	– (Note)

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

3. Revision of deferred tax assets and deferred tax liabilities as a result of change of the corporate income tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No.15 of 2016) and the “Act for Partial Revision of Local Taxation Act, etc.” (Act No.13 of 2016) were passed by the National Diet of Japan on March 29, 2016 and, as a result, the corporate income tax rate, etc. is changed starting from accounting periods beginning on or after April 1, 2016. In accordance with these changes, the statutory income tax rate used for calculating deferred tax assets and deferred tax liabilities is estimated to change from 32.31% to 31.74% for temporary differences expected to be resolved in the accounting period beginning August 1, 2016 and the accounting period beginning February 1, 2017, to 31.82% for temporary differences expected to be resolved in the accounting period beginning August 1, 2017 and the accounting period beginning February 1, 2018, and to 31.59% for temporary differences expected to be resolved from the accounting periods beginning on or after August 1, 2018.

This tax rate change does not have any impact on the Investment Corporation.

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

Previous fiscal period (as of January 31, 2016)

Not applicable.

Current fiscal period (as of July 31, 2016)

Not applicable.

Related Party Transactions

1. Parent company and major corporate unitholders

Previous fiscal period (from August 1, 2015 to January 31, 2016)

Not applicable.

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

Not applicable.

2. Associates, etc.

Previous fiscal period (from August 1, 2015 to January 31, 2016)

Not applicable.

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

Not applicable.

3. Sister companies, etc.

Previous fiscal period (from August 1, 2015 to January 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				
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	416,931	Accounts payable–other	150,710
Subsidiary of other affiliate	AEON Retail Co., Ltd.	Chiba City, Chiba Pref.	48,970	Retail business	–	–	Lessee and recipient of land rent payment	Leasing business revenue	4,143,082	Tenant leasehold and security deposits in trust	3,552,595
								Land rent paid, etc.	748,735	–	–
Subsidiary of other affiliate	AEON Mall Co., Ltd.	Chiba City, Chiba Pref.	42,215	Real estate business	–	–	Lessee and recipient of land rent payment	Leasing business revenue	4,545,912	Tenant leasehold and security deposits	2,628
								Land rent paid, etc.	334,166	–	–
										Tenant leasehold and security deposits in trust	4,556,916
Subsidiary of other affiliate	AEON Hokkaido Corporation	Sapporo City, Hokkaido	6,100	Retail business	–	–	Lessee and recipient of land rent payment	Leasing business revenue	678,168	–	–
								Land rent paid, etc.	165,475	–	–
Subsidiary of other affiliate	AEON Bank, Ltd.	Koto City, Tokyo	51,250	Banking business	–	–	Lender	Interest expenses	6,619	Accrued expenses	431
								Borrowing of long-term loans	–	Long-term loans payable	2,300,000
Subsidiary of other affiliate	AEON CO. (M) BHD.	Kuala Lumpur, Malaysia	702 million RM	Retail business	–	–	Lessee	Leasing business revenue (Note 3)	20,646	–	–

(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) *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 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)
						Inter-locking 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	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	Leasing business revenue	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 real estate trust beneficiary interests	22,500,000	–	–
								Leasing business revenue	5,544,844	Tenant leasehold and security deposits	2,628
										Tenant leasehold and security deposits in trust	6,121,795
										Land rent paid, etc.	639,905
Subsidiary of other affiliate	AEON Hokkaido Corporation	Sapporo City, Hokkaido	6,100	Retail business	–	–	Lessee and recipient of land rent payment	Leasing business revenue	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	Leasing business revenue (Note 3)	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).

4. Officers and principal individual unitholders

Previous fiscal period (from August 1, 2015 to January 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)
						Inter-locking directorate, etc.	Business relationship				
Officer	Kenji Kawahara	-	-	Executive Director of the Investment Corporation and Representative Director and President of AEON Reit Management Co., Ltd.	(Owned) Direct 0.0%		Executive Director of the Investment Corporation and Representative Director and President of AEON Reit Management Co., Ltd.	Payment of asset management fee to the Asset Manager	416,931	Accounts payable—other	150,710

(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 Kenji Kawahara in the role of representative of a third party (AEON Reit Management Co., Ltd.). The amount of the asset management fee is in accordance with the terms set forth in the Articles of Incorporation of the Investment Corporation.

Current 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)
						Inter-locking directorate, etc.	Business relationship				
Officer	Yasuo Shiozaki	-	-	Executive Director of the Investment Corporation and Representative Director and President of AEON Reit Management Co., Ltd.	(Owned) Direct 0.0%		Executive Director of the Investment Corporation 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 the Investment Corporation. 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.

Asset Retirement Obligations

Previous fiscal period (as of January 31, 2016)

Not applicable.

Current fiscal period (as of July 31, 2016)

Not applicable.

Investment and Rental Properties

The Investment Corporation holds retail properties. The balance sheet carrying amounts, changes during the fiscal period, and fair values of these rental properties are as follows. Amounts for the current fiscal period do not include AEON Mall Kumamoto. 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 August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Balance sheet carrying amount		
Balance at beginning of period	189,691,355	173,808,945
Changes during period	(2,438,923)	55,238,119
Balance at end of period	187,252,432	229,047,065
Fair value at end of period	208,355,400	251,358,000

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

(Note 2) The main reason for the increase during the previous fiscal period is capital expenditures such as external wall painting of the existing properties (¥238,768 thousand) and the main reason for the decrease during the previous fiscal period is depreciation (¥2,677,691 thousand). The main reason for the increase during the current fiscal period is the acquisition of five properties (AEON MALL Chiba New Town, AEON Chigasaki-Chuo Shopping Center, Daiei-Kawasaki Process Center, AEON MALL Kofushowa, AEON MALL Yamatokoriyama) (¥56,510,272 thousand), expansion of AEON Mall Morioka (¥953,051 thousand) and capital expenditures such as external wall painting of the existing properties (¥776,915 thousand), and the main reasons for the decrease in the current period were depreciation (¥2,991,535 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 2016 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”, and the balance sheet carrying amount at the beginning of the fiscal period under review is ¥13,443,487 thousand and the balance sheet carrying amount at the end of the fiscal period under review is ¥13,670,881 thousand.

Segment Information, etc.

1. Segment information

Disclosure is omitted as the Investment Corporation 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 as 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.	4,143,082	Real estate leasing business
AEON Mall Co., Ltd.	4,545,912	Real estate leasing business
AEON Hokkaido Corporation	678,168	Real estate leasing business
AEON CO. (M) BHD.	20,646	Real estate leasing business

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

(1) Information about products and services

Disclosure is omitted as 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* is 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 August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Net assets per unit	¥109,603	¥107,959
Net income (loss) per unit	¥2,790	¥(1,251)

(Note 1) Net income (loss) per unit is calculated by dividing net income (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 August 1, 2015 to January 31, 2016)	Current fiscal period (From February 1, 2016 to July 31, 2016)
Net income (loss) (Thousands of yen)	3,041,872	(1,627,536)
Amount not attributable to common unitholders (Thousands of yen)	—	—
Net income(loss) attributable to common investment units (Thousands of yen)	3,041,872	(1,627,536)
Average number of investment units for the period (Units)	1,090,200	1,300,058

Significant Subsequent Events

1. New acquisitions

The Investment Corporation acquired trust beneficiary rights in the following two properties (total acquisition price: ¥14,120 million).

Name	Location	Acquisition Price (million yen)	Acquisition Date	Seller
AEON MALL Oyama	Oyama City, Tochigi Pref.	6,280	August 29, 2016	AEON Retail Co., Ltd.
AEON MALL Tomakomai	Tomakomai City, Hokkaido Pref.	7,840	September 1, 2016	Mebius Gamma, Specific Purpose Co.
Total	—	14,120	—	—

2. New borrowings

The Investment Corporation drew down the following loans to partially finance the acquisitions of AEON MALL Oyama and AEON MALL Tomakomai stated in (A) New acquisitions above and to partially cover related expenses.

Category	Lender	Amount Borrowed (million yen)	Interest Rate	Drawdown Date	Principal Repayment Date	Repayment Method	Collateral
Long-term	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation	6,700	Base Interest Rate (3-month JBA Japanese Yen TIBOR) + 0.22%	August 29, 2016	October 20, 2017	To be repaid in full on the principal repayment date	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	8,700		September 1, 2016			
Total		15,400	—	—	—	—	—

3. Capital reduction without compensation

At the meeting of the Investment Committee held on September 13, 2016, the Asset Manager resolved to submit a proposal to the Investment Corporation proposing disposition of the undisposed loss at the end of the fiscal period under review by means of capital reduction without compensation provided for in Article 136(2) of the Act on investment Trusts and Investment Corporations. The proposed disposition will take effect upon approval of financial statements, etc. by the Investment Corporation's Board of Directors. Details of the proposal are as follows:

(1) Purpose	To enable profit distributions in the 8th fiscal period and subsequent periods, without carrying forward the loss incurred in the 7th fiscal period.
(2) Method	In accordance with the provisions on capital reduction without compensation set out in Article 136-2 of the Act on Investment Trusts and Investment Corporations.
(3) Reduction in unitholders' capital	Undisposed loss for the fiscal period under review amounting to ¥1,626 million
(4) Reduction in total number of issued investment units	Since there will be no return of capital, the total number of issued investment units will remain unchanged.
(5) Schedule for reduction, etc.	Disposition of loss through deduction from unitholders' capital in statement of cash distributions for the fiscal period ended July 31, 2016 (7th fiscal period)

(9) Changes in Total Number of Investment Units Issued

Changes in the total number of investment units issued and the total unitholders' capital of the Investment Corporation since its incorporation until July 31, 2016 are as follows:

Date	Event	Total number of investment units issued (Units)		Total unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
November 30, 2012	Incorporation through private placement	5,000	5,000	500	500	(Note 1)
November 21, 2013	Capital increase through public offering	900,000	905,000	91,287	91,787	(Note 2)
December 17, 2013	Capital increase through third-party allotment	45,000	950,000	4,564	96,351	(Note 3)
February 12, 2015	Capital increase through public offering	133,190	1,083,190	19,090	115,442	(Note 4)
February 25, 2015	Capital increase through third-party allotment	7,010	1,090,200	1,004	116,447	(Note 5)
February 8, 2016	Capital increase through public offering	208,826	1,299,026	25,284	141,731	(Note 6)
February 25, 2016	Capital increase through third-party allotment	10,441	1,309,467	1,264	142,996	(Note 7)

(Note 1) At the incorporation of the Investment Corporation, investment units were issued with an issue price per unit of ¥100,000.

(Note 2) 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 3) 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 4) 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 5) 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 6) 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 7) 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 8) On September 14, 2016, the Investment Corporation plans to implement a capital reduction without compensation, deducting ¥1,626 million, which is equal to the undisposed loss at the end of the fiscal period under review, from unitholders' capital.

4. Changes in Officers

(1) Changes in Officers of the Investment Corporation

On May 24, 2016, Mr. Kenji Kawahara resigned as Executive Director, and on May 25, 2016, Mr. Yasuo Shiozaki assumed office as Executive Director.

(2) Changes in Officers of Asset Manager

On May 26, 2016, Mr. Kenji Kawahara retired as Representative Director, Mr. Tsunekazu Haraguchi retired as Director (part-time), and Mr. Toshiro Iwahara retired as Corporate Auditor (part-time). On the same date, Mr. Yasuo Shiozaki became Representative Director, Mr. Keiji Tsukahara became Executive Director, Mr. Yasushi Ogusu became Director, Mr. Akio Nakajima became Director (part-time), and Mr. Hiroshi Kato became Corporate Auditor (part-time).

5. Reference Information

(1) Status of Investment

Composition of assets

Type of assets	Property type	Region (Note 1)	Previous fiscal period (As of January 31, 2016)					Current fiscal period (As of July 31, 2016)				
			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 properties	Hokkaido and Tohoku	22,991	11.2	–	–	–	23,605	9.1	–	–	–
		Kanto (Note 5)	59,393	29.1	–	–	–	92,204	35.6	–	–	–
		Tokai, Hokuriku and Chubu	19,242	9.4	–	–	–	27,585	10.6	–	–	–
		Kinki	28,201	13.8	–	–	–	42,426	16.4	–	–	–
		Chugoku and Shikoku	32,644	16.0	–	–	–	32,087	12.4	–	–	–
		Kyushu and Okinawa	24,089	11.8	–	–	–	24,127	9.3	–	–	–
		Malaysia	688	0.3	688	(76)	0.3	680	0.3	680	(145)	0.3
Total			187,252	91.6	688	(76)	0.3	242,717	93.6	680	(145)	0.3
Stocks of affiliates (Note 6)			–	–	–	–	–	954	0.4	954	(77)	0.4
Deposits and other assets			17,194	8.4	14	0	0.0	15,543	6.0	179	0	0.1
Total assets			204,447	100.0	703	(76)	0.3	259,216	100.0	1,804	(222)	0.7

	Previous fiscal period (As of January 31, 2016)		Current fiscal period (As of July 31, 2016)	
	Amount (Millions of yen)	Percentage to total assets (%)	Amount (Millions of yen)	Percentage to total assets (%)
Total liabilities	84,958	41.6	117,847	45.5
Total net assets	119,489	58.4	141,369	54.5

(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 January 31, 2016 represents the amount found by subtracting the book value at the end of the 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 the end of the period which has been converted to Japanese yen based on the exchange rate as of the end of the fiscal period (January 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 (January 29, 2016; 1 RM = ¥29.17; rounded down to the nearest 100th) because January 31, 2016, was not a business day.

(Note 4) *Unrealized gain (loss) on valuation of foreign currency* as of July 31, 2016 represents the amount found by subtracting the book value at the end of the 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 the end of the 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.

(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) *Stocks of affiliates* 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 the Investment Corporation as of the end of the current period are as follows.

Type	Security name	Quantity (shares)	Book value (RM)	Estimated value (RM)	As a percentage of total assets (%)
Stocks of affiliates	JAMBATAN MANSEIBASHI(M) Sdn.Bhd.	34,000,002	34,000,002	34,000,002	0.0

(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.

ii) Investment properties

A summary of the properties held by the Investment Corporation 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 the Investment Corporation as of July 31, 2016 (the end of the 7th 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	20,285	23,400	8.5	AEON Retail Co., Ltd.
SRSC-2	AEON LakeTown kaze (Note 4)	6,730	6,564	7,810	2.7	AEON Retail Co., Ltd.
RSC-1	AEON MALL Morioka	5,340	5,892	6,570	2.1	AEON Mall Co., Ltd.
RSC-2	AEON MALL Ishinomaki	6,680	6,309	7,020	2.7	AEON Retail Co., Ltd.
RSC-3	AEON MALL Mitouchihara (Note 5)	16,565	15,743	18,012	6.6	AEON Mall Co., Ltd. Mito City, Ibaraki Pref.
RSC-4	AEON MALL Ota	6,860	6,390	7,940	2.8	Century Tokyo Leasing Corporation
RSC-5	AEON Sagamihara Shopping Center	10,220	10,104	10,700	4.1	AEON Retail Co., Ltd.
RSC-6	AEON MALL Ogaki	4,950	4,383	5,100	2.0	AEON Retail Co., Ltd.
RSC-7	AEON MALL Suzuka	9,660	9,416	10,100	3.9	AEON Mall Co., Ltd.
RSC-8	AEON MALL Meiwa	3,290	3,194	3,680	1.3	AEON Retail Co., Ltd.
RSC-9	AEON MALL Kasai-Hojo	7,230	6,726	7,610	2.9	AEON Retail Co., Ltd.
RSC-10	AEON MALL Hiezu	7,780	7,206	8,320	3.1	AEON Retail Co., Ltd.
RSC-11	AEON MALL Kurashiki	17,890	16,957	19,000	7.2	AEON Mall Co., Ltd.
RSC-12	AEON MALL Ayagawa	8,740	7,923	9,190	3.5	AEON Retail Co., Ltd.
RSC-13	AEON MALL Nogata	11,246	10,456	12,900	4.5	Century Tokyo Leasing Corporation AEON Mall Co., Ltd.
RSC-15	AEON MALL KYOTO	21,470	21,194	22,200	8.6	AEON Mall Co., Ltd.
RSC-16	AEON MALL Sapporo-Hiraoka	5,900	5,776	6,330	2.4	Forester Special Purpose Company
RSC-17	AEON MALL Kushiro-Showa	1,780	1,785	1,930	0.7	Forester Special Purpose Company
RSC-18	AEON MALL Rifu	2,560	2,504	2,770	1.0	Forester Special Purpose

						Company
RSC-19	AEON MALL Yamagata-Minami	1,350	1,337	1,470	0.5	Forester Special Purpose Company
RSC-20	AEON MALL Yokkaichi-Kita	2,210	2,172	2,410	0.9	Forester Special Purpose Company
RSC-21	AEON MALL Yamatokoriyama	14,500	14,506	14,700	5.8	AEON Mall Co., Ltd.
RSC-22	AEON MALL Chiba Newtown (mall, and cinema and sports complex)	12,190	12,287	12,200	4.9	Century Tokyo Leasing Corporation
RSC-23	AEON MALL Kofu Showa	8,389	8,418	8,530	3.4	AEON Mall Co., Ltd. Showa-cho Joei Land Readjustment Association
CSC-1	AEON Chigasaki-Chuo Shopping Center	6,410	6,471	6,450	2.6	Sumitomo Mitsui Finance & Leasing Co., Ltd.
L-1	Daiei-Kawasaki Process Center	14,280	14,357	14,500	5.7	Century Tokyo Leasing Corporation
M-1	AEON Taman Universiti Shopping Centre (Note 6)	658 [20 million RM]	680 [20 million RM]	516 [20 million RM]	0.3	AEON CO. (M) BHD.
	Subtotal	236,069	229,047	251,358	94.7	
RSC-14	AEON MALL Kumamoto (Note 7)	13,148	13,670	-	5.3	AEON Mall Co., Ltd.
	Total	249,217	242,717	-	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 July 31, 2016, 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) The Investment Corporation 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 the Investment Corporation’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 the Investment Corporation 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*.

The Investment Corporation 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 the Investment Corporation’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 as of the end of the fiscal period (July 31, 2016). However, since this was not a business day, 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) was used.

(Note 7) 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 2016 Kumamoto Earthquake, including subsidence of foundation by liquefaction, fall of ceilings and equipment, and damage on floor tiles and exterior walls. The reduction 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 ¥15,000 million in a survey report prepared by the Japan Real Estate Institute. Although the real estate in question was found to have physical damage, etc. as a result of the 2016 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/security deposits, total leasable area, total leased area, and occupancy rate) of real estate, etc., held by the Investment Corporation as of the end of the current fiscal period (July 31, 2016) is shown below.

Type	Property number	Property name	Location	Date of construction	Annual contracted rent (Millions of yen)	Leasehold/security deposits (Millions of yen)	Total leasable area (m ²) (Note 1)	Total leased area (m ²)	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	351	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	444	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	434	426	102,045.24	102,045.24	100.0
	RSC-11	AEON MALL Kurashiki	Kurashiki City, Okayama Pref.	September 15, 1999	737	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	Kamimashiki County, Kumamoto Pref.	September 16, 2005	307	584 (Note 4)	101,132.38 (Note 4)	101,132.38	100.0
	RSC-15	AEON MALL KYOTO	Kyoto City, Kyoto Pref.	January 7, 2010	696	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	209	–	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	644	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	275	403	107,425.97	107,425.97	100.0
	RSC-23	AEON MALL Kofu Showa	Nakakoma-gun, Yamanashi Pref.	March 11, 2011	340	392	66,509.51	66,509.51	100.0
	CSC-1	AEON Chigasaki-Chuo Shopping Center	Chigasaki City, Kanagawa Pref.	October 13, 2000	75	223	63,158.24	63,158.24	100.0
	L-1	Daiei-Kawasaki Process Center	Kawasaki City, Kanagawa Pref.	April 22, 1997	450	269	59,265.77	59,265.77	100.0
	M-1	AEON Taman Universiti Shopping Centre (Note 5)	Johor, Malaysia	May 30, 2002	19 [704 thousand RM]	–	22,870.00	22,870.00	100.0
Total					10,925	10,169	2,580,741.57	2,580,741.57	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) The Investment Corporation 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 the Investment Corporation’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 2016 Kumamoto Earthquake. The first floor of the Anchor store (AEON Kumamoto) resumed operations on April 20, 2016 after the Kumamoto Earthquake and the second floor and East Mall resumed operations on July 20, 2016. *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.

The Investment Corporation 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 the Investment Corporation’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.

(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 July 31, 2016 (the end of the 7th 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.	23,400	23,300	4.9	23,200	4.9 5.0 (Note 4)	5.1	1,179
SRSC-2	AEON LakeTown kaze (Note 3)	The Tanizawa Sōgō Appraisal Co., Ltd.	7,810	8,030	5.3	7,710	5.2 5.3 (Note 5)	5.6	438
RSC-1	AEON MALL Morioka	Japan Real Estate Institute	6,570	6,610	6.7	6,520	6.3	6.9	507
RSC-2	AEON MALL Ishinomaki	Japan Real Estate Institute	7,020	7,120	6.3	6,920	6.0	6.6	479
RSC-3	AEON MALL Mitouchihara (Beneficiary rights of real estate in trust) (Note 6)	Japan Real Estate Institute	17,900	18,000	6.1	17,700	5.7	6.3	1,117
	AEON MALL Mitouchihara (Land) (Note 6)	Japan Real Estate Institute	112	–	–	112	5.2	–	–
RSC-4	AEON MALL Ota	Japan Real Estate Institute	7,940	7,990	6.5	7,890	6.0	6.7	573
RSC-5	AEON Sagami-hara Shopping Center	Japan Real Estate Institute	10,700	10,800	5.3	10,600	5.0	5.5	645
RSC-6	AEON MALL Ogaki	Japan Real Estate Institute	5,100	5,110	7.0	5,090	6.4	7.3	379
RSC-7	AEON MALL Suzuka	Japan Real Estate Institute	10,100	10,200	6.3	9,990	5.9	6.7	727
RSC-8	AEON MALL Meiwa	The Tanizawa Sōgō Appraisal Co., Ltd.	3,680	3,780	6.6	3,640	6.5 6.6 (Note 7)	6.9	283
RSC-9	AEON MALL Kasai-Hojo	Japan Real Estate Institute	7,610	7,640	6.9	7,570	6.6	7.1	536
RSC-10	AEON MALL Hiezu	Japan Real Estate Institute	8,320	8,380	6.9	8,260	6.5	7.2	601
RSC-11	AEON MALL Kurashiki	Japan Real Estate Institute	19,000	19,100	6.1	18,900	5.8	6.3	1,233
RSC-12	AEON MALL Ayagawa	Japan Real Estate Institute	9,190	9,280	6.5	9,100	6.1	6.8	617
RSC-13	AEON MALL Nogata	Japan Real Estate Institute	12,900	13,000	6.4	12,800	6.1	6.7	864
RSC-15	AEON MALL KYOTO	Japan Real Estate Institute	22,200	22,400	4.9	22,000	4.6	5.1	1,097
RSC-16	AEON MALL Sapporo-Hiraoka	The Tanizawa Sōgō Appraisal Co., Ltd.	6,330	6,530	6.2	6,250	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	2,850	6.4	2,740	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	1,440	6.6 6.7 (Note 11)	6.9	129

RSC-20	AEON MALL Yokkaichi-Kita	The Tanizawa Sōgō Appraisal Co., Ltd.	2,410	2,510	6.3	2,370	6.3 6.4 (Note 12)	6.6	198
RSC-21	AEON MALL Yamatokoriyama	Japan Real Estate Institute	14,700	14,900	5.7	14,500	5.2	5.9	878
RSC-22	AEON MALL Chiba Newtown (mall, and cinema and sports complex)	Japan Real Estate Institute	12,200	12,300	5.0	12,100	4.7	5.2	625
RSC-23	AEON MALL Kofu Showa	Japan Real Estate Institute	8,530	8,610	5.9	8,450	5.4	6.1	526
CSC- 1	AEON Chigasaki-Chuo Shopping Center	Japan Real Estate Institute	6,450	6,480	5.1	6,410	4.8	5.3	343
L-1	Daiei-Kawasaki Process Center	Japan Real Estate Institute	14,500	14,600	5.1	14,400	4.6	5.5	764
M-1	AEON Taman Universiti Shopping Centre (Note 13)	Japan Real Estate Institute	516 [20 million RM]	–	–	516 [20 million RM]	6.5 6.0 (Note 14)	7.0	34 [1 million RM]
Subtotal			251,358	–	–	249,078	–	–	–
RSC-14	AEON MALL Kumamoto (Note 15)	Japan Real Estate Institute	–	–	–	–	–	–	–
Total			–	–	–	–	–	–	–

(Note 1) *Appraisal value* represents the appraisal value as of the valuation date of July 31, 2016.

(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 the Investment Corporation'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 4.9% during the initial seventh years and 5.0% from the eighth year.

(Note 5) Discount rates for AEON LakeTown kaze are 5.2% during the initial seventh years and 5.3% 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 6.5% during the initial year and 6.6% 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 6.3% during the initial two years and 6.4% from the third year.

(Note 13) Pursuant to the local appraisal methodology, we entrusted the evaluation of the appraisal value of the property to Japan Real Estate Institute. *Appraisal value* represents the amount equivalent to the Investment Corporation's pro-rata portion of 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, and is based on the appraisal value as indicated on the appraisal report as of the valuation date of July 31, 2016. The prices and NOI in *Return price* show the amount representing 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, and is based on prices, etc., calculated by the standard income approach applied in Malaysia to real estate for investment (the investment method). The amounts are converted to Japanese yen based on the exchange rate as of the end of the fiscal period (July 31, 2016). However, since this was not a business day, 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) was used.

(Note 14) Discount rates for AEON Taman Universiti Shopping Centre are 6.5% during the contract period and 6.0% after the contract period.

(Note 15) 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, fall of ceilings and equipment, and damage 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 ¥15,000 million, the price based on the direct capitalization method as ¥15,200 million, the return yield as 6.1%, the price based on the DCF method as ¥14,800 million, the discount rate as 5.8%, the final return yield as 6.4%, and NOI as ¥952 million. However, although the real estate in question was found to have physical damage, etc. as a result of the 2016 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 the Investment Corporation plans to conduct for properties held as of July 31, 2016.

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

In addition, during the current fiscal period, the Investment Corporation 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 July 2016) 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)	External wall painting work	From May 2017 to June 2017	46	—	—
AEON MALL Kushiro-Showa (Kushiro City, Hokkaido)	Work to renew EHP of air- conditioning system	From September 2016 to October 2016	47	—	—
AEON MALL Tomakomai (Tomakomai City, Hokkaido)	External wall painting work	From October 2016 to July 2017	226	—	—
AEON MALL Morioka (Morioka City, Iwate Pref.)	Work to install waste water pre- treatment facilities	From May 2017 to July 2017	102	—	—
Daiei-Kawasaki Process Center (Kawasaki City, Kanagawa Pref.)	Work on DC power supply facility	From January 2017 to January 2017	30	—	—
AEON Sagami-hara Shopping Center (Sagami-hara City, Kanagawa Pref.)	Work to renew EHP of air- conditioning system	From June 2017 to July 2017	44	—	—
AEON MALL Suzuka (Suzuka City, Mie Pref.)	Work to replace extra high tension power receiving parts	From April 2017 to April 2017	35	—	—
AEON MALL Meiwa (Taki County, Mie Pref.)	Air conditioning renewal work	From October 2016 to November 2016	114	—	—
	Work to prevent leaks	From April 2017 to May 2017	30	—	—
AEON MALL Hiezu (Saihaku County, Tottori Pref.)	Asphalting work	From February 2017 to April 2017	66	—	—
	Air conditioning renewal work	From October 2016 to November 2016	40	—	—
	Work to revitalize east wing	From May 2017 to July 2017	200	—	—
AEON MALL Kurashiki (Kurashiki City, Okayama Pref.)	Work to convert lighting to LEDs	From December 2016 to January 2017	44	—	—
	Work to convert lighting to LEDs	From February 2017 to April 2017	80	—	—
	Work to renew EHP of air- conditioning system	From October 2016 to November 2016	38	—	—
	Work to renew EHP of air- conditioning system	From February 2017 to April 2017	36	—	—
AEON MALL Nogata (Nogata City, Fukuoka Pref.)	Work to convert lighting to LEDs	From November 2016 to December 2016	80	—	—
	External wall painting work	From February 2017 to April 2017	250	—	—
AEON MALL Kumamoto (Kamimashiki County, Kumamoto Pref.)	Work on electrical facilities, etc.	From April 2016 to April 2017	7,208	—	—

b. Capital expenditures during the period

For properties held by the Investment Corporation as of July 31, 2016, the major construction works that fall into capital expenditure (those exceeding ¥30 million per work) conducted by the Investment Corporation during the current fiscal period are shown in the table below. The capital expenditure for the current period amounted to ¥2,833 million, repair and maintenance expenses that were accounted for as expense came to ¥218 million, and loss on disaster associated with the 2016 Kumamoto Earthquake came to ¥661 million. On aggregate, construction work of ¥3,713 million was carried out during the fiscal period.

Property name (Location)	Purpose	Period	Cost of construction works (Millions of yen)
AEON MALL Morioka (Morioka City, Iwate Pref.)	Work to expand and invigorate mall	From October 2015 to April 2016	953
AEON MALL Mitouchihara (Mito City, Ibaraki Pref.)	External wall painting work	From November 2015 to April 2016	290
AEON Sagamihara Shopping Center (Sagamihara City, Kanagawa Pref.)	Work to renew EHP of air- conditioning system	From June 2016 to July 2016	44
AEON MALL Suzuka (Suzuka City, Mie Pref.)	External wall painting work	From January 2016 to June 2016	177
AEON MALL Kumamoto (Kamimashiki County, Kumamoto Pref.)	Work on electrical facilities, etc.	From April 2016 to July 2016	1,222

(E) Statements of income of individual properties

7th fiscal period (from February 1, 2016 to July 31, 2016)

(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	182	182	182	182	182	182
(A) Real estate leasing business revenue	682,991	340,974	351,635	351,818	725,910	475,313
Rent revenue—real estate	682,991	340,974	351,635	351,818	725,910	475,313
(B) Real estate leasing business expenses	89,870	117,483	139,411	111,005	173,386	184,966
Expenses for management and operation (Note 1)	1,826	1,284	1,820	1,790	1,400	1,400
Taxes and dues	82,775	34,932	43,660	46,588	77,133	39,518
Insurance expenses	2,416	1,795	2,243	1,356	3,621	1,949
Repairs and maintenance expenses	2,779	20	41,882	6,495	16,089	9,460
Land rent paid	16	78,959	49,748	54,704	75,121	132,591
Utilities	—	—	—	—	—	—
Other expenses related to rent business	56	491	57	71	21	46
(C) NOI (A – B)	593,120	223,490	212,223	240,812	552,524	290,347
(D) Depreciation	224,838	102,447	115,588	83,361	244,293	113,599
(E) Income from leasing business (C – D)	368,282	121,043	96,634	157,451	308,230	176,747
(F) Capital expenditures	—	—	983,378	12,927	290,925	4,799
(G) NCF (C – F)	593,120	223,490	(771,154)	227,885	261,599	285,548

(Note 1) Expenses for management and operation include trust fees.

(Note 2) Real estate leasing business revenue and Real estate leasing business expenses 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).

(Note 3) The Investment Corporation acquired additional land on March 1, 2016, and the number of operating days for the land in question is 153 days.

(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	182	182	182	182	182	182
(A) Real estate leasing business revenue	419,565	326,798	444,806	213,248	325,851	434,770
Rent revenue—real estate	419,565	326,798	444,806	213,248	325,851	434,770
(B) Real estate leasing business expenses	97,239	137,024	70,860	71,895	57,838	128,269
Expenses for management and operation (Note 1)	1,400	1,760	1,850	1,850	1,850	1,850
Taxes and dues	75,956	33,914	55,311	22,972	41,590	43,148
Insurance expenses	3,139	1,400	2,795	836	987	2,236
Repairs and maintenance expenses	16,707	5,736	10,880	8,526	3,532	8,873
Land rent paid	—	94,212	—	37,567	9,677	72,092
Utilities	—	—	—	—	—	—
Other expenses related to rent business	35	—	23	142	201	68
(C) NOI (A – B)	322,326	189,774	373,945	141,352	268,013	306,501
(D) Depreciation	82,416	119,008	102,260	37,701	103,939	147,743
(E) Income from leasing business (C – D)	239,910	70,765	271,685	103,651	164,074	158,758
(F) Capital expenditures	46,817	7,310	194,217	13,636	2,625	18,484
(G) NCF (C – F)	275,508	182,464	179,728	127,715	265,388	288,016

(Note 1) *Expenses for management and operation* include trust fees.

(Note 2) *Real estate leasing business revenue* and *Real estate leasing business expenses* 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).

(Note 3) The Investment Corporation acquired additional land on March 1, 2016, and the number of operating days for the land in question is 153 days.

(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	182	182	182	182	182	182
(A) Real estate leasing business revenue	737,228	456,635	549,912	307,189	696,980	448,588
Rent revenue—real estate	737,228	456,635	549,912	307,189	696,980	448,588
(B) Real estate leasing business expenses	115,925	145,945	131,040	103,400	134,098	222,995
Expenses for management and operation (Note 1)	1,850	1,850	1,850	1,850	1,562	2,180
Taxes and dues	97,580	53,784	59,912	62,051	122,714	45,874
Insurance expenses	3,812	2,319	4,272	2,864	3,564	1,980
Repairs and maintenance expenses	12,589	3,030	21,605	3,288	6,240	7,485
Land rent paid	—	84,915	43,384	33,345	—	165,475
Utilities	—	—	—	—	—	—
Other expenses related to rent business	92	45	15	—	16	—
(C) NOI (A – B)	621,303	310,689	418,872	203,789	562,881	225,592
(D) Depreciation	244,037	184,126	202,744	177,651	184,746	96,003
(E) Income from leasing business (C – D)	377,266	126,562	216,127	26,137	378,134	129,589
(F) Capital expenditures	440	—	13,382	1,232,977	4,352	—
(G) NCF (C – F)	620,863	310,689	405,489	(1,029,188)	558,528	225,592

(Note 1) *Expenses for management and operation* include trust fees.

(Note 2) *Real estate leasing business revenue* and *Real estate leasing business expenses* 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).

(Note 3) The Investment Corporation acquired additional land on March 1, 2016, and the number of operating days for the land in question is 153 days.

(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	182	182	182	182	154	125
(A) Real estate leasing business revenue	229,551	209,022	162,241	228,260	644,547	275,701
Rent revenue—real estate	229,551	209,022	162,241	228,260	644,547	275,701
(B) Real estate leasing business expenses	137,118	105,969	90,561	120,212	215,922	4,560
Expenses for management and operation (Note 1)	2,180	1,760	1,820	1,760	1,477	1,141
Taxes and dues	30,573	21,652	19,756	22,155	—	—
Insurance expenses	1,275	1,554	1,275	967	2,055	1,357
Repairs and maintenance expenses	7,225	15,064	3,169	3,859	660	1,893
Land rent paid	95,864	65,915	64,541	91,469	211,724	161
Utilities	—	—	—	—	—	—
Other expenses related to rent business	—	22	—	—	4	6
(C) NOI (A – B)	92,432	103,052	71,679	108,048	428,625	271,140
(D) Depreciation	27,688	39,931	24,119	33,414	175,046	84,345
(E) Income from leasing business (C – D)	64,744	63,121	47,559	74,634	253,579	186,794
(F) Capital expenditures	1,790	1,365	938	2,320	—	—
(G) NCF (C – F)	90,642	101,687	70,741	105,728	428,625	271,140

(Note 1) *Expenses for management and operation* include trust fees.

(Note 2) *Real estate leasing business revenue* and *Real estate leasing business expenses* 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).

(Note 3) The Investment Corporation acquired additional land on March 1, 2016, and the number of operating days for the land in question is 153 days.

(Unit: Thousands of yen)

Property number	RSC-23	CSC-1	L-1	M-1	
Property name	AEON MALL Kofu Showa	AEON Chigasaki-Chuo Shopping Center	Daiei-Kawasaki Process Center	AEON Taman Universiti Shopping Centre (Note 2)	Total
Number of operating days	154 (Note 3)	62	168	182	—
(A) Real estate leasing business revenue	340,223	75,741	450,935	19,219	10,925,666
Rent revenue—real estate	340,223	75,741	450,935	19,219	10,925,666
(B) Real estate leasing business expenses	81,476	876	48,178	1,287	3,038,821
Expenses for management and operation (Note 1)	1,527	474	1,451	390	45,205
Taxes and dues	—	—	—	751	1,134,310
Insurance expenses	1,126	399	2,013	130	55,747
Repairs and maintenance expenses	810	—	626	—	218,531
Land rent paid	78,012	—	6	—	1,539,507
Utilities	—	—	43,856	—	43,856
Other expenses related to rent business	—	1	224	15	1,662
(C) NOI (A – B)	258,747	74,865	402,757	17,932	7,886,844
(D) Depreciation	96,175	21,588	91,980	8,386	3,169,187
(E) Income from leasing business (C – D)	162,571	53,276	310,776	9,545	4,717,657
(F) Capital expenditures	—	850	—	—	2,833,539
(G) NCF (C – F)	258,747	74,015	402,757	17,932	5,053,305

(Note 1) *Expenses for management and operation* include trust fees.

(Note 2) *Real estate leasing business revenue* and *Real estate leasing business expenses* 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).

(Note 3) The Investment Corporation acquired additional land on March 1, 2016, and the number of operating days for the land in question is 153 days.