

Supplementary Explanatory Materials for the “Notice Concerning the Acquisition of Shares in an Overseas SPC” Announced Today

April 25, 2016

AEON REIT Investment Corporation

Securities Code: 3292

<http://www.aeon-jreit.co.jp/>

(Asset Manager)

AEON Reit Management Co.,Ltd.

The acquisition of an overseas property will be made for the first time as J-REIT through the use of an overseas SPC scheme ^(Note 1).

Carefully selected investment in quality overseas properties with growth potential will continue going forward, setting our sight on the market environment.

Acquisition of quality properties in Malaysia

- Acquire a highly competitive mall-type large-scale retail property of AEON CO. (M) BHD. with a business history of more than 30 years for 215 million RM (6,028 million yen) ^(Note 2) (acquisition cost by the overseas SPC).
- Promote further diversification of the portfolio and investment areas.

Investment that will increase the profitability of the Investment Corporation

- Investment yield after tax will be 4.2% ^(Note 3), which is higher than 3.9%, the average NOI yield after depreciation of the existing portfolio.
- The realization of future internal growth with CPI (consumer price index)-linked rents every three years is expected in Malaysia, where the prospects for economic growth are promising.
- The hedging of the foreign exchange risk with a forward exchange contract, etc. is under consideration.

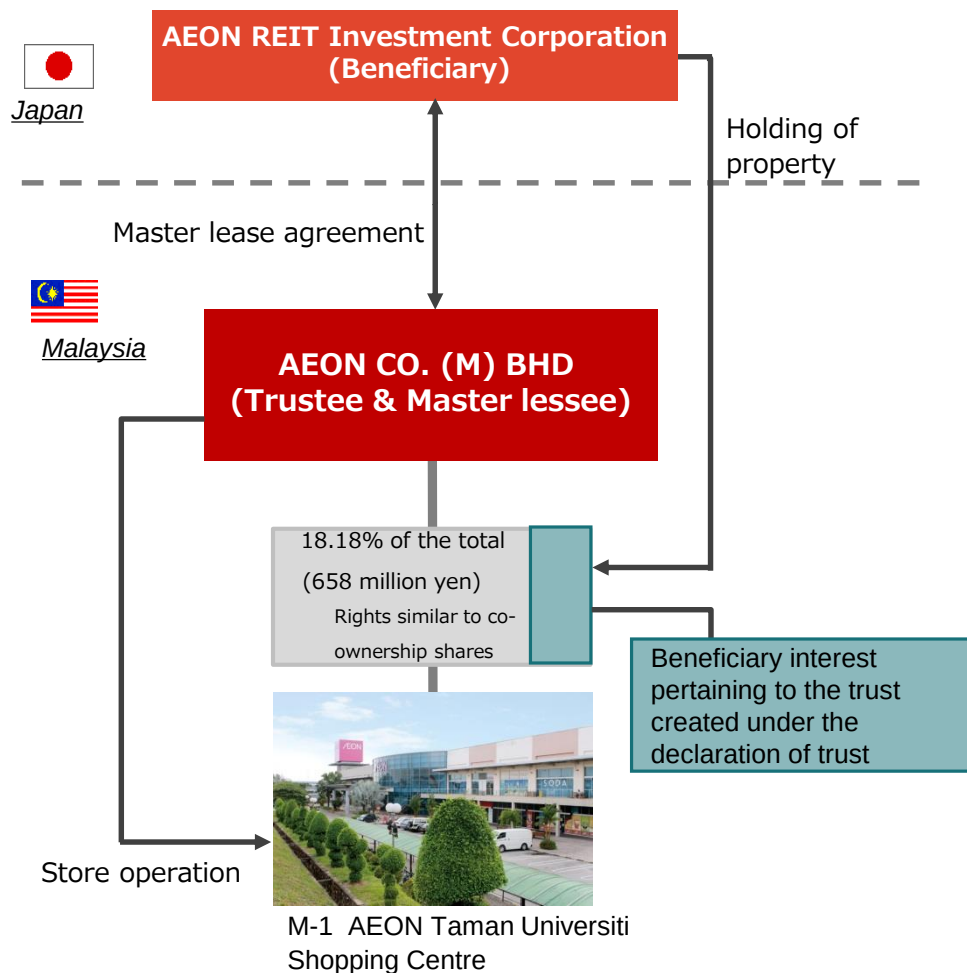
Financial strategy that takes into account distribution

- Mostly funds on hand will be used for acquisition to cover the period when income is not generated.
- Financial flexibility will be ensured through the partial borrowing of new loans.

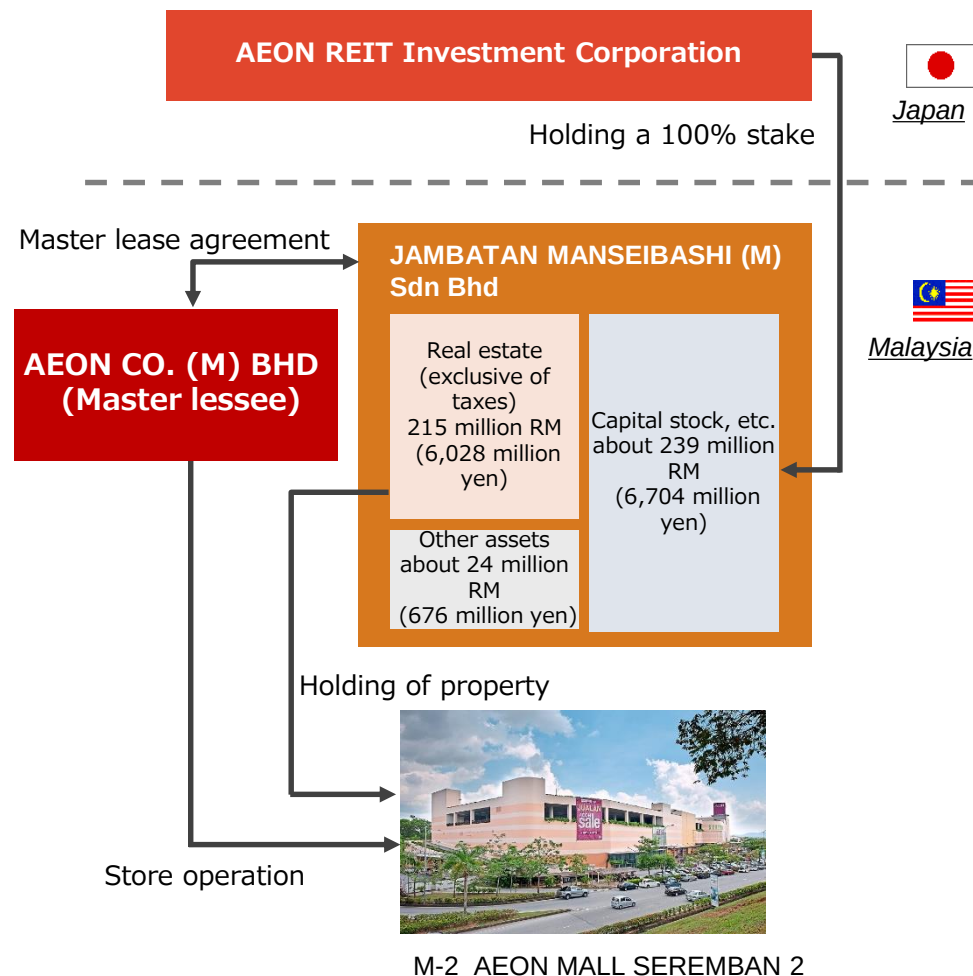
Overview of the Scheme to Acquire Overseas Properties

The first overseas property was acquired by using the declaration of trust scheme.
The second overseas property will be acquired by using an overseas SPC scheme for the first time as J-REIT.

Declaration of trust scheme (scheme for acquisition that was completed in June 2014)



Overseas SPC scheme (scheme for this acquisition)



Overview of the Overseas Property to Be Acquired

Overview of the Property

M-2

AEON MALL SEREMBAN 2



Anticipated acquisition date	Undecided (scheduled to be set at a specified date after the Overseas SPC obtains approval, etc. from the competent provincial government of Malaysia)
Anticipated acquisition value	215 million RM (6,028 million yen)
Appraisal value	230 million RM (6,449 million yen)
Location	PT10787, Mukim Rasah, Aerah Seremban, Negeri Sembilan, Malaysia
Year of completion	2005
Site area	51,186.00m ²
Total floor area	81,135.00m ²
Seller	Swiss Advanced Technology Institute (M)Sdn Bhd

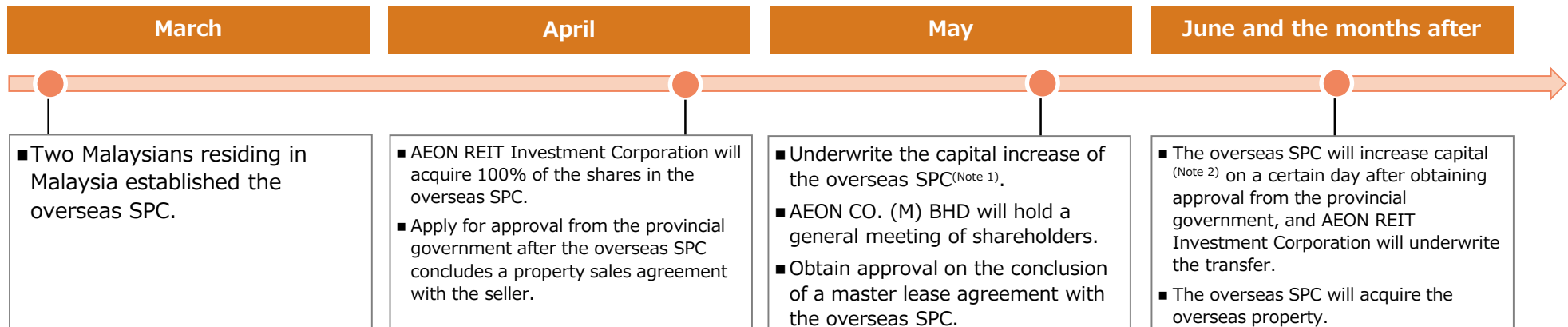
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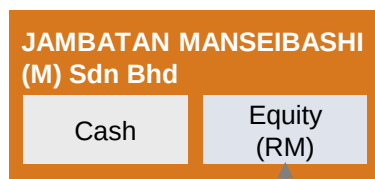
Flow Leading Up to the Acquisition of the Overseas Property (Tentative)

AEON REIT Investment Corporation will have a 100% stake in the overseas SPC by the end of April, 2016.
Acquire the overseas property on a certain day after obtaining approval from the provincial government upon concluding a property sales agreement between the overseas SPC and the seller.

Acquisition Schedule

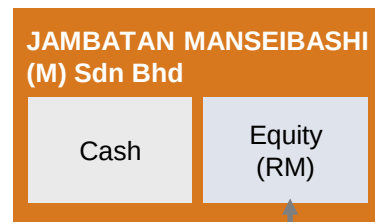


Time SPC was established: March 2016



Two Malaysians
(Two individuals)

Time for paying amount equivalent to the deposit: May 2016

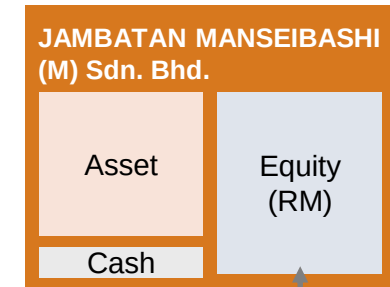


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Overview of the master lease agreement

- Fixed rent contract with a lease period of 10 years
- In principle, the lease period cannot be canceled.
- Rent will be adjusted every three years after the lease contract is concluded in tune with changes in the consumer price index published by the Department of Statistics Malaysia (however, an adjustment will not exceed 10% of the monthly rent before adjustment).
- Net lease in which the rental business expenses will be incurred by the lessee.

Time for delivering the overseas property: Undecided

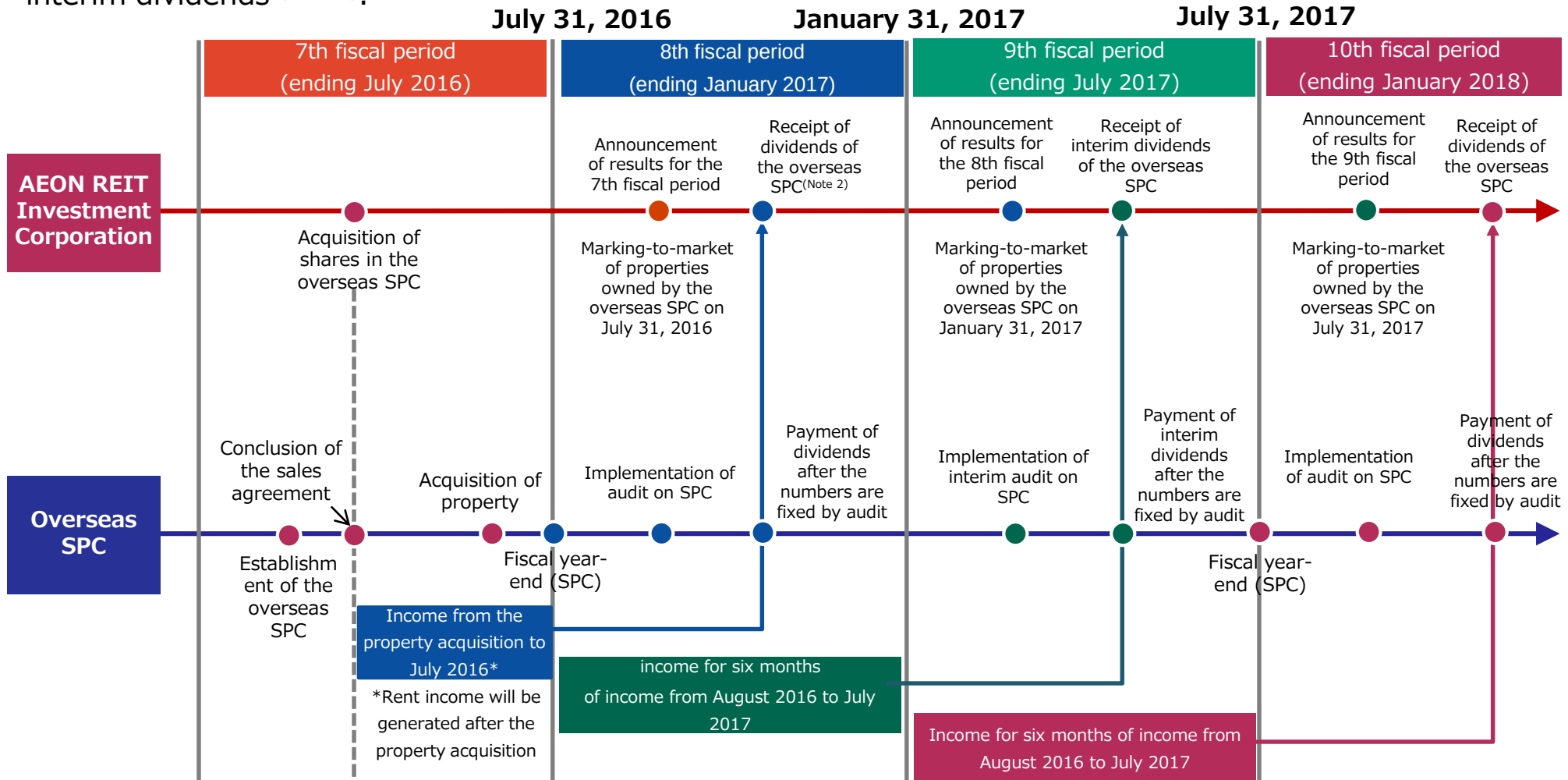


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Relationship between the Fiscal Year of the Overseas SPC and the Settlement of Accounts of the Investment Corporation (Conceptual Diagram)

Assuming that the acquisition of the overseas property by the overseas SPC is completed in the 7th fiscal period (ending July 2016) of the Investment Corporation, it will begin contributing to income of the Investment Corporation from the 9th fiscal period (ending July 2017).

Although the overseas SPC has full-year accounting terms under the local laws, it is expected to pay interim dividends (Note 1).



Effect of Investment in the Overseas Property

If the overseas property is acquired through the overseas SPC, the investment yield after tax is expected to be 4.2% (Note 1).

SPC in Malaysia

Estimated P/L on the SPC side (12 months)

	Million RM	Million yen
Operating revenue (rental business income)	13	382
Operating income	13	378
Ordinary income	13	366
Income taxes (24%)	3	88
Net income	9	278
Property acquisition price	215	6,028
Equity investment	239	6,704
NOI yield of property (Note 2)	6.3%	
Investment yield after tax	4.2%	

Supplementary notes

- The SPC in Malaysia performs accounting treatment in accordance with the accounting standards of Malaysia (corresponding to the IFRS).
- The corporate tax rate in Malaysia is estimated to be 24% from 2016.
- Based on the fair value model, depreciation in every fiscal year is not recognized for accounting purposes, but the property will be evaluated by the fair value based on real estate appraisal.

AEON REIT Investment Corporation

Treatment of dividends

- Dividends from shares in the SPC in Malaysia are recognized as dividend income in part of the operating revenue (assuming that dividends will be paid to the Investment Corporation by dividing them into interim dividends and year-end dividends).
- We are considering hedging dividends paid by the overseas SPC through a forward exchange contract, etc. which promises, at that time, to make a payment at a specified price in Malaysian Ringgit on a specified date after the fiscal period-end of the Investment Corporation.

Settlement method for the acquisition of shares in the SPC in Malaysia

- At the moment, funding to the SPC in Malaysia is planned to be made entirely in shares, but funding partially by debt at the time of delivery is being considered.
- To fund the SPC in Malaysia, funds on hand will be appropriated, and there are plans to partially implement new loans. The timing and currency hedging policy for each instance of funding are as follows.

Time	Amount to be acquired	Hedging policy
At the time of acquisition of the shares of the SPC (which will become a wholly-owned subsidiary) (April 2016)	2RM (56 yen)	No plan for currency hedge
At the time of paying an amount equivalent to deposit (May 2016)	34,000,000RM (953,360,000 yen)	We are considering a currency hedge through a forward exchange contract, etc. which promises, at that time, to make a payment in Malaysian Ringgit at a specified price on a specified date after the fiscal period-end of the Investment Corporation at a specified price.
At the time of delivering the overseas property (Undecided)	205,110,000RM (5,751,284,400 yen)	

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- (Note 1) A scheme by which the Investment Corporation indirectly invests in overseas properties by establishing an overseas real estate holding corporation (hereinafter the “overseas SPC”) to invest in properties in a foreign country (Malaysia) and hold shares, etc. issued by the overseas SPC. The same will apply hereinafter.
- (Note 2) Malaysian Ringgit is written as “RM,” and RM is converted to the yen at an exchange rate of 1RM= 28.04 yen (the rate on April 22, 2016).
- (Note 3) The investment yield after tax is calculated by dividing the estimated net income by the total equity investment. The investment yield could change if we contribute to the SPC in Malaysia partly by debt at the time of delivery, although at this time we plan to fund the SPC in Malaysia entirely in shares.

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- (Note 1) The amount of capital increase is the amount obtained by adding expenses to an amount equivalent to 10% of the estimated acquisition value of the overseas property.
- (Note 2) The amount of capital increase is the remaining amount (equivalent to 90%) of the estimated acquisition value of the overseas property.

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- (Note 1) The fiscal year-end of the overseas SPC is the end of July every year. The midterm settlement of accounts is made at the end of January every year, and interim dividends are planned to be paid.
- (Note 2) As the the first year of operation of the overseas SPC will entail incorporation expenses, no dividends may be paid to the Investment Corporation according to the time of acquisition of the overseas property.

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- (Note 1) The investment yield after tax is calculated by dividing the estimated net income by the total equity investment.
- (Note 2) The NOI yield of the property is calculated by dividing the net revenue stated in the real estate appraisal report by the property acquisition price.

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