

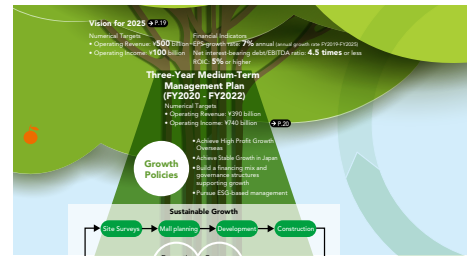


Integrated Report  
**2020**

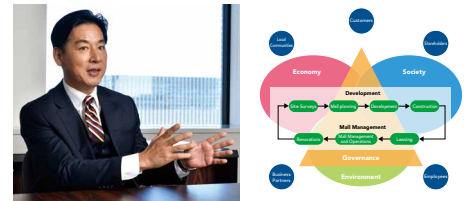


# CONTENTS

3	<b>Value Creation Story</b>	
	Our History of Value Creation .....	3
	The Strengths of AEON MALL .....	5
	Our Value Creation Model .....	7
	Financial and Non-Financial Highlights .....	9



11	<b>Value Creation Strategies</b>	
	Message from the President and CEO .....	11
	Business Strategy to Achieve Our Long-Term Vision .....	19
	Priority Measures Overseas .....	21
	Priority Measures in Japan .....	25
	Building a Financing Mix and Governance Structure .....	29
	Pursuing ESG-Based Management .....	30



41	<b>Value Creation Management</b>	
	Directors and Audit & Supervisory Board Members .....	41
	Round Table Discussion With Outside Directors and Outside Corporate Auditors .....	43
	Corporate Governance .....	51



63	<b>Financial Information/Company Overview</b>	
	11-Year Financial and Non-Financial Highlights .....	63
	Financial Performance .....	65
	Corporate Profile .....	69
	Stock Information .....	70

## Information Disclosure

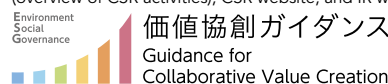
Financial Information	Non-Financial Information
AEON MALL Website <a href="https://www.aeonmall.com">https://www.aeonmall.com</a>	
Integrated Report 2020	
<ul style="list-style-type: none"> <li>Shareholder and Investor Information</li> <li>Management Policies</li> <li>Financial/Earnings Information</li> <li>IR Library</li> <li>Stock Information</li> </ul>	<ul style="list-style-type: none"> <li>Company Information</li> <li>Business Overview</li> <li>CSR and Environmental Activities</li> <li>CSR/ESG Report (PDF)</li> </ul>

- CSR Website <https://www.aeonmall.com/en/csr/>
- IR Website <https://www.aeonmall.com/en/ir/>

## AEON MALL Integrated Report 2020 Editorial Policies

The AEON MALL Group is a Life Design Developer, creating the future of community living. Under this management philosophy, we aim to be a company that touches the hearts of the 5 billion people throughout Asia. Accordingly, in FY2018, we began publishing an integrated report for our shareholders, investors, and other stakeholders to encourage a better understanding of our initiatives toward corporate value creation over the medium and long term.

In editing this integrated report, we have provided information we deemed important from the standpoint of medium- and long-term corporate value creation. Our efforts referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry. Among other topics, this integrated report addresses our strengths developed as a retail-based mall business, our value creation process and future strategies, business activities forming the foundation of value creation, and ESG initiatives. Further, we provide information related to those ESG initiatives that have a significant impact on corporate value creation based on considerations of materiality. Please see our CSR/ESG Report (overview of CSR activities), CSR website, and IR website for more information related to ESG.



**Period:**  
 March 1, 2019 to February 29, 2020  
 Information from outside this period is noted where necessary.  
**Organization:**  
 AEON MALL Co., Ltd., group companies belonging to AEON MALL Co., Ltd., and facilities managed by these entities. Environmental indicators exclude 58 malls contracted for operations by AEON Retail Co., Ltd., mozo wondercity, Kobe Harbor Island umie, Qualite Prix, AEON Senrito Senmonkan, and OPA Co., Ltd. commercial facilities.



Basic Principle  
**The Customer  
 Comes First**



Management Philosophy  
**AEON MALL is a Life Design  
 Developer\***, creating the future of  
 community living.

\* Life Design extends beyond the framework of the shopping mall. Life Design addresses functions associated with different customer life stages, including not only shopping, but also interaction with other people, cultural development, and other features contributing to future lifestyles.

Corporate Slogan



Sharing a sense of lively participation

Business Plan  
**Medium-Term Management Plan (FY2020-FY2022)**

<Growth Policies>

- (1) Achieve high profit growth overseas
- (2) Achieve stable growth in Japan
- (3) Build a financing mix and governance structures supporting growth
- (4) Pursue ESG-based management

<Numerical Targets>

- Consolidated Operating Revenue: **¥390 billion**
- Consolidated Operating Income: **¥74 billion**

<Financial Indicators (FY2025 Goals)>

- EPS growth rate: **7.0%** annual
- Net interest-bearing debt/EBIDA ratio: **4.5** times or less
- ROIC: **5%** or higher

Vision for 2025

1. Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
2. Make AEON MALL a leading global commercial developer with consolidated operating income of ¥100 billion.
3. Conduct floor space expansions and renovations in Japan to become the dominant mall in each area.
4. Target overseas operating income of ¥35 billion (operating margin of 20%) across 70 malls, operating at the same level of efficiency and scale as our domestic operations (as of FY2016).



# Our History of Value Creation

AEON MALL continues to evolve in response to changing lifestyles.

As ever, we remain committed to growing and developing, both in Japan and overseas.

## 1992-

The rise of motorization  
**Innovating customer shopping experiences through malls in suburbs across Japan**

The first AEON MALL location, AEON MALL Tsugaru Kashiwa (Aomori Pref.), opened in 1992 amid growing domestic motorization. A mall with a large parking lot and diverse tenants offering a wide variety of merchandise in a suburban area proved successful from the aspect of town planning in attracting customers who drove to the store in their own cars. It was the harbinger of an era in which lifestyles shifted from urban areas and train stations to the suburbs.

### Large-Scale Retail Stores Law

Audits required for large store openings for store area, closing time, number of days closed, etc. In 1994, restrictions on store size, application procedures, closing times, and closing days were eased.

## 2000-

Ongoing need to revitalize communities  
**A community-based space offering a wide range of lifestyle services**

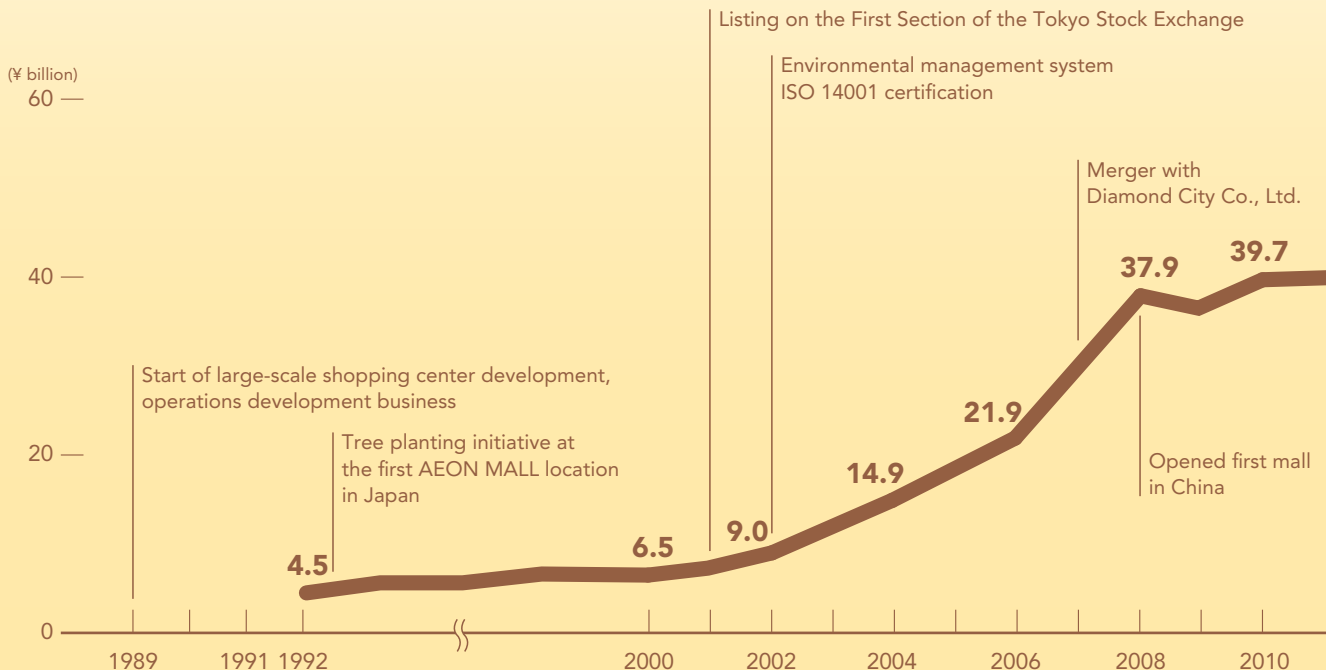
As we expand to residential and business districts throughout Japan, AEON MALL has extended beyond the framework of commercial facilities. We have evolved into infrastructure for local communities, offering entertainment, public administrative and community functions, and disaster relief support. We played a role in reactivating communities by responding to calls for opening AEON MALL shopping centers.

### Three Laws Related to Town Development

Deregulation resulted in examining large-scale stores according to social vectors, including the impact on the economy and living environment. Authority shifted from the national to the local level.

\*The Three Laws related to town development are defined as the (1) City Planning Act, which governs zoning (land use regulations), (2) the Large-scale Retail Location Law, which sets up systems to coordinate with local communities, and (3) the City Center Revitalization Act, which supports the revitalization of city centers.

## Operating Income



## 2011-

A growing community presence in Japan and overseas

### Unique malls tailored to the characteristics of each region and country

Shopping centers throughout Japan became more homogenized and subject to even more competition. AEON MALL developed unique malls that focused on localization, pursuing a strategy of opening in growth areas of Asia seeing an expansion of the middle class. We are increasing our presence in local communities both in Japan and overseas.

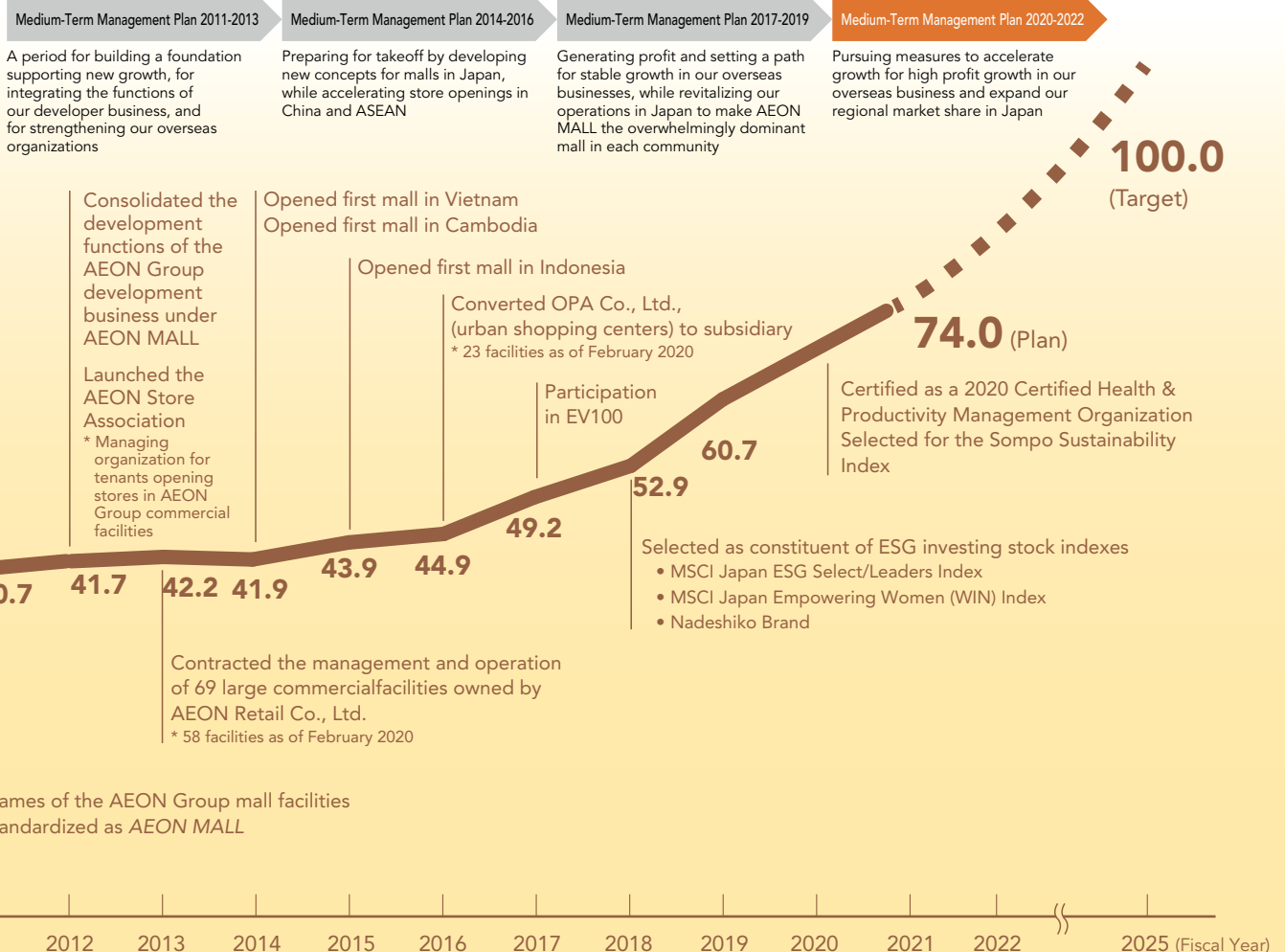
## 2017-

### A growing middle class in Asia Becoming the dominant commercial developer in Asia, striving to resolve local issues in Japan and overseas

In China and the ASEAN, AEON MALL serves as a partner urban and regional development. We build malls that respond to strong consumer markets. In Japan, AEON is confronting the challenge of weakened connections within communities due to declining birth rates and an aging population. Here, we pursue value by working with local governments as a leader in regional revitalization.

### Revised City Planning Act

With no sign of ending in the decline of city centers, the development permitting system under the City Planning Act was revised in 2007. Regulations were tightened for the opening of stores having a total floor space of 10,000m<sup>2</sup> or more.





# The Strengths of AEON MALL

AEON MALL has cultivated six strengths as we continue to grow along with the communities we serve.

We will endeavor to further deepen the foundations of our business by improving on these strengths.

Strength 1

## Ability to generate and procure funds for growth

We generate cash flows through managing and operating shopping malls. This allows us to maintain a consistently sound financial position and leverage borrowing capacity to procure funds. We generate growth funds through the sale of mall land and buildings to real estate investment trusts and the use of development leases. These vehicles allow us access to flexible investments

in growth, while accelerating the speed of return on investment and improving asset efficiency.



AEON MALL Sen Sok City (Cambodia)

- EBITDA: **¥117.6** billion (Overseas: ¥27.9 billion)\*
- \*Simplified operating cash flows
- Equity ratio: **28.5%**
- Net D/E ratio: **1.5** times

Strength 2

## Overwhelming scale of operations and ability to attract customers

AEON MALL manages and operates over 140 malls in Japan, serving nearly 1.2 billion customer visits annually. We leverage the retail-based development expertise cultivated in Japan with localized operations to expand in China, ASEAN, and other countries overseas.



AEON MALL Tan Phu Celadon (Vietnam)

- No. of malls:  
Japan: **142**  
Overseas: **30**
- No. of urban shopping centers:  
Japan: **23**
- Gross leasable area (GLA) :  
**9,948,000m<sup>2</sup>**  
Japan: 7,876,000m<sup>2</sup>  
Overseas: 2,072,000m<sup>2</sup>

Strength 3

## Diversity of staff driving growth

We strive to create an environment in which a diversity of human resources can maximize their abilities regardless of gender, age, or nationality. Along with giving our Japanese employees the opportunity to obtain business experience overseas, we strive to promote overseas local staff to senior management positions.

Our growth is linked directly this interaction among AEON people.



AEON MALL BSD CITY Office (Indonesia)

- Percentage of women in managerial positions: **17.4%**
- No. of local staff overseas: **1,288** employees

Strength  
4**Sustainable malls that coexist with local communities**

We use the expertise gained through operating nearly 200 locations worldwide to develop and operate safe, secure, and comfortable malls that meet the needs of a wide spectrum of customers. We focus intently on the unique characteristics and needs of each community. Our Happiness Malls community initiatives and public functions coordinated with local government provide sustainable malls that become the first choice of both customers and tenants.



Disaster prevention event, Asaminami Bosai FESI 2018 (AEON MALL Hiroshima Gion (Hiroshima Pref.))

- Happiness Mall events held in all malls
- No. of malls signing disaster prevention agreements with local authorities: **139**
- No. of malls serving as disaster prevention sites: **37**

Strength  
5**Robust network**

AEON MALL has built a nationwide network in Japan together with our tenants. Through these close strategic partnerships, we advance initiatives designed to meet local needs. We use a customer service role playing contest to build a stronger awareness of customer service and help staff share best practices and expertise that transcend any one particular line of business. These contests lead to higher

levels of service quality throughout the AEON MALL organization.



AEON Store Association Customer Service Role-Playing Contest

- No. of specialty store operators: Approx. **8,000** companies
- No. of participants in the AEON Store Association Customer Service Role-Playing Contest\* (Japan): Approx. **8,000** companies and **30,000** employees

\* Events where tenant specialty store employees compete, displaying their customer service skills. In addition to Japan, these events are held in China, Cambodia, Vietnam, and Indonesia.

Strength  
6**Environmental preservation**

AEON MALL has introduced technologies to reduce our environmental impact, including LED lighting, solar power generation, EV (electric vehicle) charging stations, and trash recycling systems. We are working to save energy, reduce CO<sup>2</sup> emissions, and decrease waste emissions. We also act as community centers in the areas we serve, conducting environmental communication activities for our customers, educational visits for elementary school students, and more. At the same time, we foster stronger environmental management

through acquiring ISO 14001 certification and other initiatives.



EV charging station (AEON MALL Zama (Kanagawa Pref.))

- Use of LED lighting: **100%** (mall common areas)
- No. of EV charging stations: Japan: **1,837** stations (138 malls)  
China: **564** stations (14 malls)  
ASEAN: **3** stations (2 malls)

# Our Value Creation Model

AEON MALL leverages our comprehensive strengths as a commercial developer experienced in everything from shopping mall development to mall management and operations to solve social issues and achieve our 2025 long-term vision.

## Vision for 2025 → P.19

### Numerical Targets

- Operating Revenue: **¥500 billion**
- Operating Income: **¥100 billion**

### Financial Indicators

- EPS growth rate: **7%** annual (annual growth rate FY2019-FY2025)
- Net interest-bearing debt/EBITDA ratio: **4.5 times** or less
- ROIC: **5%** or higher

## Three-Year Medium-Term Management Plan (FY2020 - FY2022)

### Numerical Targets

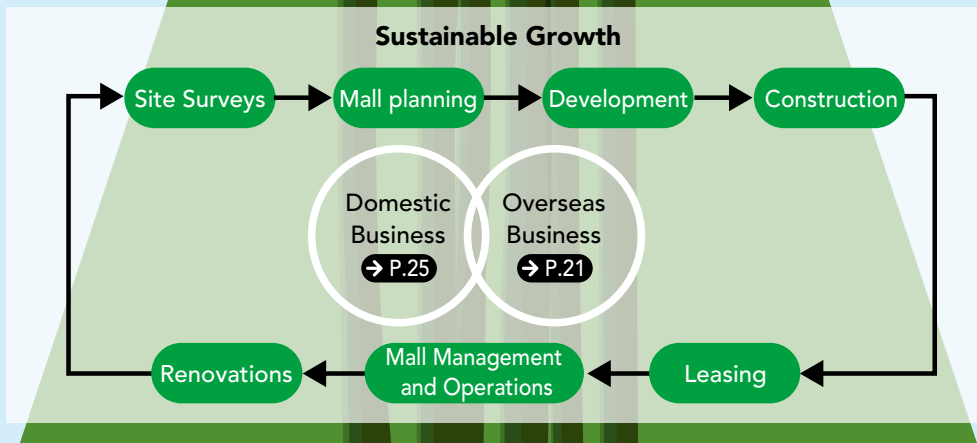
- Operating Revenue: **¥390 billion**
- Operating Income: **¥740 billion**

→ P.20

### Growth Policies

- Achieve High Profit Growth Overseas
- Achieve Stable Growth in Japan
- Build a financing mix and governance structures supporting growth
- Pursue ESG-based management

### Sustainable Growth



**Pursue ESG-Based Management to Create Social Value, Environmental Value, and Economic Value**

### Management Resources Serving as Strengths

Ability to generate and procure funds for growth

Overwhelming scale of operations and ability to attract customers

Diversity of staff driving growth

Sustainable malls that coexistent with local communities















Robust network responding to local needs

Environmental preservation





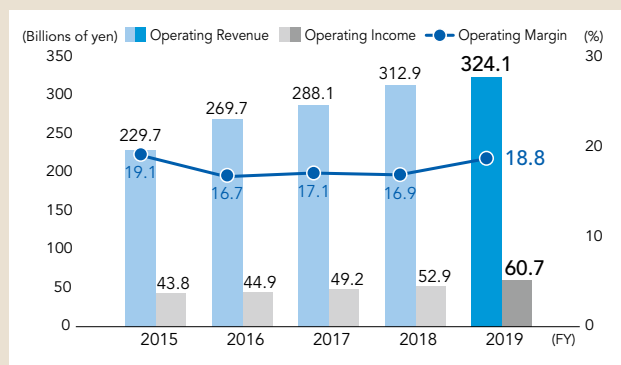
We call our initiatives to contribute to and revitalize communities and society, *Heartful and Sustainable*. We pursue these initiatives to offer sustainable societal development as a good corporate citizen under our management philosophy as a Life Design Developer. We strive to create a better society, not only on our own, but also in partnership with our customers, communities, companies, shareholders, and investors.

	SUSTAINABLE DEVELOPMENT GOALS	Our Beliefs	Our 10 Key Initiatives
Develop community and social infrastructure → P.33	 	As a base of infrastructure for our communities, we offer not only lifestyle convenience, but also safe and secure facilities resistant to disasters.	Developing sustainable and resilient infrastructure  Production and consumption formats
Build community relationships → P.34	 	We respect the cultures of local communities and contribute to the development and inheritance of these cultures. We aim to solve social issues stemming from further aging in demographics and declining birthrates.	Cultural preservation and inheritance  Low birth rates, aging society
Environment → P.35	    	In addition to solving global environmental issues such as climate change, we encourage community development rooted in local communities and in harmony with nature.	Climate change, global warming  Protecting biodiversity, resources
Diversity and work-style reform → P.37	  	We strive to create friendly, comfortable workplace environments for our own employees and for the employees of our tenants, regardless of nationality or gender.	Health and welfare  Diversity, work-style
Promotion of responsible business → P.39	 	We encourage the creation of societies around the world that respect human rights. Through our internal audit system, we identify and deal strictly with bribery or other internal misconduct.	Human rights  Bribery

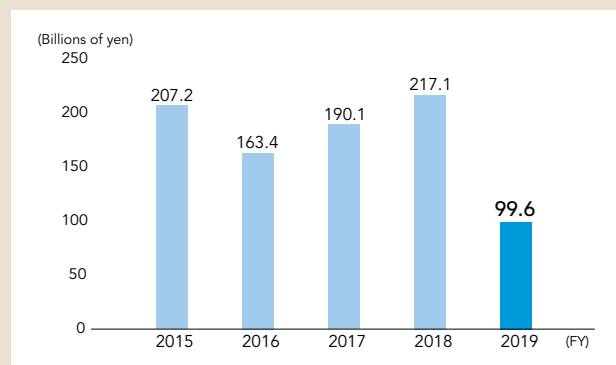
# Financial and Non-Financial Highlights

## Financial Highlights

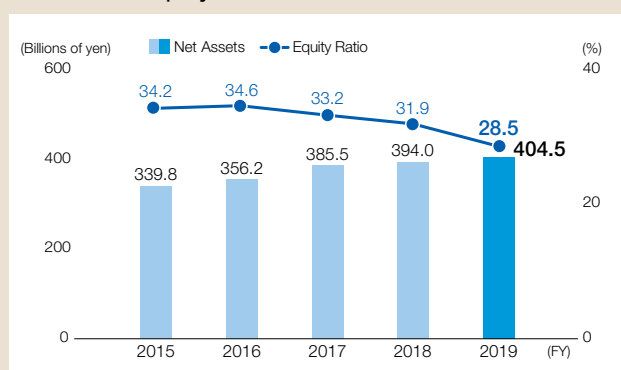
Operating Revenue/Operating Income/Operating Margin



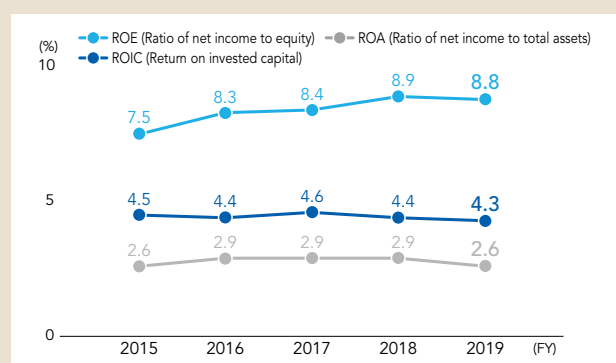
Capital Investment



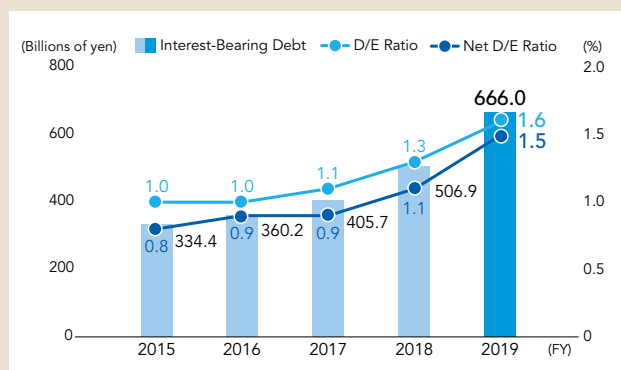
Net Assets/Equity Ratio



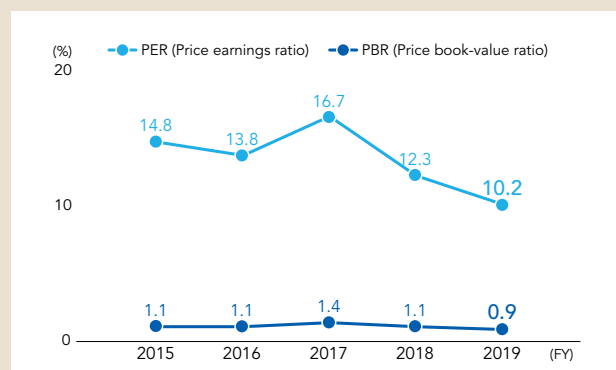
ROE/ROA/ROIC



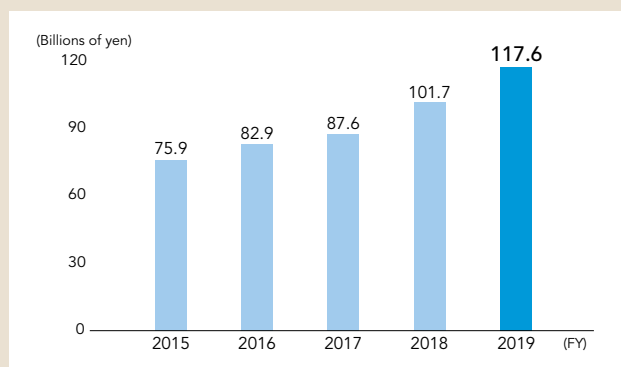
Interest-Bearing Debt/D/E Ratio\*



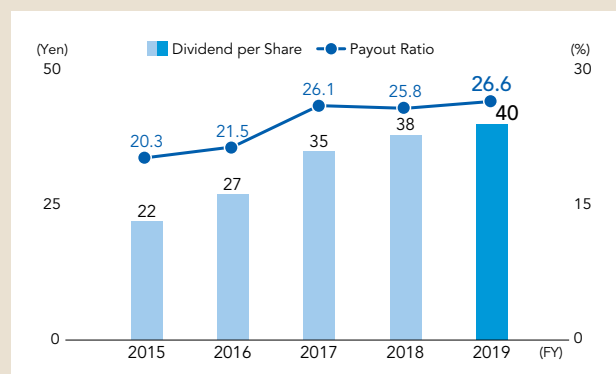
PER (Price earnings ratio)/PBR (Price book-value ratio)



EBITDA



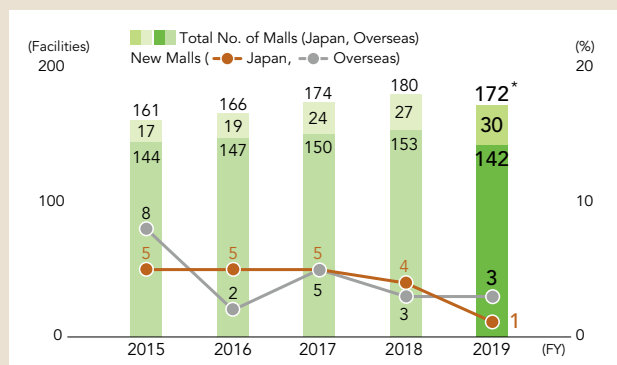
Dividend per Share/Payout Ratio



\*The company has applied IFRS 16 beginning in fiscal 2019 for consolidated subsidiaries overseas.

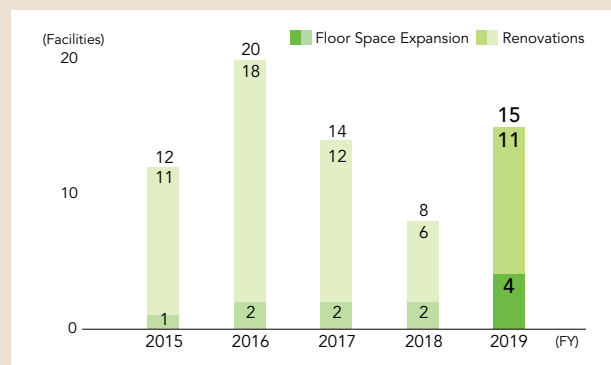
## Non-Financial Highlights

### Total No. of Malls (Japan, Overseas)/New Malls (Japan, Overseas)

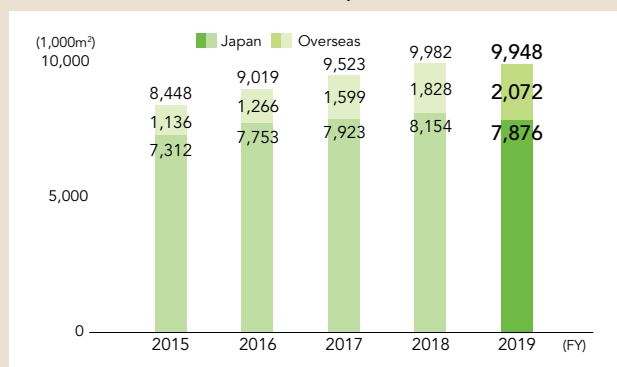


\*The company ended contract management and operations services for 12 large-scale shopping facilities owned by AEON Retail Co., Ltd. on September 1, 2019.

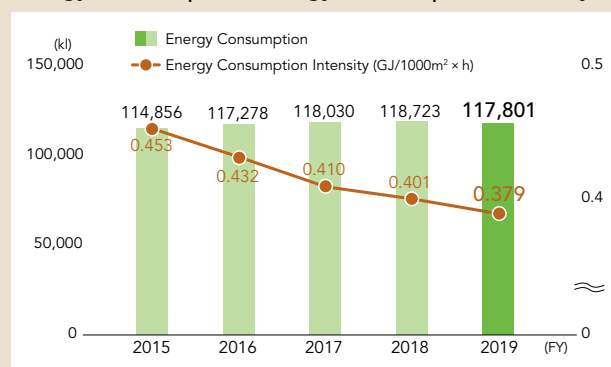
### No. of Reactivated Malls (Floor Space Expansion/Renovations)\*



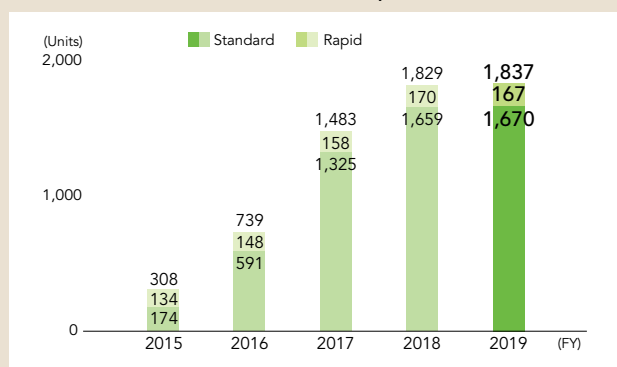
### Gross Leasable Area (GLA) (Japan / Overseas)



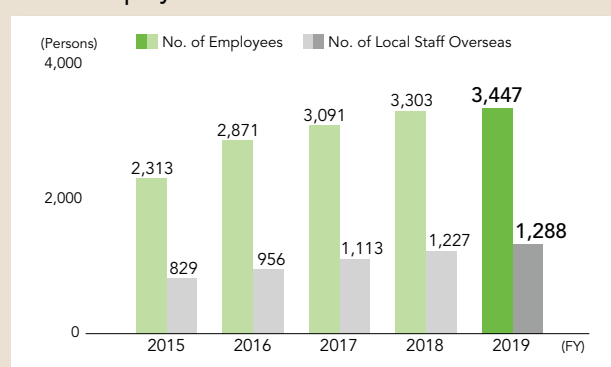
### Energy Consumption/Energy Consumption Intensity



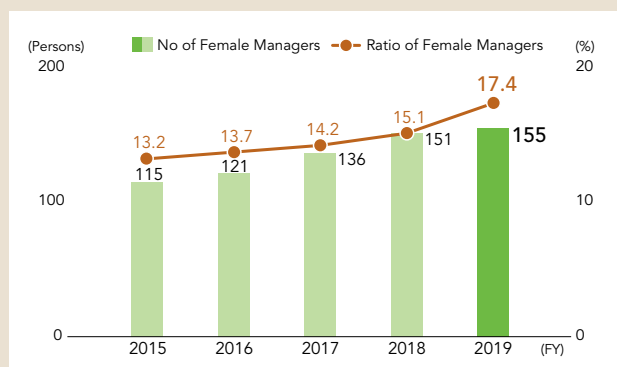
### No. of EV Chargers (Standard/Rapid)\*



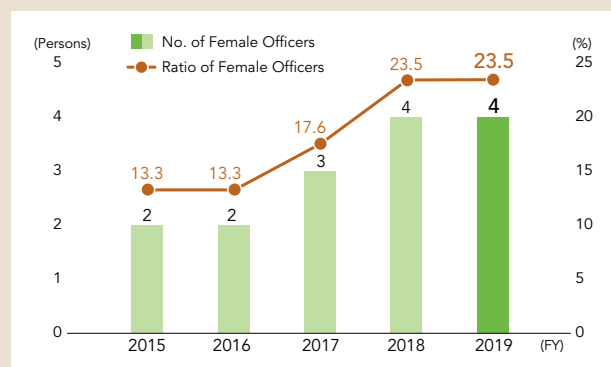
### No. of Employees/No. of Local Staff Overseas



### No. and Ratio of Female Managers\*



### No. and Ratio of Female Officers\*



\* Non-consolidated



# Message from the President and CEO



President and CEO  
**Yasutsugu Iwamura**

## In these times of climate change and COVID-19, we will only solve social issues and provide new value by appreciating the connections between all and by leveraging AEON MALL as a social foundation.

### My Responsibilities as President

I was appointed president and CEO in March 2020. Today, we face unprecedented social structure reform, business innovations driven by digital technology, and many other incredible changes. Since my appointment, we have been threatened by the spread of COVID-19 and a seeming mountain of other issues to resolve. It is against this backdrop that I assumed leadership of AEON MALL, and I am resolved to not only overcome these issues, but also humbled to take the helm leading our future.

I joined AEON MALL in 2005 after working at a development consulting firm. Having worked in new property market analysis, concept, budget planning, and other planning and development, I was called to oversee development in the Eastern Japan area. The Great East Japan Earthquake of 2011 occurred during my tenure. I remember vividly the devastation in the disaster area. I also remember clearly searching for ways every day to contribute to recovery and reconstruction

through our work.

In 2016, I received an unexpected assignment to head up our local entity in Vietnam. I realized then that AEON MALL was a company that encouraged its people to take on interesting and new challenges not normally experienced. I learned that overseas, people will not provide their support for a new action without a clear reason why. In this sense, I was fortunate in working overseas to learn how to lead others from the perspective of a manager. I came to experience and understand how to move an organization.

When I assumed this new position, I presented two perspectives for achieving our Vision for 2025: (1) How do we provide new value to the markets and continue to create customer value and (2) How do we increase not only economic value, but also social value.

I believe we are a company that seeks diversity among our employees and places the utmost importance on what we think and do. I also believe we foster our people based on these principles. If I were to point out an issue upon my return to Japan, I would say that it is the issue of homogeneity. Even

## Message from the President and CEO

when an individual has different thoughts or ideas, it is easy for us to fall into the trap of feeling pressure to conform within a large organization. Outside perspectives are important to respond flexibly to changes in society. However, organizations tend to develop cultures that discourage things that aren't *normal* or *commonly done* within the framework. I don't like the word *normal*, myself. In this rapidly changing market, we must avoid being caught up in our own way of thinking, and I believe this attitude is what our organization expects of me. I am aware that my role requires me to keep an eye on the market, responding quickly and flexibly.

The most important aspect of managing our local subsidiary in Vietnam was my desire to keep our employees employed and housed, no matter what. I believe that a company must grow in line with the growth of its employees, maintaining employment and offering fair opportunities leading to positions commensurate with motivation and performance.

### The Purpose and Significance of a Strategic Approach to ESG Management

My motto is, *It always seems impossible until it's done*, a quote from former president of South Africa, Nelson Mandela. I understand this to mean one can either envision a future and work to make it a reality or not. To achieve something requires all members of a team to

desire change, working together to achieve something as yet unseen. We tend to think innovation is about making dramatic changes. In fact, innovation is the accumulation of 10% or 15% advancements, rather than a sudden change. The accumulation of small changes leads to big innovations. I believe this quote encompasses this meaning.

This is the foundation of our approach to ESG management. What is a corporate philosophy? When we think about the purpose of a company's existence, we think of working hard for the benefit of our customers and the community, creating value that brings joy to everyone, rather than pursuing profit and working hard for money. I believe that profit is like the fuel that runs an engine sustaining our desire to provide value to society. In our approach to ESG management, in other words, in the process of solving social issues and securing continued existence, we consider non-financial information to be a compass for assessing corporate risks and determining action. How we balance the present and the future is the essence of our business, and in a large real estate business such as ours, we invest looking ahead 10 or 15 years into the future. In this decision-making process, it is important to find a balance between financial information and non-financial information, or in other words, be wary of making decisions of making decisions based on numbers alone. This is an absolute requirement for a company to be sustainable, and I believe the companies that survive over the long term are the ones



committed to these standards.

In terms of ESG initiatives, environment (E) is simple and straightforward. We are also moving forward in improving governance (G). Society (S) may be the area in which we are weakest. People often forget the purpose behind what they have been doing. What they do often becomes the purpose itself. It's very important to clarify the purpose behind what we are doing. The value of a company's existence is the link between responses to social issues and management decisions. This means providing solutions to the needs and issues of our customers and communities. We must pay close attention to these social issues and offer clear answers.

## About COVID-19

### <The impact of COVID-19 on Our Businesses>

An outbreak of a global crisis exactly of the type of the COVID-19 pandemic results in the closures of all stores in Japan and overseas. This reminds us that the world is one and that crises have an enormous impact on business activities.

We are taking measures to deal with the COVID-19 pandemic in Japan, China, and ASEAN. In particular, our response in China taught us about COVID-19 preventive measures and customer trends during the pandemic. Through this process, we were able to respond more quickly in Japan than our competitors,

and our initiatives have become a standard.

### <Rent Reductions and Exemptions>

Reducing rents temporarily for our specialty retailers was an extremely pivotal business decision. While the impact on our performance this year was not insignificant, we made this decision based on a longer-term vision. As mall traffic declines and we see more constraints on business operations, our first priority is to support the ongoing business of our business partners and the continued employment of their employees. Our malls engage in mall management and operations together with our tenants. While we will not know whether our decision to reduce rents was correct until next year—or maybe even the year after next—the decision was not made from the standpoint of investment. We made the decision because this was the stance we knew we should make for our business partners.

### <Growing Business in the Post-COVID-19 Era>

I presented my management policy in 2018, when I was in charge of our Vietnamese subsidiary. Even at that time, I stated that we must deal with the *new normal*. From a global perspective, I am talking about *Industry 4.0*. In the future, we must prepare for initiatives that are relevant to a new era in terms beyond quarantines. The first challenge is customer experience. How do we provide value to customers at our malls? This is a question that has never changed, whether pre- or post-COVID-19.

## Message from the President and CEO

Obviously, we must also move ahead with digital transformation (DX). Our current three-year medium-term management plan begins this fiscal year, fiscal 2020. This is an extremely important three-year period that will bridge to our next medium-term management plan leading up to 2025. The fact that we must transition structurally came suddenly and unexpectedly with COVID-19. Over the course of three short months, the lifestyles of our customers underwent inevitable change. Remote work and the expansion of online shopping will no doubt see continued improvements in quality and users will continue to increase in number. Knowing this, we must analyze trends carefully and rethink what we should be as a business. I have no doubt that there is no growth without change. It is important for us to provide value

through new initiatives, combining real-world experiences and DX.

### Management Policy (Toward Achieving Our Long-Term Vision)

#### <Revised Financial Indicators (FY2025 Targets)>

The main reason for revising our financial indicators is the application of IFRS 16 at overseas subsidiaries beginning in fiscal 2019. As we enter a new growth stage, it will be difficult for us to measure our future initiatives and investments under our old financial indicators. Overseas, in particular, cash flow is important. Although our basic philosophy has not changed, we will focus more on growth potential as we engage in dialogue with external parties. Our target financial indicators



leading to fiscal 2025 will be EPS growth of 7% (annualized growth between fiscal 2019 and fiscal 2025), net interest-bearing debt to EBITDA ratio of 4.5 times or less, and return on invested capital of at least 5%.

#### <Vision for 2025>

This is our Vision for 2025 (see P.19). In our basic approach to achieving this vision, our business requires significant investment, which also involves a great deal of risk. In addition to our ongoing views of this risk, we must be transparent and accountable for the investments we make. In this way, we will create social value and economic value, achieving sustainable growth in partnership with our local communities.

### Three-Year Business Plan (FY2020-FY2022)

#### <Performance Targets (FY2020-2022)>

Our numerical plan for fiscal 2022 is to achieve operating revenue of ¥390 billion and operating income of ¥74 billion. One major key to achieving these targets is how we approach our investments in the post-COVID-19 era. We must perform a careful review of investment quality, structural reform, and our business portfolio itself. I believe we will need to change our approach if we are to achieve our targets.

COVID-19 will have an enormous impact on fiscal 2020. We expect consumption trends will be extremely challenging and that we must implement different measures to achieve our

fiscal year earnings plan. Continuity in tenant behavioral changes, even in the most trivial details and careful considerations on a day-to-day basis, will become very important. As well, agile initiatives that are executed quickly and revised as necessary will lead to better results. Engaging with speed to address risks and social issues will lead to achieving or even exceeding our earnings plan. And achieving our earnings plan will be a sign that we have changed the mindset of our entire organizations.

#### <Growth Measures (FY2020-FY2022)>

Our three-year medium-term management plan focuses on four growth initiatives: (1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Build a finance mix and governance structures supporting growth; and (4) Pursue ESG-based management.

- Achieving high profit growth overseas  
AEON MALL Hoang Mai (tentative name), scheduled to open in 2022, will be our third mall in the Hanoi area and located roughly 6 km south of Hanoi City center. The site offers excellent access, including National Route 1 serving as the entrance to central Hanoi, and a transportation terminal consisting of a bus terminal with routes to train stations and suburbs and a taxi drop-off point. This is a station area under rapid development. Given the nature of the location, we will offer parking for roughly 3,000 vehicles (lack of parking in central Hanoi is quite a social issue today) and office space on the upper floors of the facility. We intend to create a shopping environment



## Message from the President and CEO

based on careful market research that offers new experiences and excitement to customers. In addition, we plan to obtain LOTUS\* and other environmental standards certifications in a first attempt of its kind for the AEON Group in Vietnam. It is extremely important that we focus carefully on investment quality in this way overseas. Post-COVID-19 will change our overseas businesses in significant ways. Market research will be even more important, as the markets change more dynamically overseas than in Japan. We will monitor local market trends carefully, making investment decisions while taking into account the risks involved.

\* An environmental performance assessment system for buildings under the jurisdiction of the Vietnam Green Building Council (VGBC).

- **Achieving stable growth in Japan**

Our core strategy for stable growth in Japan remains to create dominant malls in each region. At the same time, COVID-19 has caused certain changes, and we must consider the messages we convey to the market. AEON MALL will continue to proceed steadily in investments, although we will need to change our investment style and quality. We will need to look at our ideal Vision for 2025 and perform backcasting once again.

- **Building a financing mix and governance structures supporting growth**

While our overseas businesses have been funded by investments from Japan, cash flows are expanding in both China and ASEAN. Here, we must build a cash management system that emphasizes efficiency and safety through

a global finance mix, including a mechanism to use cash generated in one country across other countries. We will also strengthen our management system for faster decision-making, while building a governance system that responds to the advance of globalization.

### <Pursuing ESG-based management>

As I mentioned earlier, our mission with respect to ESG-based management is to consider the value we should offer together with our partners as we monitor changes in the social environment, providing safe, secure, and comfortable lifestyles for the customers and the communities in every country in which we do business. To this end, we will leverage the diversity of our employees and create an environment in which everyone can fulfill their potential. At the same time, we will deepen our relationships of trust with customers, local communities, business partners, and other stakeholders, striving to enhance the value of the AEON MALL further.

### <Public Listing of Parent and Subsidiary>

Our parent company, AEON Co., Ltd., owns the majority of AEON MALL shares. We recognize that the relationship of a publicly traded parent and subsidiary is of great interest to our shareholders. While companies in the AEON Group appear to be similar in ways, in fact we occupy different positions and conduct business across a wide range of areas. Even during the COVID-19 pandemic, each company executes its own best strategy while coordinating with

other companies in the AEON Group. We are in an unprecedented environment and times of rapid change and uncertainty. It is extremely important to make decisions with a sense of urgency, recognizing the social nature of a corporation and our role in society. I want to make it clear to our stakeholders that, as a publicly traded company, we make certain decisions with speed and based on our sense of social responsibility.

## Our Significance (Values) and Business Model

Our business model is to make our malls a part of the social infrastructure, and make this social infrastructure a part of the local community. As IT and DX advance, climate change, COVID-19, and other real-world matters have brought

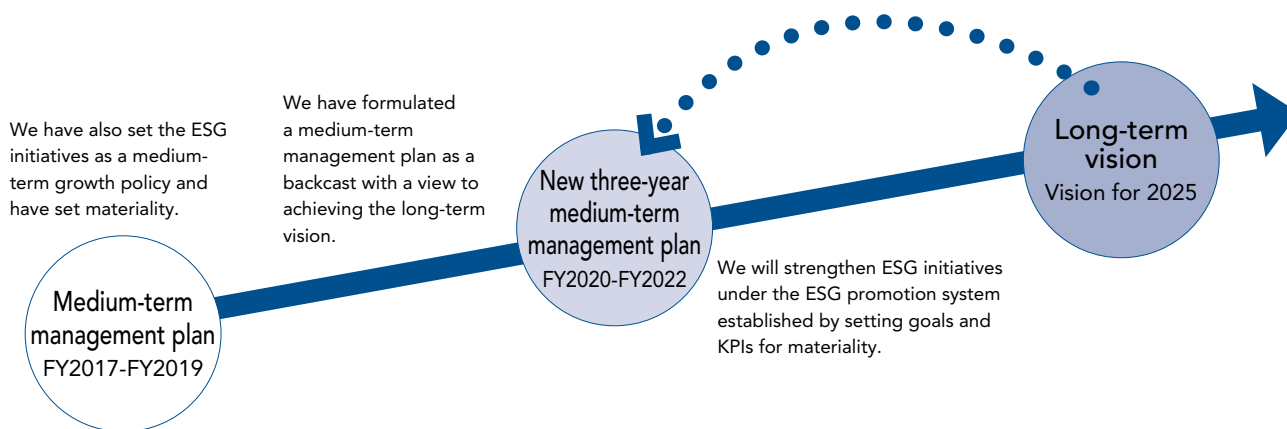
unprecedented experiences. It is precisely in times like these that human connections are so very important. We want the members of our organization to understand each other, leveraging their strengths, and emphasizing the value produced through co-creation. Our business cannot merely serve as a platform to accomplish our own vision; it must be an open platform for society. It must also be a platform rooted firmly in the community.

In the wake of the COVID-19 pandemic, the future of the shopping center industry does not necessarily look bright. But there are many things yet we can do—must do—to solve social issues. Here is where the purpose of our existence, our social role, and social responsibilities lie. I ask for the understanding and support of you, our stakeholders, as we move forward.



# Business Strategy to Achieve Our Long-Term Vision

We have defined a long-term vision *Vision for 2025* and started a new three-year medium-term management plan in FY2020 to achieve this vision, with the aim of increasing the earning power of the overseas business and achieving the stable growth of the domestic business.



## Financial Indicators for FY2025

Indicator	Type	Target (for FY2025)	End of FY2019
EPS growth rate	Growth indicator	<b>7% per annum</b> (annual growth between 2019 and 2025)	2.1% (YoY)
Net interest-bearing debt/ EBITDA ratio	Stability indicator	<b>4.5 times or less</b>	4.7 times
ROIC (Return on Invested Capital)	Efficiency indicator	<b>At least 5%</b>	4.3%

\* EPS: Net income attributable to owners of parent/average number of shares during the year  
 Net interest-bearing debt/EBITDA ratio: (interest-bearing debt - cash and cash equivalents)/ (operating income + depreciation and amortization on the statement of cash flows)  
 ROIC: Operating income x (1-effective tax rate) / (average equity for the fiscal year + average interest-bearing debt for the fiscal year)  
 \* We revised our financial indicators in response to the adoption of IFRS16 in FY2019, as well as new goals to maximize future cash flows and improve corporate value

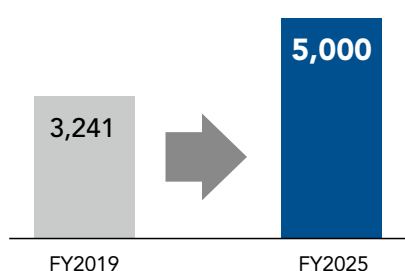
## Vision for 2025

### <Qualitative Goals>

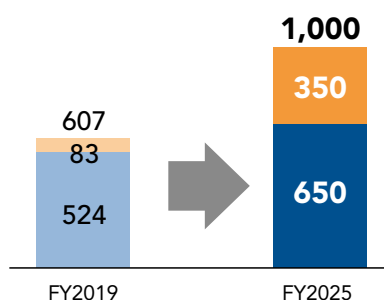
- Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
- Make AEON MALL a leading global commercial developer with consolidated operating income of more than ¥100 billion.
- Conduct floor space expansions and renovations in Japan to become the overwhelmingly dominant mall in each region.
- Target overseas operating income of ¥35 billion (operating margin of 20%) across 70 malls, operating at the same level of efficiency and scale as our domestic operations (as of end of FY2016).

### <Quantitative Goals>

Operating revenue **¥500 billion**



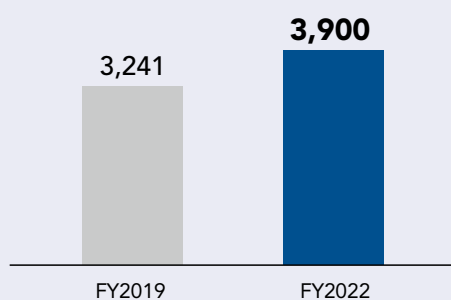
Operating income **¥100 billion**



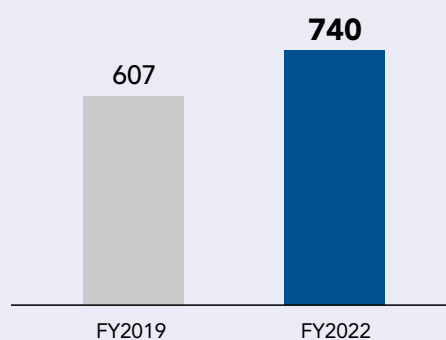
	FY2019	FY2025
Japan	86.3%	65.0%
Overseas	13.7%	35.0%

## Three-Year Medium-Term Plan (FY2020-FY2022)

Operating revenue **¥390 billion**



Operating income **¥74 billion**



### ■ Growth Policies

Achieve high profit growth overseas	(1) Accelerate new mall openings (2) Strengthen the earning capacity of existing malls	P21
Achieve stable growth in Japan	(1) Strengthen the earning power of existing malls (2) Open new malls (3) Improve urban shopping center business income	P25
Build a financing mix and build a governance structure to support growth	(1) Global financing mix (2) Optimize cash management (3) Advance risk management	P29
Pursue ESG-based management	Promote management from an ESG perspective to achieve sustainable growth and improve corporate value	P30



# Priority Measures Overseas

## Overseas

One of our growth policies is to achieve high profit growth overseas.

The two main pillars in pursuit of this goal are accelerating new mall openings and strengthening the earning power of existing malls.

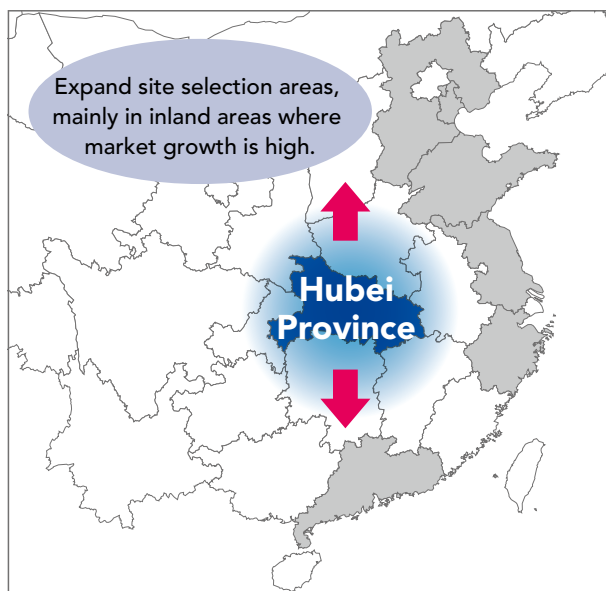
### Further Expansion of Operations in China and ASEAN

COVID-19 has been spreading across the world since the beginning of 2020. Despite these circumstances, we remain convinced that globalization will not roll back, even by COVID-19, and that Asia will become the center of the world in the post-COVID-19 era. Therefore, we plan to expand our overseas business spurred by our recognition that Asia will remain a growth market and that the development of the world depends on the development of Asian countries such as China, Southeast Asia, and India, where the majority of the world's population live.

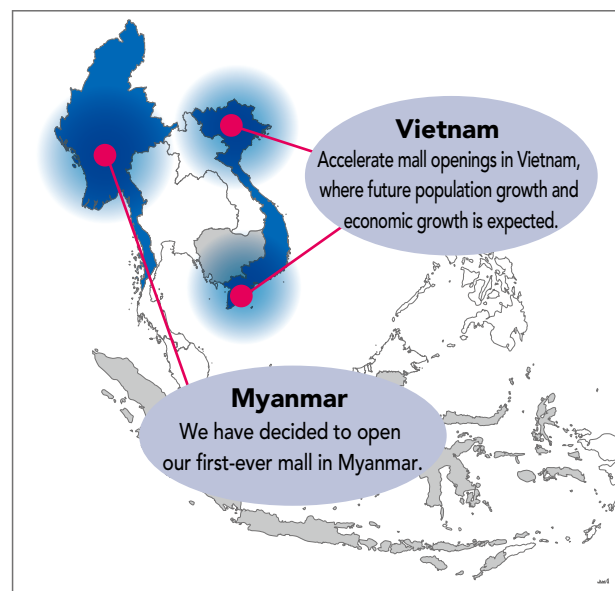
We will increase our dominance in areas where

we already operate malls and actively enter new areas at the same time. In China, we will focus on building new malls, particularly in the inland areas where market growth is higher than in the coastal areas. In ASEAN, we plan to continue accelerating mall openings in Vietnam, our highest priority area. We aim to operate 35 malls in ASEAN by FY2025, out of which we plan to operate 20 malls in Vietnam. Moreover, we have decided to open our first mall ever in Myanmar in 2023. We will establish a joint venture company with the largest real estate developer in Myanmar and develop properties to open more locations.

#### China



#### ASEAN



## AEON MALL Overseas Strengths and Growth

We have five strengths that help us expand our overseas business:

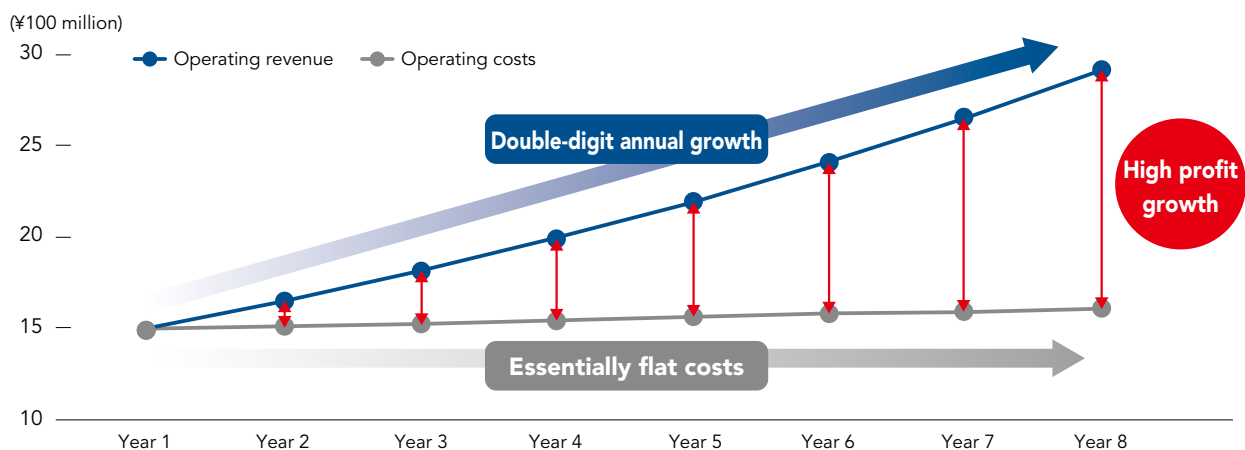
- (1) Large parking capacity in response to motorization
- (2) Ability to create a sales area localized to the community
- (3) More entertainment options to meet the demand for experiential consumption
- (4) Events that attract customers
- (5) Safe, secure, pleasant facilities

The expertise in mall management and operations we developed in in Japan allows us to develop competitive malls overseas. While overseas developers tend to emphasize efficiency, our malls in China and ASEAN feature large flat parking areas, reflecting our understanding of the future growth of motorization in these regions. These parking lots also serve as a competitive advantage for use in future expansion.

We conduct mall management and operations that compare favorably with our malls in Japan, offering safe, secure, pleasant facilities on par with those in Japan. This is another factor that contributes to our superior market position.

In addition to our strengths noted above, our unique growth model for malls will contribute in significant ways to future business expansion. Costs remain at a constant level under this growth model, as real estate costs account for the majority of mall operating costs. At the same time, we grow operating revenue from commission rental income and revisions in rental fees tied to increases in sales. In this way, mall revitalizations generate further profit improvements in the time after the expiration of three-year tenant lease agreements. In so doing, we can post the same level of profits as those of our malls in Japan within seven or eight years after opening.

### Profit Growth Model



# Priority Measures Overseas

## Overseas

### Accelerating New Mall Openings

#### Search for and secure properties to accelerate future mall openings

AEON MALL engages in three measures to create systems that accelerate new mall openings overseas. The first measure is to create an organization education system. In particular, we cultivate human resources capable of working overseas. We established a human resources program that we call the *Global Human Resources Course*. We also pursue mall management localization by developing local managers. The second measure is to foster partnerships with local communities. From this perspective in China and ASEAN, where economic policy focuses on the development of social infrastructure, we are developing properties in urban development areas with advancing urbanization. The last measure is financing. An investment of several tens of billions of yen is required to open a large mall, and return on investment requires an extended period of time. Therefore, efficient fund-raising is an essential factor in opening more locations. We will accelerate new mall openings in ASEAN under our new three-year plan and the following three-year plan. We also plan to open master lease malls (as in China), in addition to directly managed malls.



#### Three-Year Plan for Mall Openings

	2020	2021	2022	Three-Year Total
Overseas	3	2	4	9
China	0	1	0	1
ASEAN	3	1	4	8

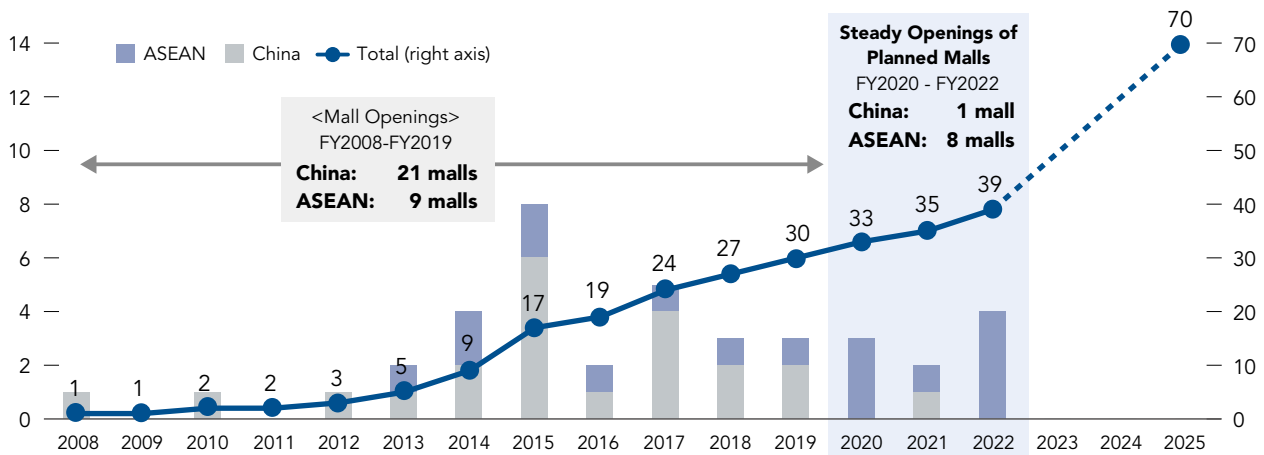


(Tentative name) AEON MALL Guangzhou Xintang (China)



AEON MALL Hai Phong Le Chan (Vietnam)

#### Changes in Number of New Malls Opened Overseas



## Strengthen the Earnings Capacity of Existing Malls

### Expansions and renovations

Our overseas malls are growing at a faster pace than the overall macro trends prevailing in each country. One reason is the active expansions and renovations we conduct in locations with high potential growth rates. We operate 30 malls overseas. We must build profits through top line growth at our existing malls. Tenant lease agreements expire in three years overseas. When agreements expire, we replace a large number of tenants to enhance the freshness of our malls. By doing so, we continue to grow sales overseas, where changes are more drastic than in Japan.



### Events and sales promotions timed to social events

We will increase sales by conducting events and sales promotions timed to social events, such as Valentine's Day or Black Friday, which are not yet popular in China and ASEAN compared to in Japan and US.



### Creating mall environments via utilizing digital technology/live commerce

To meet the growing needs for digitalization in China and ASEAN, we focus on creating mall environments via digital technology. In March 2020, we initiated live commerce in China. This program offers a new shopping experience through the integration of in-person and online shopping. Live commerce is a new sales approach that combines video and online shopping. Influencers or tenant employees appear in live broadcasts to sell products online. We installed live broadcast booths in our malls, available to tenants free of charge. We plan to create more points of contact with customers in the future through digital transformation.



Live broadcast booth installation and use free of charge



### Improving customer service, operational efficiencies, etc.

We will increase support for our malls overseas by creating the same level of mall environment and providing the same level of operations as in Japan, using the most advanced digital technologies. We will also conduct periodic educational programs for staff members to improve customer service.



Customer Service Role-Playing Contest, in which tenant employees compete by displaying the customer service skills acquired through educational seminars (Vietnam)



# Priority Measures in Japan

## Japan

We pursue three pillars in our domestic business to achieve stable growth: (1) strengthen the earning power of existing malls, (2) open new malls, and (3) improve profits for our urban shopping center business.

### Strengthening the Earning Power of Existing Malls

#### Securing a position as the overwhelmingly dominant mall in the region

To strengthen the earning power of existing malls, we will continue to emphasize profitable mall revitalization projects, attract new customers, and explore potential consumer demand. Tenant lease agreements expire in six years in Japan. When agreements expire, we replace existing tenants with popular tenants or tenants in high demand among customers in the region. In this way, we continue maintain and improve the

freshness and attractiveness of our malls. We leverage floor space expansions to strengthening the already overwhelmingly dominant mall in each region, achieving even higher levels of dominance. We plan to expand floor space at eight malls under our current three-year plan and renovate 10 malls each year.

#### ■ Three-Year Mall Opening Plan

	2020	2021	2022	Three-year total
Expansions in Japan	2	2	4	8



AEON MALL Takasaki (Gunma Pref.)

Expanded/reopened	Total lease area	Parking capacity	Tenants
June 26, 2020	About 76,000m <sup>2</sup> (+about 17,000 m <sup>2</sup> )	4,000 cars (+300 cars)	210 tenants (+40 tenants)



AEON MALL Kochi (Kochi Pref.)

Expanded/reopened	Total lease area	Parking capacity	Tenants
September 17, 2020	69,000m <sup>2</sup> (+12,000 m <sup>2</sup> )	3,000 cars (+200 cars)	160 tenants (+20 tenants)

## Adding functions to create new incentives for customer visits

We are expanding mall functions to offer new incentives for customers to visit. The family segment in Japan is contracting due to a decreasing population, declining birth rate, and aging population. At the same time, consumer behavior is diversifying in conjunction with the advancement of e-commerce. Faced with these changes,

we sponsor various events for health and wellness for our new target segment, the senior market. We also offer public functions and facilities that serve as a foundation for local communities and create smart malls that provide an easy-to-shop environment through digital technologies. In this way, we enhance mall functions through new incentives and conveniences that attract customers, and by attracting customers, we improve profits.

### Happiness Mall

We pursue the Happiness Mall project, which provides opportunities for mall walking, relaxation, and excitement through experiences of live music and art. Happiness Malls support the good health and wellbeing of customers in community. Our goal is to provide commercial facilities that put more smiles on the faces of customers and encourage good health.



Opera de AEON MALL concerts held in collaboration with the Japan Opera Foundation (the Fujiwara Opera/Japan Opera Association)

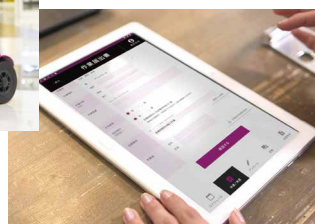
### Expanding Public Functions

AEON MALL is adding more public functions for customer convenience, including post offices, administrative services branch offices, libraries, and polling stations for early voting. We also work with the Japan Red Cross to provide blood donation centers at our malls throughout Japan, and we raise awareness of the need for blood donations from people of all ages, particularly younger donors.



### Creating Smart Malls

We are developing and testing digital equipment to create the next-generation smart mall. We are responding to changes in the consumer environment and the transition toward digitalization. Here, we are conducting proof-of-concept tests by installing equipment at AEON MALL Makuhari Shintoshin (Chiba Pref.) as a pilot location. We installed the equipment from the labor- and energy-saving viewpoint to offer less-stressful shopping experiences, greater convenience within the mall, and more information delivery.



## Priority Measures in Japan

Japan

### Opening New Malls

Construction costs remain high in Japan. From a standpoint of efficiency, we plan to open new malls in unserved areas and develop malls based on new ideas that utilize the assets of the AEON Group. Specifically, we will open new malls based on new formats, renovate malls utilizing existing assets, and build malls that offer attractions only available in person. One example of new mall development model, is the Yahata Higashida Project, where we will open our second location (THE OUTLETS) on the site of the former Space World amusement park in the City of Kitakyushu. The City of Kitakyushu plans to move its New Science Center to the site. Our new location will be an upgraded version of our first in Hiroshima, THE OUTLETS HIROSHIMA. This new facility will be located adjacent to AEON MALL Yahata Higashi. We plan to enhance the ordinary function of this traditional mall to create a synergy effect with the non-daily concept of THE OUTLETS. We will connect this property and AEON MALL Yahata Higashi by a pedestrian deck to operate as an integral unit. We also plan to open AEON MALL Shinrifu South Wing, which will focus on entertainment events, in the winter of 2020. This mall will be one of the largest in

the Tohoku region. We have taken the concept from our experience with AEON MALL Sen Sok City in Cambodia, where customers reacted enthusiastically to the entertainment-forward merchandising and experiential nature of the mall that far exceeded expectations. As with the Yahata Higashida project, we will strengthen daily functions of the adjacent AEON MALL Rifu and provide non-daily, experience-oriented functions to secure an overwhelming position in the region.



### Improving Urban Shopping Center Business Income

Our urban shopping center business plans to improve profits through comprehensive renovations, limiting the number of new openings. Our first order of business is to reactivate existing facilities. We began focusing on reactivating existing shopping centers in FY2019, and we intend to continue this approach. Second, we intend to improve profits by changing ownership formats, management, and operating schemes. We plan to improve profits at Yokohama World Porters, where OPA operated a facility, by converting original developer YOKOHAMA IMPORTMART INC. into a subsidiary. In this way, we will manage facility operations directly. We will close Tenjin VIVRE temporarily due to construction on the Tenjin Big Bang Project, a large redevelopment project in the Tenjin and Hakata area in the city of Fukuoka. We intend to reactivate this location through participation in the project. Third, we plan to improve profits through

our assets by leveraging the characteristics of land near railway stations, for example, offering shared office space. Through these initiatives, we will expand the efforts to improve profits that we started in FY2019.

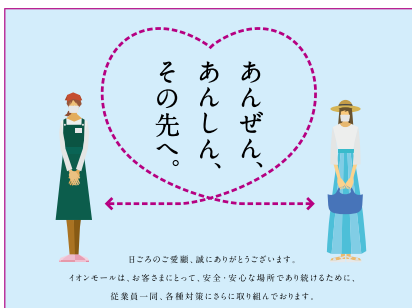




## Mall Operations for the With-COVID-19 Era

As part of the measures for living with COVID-19, we have implemented anti-infection measures in a continual manner, rather than as a temporary initiative. We have already established the COVID-19 Protocol for Infectious Disease Control to strengthen anti-infection measures in our malls and anywhere else for employees and customers and ensure safe shopping environment.

The aims of the COVID-19 Protocol for Infectious Disease Control are to (1) create a society where anti-infection measures are an ordinary part of life, (2) protect the health and lifestyles of our customers and employees, and (3) work together with customers to the safe and secure lifestyles of regional communities. We drew up the protocol under the supervision of three experts in anti-infection measures. Our intention is to establish clear anti-infection criteria based on anti-infection measures that we had implemented to date and use the criteria to educate employees on the



prevention of epidemics. At the same time, we are raising customer awareness about the issue.

One of the specific initiatives in our malls is to improve ventilation. We have generated better air circulation in mall facilities by controlling air balance, which is achieved by raising positive pressure through the intake of outside air. To create more comfortable shopping environment, we have increased the volume of outside air intake for even better ventilation.

Furthermore, we have implemented the following eight measures to ensure safe and secure shopping at all AEON MALLS.

- 1 Check employee temperatures as they enter the facilities.
- 2 Install hand sanitizer stations at all entrances and exits.
- 3 Thoroughly disinfect all high customer contact areas throughout our facilities.
- 4 Run the facility ventilation systems at full power and create air flow throughout the facilities for ventilation.
- 5 Install acrylic panels, vinyl curtains, and other barriers for face-to-face customer service to prevent droplet infection.
- 6 Ensure ventilation and seat separation in food courts and other restaurants.
- 7 Post notices asking those with fevers or other symptoms to refrain from entering the facilities.
- 8 Implement a customer count system to monitor the number of customers in the facilities and restrict the entry of customers when the specified number is exceeded.

- 1 Check employee temperatures as they enter the facilities.



- 3 Thoroughly disinfect all high customer contact areas throughout our facilities.



- 8 Implement a customer count system to monitor the number of customers in the facilities and restrict the entry of customers when the specified number is exceeded.



- 5 Install acrylic panels, vinyl curtains, and other barriers for face-to-face customer service to prevent droplet infection.



- 4 Run the facility ventilation systems at full power and create air flow throughout the facilities for ventilation.

### AEON measures to prevent the infection of COVID-19 Improving Ventilation within Mall Facilities

We have generated better air circulation in mall facilities by controlling air balance, which is achieved by raising positive pressure through the intake of outside air. To create more comfortable shopping environment, we have increased the volume of outside air intake.

Improving ventilation in AEON MALL facilities  
[https://www.aeon.jp/sc/lp/keep\\_distance/](https://www.aeon.jp/sc/lp/keep_distance/) (Japanese only)





# Building a Financing Mix and Governance Structure

**AEON MALL has established a financing mix and governance structure to support measures for growth. We are focusing on three measures designed to establish a global management system that responds to the expansion of our businesses overseas.**

## Global Financing Mix

We procure funds as an integrated entity, both Japan and overseas. In other words, we are pursuing a global financing mix. While expanding our base of loans from domestic banks, we also identify overseas local banks for future sources of financing. We continue to issue domestic retail bonds on a regular basis. In addition, we offer a variety of other bonds in response to growing

interest in ESG among investors. We remain aware of financial soundness and pay attention to our ratio of debt to equity. We consider equity financing as a direct method to expand equity. Here, we continue to monitor movements in the stock market and investigate the potential for equity financing overseas.

## Optimizing Cash Management

As our businesses overseas grow and transition to a stage of profit generation, cash balances in certain areas are growing significantly. We will consider efficient cash management methods moving forward, potentially shifting cash from areas with excess funds to areas with stronger needs for cash.

In building our global cash management system, we recognize the need for stronger cash monitoring functions from the standpoint of governance and fraud prevention. We plan to investigate various measures, including the adoption of external systems.



## Advanced Risk Management

The Risk Management Committee identifies risks in business activities in Japan to understand the probability and impact of individual risks, while improving risk management in China and ASEAN. We plan to bolster our management, focusing specifically on risk management, including operation risk, security risk, social risk, and political risk. We gather information in advance using past experience in cooperation with local governments, public safety commissions, our legal advisers and AEON Group companies to identify operation risk that may have a significant impact on mall development and business. At the same time, we eliminate risk through coordination with government-related entities. Regulations and directives issued by the authorities related to firefighting

have become more stricter. Meanwhile, we are seeing increased scrutiny on ESG-based management, focusing on environmental protection (waste separation, smoking areas, and waste water treatment), interactions with local communities and organizations, and corporate governance. In response to these developments, AEON MALL began creating specific action plans regarding a total of 58 risk items in FY2018. Committee members have been working on action plans and exchanging opinions to examine their effectiveness. In FY2019, we established and implemented the Emergency Management Manual (in Japanese, Chinese, and in the languages of ASEAN member countries) and Basic Policy for Preventing Bribery (in Chinese)

# Pursuing ESG-Based Management

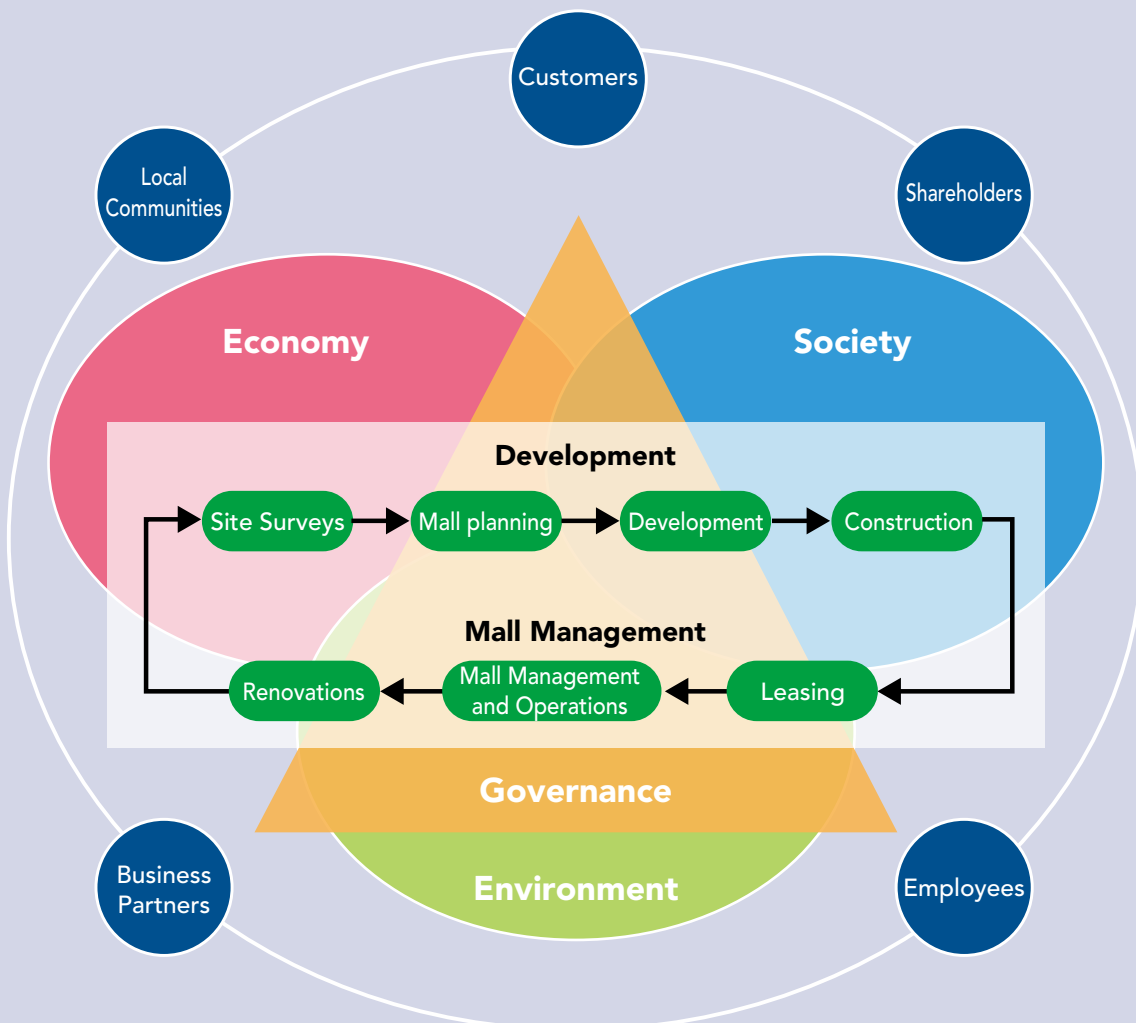
In 2019, AEON MALL identified Materiality as a priority measure, reflecting the perspective of ESG in maximizing the economic and social values we create through the integration of growth strategies and ESG-based management. This approach is driving us to achieving our goals for 2025.

We pursue management based on a perspective of ESG to achieve sustainable growth and higher levels of corporate value. In addition, we have leveraged COVID-19 as an impetus to seek reform based on ESG concepts, striving to create economic value, social value, and environmental value for our stakeholders.

The current business environment surrounding AEON MALL reflects the emergence of modern shopping centers and high-growth retail markets in connection with overseas GDP growth on the one hand, and accelerated mall openings by competing developers and concerns about a slowing Chinese economy on the other. Other emerging factors include demographic changes in Japan (declining population, aging society, low birthrates), as well as changing family compositions, and changes in consumer behavior, including e-commerce, budget-mindedness, sharing economies, etc. In this changing environment, we will

strive to achieve ESG-based management, defining materialities in terms of regional and social infrastructure development, local community ties, the environment, diversity, work-style reform, and responsible business.

Our Vision for 2025 encompasses more than generating profits from malls in Japan. We aim to build a portfolio consisting of multiple businesses, while becoming a top-class global commercial developer with consolidated operating income in excess of ¥100 billion. Further, we plan to be active in floor space expansions and renovations, evolving into the overwhelmingly dominant mall in each region. In our overseas business, we are targeting an operating margin of 20% across 70 malls, operating at the same level of efficiency and scale as our domestic operations. We are also targeting operating revenue of ¥500 billion and operating income of ¥100 billion.



# Pursuing ESG-Based Management

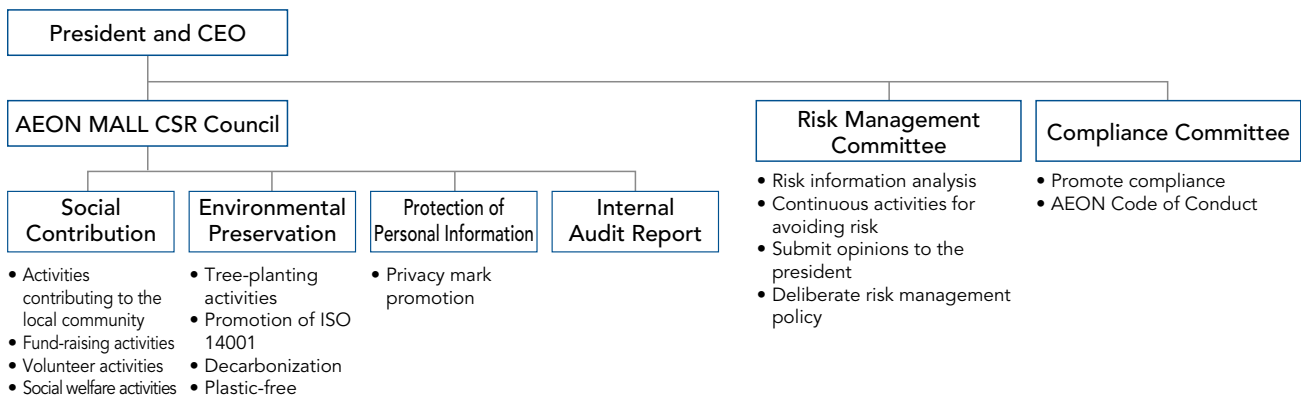
## AEON Basic Policy on Sustainability

AEON MALL pursues ESG-oriented management in line with the Basic Policy on Sustainability of the AEON Group.















### Aeon Sustainability Principle

We at Aeon operate on the basic principles of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core. Based on these, it is our goal to achieve a sustainable society and grow as a group. In our endeavors we think globally both on the environment and society. Our actions are rooted in each community and we move forward together with our many stakeholders.

### CSR Promotion System



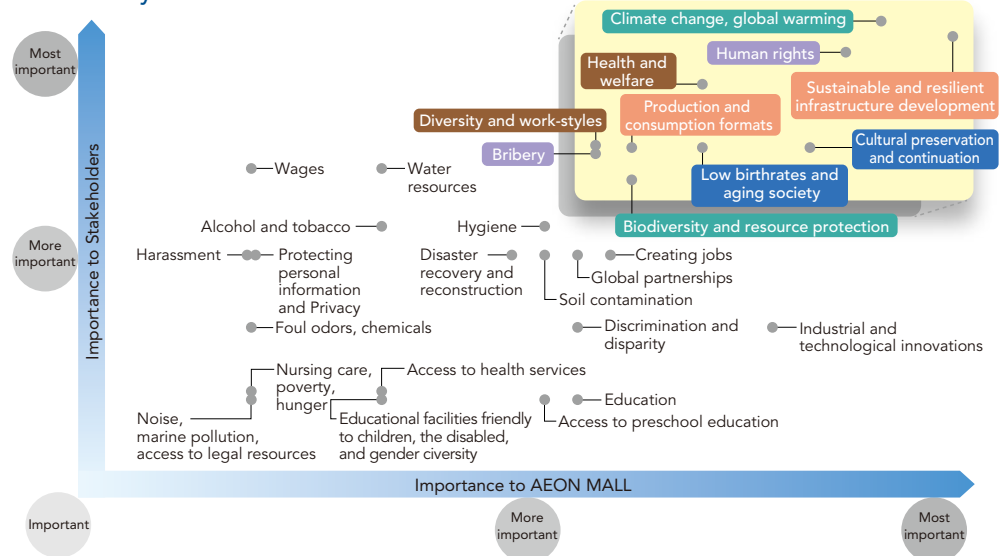
### Measures Addressing Materiality

Materiality	Related SDGs	Main measures	Reference
<b>Developing community and social infrastructure</b> Developing sustainable and resilient infrastructure Production and consumption formats	 	Developing safe, secure, and comfortable facilities Developing malls that promote the unique character of the community Town planning for disaster prevention Expansion of public functions Promote the use of electric vehicles (EVs) Promote the use of public transportation	→ P.33
<b>Build community relationships</b> Cultural preservation and inheritance Low birth rates, aging society	 	Happiness Mall initiative Hyper-localization that enhances the attractiveness of the community AEON Yume-Mirai Nursery School	→ P.34
<b>Environment</b> Climate change, global warming Protecting biodiversity, resources	    	Responding to climate change and global warming AEON Hometown Forest Project (biodiversity) Recycling waste products	→ P.35
<b>Diversity and work-style reform</b> Health and welfare Diversity, work-styles	  	Globalization of human resources Nadeshiko Brand Improving employee satisfaction (ES)	→ P.37
<b>Promote responsible business</b> Human rights Bribery	 	Human Rights Policies, Systems, and Training Initiatives to Prevent Corruption	→ P.39

## Identifying Materialities

We conducted a materiality analysis that considers the SDGs and social issues unique to Japan. We assessed the importance to stakeholders and AEON MALL, and classified into 10 categories across five topics.

### Materiality Matrix



### The Materiality Analysis Process

Step  
1

#### Identify Topics

We identified relevant social issues by referencing sources including DJSI\*1, FTSE\*2, GRI, generally accepted industry issues, etc. The AEON MALL Group defined 34 topics related to our business in Japan and overseas, reflecting SDGs and issues specific to Japanese society.

\*1 Sustainability indicators jointly selected by S&P Dow Jones Indices (US) and RobecoSAM (Switzerland)

\*2 The London-based FTSE calculates and manages stock indices.

Step  
2

#### Importance to Stakeholders

We used SASB\* and other guidelines, as well as categories used by ESG benchmarking organizations, to assess importance to stakeholders.

\* US-based Sustainability Accounting Standards Board

Step  
3

#### Importance to AEON MALL

We used our management philosophy and medium-term management plan to ascertain the importance of these topics to AEON MALL.

Step  
4

#### Confirm Relevance

Finally, we confirmed the relevance (materiality analysis process and results) of these topics from the standpoint of our outside independent directors and in consideration of the unique AEON MALL business model. We revised group-wide materiality based on these opinions and then confirmed the topics in a meeting of the CSR Council.

### Monthly AEON MALL CSR Council to Achieve ESG-Based Management

AEON MALL believes that solving community social issues is part of our mission as a business. Based on this belief, we aim to achieve the goal of *Creating Shared Value (CSV)*, conducting business integrated with the principles of CSR. The AEON MALL CSR Council, chaired by the president of our company, meets monthly to discuss details and progress of important issues related to four areas represented by the Environment (E) Social (S), Governance (G), and Communication, (C). The CSR Council establishes individual committees to oversee progress in certain areas,

such as social contribution and environment.

Under this system, we discussed the installation of EV chargers and our response to United Nations SDGs in FY2019. The United Nations asks companies to clearly state which SDGs they will pursue and describe how the company will contribute to achieving the SDG in question. AEON MALL intends to conduct more extensive discussions on this topic in the future. We will continue to not only reduce the environmental and social impact of our business activities, but also remain conscious of social demands related to CSR. At the same time, we will seek to further define the direction of and strengthen our activities.



## Pursuing ESG-Based Management

### ESG Initiatives



## Develop Community and Social Infrastructure

### Facilities That Serve as Community Infrastructure Support

On September 9 and 10, the Boso Peninsula Typhoon landed in the Kanto are of Japan, causing extended power outages, water supply disruptions, the collapse of houses, and other extensive damage in Chiba Prefecture. AEON MALL Kisarazu (Chiba Pref.) fulfilled its function as part of the regional infrastructure, playing a role as a base for recovery activities.



### Encouraging the Spread and Use of Electric Vehicles (EV)

In 2008, AEON MALL began installing EV recharging stations at our malls. We encourage the use of low-CO<sup>2</sup> electric vehicles and plug-in hybrids as one measure to preserve the global environment create sustainable societies. As of the end of February 2020, we have installed 1,837 recharging networks at 138 malls throughout Japan. We have also installed 564 units at 14 malls in China and three units at two malls in ASEAN. AEON MALL Ha Dong (Vietnam) offers 20 EV bike chargers for guests.



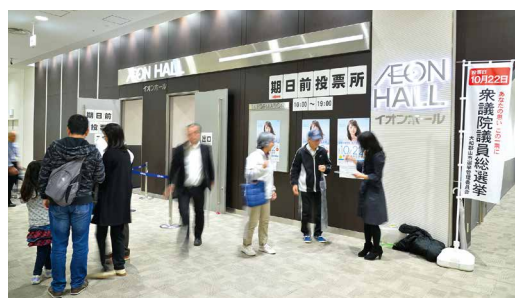
### Smart Mall Initiatives

AEON MALL aims to create smart malls that use digital technology for more convenient shopping experiences. AEON MALL Makuhari Shintoshin (Chiba Pref.) is serving as a pilot mall for a variety of leading-edge technologies.



### Polling Stations

As one way to improve lifestyle services for the community, AEON MALL locations offer polling stations during elections. Our polling stations serve as comfortable environments for customers to exercise their voting rights with access to large parking areas and shuttle buses. Our polling stations also provide a convenient way for employees working at our malls to vote. For the 25th regular election of members of the House of Councillors in July 2019, AEON MALL and AEON shopping centers offered poll locations for early voting (and same-day voting in some locations).





## Building Community Relationships

### Evolving AEON MALL Walking in Collaboration With Industry, Government, and Academia

To support the healthy lifestyles of our customers, we offer AEON MALL Walking at nearly all malls in Japan. These malls feature a walking course in which customers can enjoy shopping and physical exercise regardless of the season, weather, or time. In collaboration with the Center for Preventive Medical Sciences, Chiba University, AEON MALL Miyazaki (Miyazaki Pref.) and AEON MALL Higashiura (Aichi Pref.) offer a Spatial Design Program based on Primordial Prevention to promote health awareness. AEON MALL Miyazaki is also working to raise awareness of health in cooperation with the official Miyazaki Prefecture walking smartphone application SALKO, which features a pedometer and ranking functions.



### Supporting the Sport in Life Project

We have been cooperating with the Ministry of Health, Labour and Welfare and the Japan Sports Agency in their efforts to promote health. In 2019, we endorsed the new Sport in Life project advocated by the Japan Sports Agency. For two months beginning in July, we implemented a sports experience event called Mall de Sports. This event used the cool and comfortable mall environment at nearly 150 malls for customers to experience the fun of moving their bodies while attending sports experience events and shopping.



### Supporting Refugee Aid Activities

As an opportunity to deepen our understanding of refugees around the world, we conducted a campaign in collaboration with the UNHCR Association, the official support agency of UNHCR (UN High Commissioner for Refugees), during the period before and after the June 20 World Refugee Day, sponsored by the United Nations General Assembly. We set up booths at 29 malls to provide information about refugees and raise funds. We also invited a lecturer to give a speech at AEON MALL Kyoto Katsuragawa (Kyoto Pref.) and AEON MALL Tamadairanomori (Tokyo).



### Sustainable Town Development Agreement With Saiseikai

AEON MALL entered into an agreement with the Social Welfare Organization Saiseikai Imperial Gift Foundation, which embodies social inclusion through the comprehensive provision of medical, health, and welfare activities. Through this support, we contribute to local town development where AEON MALL and Saiseikai have operations. As the first step in our contribution activities in June 2019, we sponsored a health-themed AEON MALL Walking event and medical field career experience for children at AEON MALL Takaoka (Toyama Pref.).



## Pursuing ESG-Based Management

### ESG Initiatives

## Environment



### Eliminating Plastic Straws at all Malls and Working toward a Complete Ban on Disposable Plastic Products

In recent years, we have seen a worldwide rise in initiatives to reduce the use of plastic products, considered to have a negative impact on ocean life and marine ecosystems. We are doing our part for the cause, achieving a 94.9% recycling rate for waste plastics in fiscal year 2019. In this and other ways, we are striving to create sustainable malls and conserve the global environment. Our ultimate goal is to completely eliminate the use of disposable plastic products. As the first step, we discontinued providing plastic straws in eating and drinking facilities at all malls on March 16, 2020 (some exceptions applied). For customers who wish to use straws, we offer paper straws and other environmentally friendly alternatives. We will continue to work together with store operators to reduce the use of plastics.



### Utilization of Solar Energy

Using solar energy systems at 88 malls

We deployed solar power system at 71 malls in Japan and 17 malls overseas, demonstrating leadership ahead of other commercial facilities. Some of our malls incorporate a system for uninterrupted electricity in the case of a power failure. We installed a 1MW rooftop solar power system and a high-efficiency chiller in our AEON MALL Sen Sok City facility in Cambodia, aiming to reduce CO<sup>2</sup> emissions by approximately 1,564 tons per year.

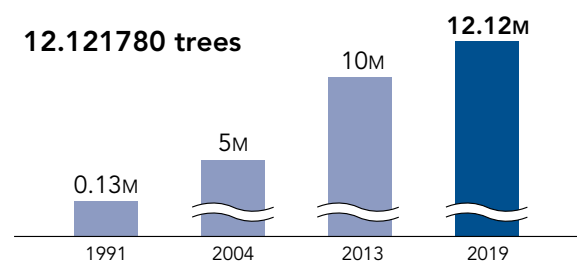
### Driving Energy Conservation Initiatives Forward

We are striving to reduce energy use by 50% compared to the year 2010, as specified in the AEON Eco Project launched in 2012. As a new initiative, the AEON Group is aiming to achieve a decarbonized society by the year 2050, as described in the AEON Decarbonization Vision 2050 announced in March 2018. The group plans to accomplish this goal by promoting energy conservation, the use of renewable energy, and other measures. To date, 13 facilities in the AEON Group, 12 of which are operated by AEON MALL, have become environmentally friendly model facilities. We are currently developing the Next-Generation Smart AEON program, a further evolution in our decarbonization. For example, AEON MALL Zama (Kanagawa Pref.) has significantly reduced CO<sup>2</sup> emissions compared to standard AEON stores.

### AEON Hometown Forest Project

The AEON Hometown Forest Project began in 1991 in Malaysia. The AEON Group regards the tree planting initiative as an activity to embody a philosophy centered on pursuing peace, respecting humanity, and contributing to local communities, always from the customer's point of view. Every time a new mall is opened in Japan or overseas, AEON hosts a tree planting ceremony, working with customers to plant native trees most appropriate for the local natural environment. We planted about 28,700 trees at four new malls opened in Japan and overseas in fiscal 2019. As of the end of February 2020, the AEON Group has planted a total of nearly 12.12 million trees.

■ Total number of trees planted (as of the end of February 2020)



## Waste Reduction and Recycling

To reduce waste generated from malls, it is important to clearly understand what is disposed of, where, and how much, engaging the help of tenants and making them aware of the issue. Each mall has a system to classify waste into 18 basic categories and measure weight by category. Each tenant measures the weight of waste

by category, and then affixes a label indicating that the weight has been measured. Tenants then place waste in the location designated for each category for disposal. Segregated waste that is recyclable is recycled to the greatest extent possible. We calculate the recycling rate for each category.

■ **Total waste output volume and recycling rate for fiscal 2019** (recycling rate (including thermal recycling) for directly managed malls in Japan 89.4%)

	Output volume by category		Recycling rate
1	Raw garbage	16,060t	91.9%
2	Cardboard	23,262t	100%
3	Mixed garbage	23,110t	74.8%
4	Waste plastics	3,543t	94.9%
5	Waste plastics (valuable)	106t	100%
6	PET bottle	606t	100%
7	Glass bottle	367t	97.5%
8	Can	606t	100%
9	Styrofoam	132t	100%

	Output volume by category		Recycling rate
10	Waste oil	2,167t	100%
11	Paper	2,433t	100%
12	Large garbage	216t	92.7%
13	Other non-combustible waste	1,399t	61.6%
14	Fluorescent bulb	17t	91.9%
15	Waste battery	16t	87.6%
16	Disposable chopsticks	115t	97.0%
17	Waste alkali/paint remover	17t	23.0%
18	Sludge	5,321t	90.4%

## Response to Climate Change

As one measure for ESG-oriented management, AEON MALL aims to help create a carbon-less society by the year 2050. In June 2020, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD was established in 2016 by the international Financial Stability Board (FSB). In the future, we will be using the TCFD framework to disclose information appropriately.

### Governance

AEON MALL recognizes that climate change is an important management issue. We report our related initiatives and results regularly at board of director meetings, ensuring a system of board oversight.

### Identify risk categories

Transition risk	Policy and legal risk	Carbon pricing	Two types of carbon pricing are anticipated; one is a carbon tax that is applied to crude oil and energy (electricity, gas, and fuel) and the other is cap-and-trade, under which charges vary depending on business-related GHG emissions
	Policy and legal risk	Regulations on energy conservation/ CFC alternatives	We expect tighter restrictions based on the regulations of the current Energy Saving Act (METI), the Building Energy Efficiency Act (MLIT), and the Act on Rational Use and Appropriate Management of Fluorocarbons (MOE). We also reflect expectations for the establishment of new related laws.
	Market risk	Energy price	We consider two types of energy prices. One type varies in response to the unit price of electricity, accounting for about 90% of total GHG emissions discharged from business activities. The other type reflects prices for fossil fuel energy and renewable energy.
	Market risk and technical risk	Supply and demand balance of food and raw materials	We project changes in the geographical suitability of manufacturing and processing related to perishable food raw materials, water resources, and products in Japan and overseas. We must also consider changes in supply and demand due to population increase, which serves as an indirect indicator. These changes impact anchor stores and specialty stores.
	Market risk and reputation risk	Changes in customers	Customers refers to citizens, including consumers and ordinary citizens. Changes refers to changes in consumption behavior and awareness.
Physical risk	Acute risk Chronic risk	Damage caused by abnormal weather	A risk of operational interruption of a certain number of stores (areas are unidentifiable) caused by weather damage is anticipated every year. We use a certain ration to project costs and time for recovery related to malls affected by flood or other physical damage. We project market area contraction some areas due to frequent weather disasters or changes in demographics.



## Pursuing ESG-Based Management

ESG Initiatives



# Diversity and Work-Style Reform

## Human Resources Policy

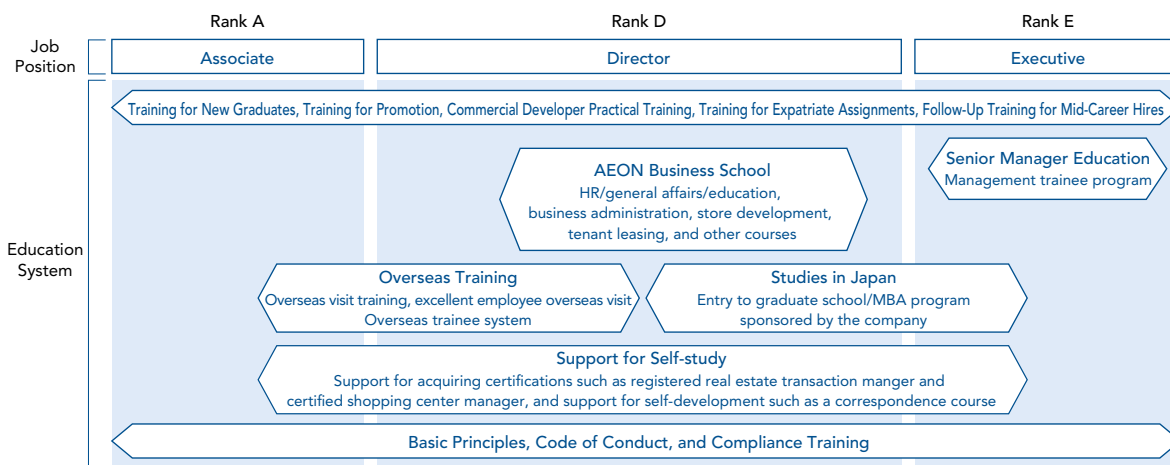
Human resources are the most important management resources for sustainable growth. Based on this policy, we pursue growth strategies by investing in our human resources, aiming to be a company that fosters diverse human resources who are healthy and have the opportunity to exercise their talents. In response to advancing globalization and digitalization of business, we commit ourselves to creating new value by transforming our education system from a traditional single-track specialist education to a double-

track generalist and specialist education. We will use the power of diverse human resources in areas such as systems, digital, finance, and HR. We pursue diversity management to create new business models to adapt to the changes in society and the diversification of employee needs. This management style allows a diverse base human resources to exercise their talents. At the same time, we are developing various human resources training and education programs to support human resources development.

## Human Resources Education

The AEON Group has established basic principles on personnel. One of these principles is to create a corporate environment in which human resources can continue to grow as they work over the long term. Based on our guiding philosophy of listening to employee aspirations, understanding employee feelings, and making the most of what employees have to offer, we are committed to creating a corporate environment in which every employee not only continues to work, but also continues to excel and grow over the long term. We offer a variety of training courses for specific job descriptions and development stages. These courses include commercial developer practical training to acquire the knowledge and skills required for a commercial developer. Recently, we have encouraged the exchange of personnel between Japan and overseas to cultivate human resources

responsible for the future of our growing overseas business. For example, we have a training program to send staff from Japan to China and ASEAN countries as trainees for one-year assignments. We encourage younger employees and others to experience different cultures and history. In this way, they can improve their business skills and develop leadership skills through the experience. We also offer core personnel training programs, such as the AEON Business School (ABS) Program, to provide learning opportunities for aspiring employees. In addition to these learning opportunities, employees can use a self-reporting system to communicate their career plans to supervisors and management. We also offer a promotion test system for promotion to a higher position. In this way, we provide equal opportunities for all and encourage everyone to take on new challenges.



## Health Management Initiatives

We promote health management based on the belief that employee health is essential for corporate activities. We also believe healthy employees can provide services that bring health and wellness for customers. We promote the Happiness Mall initiative

at our malls to contribute to the health and wellness of our customers in local communities. At the same time, we enhance health management by improving work systems and workplace environments in an effort to maintain and improve the health of our employees.

## Diversity Policy

The promotion of diversity has a great significance for our business. Diverse human resources are necessary to implement our policy that the customer comes first. This is because a diverse range of customers come to our malls. Creative ideas are born through the active exchange of opinions from diverse points of view. Many highly motivated female employees pursue

higher positions within our organization. We provide flexible options to enable all to work flexibly, regardless of gender, during life-stage changes, including child rearing or aging parent care. We are building a foundation for comfortable work environments upon which employees can develop their careers.

## Globalization of Human Resources

Our basic policy is to engage in management tied to local communities by hiring local staff overseas who have a deep understanding of the AEON MALL philosophy. We promote individuals who generate results to management positions, regardless of nationality. In China today, locally hired individuals serve as general managers at seven malls. As well, we are making progress in ASEAN to promote local staff to senior management positions. Meanwhile, we create opportunities for our Japanese employees to

gain experience overseas. We believe that the experience of working with local staff gives Japanese employees the chance to grow and develop in their own careers.



Japanese Employees Working Overseas With Local Staff Members

## Providing Comfortable Work Environments

### Overseas malls create work opportunities

Since opening our first mall in Beijing in 2008, we have opened a total of 21 malls in China and nine in Indonesia, Vietnam, and Cambodia. Our basic policy for operating malls overseas is to delegate the operation to local staff members who have a deep understanding of our philosophy.



We focus on the education of human resources in each country. We are also

active in promoting local staff members to management positions.

### Initiatives for tenants

We adopt digital technology to improve efficiencies (e.g. AEON MALL Works in-store tablets), reduce the burden on tenant employees, and promote labor-savings. Labor shortages have become a social issue. As developers, we believe we have a responsibility to create workplace environments that support the long-term careers of tenant employees at our commercial facilities and improve employee satisfaction. We have introduced various measures in pursuit of this belief.

## Pursuing ESG-Based Management

### ESG Initiatives

## Accountability in Business



### Human Rights Policies, Systems, and Training

The unwavering principle of AEON is pursuing peace, respecting humanity, and contributing to local communities, always from the customer's point of view. To honor these principles we will comply with all relevant laws and regulations, while dealing with all people honestly and sincerely through proper behavior. The AEON Code of Conduct was enacted in April 2003 on the basis of these values. In September 2014, AEON codified a philosophy of human rights and the workplace producing AEON's Basic Human Rights Policy in support of the AEON Code of Conduct.

AEON MALL follows this philosophy and these

policies in respect for human rights. The company aspires to create an organization that allows all people, regardless of their gender or nationality, to participate in the development of the company. We strive to create workplaces that enable all employees to perform to the highest level of their abilities.

All AEON MALL employees must attend an annual human rights training. We also provide employees with a handbook that lists both internal and external help desks. This handbook provides clear information about respect for human rights, prevention of discrimination, and other matters in the context of the AEON MALL employment rules.

#### AEON Code of Conduct—Our Commitment

1. AEON people are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.
2. AEON people value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
3. AEON people actively seek out ways to exceed customer expectations.
4. AEON people continually challenge themselves to find new ways to accomplish the AEON ideals.
5. AEON people support local community growth, acting as good corporate citizens in serving society.

#### AEON Human Rights Policy

In accordance with this policy, all of AEON executives and employees (AEON People) deepen further their understanding of human rights and help achieve a society that respects these rights.

This policy applies to all AEON People, and we share this policy with all business partners.

##### 1. Our Approach to Human Rights

AEON has established the Aeon Basic Principles and the Aeon Code of Conduct. We also subscribe to the United Nations Global Compact, which we joined in 2004. In accordance with these principles and in compliance with domestic laws on human rights and labor, the International Bill of Human Rights, and the rules on human rights set forth in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, we respect the rights of all individuals who are impacted by our businesses. In addition, we support and follow the United Nations Guiding Principles on Business and Human Rights.

##### 2. Respect for Human Rights in Business Activities

We will respect the privacy of individuals as well as their diverse values and personalities and never discriminate against anyone for any reasons, including discriminatory treatment based on race, nationality, ethnicity, gender, age, place of birth, religion, educational background, physical or mental disability, sexual orientation, or gender identity. In addition, we remain mindful of the positions of others

and respect them as our equals.

- We treat all customers in a fair and impartial manner and provide them with safe, reliable products and services, as well as related information.
- We actively communicate with local community members to ensure that we respect their human rights.
- We comply with sound corporate ethics and workplace environment-related laws, regulations, and international standards in our business activities by dealing with business partners fairly. Moreover, we improve our performance in this regard continually.
- We listen to our coworkers, respect the human rights of each coworker, and create workplace environments that are free of harassment, safe, and employee-friendly. At the same time, we train and educate all AEON People to further their knowledge and understanding of human rights.

##### 3. Implementation of Human Rights Due Diligence

We conduct due diligence regarding the human rights impacted by our business activities to contribute to achieving a society in which human rights are respected.

### Initiatives to Prevent Corruption

See *Corporate Governance* (P.58) for more about our initiatives to prevent corruption.

## Executing Fair Contracts for Mall Construction

We respect the human rights and the occupational safety and health of all stakeholders. When selecting a general contractor for mall development in overseas, our selection criteria emphasizes the contribution of general contractors to regional development, including the active hiring of local workers and measures for environmental conservation. As the party contracting for services, AEON Mall strives to execute contracts that share the risk burden equally with the contractor, maintaining a high level of fairness between parties.



Moreover, we are committed to the protection of human rights, requiring ID checks for people entering and existing from the work site

to prevent child labor and illegal employment. We also require health checkups of workers.

We pursue initiatives to enhance compliance. We provide compliance training for managers and general employees at each mall and business unit once every year. Participants share the basic knowledge and case studies on violations based on laws, regulations, and internal rules. About two-thirds of employees at a new AEON MALL facility are newly hired employees. We provide comprehensive employee education at the initial stages to create compliance awareness by interviewing individuals within one year after opening the mall. In the case of harassment or other unfair treatment, tenants and external vendors can use our system to report incidents to the compliance division directly via email or phone.

## Building Internal Control Systems in China and ASEAN

We have established internal control systems in both China and ASEAN to ensure compliance. We have also established a risk management system and conduct audits through our Japanese internal audit division.

### China

In 2013, we established AEON (China) Investment Co., Ltd. to provide head office functions for China as part of a structure to manage our business in China centrally. Beginning in FY2014, we have been creating and improving regulations and rules related to of investment companies and other affiliates in China. These measures include the building of an internal control system. We have identified organizational issues and practical operations necessary to observe compliance, implementing key measures steadily. We are addressing risk areas that include operation risk, security risk, social risk, and political risk to bolster risk management. In FY2019, we established and implemented the Emergency Management Manual (in Japanese, Chinese, and the languages of ASEAN countries) and Basic Policy for Preventing Bribery (in Chinese). We created a progress management table to visualize the progress of our (1) Current understanding and issues, (2) PDCA progress results in FY2018, (3) PDCA progress targets in FY2019, and (4) vision for the end of FY2019. We monitor and advise the risk management committees within local affiliates for improvement.

### ASEAN

With respect to country risks in ASEAN, we have determined eight common issues to be addressed by three ASEAN countries. We manage these risk scenarios, the details of activities, and results of the three countries in parallel. Each ASEAN country holds a risk management committee meeting twice every year. In these meetings, risk management results from the previous year are reviewed and confirmed. Next, members set action plans for the next year, which are monitored via the PDCA cycle. These risk management activities are reported to management at board of director meetings in each country. In FY2019, we established Corporate Risk Management Rules and the Emergency Management Manual for our overseas affiliates with help from General Affairs Department in Japan and the ASEAN group. The ASEAN group created a mailing list to ensure that critical accidents and incidents occurring at overseas subsidiaries are shared swiftly and put to use in each country. The ASEAN group collects information regarding risk management, incidents, and accidents for inclusion in meeting minutes and reports. This information is submitted to the head office Risk Management Committee in Japan on a timely basis.

# Directors and Audit & Supervisory Board Members

(as of May 19, 2020)

## Directors



### Yasutsugu Iwamura

President and CEO

Aug 2005: Joined the Company  
 Aug 2007: General Manager of Planning Development First Group, Planning Development Department, the Company  
 May 2009: General Manager of Kanto and Tohoku Development Department, Development Division, the Company  
 Apr 2013: General Manager of Development Management Department, Development Division, the Company  
 May 2016: General Director, AEON MALL VIETNAM CO., LTD  
 May 2019: Director, Officer of Vietnam Division, AEON MALL Co., Ltd.  
 Mar 2020: President and CEO, the Company (to present)



### Mitsugu Tamai

Managing Director

Jul 1999: Joined AEON Credit Service Co., Ltd.  
 May 2006: Director, General Manager of Finance & Accounting Management Department, AEON Credit Service Co., Ltd.  
 Apr 2007: Director, General Manager of Finance & Accounting Division, AEON Credit Service Co., Ltd.  
 Mar 2010: Director, General Manager of Affiliate Management Division, AEON Credit Service Co., Ltd.  
 May 2011: Executive Officer, General Manager of Administration Department, Affiliate Management Division, AEON Credit Service Co., Ltd.  
 Mar 2012: Aide to the Group Control and Accounting Officer, AEON Co., Ltd.  
 May 2012: Audit & Supervisory Board Member, AEON Kyushu Co., Ltd.  
 May 2012: Audit & Supervisory Board Member, AEON Delight Co., Ltd.  
 Aug 2012: General Manager of Administration Division, the Company  
 Apr 2013: General Manager of ASEAN Division, the Company  
 May 2013: Director and General Manager of ASEAN Division, the Company  
 Apr 2019: Managing Director, General Manager of ASEAN Division, and General Manager of Digital Promotion Department, the Company (to present)



### Seiichi Chiba

Vice President

Apr 1978: Joined The Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)  
 Sep 1993: Assistant Manager, New York Branch, The Dai-ichi Kangyo Bank, Ltd.  
 Apr 2002: Deputy Manager of Credit Department No. 3, Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)  
 Oct 2002: General Manager, Corporate Department No. 4, Mizuho Corporate Bank, Ltd.  
 May 2003: General Manager, Global Corporate Department No. 2, Mizuho Corporate Bank, Ltd.  
 Apr 2005: Executive Officer, General Manager, Corporate Restructuring Division No. 1, Mizuho Corporate Bank, Ltd.  
 Apr 2007: Managing Executive Officer, Mizuho Corporate Bank, Ltd.  
 May 2010: Vice President, AEON Co., Ltd.  
 May 2010: Vice President Chief Financial Officer, AEON Group, Manager in Charge of Finance, AEON Group  
 May 2010: Audit & Supervisory Board Member, the Company  
 Mar 2011: Vice President CFO, AEON Group  
 May 2013: Senior Managing Director, General Manager of Finance & Accounting Division/Chief Financial Officer, the Company  
 Apr 2015: Senior Managing Director, General Manager of Finance & Accounting Division/Chief Financial Officer, and Chief ASEAN Business Officer, the Company  
 Apr 2019: Director, Vice President, Finance & Accounting Officer and Overseas Business Officer, the Company (to present)



### Hisayuki Sato

Managing Director

Mar 1981: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
 Mar 1990: General Manager of Tohoku Development Department, JUSCO Co., Ltd.  
 Oct 2008: General Manager of Development Department, Beijing AEON Co., Ltd.  
 Mar 2011: General Manager of AEON MALL Beijing and Tianjin Development Department, China Division, the Company  
 Sep 2012: General Manager of China Development Management Department, China Division, the Company  
 Apr 2014: Chief Executive Officer, AEON MALL (GUANGDONG) BUSINESS MANAGEMENT CO., LTD.  
 Mar 2016: General Manager of Development Management Department, AEON MALL (CHINA) CO., LTD.  
 Apr 2016: General Manager of China Division, the Company  
 Apr 2016: Chief Executive Officer, AEON MALL (CHINA) CO., LTD.  
 May 2016: Director, General Manager of China Division, the Company  
 Apr 2019: Managing Director, General Manager of China Division, the Company  
 May 2020: Managing Director, General Manager of Development Division, the Company (to present)



### Akio Mishima

Managing Director

Apr 2000: Joined AEON MALL Co., Ltd.  
 Jul 2006: General Manager of Existing Store Management Department, Leasing Division, the Company  
 Jul 2007: General Manager, AEON MALL Kisogawa, the Company  
 May 2009: General Manager of Kanto & Tohoku Leasing Department, Leasing Management Department, Sales Division, the Company  
 Apr 2011: General Manager of Leasing Management Department, Sales Division, the Company  
 May 2012: Director, General Manager of Leasing Division, the Company  
 Apr 2013: Director, General Manager of Leasing Management Department, Sales Division, the Company  
 Apr 2015: Director, General Manager of Leasing Division, the Company  
 May 2016: Managing Director, General Manager of Leasing Division, the Company  
 Apr 2017: Managing Director, General Manager of Sales Division, the Company (to present)



### Motoya Okada

Director and Advisor

Mar 1979: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
 May 1990: Director, JUSCO Co., Ltd.  
 Feb 1992: Managing Director, JUSCO Co., Ltd.  
 May 1995: Senior Managing Director, JUSCO Co., Ltd.  
 Jun 1997: President, JUSCO Co., Ltd.  
 May 1998: Director, the Company  
 May 2002: Director and Advisor, AEON MALL Co., Ltd. (to present)  
 May 2003: Director, President and Representative Executive Officer, AEON Co., Ltd.  
 Mar 2012: Director, President and Representative Executive Officer, and Group CEO AEON Co., Ltd. (to present)  
 Feb 2015: Director and Advisor, AEON Retail Co., Ltd. (to present)  
 Mar 2020: Director and President and Representative Executive Officer, AEON Co., Ltd. (to present)



### Mitsuhiro Fujiki

Managing Director

Apr 1985: Joined AEON MALL Co., Ltd.  
 Apr 2011: General Manager of AEON MALL Niihama, the Company  
 Nov 2012: General Manager of AEON MALL Miyazaki, the Company  
 Apr 2013: General Manager of West Japan Business Department, Sales Division, the Company  
 Sep 2014: General Manager of Chushikoku Business Department, Sales Division, the Company  
 Apr 2015: General Manager of Sales Division, the Company  
 May 2015: Director, General Manager of Sales Division, the Company  
 Apr 2017: Director, General Manager of Leasing Division, the Company  
 May 2018: Managing Director, General Manager of Leasing Division, the Company (to present)



### Masahiko Okamoto

Director

Mar 1981: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
 Mar 1997: General Manager of Personnel & General Affairs Department, Megamart Division, JUSCO Co., Ltd.  
 Mar 2000: General Manager of Personnel & Education Department, Kinki Business Division, JUSCO Co., Ltd.  
 Mar 2001: General Manager of Administration Center, Headquarters, JUSCO Co., Ltd.  
 Sep 2008: General Manager of Personnel Training Department, Kanto Company Division, AEON Co., Ltd.  
 Feb 2015: General Manager of General Affairs Department, Administration Division, the Company  
 Apr 2018: General Manager of Administration Division, the Company  
 May 2018: Director, General Manager of Administration Division, the Company (to present)





## Hiroshi Yokoyama

Director

Apr 1987: Joined The Chuo Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)  
 Oct 2000: Manager, Real Estate Investment and Development Department, The Chuo Mitsui Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)  
 Apr 2004: Joined AEON MALL Co., Ltd.  
 Apr 2004: Manager of Finance Group, Finance & Accounting Group, Administration Division, the Company  
 Aug 2007: General Manager of Finance & Accounting Department, Administration Division, the Company  
 May 2013: General Manager of Finance & Accounting Management Department, Finance & Accounting Division, the Company  
 Apr 2017: General Manager of Development Planning Management Department, Development Division, the Company  
 May 2017: Director, General Manager of Development Planning Management Department, Development Division, the Company (to present)



## Masao Kawabata

Outside Director (Independent)\*

Apr 1971: Joined Pioneer Corporation  
 Nov 1996: President, Pioneer GB Ltd.  
 Jun 2004: Senior Executive Officer in charge of PR/IR and risk management, Pioneer Corporation  
 Apr 2008: Chairman and CEO, Pioneer North America, Inc.  
 Jun 2009: Advisor, Pioneer Corporation  
 Jul 2010: Secretary-General, Foundation for the Advancement of Music Appreciation  
 Jul 2012: Advisor, Eiken Foundation of Japan  
 Sep 2014: Advisor, Brainwoods Corporation, Ltd. (to present)  
 May 2015: Outside Director, AEON MALL Co., Ltd. (to present)  
 Jun 2015: Director, English-Speaking Union of Japan  
 Jun 2018: Auditor, ICU International Christian University (to present)



## Akiko Nakarai

Director

Dec 2003: Joined AEON MALL Co., Ltd.  
 Apr 2011: General Manager of AEON MALL Miyakonojo Ekimae, the Company  
 Apr 2013: General Manager of AEON MALL Fukutsu, the Company  
 Jul 2016: Representative Duties Enforcer, AEONMALL KIDSDREAM, LLC (to present)  
 Mar 2018: General Manager of Digital Promotion Management Department, Sales Division, the Company  
 May 2018: Director, General Manager of Digital Promotion Management Department, Sales Division, the Company (to present)



## Kunihiro Koshizuka

Outside Director (Independent)\*

Apr 1981: Joined Konishiroku Photo Industry Co., Ltd. (now KONICA MINOLTA, INC.)  
 Apr 2013: Executive Officer, General Manager of Technology Strategy Department and R&D Headquarters, KONICA MINOLTA, INC.  
 Jun 2014: Senior Executive Officer, General Manager of Technology Strategy Department and R&D Headquarters, KONICA MINOLTA, INC.  
 Jun 2015: Director and Senior Executive Officer (CTO), KONICA MINOLTA, INC.  
 Jun 2019: Senior Technical Advisor, KONICA MINOLTA, INC. (to present)  
 Nov 2019: Outside Director, Founder International Inc. (to present)  
 May 2020: Outside Director, AEON MALL Co., Ltd. (to present)



## Tatsuya Hashimoto

Director

Apr 2004: Joined AEON MALL Co., Ltd.  
 Nov 2011: General Manager, AEON MALL Sankoh, AEON MALL Co., Ltd.  
 Nov 2012: General Manager, AEON MALL Kochi, AEON MALL Co., Ltd.  
 Apr 2015: General Manager, AEON MALL Kurashiki, AEON MALL Co., Ltd.  
 Mar 2017: General Manager of SC Operations Department, AEON MALL (China) Investment Co., Ltd.  
 Mar 2018: President, AEON Mall (Jiangsu) Business Management Co., Ltd.  
 May 2020: Director, General Manager, China Division, AEON MALL Co., Ltd. (to present)  
 May 2020: Chief Executive Officer, AEON MALL (CHINA) CO., LTD. (to present)



## Yasuko Yamashita

Outside Director (Independent)\*

Oct 1987: Joined Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC)  
 Jan 1997: Joined Important Properties Bank Japan Co., Ltd.  
 Sep 2010: Joined Saish Sogo jimusho  
 Dec 2013: Representative, Yasuko Yamashita Judicial Scrivener Office (to present)  
 May 2016: Outside Audit & Supervisory Board Member, POCKET CARD CO., LTD.  
 Jun 2017: Director, R.C. CORE (audit and supervisory committee member) (to present)  
 May 2020: Outside Director, AEON MALL Co., Ltd. (to present)

## Audit & Supervisory Board Member



## Maki Watanabe

Full-time Audit & Supervisory Board Member (Outside)

Apr 1988: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
 Jul 1992: Served in Hyogo Accounting Section, JUSCO Co., Ltd.  
 Nov 1993: Served in Budget Section of Accounting Department, JUSCO Co., Ltd.  
 Mar 2010: General Manager of Accounting Department, JUSCO Co., Ltd.  
 Aug 2013: General Manager of Consolidated Accounting Department, AEON Co., Ltd.  
 May 2017: Audit & Supervisory Board Member, the Company  
 May 2018: Outside Audit & Supervisory Board Member, the Company (to present)



## Emi Torii

Outside Member of the Audit and Supervisory Board (Independent)\*

Nov 2005: Passed the National Bar Examination  
 Apr 2006: Legal apprentice  
 Sep 2007: Joined Nozomi Sogo Attorneys at Law  
 Apr 2015: Kanto-Shinetsu Regional Pension Records Correction Council Committee Member, Ministry of Health, Labour and Welfare (to present)  
 Apr 2019: Partner, Nozomi Sogo Attorneys at Law (to present)  
 May 2019: Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)



## Takao Muramatsu

Outside Member of the Audit and Supervisory Board (Independent)\*

Apr 1979: Joined Tokyo Regional Taxation Bureau  
 Apr 1988: Chief Investigator of Special Investigation Department, Tokyo District Public Prosecutors Office  
 Jul 1991: Investigator of Large Enterprise Examination and Criminal Investigation Department, National Tax Agency  
 Jul 1998: Senior Investigator of Large Enterprise Examination and Criminal Investigation Department, National Tax Agency  
 Jul 2003: Deputy Director-General, Shibuya Tax Office  
 Jul 2005: Chief Investigator of Criminal Investigation Department, Tokyo Regional Taxation Bureau  
 Jul 2009: Chief Internal Inspector, Osaka Regional Taxation Bureau  
 Jul 2010: Chief Internal Inspector, National Tax Agency  
 Jul 2012: Assistant Regional Commissioner of Management and Coordination Department, Nagoya Regional Taxation Bureau  
 Jun 2013: Director-General, Takamatsu Regional Taxation Bureau  
 Oct 2014: Registered as a certified tax accountant, MURAMATSU TAX ACCOUNTANT OFFICE (to present)  
 Apr 2015: Outside Audit & Supervisory Board Member, BESTERRA CO., LTD (to present)  
 Apr 2016: Outside Audit & Supervisory Board Member, Serendip Consulting Co., Ltd. (to present)  
 May 2016: Outside Audit & Supervisory Board Member, the Company (to present)  
 Jun 2016: Outside Audit & Supervisory Board Member, GLOBERIDE, Inc. (audit and supervisory committee member) (to present)



## Masato Nishimatsu

Audit & Supervisory Board Member (Outside)

Mar 1978: Joined JUSCO Co., Ltd. (now AEON Co., Ltd.)  
 May 2000: Director, JUSCO Co., Ltd.  
 Dec 2001: Acting Trustee for Business, MYCAL Corp. (now AEON Retail Co., Ltd.)  
 Mar 2007: Finance & Accounting Officer, AEON Group  
 May 2007: Vice President, AEON Group  
 May 2007: Audit & Supervisory Board Member, AEON MALL Co., Ltd.  
 Aug 2008: Vice President, Responsible for Group Accounting and Affiliated Companies, AEON Co., Ltd.  
 Mar 2013: Director, Senior Managing Director and in charge of Business Management, AEON Retail Co., Ltd.  
 Feb 2015: Director, Senior Managing Director and in charge of the Financial Units and the Corporate Officer, The Daiiei, Inc. Executive Officer, Senior Chief Officer of Business Management, AEON Co., Ltd.  
 Mar 2017: Executive Vice President and Representative Director, and in charge of Administration, AEON Retail Co., Ltd.  
 May 2018: Audit & Supervisory Board Member, AEON HOKKAIDO Corp. (to present)  
 Mar 2020: Advisor, AEON Co., Ltd. (to present)  
 May 2020: Audit & Supervisory Board Member, AEON Delight Co., Ltd. (to present)  
 May 2020: Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)

\* Outside directors and outside Audit & Supervisory Board members that pose no risk of a conflict of interest with minority shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

# Round Table Discussion With Outside Directors and Outside Corporate Auditors



Outside Director  
(Independent)\*

**Masao  
Kawabata**

Outside Director  
(Independent)\*

**Mami  
Taira**

Outside Member of the Audit and  
Supervisory Board (Full-Time)\*

**Maki  
Watanabe**

Outside Member of the Audit and  
Supervisory Board (Independent)\*

**Emi  
Torii**

Outside Member of the Audit and  
Supervisory Board (Independent)\*

**Takao  
Muramatsu**

\* Outside independent director or member of the Audit and Supervisory Board who, according to the regulations of the Tokyo Stock Exchange, has no conflicts of interest or potential conflicts of interest with minority shareholders.

## Recommendations for AEON MALL Group Governance and Risk Management

AEON MALL asked two outside independent directors and three outside members of the Audit and Supervisory Board to offer their objective opinions about the current state of AEON MALL Group governance, public listing as a subsidiary, and risk management. At the same time, these individuals discussed their expectations and offered comments on the appointment of a new president.

\* Discussion held on Thursday, March 12, 2020

## Group Governance as a Publicly Listed Subsidiary

**Watanabe:** Over the past few years, we have seen more in the way of corporate governance reform. AEON MALL has worked on various initiatives, as well. In conjunction with the June 2019 cabinet decision on the government's Action Plan of the Growth Strategy, we have held more intense discussions regarding group governance and governance as a publicly listed subsidiary. The governance structure of a publicly listed subsidiary should be even better than that of other listed companies. Publicly listed subsidiaries must be independent from parent companies, usually the major shareholder, protecting general shareholders and engaging in independent decision-making. At the same time, experts have pointed out governance structure issues at publicly listed subsidiaries. These issues include fewer independent outside directors and members of the Audit and Supervisory Board when compared to publicly listed companies without a parent. At this point, I would like to hear your thoughts on this issue from the perspective of governance for publicly listed subsidiaries.

**Taira:** I was appointed an independent outside member of the Audit and Supervisory Board in 2011. With the 2015 establishment of the Corporate Governance Code, the role of independent outside directors has become more important. We have also seen more discussions about governance for publicly listed subsidiaries and the advisability of parent-subsidiary public listings. (As specific examples), questions arise as to whether brand royalty payments to AEON or lease payments received from AEON Group tenants (AEON Retail Co., Ltd.) are reasonable.

In the time since, AEON MALL has made significant progress, including rules and checklists for transactions with affiliated

companies. I have come to feel that the awareness of our directors encompasses not only the parent company, but has also shifted toward a certain level of consideration for minority shareholders and general shareholders. Going forward, I think it is important for independent outside directors to check whether AEON MALL management resources are being allocated in ways that increase company value. At the same time, I think it is also necessary to increase the ratio of independent outside directors to communicate that the company has a system in place to monitor the risk of conflicts of interest with the parent company.

**Watanabe:** As an aside, when a major new transaction is being considered between parent and subsidiary or between AEON Group



subsidiaries, the relevant department in AEON and the subsidiary confer with AEON finance and management departments. The details compiled by the subsidiary are examined by the parent company, which may seek the opinion of outside specialists in tax and accounting. As Director Taira said, there were certainly cases in the past in which sufficient documentation was not provided. However, AEON provides guidance and emphasizes objectivity in intra-group transactions, responding to the need for improved tax governance, as well as groupwide initiatives related to financial statement audits.

**Kawabata:** Following what Director Taira said about brands, I think the current AEON brand



## Round Table Discussion With Outside Directors and Outside Corporate Auditors



image campaign is interesting. The brand image is AEON, but it is also AEON MALL. It's good to see both parent and subsidiary working to improve brand image. Although AEON MALL alone has limited resources, the company has signed brand royalty agreements related to the AEON Group with the parent company. This allows AEON MALL to use the brands in a variety of brand activities, which shows the strength of the parent-subsidiary relationship. AEON MALL is able to leverage the AEON brand as a group member, while at the same time contributing to a stronger brand for AEON as a whole. This synergistic effect leads to very strong brand power.

On the other hand, the presence of AEON MALL as an independent company in the capital market is important. I hope AEON MALL continues to make strides in communicating its brand to the media and consumers. Being listed on the stock exchange provides social credibility. This credibility, in turn, attracts talented people. In fact, the better AEON MALL performs based on our efforts, the higher the bonuses available in comparison to other companies. This leads to increased employee motivation and a sense of responsibility to be a leader in value creation.

**Matsumura:** I think AEON MALL has established, and continues to improve, governance with respect to being a publicly listed subsidiary. In short, the problem of parent-subsidiary listings is a moral hazard issue. The purpose of corporate governance is to prevent moral hazards. As a result of pursuing economic rationality, the different standpoints of each company cause something of a crack or a split. This is the moral hazard in a wide sense, and when the goals of the *customer* and the *service provider* are mismatched, you see asymmetry between incompatible goals and information, which results in the moral hazard. This is the basic focus of the issue in parent-subsidiary public listings. This might sound blunt, but I think people outside the company such as us must monitor whether major company decisions are impacted by a hidden agenda.

However, I think AEON MALL does well in listening to outside voices. This is likely due to the fact that AEON MALL is a developer in the retail industry. Obviously, a retail business can't survive if it doesn't take customer feedback to heart. This culture of listening to the opinions of others developed through its business in retail is built in to the company's DNA. It's true that the issue of publicly listed subsidiaries has become a hot topic among global investors. I think there are positive aspects to parent-subsidiary listings as well.

**Torii:** I was appointed an independent outside member of the Audit and Supervisory Board in May 2019. I want to provide some of my impressions from that time. First, board meetings featured prior briefings to outside directors and auditors and exchanges of opinions with internal directors providing thorough checks of projects involving group companies and intra-group transactions. I also had the impression that internal directors were very receptive to our opinions. The company fostered a positive atmosphere, answering questions in good faith.

Most impressive to me was that AEON MALL was very conscious of governance as a publicly listed subsidiary. When I was interviewed as a candidate for independent outside member of the Audit and Supervisory Board, they asked directly about my thoughts on the issue of parent-subsidary listings, showing a keen awareness of the subject. I don't think parent-subsidary listings are bad in and of themselves. Ultimately, the goal is to maximize corporate value. It's a matter of the best way to achieve that goal. However, it is important to establish clear institutional guarantees. I think AEON MALL should increase the ratio of independent outside directors to at least one-third, if not one-half. Hopefully sooner, rather than later.

### Shifting From Risk Management to Crisis Management in the Wake of COVID-19

**Watanabe:** Changes in the business environment surrounding Japanese companies, including increasingly complex management issues and corporate governance reforms, have increased the importance of risk management. The recent outbreak of COVID-19 has had an impact on AEON MALL business in Japan and abroad. What is your assessment of the company's response to the pandemic from a risk management perspective?

**Taira:** When we checked, infectious disease on the scale of AEON MALL risk management was a relatively low risk level of 3. I would like to see the company reexamine this risk. But I believe the company responded appropriately, creating policies beginning in late February to suspend mall events and engage in other measures to prevent the spread of infection. I was pleased to see that AEON MALL created a flowchart to deal with any infections. In the future, I hope COVID-19 serves some good as an opportunity to reexamine efforts to prevent the spread of

infectious disease at meetings of the board of directors and Audit and Supervisory Board.

**Kawabata:** AEON MALL divides risks into three categories. The Risk Management Committee addresses management strategy risk, compliance risk, and accident/incident



risk. You mentioned the treatment of infectious disease as a relatively low risk. I think that if this risk is viewed as a management risk for the Management Council to address, rather than as infectious disease risk, then we will see more active discussions on the matter. Questions will always arise about a company's stance in response to something that has already happened. However, I believe the AEON MALL response in this case was very smart. The president himself communicated frequently with management in Wuhan to issue instructions and confirm safety. Human life comes first and we never want to allow anyone to become infected. In that sense, I think the company set a good example.

**Muramatsu:** Looking at the response to COVID-19 in Japan and overseas, it appears to be more a matter of crisis management than risk management. Risk management is about minimizing risk and taking steps beforehand. Crisis management in terms of this crisis is about how to minimize the damage and loss in response to the situation. In medicine, risk



## Round Table Discussion With Outside Directors and Outside Corporate Auditors

management entails preventive medicine, while crisis management is the domain of emergency medicine. In that sense, this situation is a bit different. I think we need to research and study our responses to emergencies in some more detail.

**Torii:** AEON MALL risk management consists of Rules to Manage Business Risk Management and Risk Management Rules. These extremely detailed rules include assigning departments in charge of each risk and other measures. AEON MALL recognizes that risk management is not only the domain of management, but also an issue for operating departments. The company reviews rules on a continual basis, conducting risk surveys, creating risk maps, and studying specific action plans. As you mentioned, however, issues such as COVID-19 must be approached with crisis management beyond risk management. In this case, the situation may not have been fully addressed in the beginning.

AEON MALL is expanding aggressively overseas to achieve its Vision for 2025. At the same time, the need for risk management is rising in importance. Risk literacy among middle management in particular is important from the perspective of risk management. Risk management won't function if the communication of information stops with middle management.



As the number of local employees increases overseas, the company will need to emphasize risk literacy.

**Watanabe:** The face of AEON presented to customers and tenants is unavoidably that of the AEON Group. In this context, AEON Mall represents the core of the AEON Group developer business, which demands the exercise of leadership. Because of this position, AEON MALL must keep records of experiences and conduct training to respond to situations at a moment's notice. In addition to disaster prevention and firefighting drills, AEON MALL should conduct crisis management drills. AEON MALL has its CSR Committee that discusses CSR matters, as well as groups that address ESG and the SDGs. I encourage the company to view these risk-related initiatives as part of corporate value. AEON MALL has had a system for coordination between the board of directors and the Audit and Supervisory Board in place for some time. The company also has a mechanism to provide feedback regarding management risk and other topics to the board and management. These structures and issues also relate to company independence, and I believe AEON MALL is on the right track in this respect.

### Expectations for a New President to Helm ESG-Based Management

**Watanabe:** In March of this year, AEON MALL appointed a new president and CEO. The company established the Nomination and Compensation Committee last fiscal year. What are your expectations and advice Mr. Iwamura as a new president?

**Taira:** The Nomination and Compensation Committee began activities in January 2019. Since that time, the committee has performed evaluations of director performance, engaged in succession planning, and provided reports related to elections of independent outside directors. Further, the committee

has conducted a wide range of discussions to strengthen the company's governance structure, including the makeup of the board of directors. At present, we cannot say for sure whether the committee has functioned completely independently. However, we have discussed various issues as we go through this trial-and-error process.

With regard to the replacement of the president, our discussions had focused on fostering candidates from the perspective of future AEON MALL succession. The announcement of the new president came a bit out of the blue for us. In the end, I believe the company selected the right person to take over as president in line with past committee deliberations into the qualifications, character, and other factors required of a successor. I urge the new president to achieve the company's Vision for 2025 and push forward through to the year 2030.

**Kawabata:** When we launched the committee, we discussed creating a clear skills matrix. While the same can be said for outside directors, the idea here was to ensure we fostered internal directors with experience from a variety of divisions, rather than persons specialized in one area of business. The new Nomination and Compensation Committee was already discussing the necessity of the election of a new president when then-president Yoshida was appointed executive vice president at AEON Co., Ltd.

The committee discussed the importance of appointing a president who could take responsibility to achieve the clearly defined AEON MALL Vision for 2025. The individual would also have to be young and energetic enough to formulate the next medium-term business plan carrying the company through to the year 2030. This led to the appointment of the new president. In light of what I said earlier, Mr. Iwamura has a proven track record as the head of development in Japan, as well



as the top post in Vietnam, the most important country in ASEAN. These experiences made him an ideal executive for the future of AEON MALL. At the time of his appointment, President Iwamura said, "We will engage strategically in ESG-based management." I believe this statement reflects the birth of a new type of leader. I will do my best to support President Iwamura in the future.

**Muramatsu:** I think President Iwamura was an extremely appropriate choice to succeed President Yoshida. I think the appointment was largely due to his experience in Vietnam, where he refined his foresight and management skills. I think the appointment of the president of the Vietnam operations as president of AEON MALL sent a strong message to the employees in Vietnam, to our business partners, to the markets, and to political leaders. AEON MALL made a clear statement about the importance of Vietnam to the company. I think the choice was timely, not to mention based on President Iwamura's personal qualities. When he returned from Vietnam, he felt that there was a gap between him and the head office. He had a sense of discomfort that the organization he had taken for granted until then was no longer in step with the times. I asked the president to engage in different initiatives to capitalize on this discomfort he felt.

## Round Table Discussion With Outside Directors and Outside Corporate Auditors

**Torii:** I want to address the merits of President Iwamura's appointment. One very important point refers to the topic brought up in this discussion: parent-subsidary public listings. I think this topic also leads to the issue of a conflict of interest between a parent and a subsidiary. In March 2019, former president Yoshida was called to serve concurrently as an executive vice president for AEON Co., Ltd. In this dual role, President Yoshida was very conscious of the issue of conflict of interest, and he engaged in management with the perspective of general shareholders in mind. The appearance, however, gave general shareholders significant concerns about the risk of conflicts of interest. In this regard, President Iwamura has never served as a director at any other group company. Appointing an individual with this high degree of independence brings a significant benefit in terms of parent-subsidary public listings.

The Japanese domestic market will no doubt shrink in the future; now is the time to re-examine the AEON MALL business model. In his inauguration speech and in a message for the employees, as well as at the first Nomination and Compensation Committee held after his appointment, President Iwamura expressed his intention to engage strategically in ESG-based management and to redefine the AEON MALL business domain, or in other words, the scope and fields of the AEON MALL business activities. He also stated that he planned to share his vision for the future goals and shape of the company with the employees. I received these speeches as very promising for the future.

### Aiming for Further Self-Transformation

**Watanabe:** Last, do you have any advice for points on which to focus in the future, initiatives related to evaluations of board of director

effectiveness, or other comments?

**Taira:** I have continued to say that AEON MALL can reinvent itself, can withstand change, can pivot with speed, and can correct its course while still forging ahead. For example, I think the company has true strengths in terms of governance and in establishing systems on the go for the ever-increasing number of overseas subsidiaries. I encourage the company to be bold in self-transformation in the future.

**Kawabata:** I also think AEON MALL has a need for self-transformation. President Iwamura was appointed at the right time, and he has been clear in his intent to redefine the company's business fields. In Japan, AEON MALL may be able to develop new properties, expand floor space, and otherwise remodel existing malls through the year 2025, even amid the sense of crisis that the country is gradually shrinking. However, what lies ahead of us will be difficult to overcome simply through multi-purpose developments. In the end, executing overseas strategy is important. We see Vietnam as the most important country, so we must increase the pace of local development there. AEON MALL has established a model for success that can be expanded horizontally. In addition, I think the company should consider strengthening operations in Cambodia and Indonesia, and even expansion into other ASEAN countries.

And the board of directors must function properly to develop medium- and long-term strategies in support of this expansion. Executive directors can offer strong positions on their respective fields of expertise. However, they may not always have a mindset for what is best or most advantageous for the company as a whole. Executive directors serve the same role as executive officers. They think about management, think about companywide strategies, and monitor the business in addition. I believe a board of directors must

consist of these types of individuals.

We must think about how to strike an ideal balance between monitoring and management in our board. Another pressing issue is how to create a board that consists of at least one-third independent outside directors. The AEON MALL board of directors functions properly and fosters a culture in which each director can discuss medium- to long-term strategy candidly. I intend to continue to offer advice and voice concerns and I encourage President Iwamura to exercise strong leadership in his position. Given the four years he was away from the head office, I think we are in for a refreshing change. I also encourage President Iwamura to evolve and adapt to change. At the same time, I hope to see the board of directors respond to these changes through self-transformation.

**Muramatsu:** Darwin said something to the effect that the only animals that survive are the ones who can change. Not the strongest. Not the most clever. Only the ones who can change. We have discussed management versus monitoring. In my opinion, AEON MALL tends to emphasize management over monitoring. This is probably unavoidable for a developer that makes such enormous investments. However, as the company grows and the organization grows, at some point the head office will become unable to make all of the decisions. There are misgivings that a failure to shift the center of gravity toward governance will result in the collapse of an organization. Of course, matters could evolve in this direction. From this perspective, I wonder whether the human resources system can remain as is or whether drastic changes must be adopted. I have seen and heard of situations in which individuals within the company possess outstanding knowledge, but that knowledge is not accumulated or used effectively. I feel sometimes that this knowledge is not made universal and converted into organizational knowledge. Moving forward, the board of

directors will be asked to operate from this perspective, ensuring knowledge is passed on and used by the organization. An executive officer system may be necessary in this respect.

**Torii:** I am very interested in the future of governance and the structure of the board of directors. I also understand that this is a challenge. I think that AEON MALL has adapted well through the management approach to date, but this approach will become more difficult over time as AEON MALL grows. I would like to see the Nomination and Compensation Committee discuss a transition to the monitoring approach more actively in the future. We will have even deeper discussions about governance for publicly listed subsidiaries and revisions to the Corporate Governance Code this year. I encourage us all to pay more attention to these areas in conjunction with the AEON MALL governance structure. Last, I want to say that cultivating human resources is an important issue as the company grows its business. In particular, AEON MALL needs to strengthen employee training related to overseas business, while also accelerating the advancement of risk management overseas.

**Watanabe:** It's important to confirm that the policies of the new leadership integrate well with the tangible and intangible assets built to date as we advance to the next stage. In addition, as a full-time member of the Audit and Supervisory Board, I will provide information to our independent outside directors and conduct audits of initiatives for improving board of director effectiveness as a publicly listed subsidiary, which has been the focus of this discussion. As well, we will audit whether PDCA is in place and working effectively to ensure risk management that anticipates change in the business environment.

# Corporate Governance

**AEON Mall is building systems to strengthen our corporate governance and speed decision-making to enhance stable, long-term corporate value.**

## Basic Approach

Aeon Mall is a *Life Design Developer*, creating the future of community living as we pursue our basic principle that *the customer comes first*.

Life Design extends beyond the framework of the shopping mall. Life Design addresses functions associated with different life stages of our local customers, including not only shopping, but also interaction with other people, cultural development, and other features contributing to future lifestyles.

AEON MALL builds upon our strengths as a retail business developer, at the same time striving to localize our malls to the characteristics of each community we serve. In this way, we contribute to better lifestyles and community growth in terms of economy and culture. We recognize the importance of corporate governance in accomplishing this vision and we work continually improve our corporate governance structure.

### • Corporate Governance Structure Guidelines

<b>1</b>	We provide a consistent and fair environment to support shareholder rights and the execution of said rights. We work in cooperation with shareholders toward the goal of sustainable growth.
<b>2</b>	Our board of directors and senior management exercise proper leadership in fostering a corporate culture that respects the rights and perspectives of customers and stakeholders, conducts business activities ethically, and engages in a positive approach to ESG and CSR activities.
<b>3</b>	We have created a Disclosure Policy and Rules for Managing Information Disclosure to address disclosure of financial and nonfinancial information. Guided by these policies, we ensure transparency and fairness through appropriate and clear information disclosure.
<b>4</b>	Our board of directors consists of individuals well-versed in the retail business, helping AEON MALL capitalize on our background as a retail developer. We appoint independent outside directors to strengthen our supervisory function and conduct highly transparent business. Our board of directors determines important strategies and measures to achieve our long-term vision and medium- and long-term plans.
<b>5</b>	We incorporate feedback and input received through constructive dialogue with shareholders to improve our corporate value.

## Corporate Governance Structure

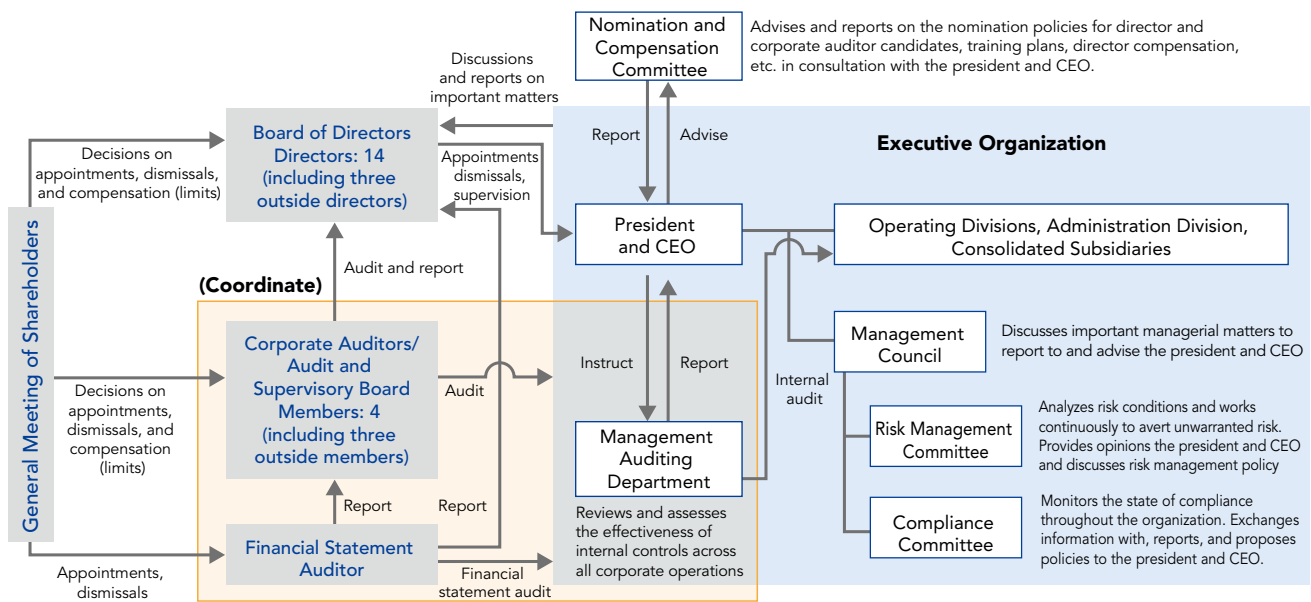
AEON MALL established the Management Council to serve as an advisory body for the president and CEO. This council consists mainly of managing directors and higher, full-time members of the Audit and Supervisory Board, and individuals appointed by the president and CEO. The purpose of this council is to strengthen business strategy functions and ensure a more efficient decision-making process. We bolster management and supervisory functions by holding at least one meeting of the board of directors per month, chaired by the president and CEO.

In addition to these mechanisms, we strive to disseminate information through committees led

by general managers or other managers below the rank of representative director. The purpose of these committees is to ensure efficient business activities. AEON MALL has adopted a corporate auditor system led by outside members of the Audit and Supervisory Board. The board works in coordination with outside financial statement auditors and the Management Auditing Department as part of a structure ensuring a sufficient audit function. Each member of the Audit and Supervisory Board attends board of director meetings, while full-time members of the Audit and Supervisory Board are always present at meetings of the Management Council.



• Corporate Governance Organization Chart (as of Saturday, May 19, 2020)



## Adopting the Corporate Governance Code

At AEON MALL, we strive for higher levels of corporate governance to improve management efficiency, practice sound business management, and grow our corporate value. Specifically, we achieve greater effectiveness in corporate governance through efforts to improve our organization and systems, as well as initiatives to encourage our employees. We implement the principles of Japan's Corporate Governance Code, and we will continue to reach for higher levels of corporate governance.

See the AEON MALL corporate website for more about our Corporate Governance Report and progress to date.

▶ <https://www.aeonmall.com/static/detail/governance/>

## Internal Controls System

### ■ Basic Policies and Organization for Internal Control Systems

AEON MALL emphasizes compliance and respect for the AEON Code of Conduct, fostering improving relations with local communities and meeting our social responsibilities. We have established a Compliance Committee, which is chaired by the general manager of Administration Division. The role of this committee is to ensure group compliance with laws, regulations, our corporate charter, and internal rules. The committee is also responsible for identifying problems and advancing discussions to resolve said problems. Committee proceedings are reported to the Management Council, and matters of note are elevated to the board of directors. Additionally, we have set up the AEON MALL HR 110 helpline as an internal reporting contact

point to protect whistleblowers. Our subsidiaries have helplines that mirror the AEON MALL system. Where unacceptable behavior is proven, we take disciplinary action according to internal rules. We (or the department in question) also draft measures to prevent recurrence, shared for company-wide implementation. The Compliance Committee also receives a report of the measures. The internal audit division determines whether the company and subsidiaries are managed appropriately. The division conducts audits based on Internal Audit Rules, presenting the results to the CEO and full-time members of the Audit and Supervisory Board according to the Internal Audit Rules.

### ■ Operational Status of Internal Control Systems

AEON Mall determines whether our internal control systems function based on a checklist to ensure appropriate operations. The following is a summary of the principle operational status of the company's internal control systems for the period under review. Drawing on the results of the risk survey we conducted in fiscal 2016 and our responses to major incidents, new business domains, and environments, we are building a more effective risk management system by classifying risks according to importance and the need to take countermeasures. We also hold intensive discussions in our Risk Management Committee regarding initiatives implemented by departments responsible. We take measures in advance to mitigate the severity of fires and natural disasters by focusing on safety measures. The company has set up a new Information Security Committee in response to the growth of digitalization and stronger information security measures. This committee has started to hold meetings in conjunction with the Risk Management Committee.

## Corporate Governance

To prevent violations of laws, regulations, and internal rules that pose compliance risks, the Compliance Committee discusses case studies of past violations that have occurred within the company. In this way, we develop measures to prevent recurrence. Discussions during the period under review have centered on measures to prevent harassment in response to changes in relevant laws. We have also addressed approaches to improving workplace environments when AEON Mall properties undergo renovation. To prevent harassment, discussions focused on the status of whistleblowing, the results of morale surveys, and the implementation of compliance training. By reporting the results of these deliberations to the Management Council and the board of directors, we strive to develop more effective initiatives to prevent harassment.

### Managing Board of Director Meetings

In addition to holding regular board of director meetings monthly, AEON MALL convenes extraordinary meetings of the board of directors as deemed necessary. Decisions encompassing substantial risk threatening far-reaching impact on the group are brought to the Management Council for discussion. These decisions are then approved by the CEO and/or by resolution of the board of directors. Executive authority is delegated along with clear management accountability according to Rules for Organization Management, Rules for Segregation of Duties, Rules of Jurisdiction, Rules for Approval Requests, and Rules for Management of Affiliates.

### Strengthening Our Organization to Improve Global Governance

The AEON MALL Group strives to achieve further improvements in global governance. In 2018, we implemented a level of internal control systems in China which are comparable to the systems in Japan. We have also formed a Risk Management Committee and Compliance Department in China. Our Internal Audit Department in China works to strengthen internal control systems in cooperation with the Internal Audit Department in Japan. Risk assessments by the Risk Management Committee were also conducted in ASEAN countries in fiscal 2018. We began building internal control systems in ASEAN in fiscal 2019.

Outside directors inspect our overseas properties in person once or twice annually. Outside directors provide a wide range of advice on the cultivation of human resources, overseas governance, rule-making, and useful case studies.

Through these efforts, we strive to respect human rights and strengthen compliance.

### Criteria for Appointing and Dismissing Officers

The president and CEO proposes director candidates according to the following criteria. The Nomination and Compensation Committee, which consists mainly of outside directors, discusses nominations, which are then presented to the board of directors as agenda items for the general meeting of shareholders. The board makes the necessary resolutions which are submitted to the general meeting of shareholders for approval.

#### (Policies for the nomination of director candidates)

- Internal directors must have the ability, knowledge, experience, and achievements required for their field of specialization. These individuals must also have a sense of balance and judgment that enables them to understand and act across all aspects of business operations.
- Outside directors must have abundant experience and insight in professional specialization. These individuals must have sufficient time to carry out their duties as company directors and possess qualities to provide independent advice and recommendations on the appropriateness of decision-making by the board of directors.

#### (Policies for the nomination of Audit and Supervisory Board candidates)

- Candidates must be aware of business issues based on experience in general business management.
- Candidates must have no interests or business relationships that may affect their execution of duties as a member of the Audit and Supervisory Board.
- Candidates must have considerable knowledge of finance and accounting, or skills, expertise, and experience in a specialized field.

The board of directors elects a CEO who will contribute to effective corporate governance and sustainable growth in medium- and long-term corporate value. The appointment and dismissal of the CEO is decided by a resolution of the board of directors. A candidate for CEO must have an appropriate breadth of experience, insight, and advanced expertise.

The CEO must also have managerial ability and leadership skills sufficient to achieve continuous growth in the company's business.

• Reasons for Election

Name	Reasons for Election
Yasuji Iwamura	Yasutsugu Iwamura has served as President and CEO since 2020, and has knowledge related to global business management and administration that include management experience at AEON MALL Vietnam, which is one of the company's important operating bases in the overseas business. In addition, he has fulfilled roles that contribute to boosting the company's corporate value such as decision-making concerning serious management issues and overseeing business execution. Accordingly, the company nominated him for another term as a candidate for director.
Seiichi Chiba	Seiichi Chiba has extensive expertise related to finance and accounting operations and experience as an executive officer at financial institutions and at AEON CO., LTD., and after serving as senior managing director, he has served as director, vice president of the company since 2019. He is in charge of finance and accounting, as well as the overseas business, and is responsible for the company's overall management and the administration and supervision functions for overseas business. Accordingly, the company nominated him for another term as a candidate for director.
Akio Mishima	Since joining the company, Akio Mishima has engaged in the administration and operation of shopping malls, and in leasing operations, after which he supervised the entire leasing division. After serving as director, he has served as managing director since 2016. Currently, he leads the entire Sales Division as general manager and plays a central role in business expansion utilizing his expertise, extensive experience and achievements. Accordingly, the company nominated him for another term as a candidate for director.
Mitsuhiro Fujiki	Since joining the company, Mitsuhiro Fujiki has engaged primarily in the administration and operation of shopping malls, as well as in leasing operations. He has served as managing director since 2018. He has expertise, extensive experience and achievements and is currently leading the entire Leasing Division as general manager. He also plays a central role in creating new mall spaces. Accordingly, the company nominated him for another term as a candidate for director.
Mitsugu Tamai	Mitsugu Tamai has extensive knowledge and work experience related to finance and accounting operations and the administration of overseas corporations. He also has experience as a director and Audit and Supervisory Board member of AEON Group companies, and has served as managing director of the company since 2019. Furthermore, he has knowledge and achievements related to business management overseas. Accordingly, the company nominated him for another term as a candidate for director.
Hisayuki Sato	Hisayuki Sato has engaged in development operations both in Japan and in China and has experience in managing Chinese subsidiaries. He also has served as managing director of the company since 2019. In light of his actual results in and contributions to business management overseas, the company nominated him for another term as a candidate for director.
Motoya Okada	Motoya Okada is director, chairman and representative executive officer of AEON CO., LTD. and AEON CO., LTD. He is a major shareholder (parent company) of the company. Okada is also a director and advisor of AEON Retail Co., Ltd., which is a sister company of the company and is a tenant of the company.
Masahiko Okamoto	Masahiko Okamoto has engaged in personnel and general affairs. Based on the expertise and experience that he gained, he has served as director, general manager of the Administration Division since 2018. He promotes personnel training and compliance with the Corporate Governance Code, and is in charge of further promoting and strengthening the governance system and personnel system within the company. Accordingly, the company nominated him for another term as a candidate for director.
Hiroshi Yokoyama	Hiroshi Yokoyama has experience with real estate operations at a financial institution and, since joining the company, has engaged in finance and accounting operations. He has been serving as director, general manager of the Development Planning Management Department, Development Division since 2017. He has extensive achievements and experience related to real estate development and finance. Accordingly, the company nominated him for another term as a candidate for director.

Name	Reasons for Election
Akiko Nakarai	Since joining the Company, Akiko Nakarai has been engaged mainly in the administration and operation of shopping malls, and since 2018, she has been director, general manager of Digital Promotion Management Department, Sales Division. She also has expertise related to general sales and management experience at a subsidiary. Accordingly, the company nominated her for another term as a candidate for director.
Tatsuya Hashimoto	Since joining the company, Tatsuya Hashimoto has engaged primarily in the administration and operation of shopping malls and in leasing operations. He has served as president of AEON Mall (Jiangsu) Business Management Co., Ltd. since 2018. He has business experience and expertise related to general sales cultivated in Japan and overseas, and his experience with initiatives to improve convenience and productivity through promotion of the shift to digital markets at Chinese subsidiaries. Accordingly, the company nominated him as a new candidate for director.
Masao Kawabata	Masao Kawabata provides appropriate advice and supervision related to company management from a broad perspective using his international mindset, extensive experience, etc., gained while engaging in PR/IR and risk management operations at another company and as a business manager of subsidiaries in various overseas countries. Accordingly, the company nominated him for another term as a candidate for outside director.
Kunihiro Koshizuka	Kunihiro Koshizuka is engaged in technological strategies, creation of new businesses, large acquisition projects and other important operations at another company. The company judges that he will be able to provide appropriate advice and supervision related to company management using his knowledge, expertise and experience in digital and scientific technologies gained as an engineer. Accordingly, the company nominated him as a new candidate for director.
Yasuko Yamashita	Although Yasuko Yamashita does not have past experience of involvement in the direct management of a company, the company believes she will be able to provide advice and supervision for the management of the company by utilizing her good judgment as an accounting expert developed as a certified public accountant and judicial scrivener. She also has work experience as a member of the Audit and Supervisory Board at other companies. Accordingly, the company nominated her as a new candidate for director.
Maki Watanabe	Maki Watanabe has extensive experience in accounting at AEON CO., LTD. and has served as an Audit and Supervisory Board member at various AEON Group companies. We believe she will continue to contribute her expertise and experience to AEON MALL management.
Takao Muramatsu	Takao Muramatsu contributes advice and oversight based on his extensive knowledge in tax matters stemming from his experience at the Regional Taxation Bureau, as well as his experience as a member of the Audit and Supervisory Board at other companies. He will continue to contribute his expertise and experience to Aeon Mall management. We have determined that, although he lacks past involvement in direct corporate management, for the reasons outlined above, he will discharge his duties as an outside member of the Audit and Supervisory Board and we have nominated him accordingly.
Emi Torii	Emi Torii is an attorney having specialized knowledge of corporate legal affairs. We have nominated her believing she will contribute here viewpoint as a legal expert for the benefit of AEON MALL. We believe she qualifies as an independent officer having no relationships that may result in a conflict of interest. We have determined that, although she lacks past involvement in direct corporate management, she will discharge her duties as an outside member of the Audit and Supervisory Board and we have nominated her accordingly.
Masato Nishimatsu	The company judges that Masato Nishimatsu's broad understanding and specialist knowledge gained in the AEON Group companies would help him provide supervision and effective advice related to company management. Accordingly, the Company nominated him as a candidate for member of the Audit and Supervisory Board.

## Corporate Governance

### Independence Standards

AEON MALL complies with the independence standards established by the Tokyo Stock Exchange for the appointment of independent outside directors. We have designated four outside directors (two directors and two members of the Audit and Supervisory Board) as independent officers, filing our designations with the Tokyo Stock Exchange.

#### ■ Independence Standards for Outside Directors

1. Candidates must not have served as an executive officer of any of the company's group companies in the 10 years prior to appointment as an outside director.
2. Any individuals who have served as a director, accounting specialist, or as an Audit & Supervisory Board member of the company and/or its subsidiaries at any time in the 10 years prior to appointment (excluding those who have served as Aeon Mall Group Executives) have not served as an executive officer of the company and/or its subsidiaries for a period of 10 years prior to appointment as director, accounting specialist, and/or Audit & Supervisory Board member.
3. Candidates must not fall under any of the following conditions:
  - (1) Directors of AEON MALL's parent company or parent company subsidiaries (excluding AEON MALL or AEON MALL subsidiaries), etc.
  - (2) Individuals who are spouses or relatives within the second degree of kinship of an AEON MALL Group executive
4. Candidates must not fall under any of the following conditions:
  - (1) An individual regarded as a major customer or executive officer of a major customer of AEON MALL or subsidiaries (a customer representing one percent or more of the AEON MALL's consolidated sales for the most recent fiscal year)
  - (2) A major customer or executive officer of a major customer of AEON MALL or subsidiaries
  - (3) A consultant, accounting expert, or legal expert receiving from AEON MALL or subsidiaries a sum, other than corporate officer remuneration, of ¥10 million or more in monetary or other property
5. Candidates must not fall under any of the following conditions for three years prior to appointment:
  - (1) Any conditions provided under 4.(1) to (3)
  - (2) Executives or non-executive directors of the AEON MALL parent company
  - (3) Executives of a subsidiary of the AEON MALL parent company (excluding AEON MALL or AEON MALL subsidiaries)
6. Spouse or relative within the second degree of kinship of an individual falling under any of the following conditions:
  - (1) Any conditions provided under 5.(1) to (3)
  - (2) AEON MALL Group executives
  - (3) Executives or non-executive directors of the AEON MALL parent company
  - (4) Executives of a subsidiary of the AEON MALL parent company (excluding AEON MALL or AEON MALL subsidiaries)
  - (5) Individual who has served as an AEON MALL Group executive with in three years prior to his or her appointment

### Board Member Training Policies, Outside Director Support System

AEON MALL provides senior manager training and other opportunities for directors and members of the Audit and Supervisory Board to cultivate stronger leadership skills and strategic business thinking, as well as to gain a stronger understanding of compliance and governance. These trainings include seminars for newly appointed officers and top company management.

Newly appointed outside directors and outside members of the Audit and Supervisory Board are provided with mall tours and training to develop an understanding of the industry, history, businesses, financial situation, strategies, and organization of the AEON MALL Group and the AEON Co., Ltd. Group. The Company provides overseas tours of business operations at least once per year to outside directors and outside members of the Audit & Supervisory Board. The purpose of these tours is to deepen an understanding of our overseas strategy, which is a foundational part of our corporate policy.

The General Affairs department provides support to outside directors and outside members of the Audit and Supervisory Board. In addition, the department assigns two staff members responsible for assisting members of the Audit and Supervisory Board (including outside members). To ensure effective discussions within the



limited time of board of director meetings, we provide directors with agenda materials and explanations prior to meetings, as well as other appropriate information when deemed necessary.

## Succession Plan

We have established Nomination and Compensation Committee, consisting mainly of outside directors, to investigate training and other programs addressing standards, career paths, and training necessary for individuals with management responsibility (including candidates). Combined with board of director meeting deliberations, the system is designed to ensure highly transparent and fair procedures.

## Evaluating Board of Director Effectiveness

To ensure effective and strong corporate governance, the company verifies the degree to which directors contribute to the board of directors. Further, the board of directors itself analyzes and evaluates its own effectiveness by identifying issues and implementing improvements.

### 1. Analysis and Evaluation Process

The company conducts questionnaire-based self-assessments regarding the effectiveness of the board of directors, working with third-party organizations to analyze the responses obtained. Responses are also verified and discussed at meetings of the board of directors through an exchange of opinions and discussions led by outside directors.

### 2. Overview of Analysis and Evaluation Results

Board of director meetings function appropriately. Board meetings follow proper agendas and allow sufficient time for active discussions among directors and corporate auditors who have a diverse background of opinions and experiences.

### 3. Response Going Forward

AEON MALL strives to enhance the quality of deliberations conducted by the board of directors and the board's effectiveness by working to improve global governance and risk management to support appropriate risk-taking as we expand the scale of our overseas operations. Moreover, the company implements measures to improve the functions of the board of directors.

## Officer Compensation

Director compensation consists of a base component and a performance-linked component, the maximum amounts of which are determined via resolution at the general meeting of shareholders. Payments are made within the scope approved and in consideration of job responsibilities, earnings performance, and other factors.

The Nomination and Compensation Committee focuses mainly on outside directors and reviews the adequacy of director evaluations, compensation rates and levels, and specific compensation amounts. Compensation for members of the Audit and Supervisory Board is made within the scope approved at the general meeting of shareholders, subsequent to negotiations with said members.

- Compensation for Directors and Audit & Supervisory Board Members (FY 2019)

Classification	No. of Officers	Amount of Compensation (thousands of yen)
Directors (No. of outside directors)	13 (2)	308,002 (14,100)
Audit & Supervisory Board Members (No. of outside members)	4 (4)	23,900 (23,900)
Total (No. of outside directors)	17 (6)	331,902 (38,000)

Note 1: Data to the left does not include one director and one member of the Audit and Supervisory Board.

#### 2. Resolutions of the General Meeting of Shareholders

Directors Maximum monetary compensation

¥600 million per year

Maximum stock-linked compensation

¥100 million per year

(Resolutions of the General Meeting of Shareholders held Thursday, May 17, 2007)

Corporate auditors Maximum compensation

¥50 million per annum

(Resolutions of the General Meeting of Shareholders held Wednesday, May 8, 2002)

#### 3. Total compensation shown to the left includes the following:

- The projected bonus amount for directors is ¥75,400,000 (for 11 directors who were current as of February 29, 2020; one director without pay and two outside directors not included)
- Stock option compensation: ¥25,062,000 (for 10 directors as of May 10, 2019, one director without pay and two outside directors are not included)

## Corporate Governance

### Cross-Shareholdings

The AEON MALL policy on cross-shareholding is to hold shares for the purpose of contributing to improved AEON MALL Group corporate value over the medium and long term. This policy considers a number of factors including business strategy and business relationships. We review individual cross-shareholdings on an annual basis, considering the purpose for holding shares, whether share dividend income exceeds the cost of capital, risks involved in holding shares, and transactions with the issuing party. These factors are part of determining the overall benefits of holding shares for the long term. This annual review is conducted by the board of directors, the final determination of which we disclose publicly. When exercising voting rights of cross-held shares, we verify whether each proposal contributes to the medium- and long-term improvement in AEON MALL corporate value and whether said proposal holds the potential to damage our corporate value. As necessary, we hold discussions with the issuing company as part of our overall decision-making process.

### Policy on Measures to Protect Minority Shareholders in Conducting Transactions with the Controlling Shareholder

AEON MALL belongs to a corporate group consisting of AEON Co., Ltd. (pure holding company) and AEON Co., Ltd. consolidated subsidiaries and equity-method affiliates. The AEON Group provides comprehensive financial, development, services, and other businesses focusing on retail in the GMS sector. AEON MALL is a core group company responsible for the development business. AEON Co., Ltd. is responsible for developing group strategy, allocating group management resources optimally, overseeing and instilling group management philosophies and basic principles, and providing shared group services to maximize group synergies. At the same time, AEON MALL and other group companies strive to become more skilled in our respective specialties and engage community-focused business to reach new levels of customer satisfaction. AEON MALL leverages the more than ¥8 trillion in group revenues to increase customer drawing power, using the AEON Group infrastructure, including the AEON Card and the WAON electronic money service, to conduct marketing promotions.

The Company makes our own independent management decisions related to daily business operations.

We confer with or report to AEON Co., Ltd. concerning key management issues. AEON MALL maintains a close and cooperative relationship with AEON Co., Ltd. and other group companies, embracing a mutual respect for self-reliance and independence as we collectively strive for sustainable growth, development, and improved earnings.

We believe that cooperating with group companies and maximizing synergies in this way will yield benefits to minority shareholder interests.

### Related-Party Transactions

AEON MALL has established a system to ensure transactions with officers or major shareholders (related-party transactions) do not infringe on the interests of the company or our shareholders.

We carefully investigate in board of director deliberations whether competitive transactions by directors and transactions involving conflicts of interest with directors and AEON MALL infringe on the interests of AEON MALL or our shareholders. Our investigations include consulting with experts regarding the reasonable nature of the transactions in question. We ensure fairness in this process through a number of means, including recusing directors having special interests in transactions with AEON MALL from voting in the resolution.

When we enter into transactions with related parties, we clarify the identity of such parties in our Related Party List according to the provisions of our Rules for Managing Related Party Transactions. We ensure objectivity in transaction terms through rules that include providing comparison tables in period-end financial reports that show examples of transactions with non-related parties. According to the importance and nature of the transaction in question, we comply with our Authority Rules in soliciting opinions from outside directors and members of the Audit and Supervisory Board during board of director meetings regarding the rationality (business purpose) and reasonable nature of the transaction terms. On an annual basis, we investigate the rationality and reasonableness of transactions, issuing a report on the annual increase or decrease in transactions with related-party companies.

### Compliance Promotion System

The Company emphasizes compliance and respect for the AEON Code of Conduct, fostering improving relations with local communities and meeting the

company's social responsibilities.

AEON MALL has established a Compliance Committee, which is chaired by the general manager of Administration Division. The role of this committee is to ensure group compliance with laws, regulations, our corporate charter, and internal rules. The committee is also responsible for identifying problems and advancing discussions to resolve said problems. Committee proceedings are reported to the Management Council, and matters of note are elevated to the board of directors.

In addition, we have introduced the Helpline AEON MALL HR 110 Hotline (our labor union has launched a separate Union 110 Hotline). We will install similar helpline systems at our subsidiaries in the future. We ensure that users of this helpline are not subject to reprisal. In the event a report is filed via this hotline, we carefully investigate the details reported. Where unacceptable behavior is proven, we take disciplinary action according to internal rules. We (or the department in question) also draft measures to prevent recurrence, shared for company-wide implementation. The Compliance Committee also receives a report of the measures.

## Initiatives to Prevent Corruption

All executives and employees agree that the group will not pursue profit through bribery or other fraudulent means under any circumstances.

Although group officers and employees abide by internal rules and regulations established by AEON MALL and each group company, each individual in our group promises to consider, judge, and take action in line with social justice when asked to comply with a demand by public officials or others.

Group executives and employees must not damage our corporate culture by furnishing benefits, paying expenses, making donations, or providing aid for improper purposes. Executives and employees must also refrain from improper behavior that could impede the healthy advancement of any particular country or region. Finally, executives and employees recognize that any such behavior will have an adverse effect the group's approach to compliance.

Group officers and employees affirm their strong commitment and dedication to high ideals, approaching anticorruption in a serious and sincere manner.

Toward the implementation of these principles, AEON MALL has established the Basic Rules for the Prevention of Bribery. Officers and employees of the group comply with

and follow these rules as a code of conduct.

To instill and enshrine corporate ethics in our company, we provide training to directors and employees at every level of our organization. We also incorporate corporate ethics into the behavior evaluation sections of our goal management system.

## Communications with Shareholders and Investors

### ■ Disclosure policy publication

AEON MALL has created a disclosure policy (IR Information Disclosure Policy) publishing our basic policy, information disclosure criteria, information disclosure method, and investor relations quiet periods.

▶ <https://www.aeonmall.com/ir/>

### ■ Regular information meetings for individual investors

We conduct information meetings for individual investors.

### ■ Regular information meetings for analysts and institutional investors

We conduct information meetings on a quarterly basis. These meetings are presided over by the CEO and director in charge of investor relations.

### ■ Regular information meetings for overseas investors

In addition to preparing an English version of our integrated report, we also publish an English version of our investor relations website and make various materials available in English simultaneously with Japanese. AEON MALL has established a Compliance Committee, which is chaired by the general manager of Administration Division. The role of this committee is to ensure group compliance with laws, regulations, our corporate charter, and internal rules. The committee is also responsible for identifying problems and advancing discussions to resolve said problems. Committee proceedings are reported to the Management Council, and matters of note are elevated to the board of directors.

### ■ Investor Relations website

AEON MALL publishes financial data, timely disclosure documents, securities reports, quarterly financial results, communications to shareholders, and audio broadcasts of financial results briefings via our corporate website.

### ■ Investor relations department and manager

The AEON MALL IR Group is positioned under the Management Planning Department, responsible for company disclosures. (Tel. +81-43-212-6733)

### ■ Other

AEON MALL conducts individual meetings with domestic and overseas investors and securities analysts. In addition, we offer AEON MALL tours when arranged in advance.

## Corporate Governance

### Risk Management

#### ■ Risk Management Promotion Structure

The president and chief executive officer is responsible for overall risk management. In addition, the head of each business unit is responsible for risk management at each unit. The structure provides a system and environment ensuring business continuity and the safety of human life. The group has created Rules to Manage Business Risk Management to prevent crises and minimize damages in the event of a crisis, striving to reduce risk and mitigate any damages. We have established teams to address risk management by category, and we strive to prevent damage to our brand value and improve overall corporate value by managing risks of loss for the group as a whole. When an emergency presents the risk of significant loss, we engage in appropriate information sharing and decision-making according to our Rules to Manage Business Risk Management, taking proper steps to minimize damage.

The group has established the Risk Management Committee, chaired by the HQ general manager of administration, as an organization to manage risk for the group. This committee is responsible for identifying issues related to risk management at the group level, engaging in discussions for potential solutions. Reports of the Risk Management Committee proceedings are provided to the Management Council, which is an advisory body to the CEO consisting of directors above the rank of executive managing director, full-time members of the Audit & Supervisory Board, and individuals appointed by the CEO. In addition, important issues are also reported to the board of directors and presented in our annual report. The department in charge of internal auditing creates an annual audit plan according to the Internal Audit Rules and conducts internal audits to enhance the effectiveness of risk management. The department also reports the results of the annual audit to the board of directors.

#### ■ Business Risk

We focus on major issues, such as those included under Business Overview and Financial Information in our securities report that may have an important impact on investor investment decisions. However, risk and uncertainty that may influence future performance and financial condition may not be limited to these risks. Matters in the report regarding the future are determined by AEON MALL Group as of the date that the Securities Report was submitted (May 20, 2020).

#### 1. Relationship with AEON Co., Ltd. and affiliated companies ("AEON Group Companies")

Risks related to business transactions with AEON Co., Ltd., and AEON Group Companies

AEON Retail Co., Ltd. accounted for 10.4% of the operating revenue of AEON MALL Group for the fiscal year ending February 2020. AEON Group Companies excluding AEON Retail Co., Ltd. accounted for 10.7%. The role of strong anchor tenants that attract customers is extremely important in mall development. The AEON MALL Group utilizes our close relationship with AEON Co., Ltd. to work with AEON, a supermarket operated by AEON Retail Co., Ltd., as an anchor tenant. We expect the supermarket to continue to be an anchor tenant at the shopping malls that our group develops in the future.

As described above, the relationship of AEON MALL Group with AEON Co., Ltd. and AEON Group Companies is beneficial for mall development by AEON MALL Group in attracting anchor tenants. However, the business performance, store opening and closing policies, etc., of AEON Group Companies may influence the business performance of AEON MALL Group.

#### 2. Risks to business growth related to securing human resources

The AEON MALL Group grows our domestic business through the increase of business locations and enhancement earnings capacity. We are also building a foundation for expansion in China and the ASEAN



region, which are new growth markets.

We aim to secure human resources in connection with business expansion through in-house training, enhancement of recruitment by the Group, and the recruitment of employees from AEON Co., Ltd. and AEON Group Companies. However, if sufficient human resources cannot be secured, achieving the expected growth may be a challenge.

### 3. Legal regulations

#### (1) Restrictions set by the City Planning Act and Large-Scale Retail Stores Location Act

AEON MALL Group pursues community-based mall development through cooperation with local governments. The City Planning Act limits large-scale stores exceeding 10,000m<sup>2</sup> to commercial districts, neighborhood commercial districts, and quasi-industrial districts. Large-scale stores are not permitted in districts not designated as any of the above. Construction of a large-scale store in non-zoned city planning district or quasi-city planning district requires a special permit issued by the governor of the relevant prefecture, etc., or relaxed zoning restrictions by district planners. Such legal restrictions could adversely affect plans for AEON Mall openings.

#### (2) Changes to real estate tax laws

Changes in real estate tax laws could result in higher costs for real estate acquisition and sales. Such increases could adversely influence the business performance of AEON MALL Group.

### 4. Business

#### (1) Period required for a mall development

Mall development requires time to complete a broad range of preparations in the leadup to store opening. Preparations include market surveys, site selection and procurement through negotiation with the landowners, legal procedures, construction, and tenant recruitment. Lack of progress or interruptions in mall development could adversely affect the business performance of AEON MALL Group.

#### (2) Risks accompanying the increase of real estate prices, etc.

The AEON MALL Group acquires or leases real estate in the form of land and buildings. If the price of real estate increases, costs related to the acquisition or lease of real estate can also be expected to increase. This increases the risk of holding real estate due to the revision of real estate-related laws and accounting standards, which could adversely affect the business plans, financial condition, and business performance of the group.

#### (3) Environmental pollution at mall development sites previously used for industrial purposes

The AEON MALL Group uses industrial sites for mall development. If environmental pollutants are identified through environmental surveys, we remove the pollutants and costs are borne by the seller of the land or the landowner. However, the discovery of new pollutants slows the speed of mall development, and this could adversely affect the business performance of the group.

#### (4) Risks related to usability of the land for mall development

Business growth of the group depends on the continued development of new malls. A slowdown in plans for large-scale mall development could reduce the speed of development by the group.

#### (5) Risks related to domestic market/economic trends and population shifts

Major group mall tenants are engaged in the retail and service industry. Demand tends to be influenced by economic and personal consumption trends. Therefore, a worsening of the Japanese economy, unexpected stiff competition with other malls, or changes in markets could adversely affect the business performance of the group.

#### (6) Risks related to unseasonable weather and the increase of consumption tax rate

A decrease in consumer spending during an unseasonably cool summer or warm winter, or an increase in consumption tax leading to a slump in

## Corporate Governance

tenant sales and decrease of rent income for AEON MALL, could adversely affect the business performance of AEON MALL Group.

(7) Risks related to competition with other companies  
Intensified competition with other real estate developers and general retail operators could have a negative influence on the projects, financial condition, and business performance of the AEON MALL Group.

(8) Risk related to business partners

The AEON MALL Group has paid security and other deposits to the owners of the land and buildings that we rent. We also hold accounts receivable from mall tenants. While we conduct appropriate partner credit management, a worsening of the financial condition of the owners of land and buildings could make it difficult to recoup lease and security deposits. A worsening in tenant credit could result in credit losses. Any of these factors could adversely affect the business performance of the group.

(9) Risks related to tenant management

Tenants opening stores at our malls cover a wide range of business. Examples include clothing, general merchandise, food, etc. While we make every effort to ensure that tenants exercise sufficient quality management of products, services, and hygiene control, a loss of customer confidence due to failures or defects in products and services could reflect poorly on our reputation and adversely influence the business performance of the group.

(10) Risks of information system stoppages

Information systems have been increasing in importance in the business activities of the AEON MALL Group. We have endeavored to protect systems and data through the aggregation of data into a data center, the multiplexing of servers and networks, and security improvements. However, damage to the data center by large-scale earthquake or other natural disasters or failures occurring in the information system may interrupt business activities and adversely influence the business performance and financial condition of the group. To mitigate this risk, we established the Data Center No.2 as a backup center in west Japan during the fiscal year ended February

2013. This data center redundancy allows for the stable operation of our information systems, even if one data center is damaged or rendered inoperative. We have further enhanced the business continuity plan (BCP) of the group to minimize the impact of emergencies on business activities.

(11) Personal information management

We manage personal information obtained from customers through the strict implementation of in-house regulations and management manuals, as well as thorough employee education. Unexpected accidents that lead to the leakage of personal information could undermine the credibility of the group and adversely influence business performance.

(12) Risks related to compliance

The AEON MALL Group conducts business in accordance with the laws and regulations specified by individual countries and regions. AEON MALL established a Compliance Committee to increase employee awareness of compliance both at home and abroad. However, there is always the possibility of risk in our management system. Problems in our management system related to the violation of laws and regulations could adversely affect business activities and the performance of the group. In addition, illegal acts by employees could adversely affect business performance and the social credibility of the group.

(13) Risk related to natural disasters and accidents

The AEON MALL Group operates three malls in Wuhan, China, where suspensions of public transportation, restrictions on non-essential travel outside the home, school closures, and government office closures have continued since December 2019 due to the outbreak of COVID-19.

The risk of infection is increasing in Japan, and there are concerns about the overall impact on consumer activities due to the nationwide closures of elementary, junior high and high schools, the cancellations of various large-scale events, telework and stay-at-home rules, and travel bans. In addition to the major social impact of this pandemic, fires, earthquake disasters, riots, or terrorist acts could interfere with the

group's ability to conduct business. Such damage, fire destruction, or deterioration could interfere in mall operations for a certain period of time.

The AEON MALL Group conducts seismic retrofitting, improves and communicates Risk Management Rules to respond to natural disasters, the outbreak of disease, and accidents, and conducts disaster prevention drills to prepare for large-scale earthquakes and terrorism. We enhance and improve our risk management structure to minimize damage in emergencies. However, depending on conditions, such risks could adversely affect the business performance of the group. The AEON MALL Group has fire insurance that covers the malls we operate and profit insurance that covers loss of rent due to fire, flood, and other large-scale disasters. However, no insurance company is capable of offering earthquake insurance under financially sustainable conditions due to the large size of our malls. Therefore, we do not have earthquake insurance that compensates completely for maximum damage. Damage, loss, and deterioration of SC buildings caused by large-scale earthquakes could adversely affect business performance of the group.

#### (14) Overseas business expansion

The AEON MALL Group expands mall business in overseas markets as part of our business strategy, focusing on China and ASEAN. Overseas business activities could adversely affect the business performance of the group due to social, political or economic conditions caused by economic trends, changes in exchange rates, unexpected changes in laws and regulations regarding investment, trading, competition, taxation, and foreign exchange, differences in business practices and labor-management relations, the occurrence of terrorism and civil war, COVID-19 or other infectious diseases, abnormal or unseasonable weather, etc.

## 5. Finances

### (1) Changes in performance due to interest rate conditions

The AEON MALL Group pursues fixed-rate loans to raise funds from financial institutions. As of the end of

the fiscal year ended February 2020, ¥549,428 million (99.9%) of ¥550,096 million in outstanding debt, including commercial paper and corporate bonds, is in fixed-rate loans. If interest rates increase or interest related to variable interest rate loans increases, costs to procure funds for refinancing and new development could adversely affect the business performance of the group.

### (2) Risks related to exchange rate fluctuations

The AEON MALL Group has 37 overseas consolidated subsidiaries as of the end of the fiscal year ended February 2020. Foreign currency-denominated figures related to the overseas subsidiaries shown in the consolidated financial statements of the group are converted into Japanese yen. Therefore, our consolidated financial statements are affected by changes in exchange rates between Japanese yen and other currencies. A significant change in exchange rates could adversely affect the financial condition and business performance of the group.

### (3) Capital procurement

AEON MALL Group may add more debt or increase capital for mall development based on our growth strategy. However, a general recession in market conditions or economies, damage to group credibility, or a negative business forecasts could raise barriers to obtaining financing under favorable conditions for the group in a timely manner. These factors may prevent us from procuring capital.

### (4) Risks related to asset-impairment accounting

The Group applies the Accounting Standard for Impairment of Fixed Assets ("Impairment Accounting Standards," below), first announced in August 2002. Operating losses at each business location, significant declines in market prices for land, vacancies caused by the closing of tenant stores, or a significant deterioration in the business environment could cause impairment losses and adversely affect the financial condition and business performance of the group.

# 11-Year Financial and Non-Financial Highlights

Consolidated fiscal years beginning March 1 and ending the last day of February

	2009	2010	2011	2012	2013
<b>Consolidated Fiscal Year</b>					
Operating revenue	138,942	145,117	150,886	161,427	176,931
Operating income	37,201	39,651	40,656	41,743	42,227
Operating margin (%)	26.8	27.3	26.9	25.9	23.9
EBITDA	55,670	59,373	61,395	63,365	66,173
Segment profit					
China	—	—	—	—	—
ASEAN	—	—	—	—	—
Japan	—	—	—	—	—
Net income attributable to owners of parent	21,809	22,379	20,355	21,865	23,430
Capital expenditure	73,507	54,762	73,044	53,536	114,859
Depreciation and amortization	18,469	19,721	20,739	21,621	23,945
Cash flows from operating activities	72,001	53,007	23,248	63,226	44,382
Cash flows from financing activities	37,687	(27,315)	25,889	35,493	17,232
Free cash flow	(3,876)	17,100	(45,075)	(6,525)	(2,761)
Cash and cash equivalents	37,898	27,631	8,440	39,292	59,096
<b>Per-Share Data</b>					
Net income	120.41	123.55	112.37	120.70	106.96
Net assets	873.45	976.65	1,069.25	1,187.14	1,295.30
Dividends	20.00	20.00	21.00	22.00	22.00
<b>Consolidated Fiscal Year-End</b>					
Total assets	503,546	517,218	543,761	630,887	759,245
Net assets	158,816	177,617	194,474	217,776	298,526
Equity	158,202	176,896	193,683	215,046	295,124
Interest-bearing debt	167,376	143,691	179,911	220,146	190,366
<b>Financial Indicators</b>					
Equity ratio (%)	31.4	34.2	35.6	34.1	38.9
ROE (Ratio of net income to equity) (%)	14.6	13.4	11.0	10.7	9.2
ROA (Ratio of net income to total assets) (%)	4.5	4.4	3.8	3.7	3.4
ROIC (Return on invested capital) (%)	—	—	—	—	—
D/E ratio (times)	1.1	0.8	0.9	1.0	0.6
Net D/E ratio (times)	0.8	0.6	0.8	0.8	0.5
PER (Price earnings ratio) (times)	13.3	17.8	16.4	19.0	26.3
PBR (Price book-value ratio) (times)	1.8	2.2	1.7	1.9	2.2
<b>Non-Financial Indicators</b>					
No. of malls (Japan/Overseas)	53 (52/1)	56 (54/2)	59 (57/2)	64 (61/3)	138 (133/5)
New malls (Japan/Overseas)	2 (2/0)	4 (3/1)	3 (3/0)	3 (2/1)	7 (5/2)
No. of reactivated malls (floor space expansion/renovation)	6 (0/6)	12 (1/11)	9 (1/8)	5 (1/4)	11 (0/11)
No. of urban SCs	—	—	—	—	—
Total leasing area (m <sup>2</sup> )					
Japan	3,123,800	3,319,500	3,434,400	3,498,400	6,615,900
Overseas	53,000	108,000	108,000	170,000	283,300
Total	3,176,800	3,427,500	3,542,400	3,668,400	6,899,200
Disaster-relief malls owned/operated (malls)	—	—	—	—	4
Energy consumption (crude oil equivalent kl)	116,741	126,338	100,683	96,083	100,598
Energy consumption intensity (denominator: floor space/mall operating hours) (GJ/1,000 m <sup>2</sup> x h)	0.774	0.779	0.585	0.539	0.510
Energy consumption intensity YoY (%)	—	100.55	75.14	92.21	94.62
Waste output volume (t)	—	53,194	53,391	56,183	58,227
Waste recycling volume (t)	—	44,723	44,106	46,603	48,467
Waste recycling rate (%)	—	84.1%	82.6%	82.9%	83.2%
Water consumption (m <sup>3</sup> )	3,250,520	3,406,449	3,218,670	3,183,332	3,328,665
Water consumption intensity (denominator: floor space/mall operating hours) (m <sup>3</sup> /1,000 m <sup>2</sup> x h)	0.56	0.54	0.48	0.46	0.44
Trees planted (Japan, Overseas, ASEAN)	2,603,000	2,634,000	2,654,000	2,695,000	2,788,000
No. of malls with EV charging stations (Japan, China, ASEAN)	1	2	8	25	35
No. of EV chargers (Japan, China)	1	2	13	60	103
No. of employees (consolidated)	646	685	804	1,042	1,689
No. of female managers	48	56	65	79	99
Ratio of female managers to total managers (%)	—	—	—	—	12.5
No. of female officers	—	—	—	—	—
Ratio of female officers to total officers (%)	—	—	—	—	—
No. of local staff members overseas	—	—	—	—	392

Note: Amounts in U.S. dollars are for convenience only, calculated at an exchange rate of ¥109.45 to US\$1 on February 29, 2020.

\* AEON MALL issued 23.5 million and 2.5 million in new shares on June 19, 2013 and July 12, 2013, respectively. AEON MALL conducted a 1.1 for 1 split for common shares on August 1, 2013. Accordingly, fiscal 2012 net-income per share has been calculated assuming this stock split occurred as of the first day of fiscal 2012.

\* Due to a change in fiscal year, fiscal 2012 consists of the 12-month-eight-day period from February 21, 2012 to February 28, 2013.

\* Figures for energy, waste, and water do not include those for PM contracted malls. Rates provided use multipliers including floor space of common areas and back areas.

\* Energy consumption, energy consumption intensity, and energy usage reduction figures prior to FY2017 are fiscal April through fiscal March figures in conformance with the regular reporting requirements of the Act on the Rational Use of Energy. Calculations of FY2018 figures are based on results from March through February.



	2014	2015	2016	2017	2018	2019	2019
						Millions of Yen	Thousands of U.S. Dollars (Note)
	203,902	229,754	269,793	288,111	312,976	324,138	2,961,521
	41,872	43,870	44,935	49,211	52,987	60,794	555,456
	20.5	19.1	16.7	17.1	16.9	18.8	18.8
	71,447	75,959	82,993	87,654	101,732	117,653	1,074,947
	(3,529)	(4,448)	(3,451)	(1,132)	(453)	5,622	51,367
	(944)	(1,013)	(348)	248	999	2,686	24,546
	46,346	49,322	48,716	50,074	52,415	52,460	479,313
	24,513	24,639	28,527	30,542	33,538	34,239	312,832
	181,953	207,215	163,407	190,100	217,101	99,633	910,313
	29,574	32,088	38,058	38,443	42,640	56,858	519,494
	76,152	61,785	73,646	80,616	90,600	133,645	1,221,066
	54,994	73,446	8,312	44,841	91,199	22,808	208,388
	(51,353)	(84,547)	10,072	(61,393)	(85,589)	37,862	345,930
	67,222	53,652	69,593	54,223	55,414	114,368	1,044,942
						Yen	U.S. Dollars (Note)
	107.58	108.43	125.45	134.29	147.45	150.50	1.37
	1,438.25	1,481.77	1,539.36	1,642.59	1,685.46	1,731.11	15.81
	22.00	22.00	27.00	35.00	38.00	40.00	0.36
						Millions of Yen	Thousands of U.S. Dollars (Note)
	900,957	974,970	1,012,758	1,123,781	1,203,211	1,381,217	12,619,624
	332,536	339,849	356,203	385,561	394,059	404,522	3,695,956
	327,708	333,547	350,073	373,572	383,393	393,849	3,598,438
	253,798	334,406	360,292	405,749	506,975	666,076	6,085,669
	36.4	34.2	34.6	33.2	31.9	28.5	
	7.9	7.5	8.3	8.4	8.9	8.8	
	3.0	2.6	2.9	2.9	2.9	2.6	
	4.9	4.5	4.4	4.6	4.4	4.3	
	0.8	1.0	1.0	1.1	1.3	1.6	
	0.6	0.8	0.9	0.9	1.1	1.5	
	21.5	14.8	13.8	16.7	12.3	10.2	
	1.6	1.1	1.1	1.4	1.1	0.9	
	148 (139/9)	161 (144/17)	166 (147/19)	174 (150/24)	180 (153/27)	172 (142/30)	
	11 (7/4)	13 (5/8)	7 (5/2)	10 (5/5)	7 (4/3)	4 (1/3)	
	8 (0/8)	12 (1/11)	20 (2/18)	14 (2/12)	8 (2/6)	15 (4/11)	
	—	—	20	21	23	23	
	6,996,700	7,312,900	7,753,950	7,923,800	8,154,700	7,876,500	
	544,300	1,136,000	1,266,000	1,599,700	1,828,000	2,072,000	
	7,541,000	8,448,900	9,019,950	9,523,500	9,982,700	9,948,500	
	14	18	23	28	37	39	
	106,155	114,856	117,278	118,030	118,723	117,801	
	0.475	0.453	0.432	0.410	0.401	0.379	
	93.01	95.45	95.33	94.88	97.86	94.43	
	64,505	69,598	72,326	76,342	79,364	79,492	
	54,348	60,271	62,805	65,748	68,977	71,066	
	84.3	86.6	86.8	86.1	86.9	89.4	
	3,175,143	3,354,719	3,592,795	3,612,049	3,629,433	3,596,512	
	0.37	0.34	0.34	0.32	0.32	0.30	
	3,046,000	3,190,000	3,275,000	3,344,000	3,467,000	3,496,000	
	73	128	136	149	158	154	
	187	516	1,045	1,944	2,332	2,404	
	2,024	2,313	2,871	3,091	3,303	3,447	
	112	115	121	136	151	155	
	13.1	13.2	13.7	14.2	15.1	17.4	
	2	2	2	3	4	4	
	12.5	13.3	13.3	17.6	23.5	23.5	
	580	829	956	1,113	1,227	1,288	

\* Figures for waste output volume, recycling volume, and recycling rate are aggregated figures for specialty stores, common areas, and AEON MALL offices.

\* Figures for water consumption and water consumption intensity are aggregated figures for common areas and AEON MALL offices.

\* The number of trees planted is an aggregated number of trees in all malls including PM contracted properties.

\* Figures for ratio of female managers to total managers before fiscal 2012 are not listed, because the number of employees increased as a result of signing a PM contract for the malls of AEON Retail Co., Ltd. in 2013.

\* The number of local staff members overseas is listed in and after fiscal year 2013, since when the opening of malls has accelerated.

# Financial Performance

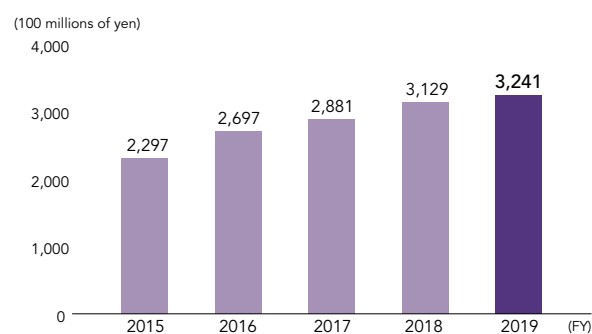
## FY2019 Highlights

AEON MALL achieved record-high revenues and profits for the consolidated fiscal year. Operating revenue amounted to ¥324,138 million, up 3.6% year on year. Operating costs rose 0.9% to ¥234,813 million, while gross profit rose 11.5% to ¥89,324 million. Selling, general and administrative expenses increased 5.1% to ¥28,530 million. Operating income amounted to ¥60,794 million, which was an increase of 14.7%.

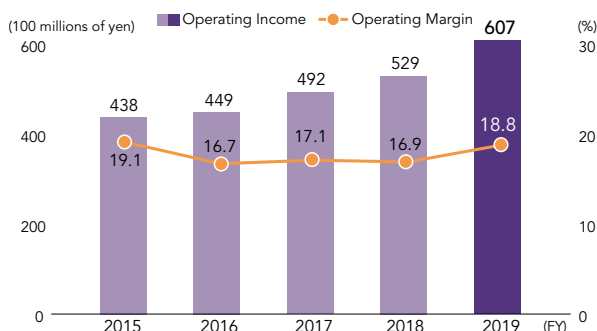
Net income attributable to owners of parent amounted to ¥34,239 million, up 2.1%. EBITDA rose 15.6% to ¥117,653 million.

Our consolidated financial statements for the fiscal year ending February 2020 will reflect the adoption of International Financial Reporting Standard (IFRS) 16 Leases with respect to our overseas consolidated subsidiaries.

### • Operating Revenue



### • Operating Income/Operating Margin



### ■ Performance by Segment

Our Domestic Business recorded operating revenue in the amount of ¥274,999 million, an increase of 2.5% year on year. Operating income amounted to ¥52,460 million, up 0.1%. Our Mall Business expanded sales

floor space in four malls and renovated 11 existing malls during the period. Along with expansions and mall renovations, the company implemented measures to increase new customer segment drawing power (Happiness Mall Initiatives, etc.), while executing sales policies to promote localization. We also held a nation-wide AEON MALL Black Friday campaign. As our fourth consecutive Black Friday campaign to attract more customers, we offered limited availability pricing for popular fashion and food items, as well as original novelty items and a five-times point reward when using the AEON Card for payments. Results were favorable, as customer traffic was up 8.5% and specialty store sales were up 6.9% year on year during the promotional period.

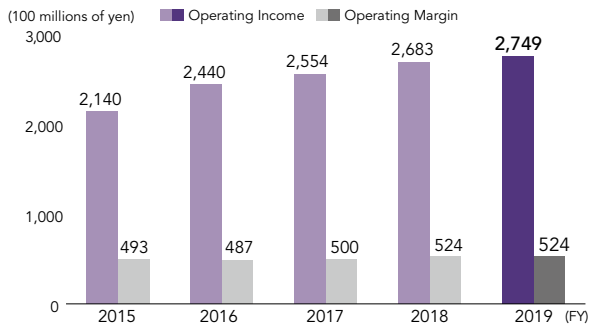
Our Overseas Business (China, ASEAN) recorded operating revenue in the amount of ¥49,138 million, an increase of 10.1% year on year. Operating income amounted to ¥8,308 million, up 1,419.9%. Our Overseas Business consists of 30 malls as of the end of the current fiscal year as we experience the brand benefits of opening area-dominant malls, and is experiencing high growth rates in operating revenue and operating income in step with high revenue growth.

Our China Business recorded operating revenue in the amount of ¥35,850 million, an increase of 7.4% year on year. Operating income amounted to ¥5,622 million, an improvement of ¥6,075 million compared to an operating loss of ¥453 million in the prior fiscal year. Since we advanced our strategy of area-dominant store openings in four areas, Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei, and Guangdong, the power of the AEON MALL brand to attract more customers increased, and we are attracting quality tenants and entering into lease contracts under more favorable terms, generating brand benefits.

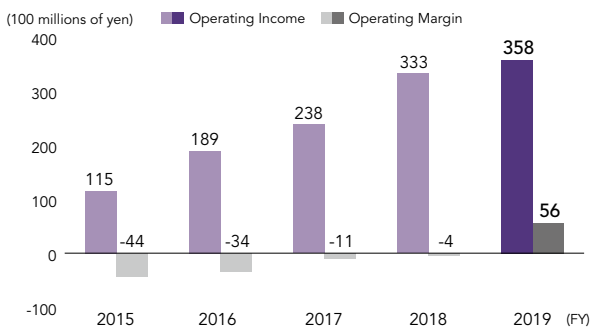
Our ASEAN Business recorded operating revenue in the amount of ¥13,288 million, an increase of 18.1% year on year. Operating income amounted to ¥2,686 million, an increase of 168.7% year on year, and an increase of ¥1,686 million compared to the prior fiscal year. In Vietnam, we have started initiatives in response to changes in market needs accompanying a rapidly growing economy, expanding and reopening AEON MALL Tan Phu Celadon (Ho Chi Minh City), our first mall in the country, in June, followed by renovation of AEON MALL Binh Tan (Ho Chi Minh City), our fourth mall in the country, in November. We opened the new

AEON MALL Ha Dong in December, which became our fifth in Vietnam and second in Hanoi City.

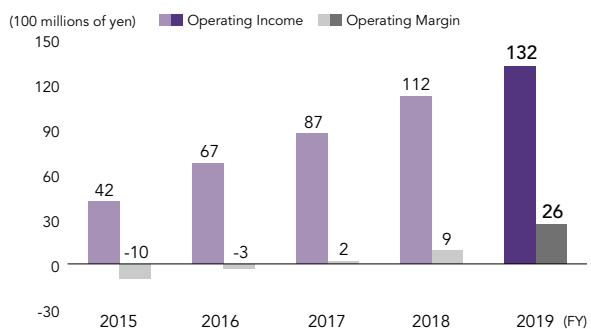
#### • Domestic Business



#### • China Business



#### • ASEAN Business



#### ■ Assets, Liabilities, and Net Assets

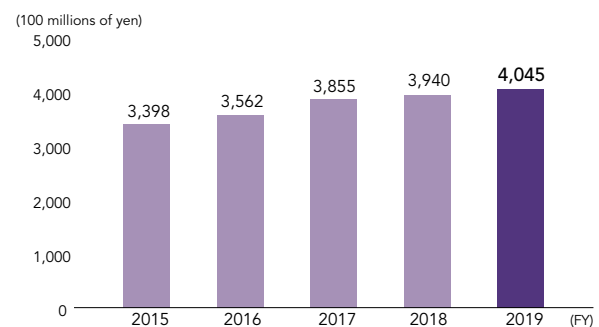
Total assets amounted to ¥1,381,217 million, up ¥178,006 million compared to the end of the prior consolidated fiscal year. This result is mainly due to the following reasons: the company recognized ¥141,671 million in right-of-use assets stemming from the application of IFRS 16 (including ¥40,886 million in land-use rights under "Other" within investments and other assets in prior years) and acquired property, plant and equipment in the amount of ¥80,444 million in connection with acquired assets of new subsidiary Yokohama Import Mart Inc., the activation of existing malls, and the advance acquisition of land for

development in the future. Deposits paid to affiliates increased ¥63,400 million, while fixed assets decreased ¥56,858 million due to depreciation.

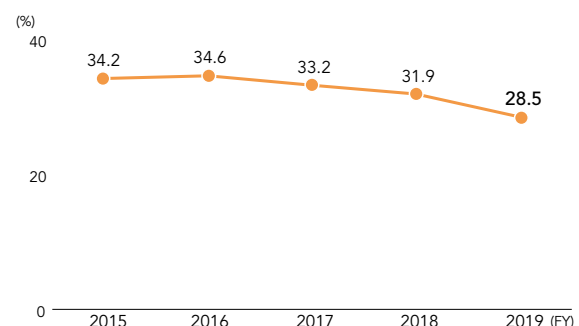
Total liabilities stood at ¥976,695 million, up ¥167,543 million from the end of the prior consolidated fiscal year. The result is due to increases of ¥115,851 million in lease obligations stemming from the application of IFRS 16 (including lease obligations under current liabilities), ¥65,000 million in bonds (including the current portion of bonds), and ¥23,494 million in deposits received from specialty stores. At the same time, the adoption of IFRS 16 resulted in decreases of ¥11,447 million in notes and accounts payable-trade, ¥6,000 million in commercial paper, ¥14,579 million in accounts payable-other related to facilities for new mall openings, and ¥15,878 million in long-term debt (including current portion).

Net assets totaled ¥404,522 million, up ¥10,462 million compared to the end of the prior consolidated fiscal year. Despite recording an increase of ¥34,239 million in retained earnings in connection with net income attributable to owners of parent, the Company posted a decrease of ¥12,985 million in connection with application of IFRS 16, made dividend payments of ¥8,872 million, and recorded a decrease of ¥1,585 million in foreign currency translation adjustment.

#### • Net Assets



#### • Equity Ratio



## Financial Performance

### ■ Cash Flows

Cash and cash equivalents (“cash”) as of the end of the current consolidated fiscal year amounted to ¥114,368 million, an increase of ¥58,954 million compared to the end of the prior consolidated fiscal year.

Cash flows in the period under review are as follows.

Net cash provided by operating activities amounted to ¥133,645 million, compared to cash flows of ¥90,600 million in the prior consolidated fiscal year. This result is mainly due to income before income taxes and other adjustments of ¥54,019 million (¥47,683 million in the prior consolidated fiscal year), depreciation and amortization of ¥56,858 million (¥42,640 million in the prior consolidated fiscal year), and an increase in deposits received from specialty stores of ¥23,074 million (¥3,597 million in the prior consolidated fiscal year). At the same time, income taxes paid amounted to ¥15,701 million, compared to ¥17,194 million in the prior consolidated fiscal year.

Net cash used in investing activities amounted to ¥95,783 million, compared to ¥176,189 million in the prior consolidated fiscal year. This result is mainly due to purchase of property, plant and equipment of ¥97,192 million (¥207,522 million in the prior consolidated fiscal year) due to payments for equipment at malls opened in the prior consolidated fiscal year (THE OUTLETS HIROSHIMA, AEON MALL Iwaki Onahama, AEON MALL Tsu-Minami) and expanded in the current consolidated fiscal year (AEON MALL Higashiura, AEON MALL Natori), as well as payments in advance for land for development.

Net cash provided by financing activities amounted to ¥22,808 million, compared to net cash provided of ¥91,199 million in the prior consolidated fiscal year. This result is mainly due to proceeds from issuance of bonds in the amount of ¥80,000 million (¥80,000 million in the prior consolidated fiscal year) and proceeds from long-term debt of ¥8,500 million (¥61,159 million in the prior consolidated fiscal year). During the same period, the company made cash outlays for repayments of long-term debt of ¥24,015 million (¥35,759 million in the prior consolidated fiscal year), ¥15,000 million in redemptions of bonds (no outlays during the year-ago period), ¥6,000 million in repayments of short-term loans and commercial paper (¥5,000 million in the prior consolidated fiscal year), and payments of dividends in the amount of ¥8,872 million (¥8,642 million in the prior consolidated fiscal year).

### Outlook for FY2020

In FY2020, the COVID-19 outbreak spread across the world. We reduced mall operating hours or closed malls temporarily in China, ASEAN, and Japan in response to government requests, as well as our own considerations in preventing the spread of infection. When reopening our malls in each country, we implemented measures to prevent infection and ensure safety and security, placing the highest priority on the safety of our customers, tenant staff, and other mall employees.

In China, in conjunction with the January 24 quarantine of Wuhan City due to the spread of COVID-19, tenants in our three malls in the city instituted temporary closures. Through mid-February, as many as 11 of our 21 malls in China closed temporarily due to the spread of COVID-19 across the country. From February 22 through March, we began to reopen in stages, finally seeing all 21 malls open for business again on April 1. Of our existing malls, we intend to attract more customers to AEON MALL Wuhan Jinyintan (Wuhan City, Hubei Province) through a floor space expansion and renovation, events, and sales promotions. Our future activities will place the highest priority on safety and security, while keeping a close eye on the post-COVID-19 situation after the virus spread has been stopped. In June, we renovated the food sales zone of AEON MALL Wuhan Jinqiao (Wuhan City, Hubei Province), expanding from 20 stores to 26.

In ASEAN, on March 28, AEON Mall implemented temporary closures for tenants at four malls in Vietnam (AEON MALL Tan Phu Celadon, AEON MALL Long Bien (Hanoi City), AEON MALL Binh Tan (Ho Chi Minh City), and AEON MALL Ha Dong (Hanoi City)). On April 24, we reopened the closed malls, once again operating all five malls in the country. In Indonesia, we temporarily closed specialty stores in our AEON MALL BSD CITY (Kota Tangerang) and AEON MALL Jakarta Garden City (Jakarta City) malls on March 31. We reopened the business on June 15 and continue to operate our malls, albeit under shortened business hours.

In response to the declaration of emergency in Japan, we temporarily closed malls and urban shopping centers in seven prefectures beginning April 8. On April 18, we temporarily closed all 165 malls managed and operated by the group across Japan.



Subsequently, Japan phased out its state of emergency and we began reopening our businesses on May 13. By May 28, all of our facilities were open for business. Specialty store sales of our malls in Japan and overseas that have declined temporarily due to the spread of

COVID-19 are on a recovery trend. Meanwhile, though the peak of COVID-19 has passed, the impact of the virus pandemic on our business is expected to decline but continue until the end of the fiscal year ending February 2021.

• FY2022 Consolidated Business Targets (March 1, 2020 to February 28, 2021)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	YoY (%)	Million yen	YoY (%)	Million yen	YoY (%)	Million yen	YoY (%)	Yen
1st Half (2020.3.1-2020.8.31)	125,000	-22.4	8,000	-72.6	4,000	-84.1	-14,000	—	-61.53
2nd Half (2020.9.1-2021.2.28)	155,000	-4.9	22,000	-30.3	18,000	-41.9	10,000	-41.8	43.95
Total	280,000	-13.6	30,000	-50.7	22,000	-60.8	-4,000	—	-17.58

## Policy on Dividends

Returning profits to our shareholders as our earning capacity rises is an important management policy for AEON MALL. Our basic policy for shareholder returns is to emphasize stable and ongoing dividends, balanced by investment of internal reserves in growth businesses, in new businesses, and in management infrastructure. Our policy is to maintain a consolidated payout ratio of at least 25%.

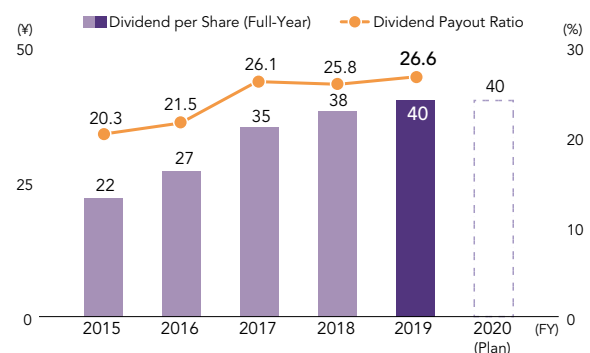
We issue dividends twice annually, in the interim and at the end of the fiscal year, according to the provisions of Article 459, Paragraph 1 of the Companies Act. The Company's articles of incorporation state that dividends paid from surplus are to be determined by resolution of the board of directors.

At a meeting held on April 9, 2020, our board of directors resolved to pay a year-end dividend for the current consolidated fiscal year of ¥20 per share in line with our initial forecast. In combination with an interim

dividend of ¥20 per share, our annual dividend for the fiscal year amounted to ¥40 per share, ¥2 higher than the prior fiscal year. This dividend payment represents a 26.6% payout ratio on a consolidated basis.

For FY2020, we plan to pay an annual dividend of ¥40 per share.

• Dividend per Share (Full-Year) and Dividend Payout Ratio



# Corporate Profile

(as of February 29, 2020)

Company Name:	AEON MALL Co., Ltd. (Stock Code: 8905)
Date Established:	November 1911
Representative:	Yasutsugu Iwamura, President
Common stock:	¥42,347 million
Headquarters:	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan
No. of Shopping Malls:	195 (Domestic 165/Overseas 30) * Includes OPA Co., Ltd. (urban shopping center business converted to subsidiary in March 2016) and other affiliates.
Business Activities:	Development of large-scale shopping malls, tenant leasing, and operations/management Real estate, leasing, agency services (Lic.No.7682 issued by the Minister of Land, Infrastructure and Transportation (3))
No. of Employees:	3,447

## ● Offices

Office Name	Location
Sendai Office	Mitsumaru Building 2F, 3-3-3 Chuo, Aoba-ku, Sendai-shi, Miyagi 980-8442, Japan
Tokyo Office	Fuundo Honkan Building 5F, 1-2 Kandaogawamachi, Chiyoda-ku, Tokyo 101-0052, Japan
Chiba Division business establishment	AEON MALL MAKUHARISHINTOSHIN FAMILY MALL, 1-1 Toyosuna, Mihama-ku, Chiba-shi, Chiba 261-8535, Japan
Nagoya Office	Aizo building 4F, 5-25-1 Meieki, Nakamura-ku, Nagoya-shi Aichi 450-0002, Japan
Osaka Office	Kurabo Annex Building 12F, 2-4-11 Kyutaromachi, Chuo-ku, Osaka-shi, Osaka 541-0056, Japan
Kobe Office	2-1-1 Nakanoshima, Hyogo-ku, Kobe-shi, Hyogo 652-0844, Japan
Hiroshima Office	1-3-52 Danbara-minami, Minami-ku, Hiroshima-shi, Hiroshima 732-0814, Japan
Fukuoka Office	Sankyo Fukuoka Building 5F, 2-9-11 Hakataekiminami, Hakata-ku, Fukuoka-shi, Fukuoka 812-0016, Japan
Shanghai Resident Office	Room 1204, An-Tai Building, 107 Zunyi Road, Changning District, Shanghai, China 200051
Qingdao Resident Office	Room 1903, Floor 19, Cosco Building B, No.61 Hongkong Middle Road, QingDao, China 266071
Ho Chi Minh City Resident Office	Room 3102.B, 31F, Lim Tower, No9-11 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

# Stock Information

(as of February 29, 2020)

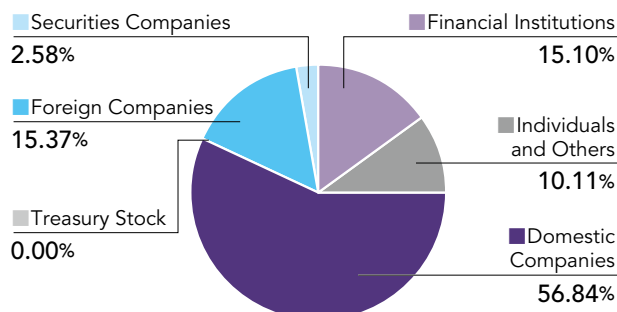
## ● General Stock Information

Authorized No. of Shares: 320,000,000 shares

No. of Shares Issued: 227,515,009 shares

No. of Shareholders: 98,866

## ● Distribution of Shareholders



## ● Major Shareholders (Top 10)

Name/Company Name	Equity in AEON MALL	
	Number of Shares Owned (1,000 shares)	Percentage (%)
AEON Co., Ltd.	127,249	55.93
Japan Trustee Services Bank, Ltd. (Trust Account)	5,966	2.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,724	2.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,281	1.88
BNYMSANV As Agent/Clients Lux Ucits Non Treaty Account	2,108	0.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,005	0.88
JP Morgan Chase Bank 385151	1,993	0.87
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,914	0.84
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,906	0.83
State Street Bank West Client - Treaty 510312	1,902	0.83

Notes 1) Shareholdings are rounded down to the nearest 1,000 shares.

2) Ownership ratios have been calculated excluding treasury stock (2,679 shares) and rounded to the nearest hundredth.

Fiscal Year End: February 28 (or 29)

### Record date:

Record Date for Annual General Meeting of Shareholders  
February 28 (or 29)  
Record Date for Year-End Dividend  
February 28 (or 29)  
Record Date for Interim Dividend  
August 31

### Annual General Shareholders' Meeting:

Held annually by the end of May

Minimum Trading Unit: 100 shares

### Stock Listing:

1-2-1 Yaesu, Chuo-ku, Tokyo, Japan  
Mizuho Trust & Banking Co., Ltd.

## ● Credit Rating (as of April 17, 2020)

Rating Agency	Long-Term Rating	Short-Term Rating
Japan Credit Rating Agency, Ltd. (JCR)	A	—
S&P Global Ratings	BBB	—
Rating and Investment Information, Inc. (R&I)	A-	a-1



## **ÆON MALL CO., LTD.**

1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan  
TEL:+81-(43)-212-6733 FAX:+81-(43)-212-6779

<https://www.aeonmall.com/en>