



Thriving with Communities

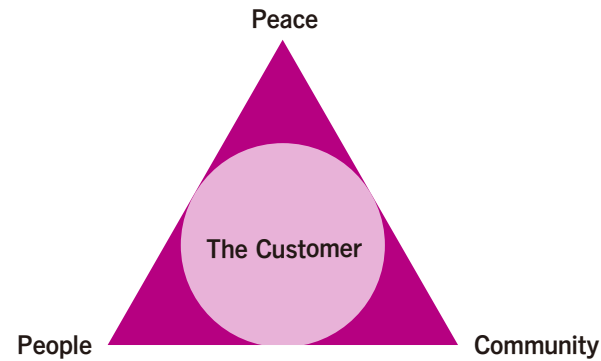
Enriching People's Lives and Local Communities for Tomorrow

AEON REPORT 2021



Aeon Basic Principles

Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point view as its core



The word aeon (AEON) has its origins in a Latin root meaning "eternity." The customers' beliefs and desires comprise the central core of our philosophy. At Aeon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

- "Peace" Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
- "People" Aeon is a corporate group that respects human dignity and values personal relationships.
- "Community" Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the Aeon Basic Principles, Aeon practices its "Customer-First" philosophy with its everlasting innovative spirit.

AEON's Corporate Commitment

AEON creates a future of limitless promise - an aeon - by transforming daily life with our open, dynamic approach.



The word aeon (AEON) has its origins in a Latin root meaning "eternity." The Aeon Group's eternal mission is to benefit its customers. By fulfilling this mission, we hope to sustain the Group's development and prosperity forever.

Editorial Policy

Since its founding, Aeon has put its "Customer-First" policy into practice and maintained the belief that the eternal mission of a retail business is to contribute to customers and communities without limit while achieving happiness for its employees. Based its basic philosophy rooted in these values, Aeon has worked to create a corporate culture that anticipates and adapts to change as a corporate group that continually innovates. In a rapidly changing management environment with the spread of COVID-19, rising customer awareness in the climate crisis, and other factors, practicing management in accordance with these basic principles is more important than ever.

We issue the *Aeon Report* with the aim of having all stakeholders gain an in-depth understanding of these Aeon values, our management stance, as well as the direction and implementation of sustainable management in a rapidly changing management environment.

Aeon's integrated report comprises two parts, the *Aeon Report* and the *Aeon Sustainability Data Book*. <https://www.aeon.info/en/ir/library/aeon-report/>

**Aeon Sustainability Data Book*

The Data Book offers a detailed look at our sustainability initiatives from the perspective of both the environment and society and complements the *Aeon Report* as a factbook.

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● Abbreviations that frequently appear in the report

- GMS: General Merchandise Store
- SM: Supermarket
- SC: Shopping Center

- NSC: Neighborhood Shopping Center
- CVS: Convenience Store
- PB: Private Brand

Origins of the Basic Principles

The basic principles, which are at the core of Aeon's corporate activities, were clearly set out in 1989 to coincide with a change of the Group's name. Those principles are grounded in the merchant philosophy that we have cultivated since our founding.

1758

Making customers the starting point

The founding of Aeon traces back to Okadaya in 1758. Okadaya was a merchant dealing in carrying poles. From these beginnings in stocking the goods that customers need and engaging in trade to provide them, today the Aeon Group has expanded across Japan and into Asia.



Carrying poles

Pursuing peace

Okadaya was one of the first businesses to hold reconstruction sales following the Second World War, and from the sight of a visiting customer grabbing at the flyers that were handed out, with tears in his eyes, the principle that "retail is a symbol of peace and that retail can only prosper in a peaceful society" was born.



Flyers for big sales

Respecting people

Aeon's predecessor JUSCO was created by a merger of three companies, and it created an environment in which willing people could take on challenges equally, regardless of race, age, nationality, or gender. Based on the belief that "education is the greatest welfare," Aeon has cultivated a corporate culture of respecting people.



JUSCO University

Contributing to local communities

The creed of the three companies that merged was "contributing to local communities." Retail is an industry deeply rooted in the community, and based on the philosophy that a retail business cannot grow without contributing to that local community in which it operates, we have worked with local governments around Japan to create a society in which we are in harmony with the community.



The business creed of Futagi Co., Ltd., one of the three companies that merged

Continue to innovate

The founding philosophy of Okadaya, "give the central pillar wheels" is one of the teachings that has been handed down to this day. In step with changes underway in society, we have boldly transformed ourselves and expanded our fields of business in order to propose more convenience and enriching ways for customers to live, with some 300 Group companies providing support as a corporate group that continues with constant innovation.



Okadaya during the Meiji era

This report references the International Integrated Reporting Framework provided by the International Integrated Reporting Council (IIRC) throughout.

Reporting Period FY2020 (March 1, 2020–February 28, 2021)*

*For operating companies with different fiscal years and for certain initiatives, the relevant time periods for each item reported are stated.

Reporting Scope

This report covers pure holding company Aeon Co., Ltd. and its 287 consolidated subsidiaries and 27 equity method affiliates as of the end of February 2021.

*If the scope of reporting differs from the aforementioned, this is stated for each item reported.

Disclaimer

This report includes plans for the future of the Aeon Group, as well as predictions and forecasts about business results. These statements are based on the Group's judgments and opinions based on the information available at the current time. Due to various future issues, results may differ greatly from those published in this report.

*For the purposes of this report, "Aeon" is used to refer to Aeon Co., Ltd. and the approximately 300 companies that comprise the Aeon Group. "Aeon People" collectively refers to the employees working across the Aeon Group.

Achieving sustainable growth by expanding our business domain by capturing changes in the environment for the entire Asia market

Aeon regards the whole of Asia, including Japan, as a market and fulfills its role as an infrastructure supporting people's lives in each region. By creating and enhancing the synergy between countries, regions and multiple lines of business with a focus on retail, Aeon responds to the increasing uncertainty in society to enhance its resilience and achieve sustainable growth.

●Countries in which Aeon operates

14

●Total number of shopping customers annually

Approx. 4.4 billion

*Total number of passengers passing through the cash register of major group companies (Figures are for FY2020)

●Number of stores*

Total 19,288 stores/locations

*Total of consolidated subsidiaries and equity-method affiliates (Figures are for FY2020)

Country	Store Type	Count
Japan	GMS	510
	SM	2,166
	DS	577
	HC	118
	CVS	1,985
	Services Business	1,510
	Specialty Store	3,519
	Drugstore	2,589
	Financial Services	367
	Mall-type SC	187
China	GMS	57
	SM	21
	CVS	77
	Services Business	205
	Other Retail Store	65
South Korea	CVS	2,620
	Other Retail Store	65
Malaysia	GMS	33
	SM	10
	DS	22
	Services Business	98
	Financial Services	65
	Mall-type SC	28
Thailand	SM	47
	Services Business	27
	Financial Services	134
	Other Retail Store	1
	Financial Services	4
Philippines	CVS	472
	Services Business	53
	Financial Services	4
	Other Retail Store	12
Indonesia	GMS	3
	Services Business	28
	Financial Services	9
Vietnam	GMS	6
	SM	23
Cambodia	GMS	2
	SM	12
India	SM	12
	Services Business	3
	Financial Services	12
	Mall-type SC	2
Myanmar	GMS	2
	SM	9
Singapore	Drugstore	10
	Tasmania operated farm	1
Australia	Tasmania operated farm	1
	Other Retail Store	1
Laos	Financial Services	1
	Other Retail Store	1

Store Type	Count
GMS (General Merchandise Store)	613
SM (Supermarket)	2,288
DS (Discount Store)	599
HC (Home Center)	118
CVS (Convenience Store)	5,300
Services Business	1,938
Specialty Store	3,519
Drugstore	2,599
Financial Services	636
Mall-type SC (Shopping Center)	252 ^{*1}
NSC (Neighborhood-type Shopping Center)	147 ^{*2}
Other Retail Store	1,278
Tasmania operated farm	1

Number of stores/locations operated by consolidated subsidiaries and equity-method affiliates

*1 Including SCs operated under the name of Aeon Mall as well as those with total leased area of over 20,000m²

*2 NSCs operated under the name of Aeon Town

(as of the end of Feb. 2021)

●Consolidated operating revenues

Approx. ¥8,603.9 billion

1.4% of Japan GDP

*Figures are for FY2020

●Electronic money transaction volume

Approx. ¥2,250 billion

*Figures are for FY2020

●Aeon card, etc. credit card holders

Approx. 46.13 million people

Of which, approximately 16.68 million overseas members

*Figures are for FY2020

●Group employees

Approx. 570,000

No. 1 company in Japan

*Figures are for FY2020

●Total WAON e- money cards issued

Approx. 85.95 million

*Figures are for FY2020

●Shopping center area

Japan 7,929 km² Overseas 2,251 km²

Equivalent of approx. 20 Tokyo Disneyland sites (510,000 m²)

Total 10,173 km²

*Figures are for FY2020

Seizing Unprecedented Major Changes in the Environment as Opportunities for Substantial Growth

Formulating a Medium-term Management Plan Using Backcasting Starting from Aeon's Ideal State for 2030

An era of drastic change has arisen from the spread of the novel coronavirus (COVID-19). Companies must seize these unprecedented changes in the environment as excellent opportunities for dramatic growth and move forward to promote bold reforms. Aeon's recently formulated Medium-term Management Plan (FY2021-FY2025) (hereinafter, the "new medium-term management plan") encapsulates our various thoughts for realizing "Aeon's Ideal State." This new medium-term management plan was devised from a shared understanding of the environment within the Group and was created through an interactive process that involves aligning the directions and goals of the holding company and the operating companies utilizing the opinions of people on the frontlines. We took this approach because we placed emphasis on ensuring that our strategies resonate and are consistently implemented at worksites by formulating a plan that all employees understand, accept, and regard as their own personal matter.

As another key point, upon clarifying Aeon's Ideal State for 2030, we ascertained the issues we must achieve by 2025 by using a planning method called backcasting. We aim to establish a foundation for sustainable growth toward 2030. Instead of a conventional three-year plan such as those implemented to the present, we will execute a five-year plan to realize bold reforms of our business structure rather than merely focusing on extensions of existing businesses.

Sharing an Understanding of Important Environmental Changes with Everyone in Anticipation of the Post COVID-19 Era

The spread of COVID-19 has significantly affected our business. Nevertheless, I believe that our multi-format structure, which is one of the characteristics of the Group, as well as our business development in ASEAN and China worked as supplement functions that mitigated the damage and subsequently enabled us to demonstrate our resilience. During this challenging time, we place the utmost value on ensuring on-site safety and assurance. Our frontline employees were highly motivated to prevail amid various situations and supported by customers as well as reaffirmed the strength and importance of these workplaces.

A multitude of changes, which include accelerating digitization, the impact of climate change, the rise of the Asian region, and the disappearance of boundaries between manufacturing and retail industries will significantly pick up speed amid the spread of COVID-19, and will directly affect our business in many ways. First of all, we were cognizant of the important environmental changes affecting Aeon, grasped the implications of these changes, and determined five transformations that we must attain by 2025.

Restoring Vitality and Raising the Growth Potential of the Entire Group through a Revival of Strong Retailing

Combined, the Shopping Center Development Business, Financial Services Business, and Health & Wellness Business accounted for 80% of the Group's total operating profit before the COVID-19 pandemic. Going forward, we are committed to placing the entire Aeon Group onto a growth track by raising the composition ratio of the retail business's profit and restoring vitality.

In reviving the retail business, we believe that providing unique products will be the source of corporate competitiveness.

With the boundaries between different business categories and channels disappearing, it will be crucial to strengthen product development, which serves as the face of a corporation, in order to differentiate us from the competition. Conventional private brand products have been supported by customers because they can be offered at more reasonable prices than those of national brands. Going forward, we will put forth even more support behind the TOPVALU private brand that embodies Aeon's corporate philosophy, expanding the range of products to incorporate areas and functions not covered by the national brands. We will also enhance our offerings of eco-friendly products and products designed to benefit health and wellness. We will become the cornerstone linking customers, producers, suppliers, and all stakeholders, and create convenient, delicious, innovative, and unique products in aiming to realize unparalleled product development and marketing.

Deploying Aeon's Unique Assets Not Possessed by Online Players

The Shift to Digital Markets will serve as our foundation in promoting all strategies and is our highest-priority initiative. We must evolve from conventional sales bases centered on brick-and-mortar stores and product sales toward providing seamless experiences integrating store-based and online shopping formats and transform into a company that is the most convenient and appealing to customers. The network of over 19,000 stores that Aeon has built over the years is an asset. Aeon's strength is its ability to combine that network with digital services to offer experiences other than shopping such as health and wellness and entertainment. Aeon's card membership base consisting of 46.13 million people and the more than four billion store visits its customers make annually also represent significant assets. Fully utilizing data obtained from these assets will enable Aeon to develop appealing products and unique services.

Towards the Betterment of the Planet and Local Communities, We Will Work with All Stakeholders and with Customers in Particular in Taking an Environmentally Focused Aeon to the Next Stage

Since the 1990s Aeon has been among the first companies to focus on environmental issues and has pursued a number of initiatives over the years, such as reducing CO₂ emissions from its stores, promoting the procurement of sustainable products, reducing food waste and the use of plastic bags, and supporting tree planting activities. Today, however, efforts to address environmental issues such as

climate change and the loss of biodiversity are even more urgent, and have become a pressing challenge for the entire world.

In the year 2030 when the environmentally conscious generation Z will account for the core of consumers and the workforce, interest in and demands for environmental action and green policies will have grown even stronger, with Green Transformation (GX) likely becoming a business strategy and the shape of business activity itself. Together with all stakeholders, particularly our customers and employees, we will actively work to be at the forefront of efforts to reduce the impact on the global environment through our business activities.

At the same time, putting sustainability management into practice will require the ongoing enhancement of our global CSR foundations. In 2004, Aeon was the first retailer in Japan to announce its participation in the United Nations Global Compact, and we have since promoted initiatives such as the Aeon Supplier Code of Conduct (CoC). In 2018 we also made revisions to the Aeon Basic Policy on Human Rights, which covers all stakeholders including customers. In these ways, we are striving to create a sustainable society through our business.

Aeon's Growth is Linked to the Enrichment of Communities

Aeon's Ideal State for fiscal 2030 is to become a group of companies that implements a sustainable, circular economy focused on management in which Aeon's growth in local communities directly leads to the enrichment of local community life. We view our customers from the two perspectives of being consumers as well as being community residents. For our customers as consumers, we ensure customer satisfaction with our unique products and services. For customers as community residents, we aim to serve as a presence that together with the community revitalizes local economies and solves social issues. Further, based on the belief that we can only provide customers with services that bring them health and happiness when our employees are also healthy, we maintain a stance and implement health and productivity management as a cornerstone of our corporate activities. Additionally, by combining digital payments and communication with residents with regional bases such as via shopping malls, which are the core of people's lives, we will enhance the services and social capital required in each community. We will also provide convenience and enrichment in all life settings, and create "Aeon Living Zones" that will be indispensable to communities.

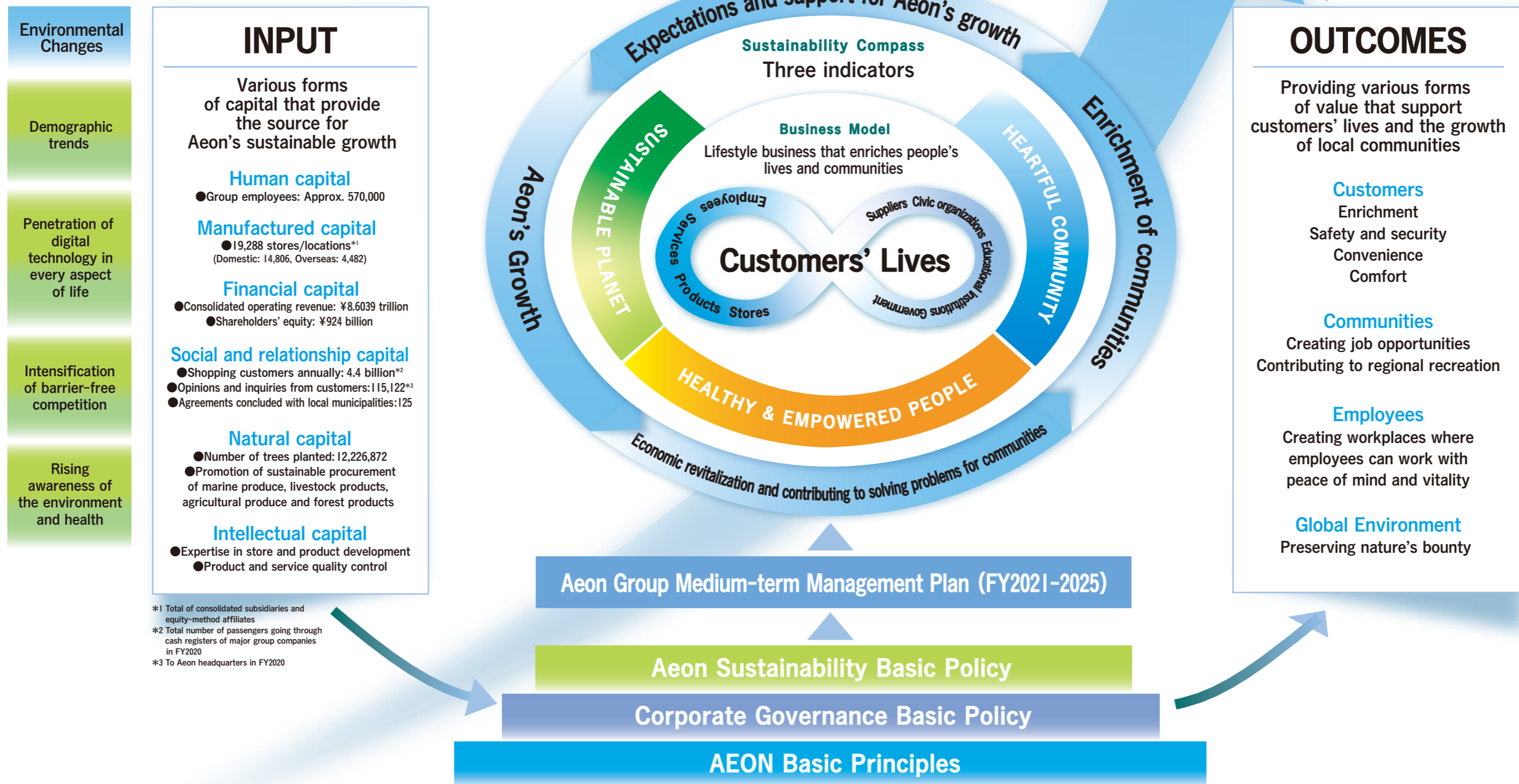
The words "Aeon Living Zones" embody our intention to take the viewpoint of consumers and our desire to create peaceful and enriched lives together with the people of local communities. A retail company is one that exists together with customers. With this in mind, we will promote our business activities with a strong desire to link actual growth to the enrichment of the communities we serve and become a company for which there are expectations of further growth and that is supported by community residents.

Akio Yoshida
Director, President and Representative Executive Officer

吉田昭夫

Strive to Shape a Future Filled with Dreams and Grow with Communities

Recirculate the Value We Provide to Continuously Improve Corporate Value



*1 Total of consolidated subsidiaries and equity-method affiliates
 *2 Total number of passengers going through cash registers of major group companies in FY2020
 *3 To Aeon headquarters in FY2020

Financials (FY2020)

*As of end of February 2021

Non-Financials (FY2020)

*As of end of February 2021

Operating Revenue



¥8.6 trillion

Increased 1.7 times compared to 10 years ago by aggressive overseas expansion and M&A in growth areas. We aim for ¥11 trillion in FY2025.

Operating Profit Margin



1.8%

Due to the impact of COVID-19, the operating profit margin temporarily decreased from 2.5% in the previous fiscal year. We will focus on improving management efficiency and aim for 3.5% in FY2025.

Reduction of Plastic Bags Used at Cash Registers



Approx. 2,940 million
CO₂ emissions 90,564 tons

Aeon has been undertaking a bring your own shopping bag campaign for around three decades. Since 2007, we have called for ending the free distribution of disposable plastic bags, and have been supported by many customers.

Trees Planted



Approx. 12.22 million

As an initiative rooted in the local community, in 1991 Aeon began the Aeon Hometown Forests Program that involves tree planting activities in the area of its opened stores. In the years since, the program has come to embody Aeon's basic principles.

Overseas Operating Profit Ratio



15.8%

We will build an optimal format for each area and aim for overseas profit growth with a target of 25% Overseas Operating Profit Ratio in FY2025.

Return on Equity (ROE)



-7.0%

The result of the temporary impact of COVID-19 and the measures to strengthen the management structure to improve profitability over the medium to long term. By a V-shaped recovery, we aim for 7% or more in FY2025.

Aeon Happy Yellow Receipt Campaign Total amount donated



Approx. ¥4.32 billion

If customers post the yellow receipt issued on the 11th of every month to the box of the local organization they want to support, 1% of the total amount will be donated.

Tohoku Restoration Support Total number of employees participating in volunteer activities



Approx. 398,000

We deployed volunteer employees to disaster afflicted areas starting with work to remove debris and clean up houses from FY2021. Our volunteers are currently working closely with communities on activities such as helping to revive agriculture.

Debt/EBITDA Ratio



3.6 times

By achieving both business growth and a sound financial balance, we aim for 2.5 times or less in FY2025.

Dividends per Share



¥36

Aeon has set a target of a consolidated dividend payout ratio of 30% or more while maintaining the dividend amount above the previous year, and will strive for further earnings growth and shareholder returns.

Female Manager Ratio



26.1%

Currently nearly 9,000 women are active in managerial positions across the Aeon Group, and we will focus on further promoting diversity to achieve our goal of increasing the ratio of female managers to 50%.

Percentage of Outside Directors in the Board of Directors



57%

We have called upon outside directors from various fields, who now make up a majority of four of the seven members of the board. The chairs of the Nomination Committee, Compensation Committee, and Audit & Supervisory Board are all outside directors.

*Excludes Financial Service Business. Adjusted in consideration of the equity credit of hybrid corporate bonds and hybrid loans. Set off with interestbearing debt and cash.

Sustainable Growth with Communities

Becoming the No.1 Company Contributing to Local Communities

In 2020, customers' actions, awareness and values underwent drastic changes due to the spread of the novel coronavirus disease (COVID-19) along with social changes that had already been emerging accelerated under the pandemic. We regard these environmental changes as an opportunity for the Aeon Group to achieve exponential growth, and accordingly, formulated the Aeon Group Medium-term Management Plan (FY2021-FY2025; referred to as the "new Medium-term Management Plan," hereafter) with the aim of shifting to sustainable growth in the lead-up to 2030.



AEON's Ideal State for 2030

Helping to enhance the value of local communities



Expectations and support for Aeon's growth

- Establish business foundation for growth by FY2025 on the way to achieving Group vision
- Emphasize operating profit margin as a percentage of operating revenue by focusing on improving management efficiency

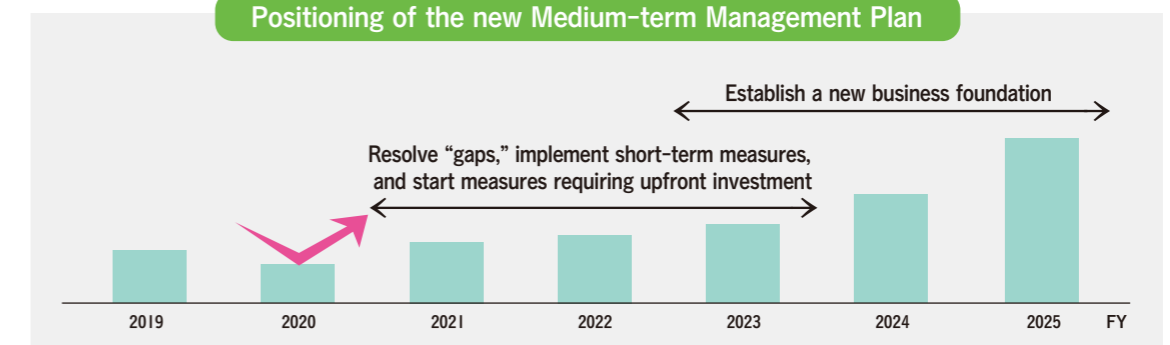
In the new Medium-term Management Plan, we will focus on improving management efficiency to achieve stable and sustainable management from FY2025 onward, and we will continue to focus on operating profit margin as a percentage of operating revenue. On the investment front, in the first half of the year we will enhance our ability to generate cash flow by implementing short-term measures and promote the development of operating foundations by making investments in the future. In the second half of the year, we will work to establish operating foundations that will support sustainable growth on the way to 2030.

Target levels for FY2025

- Operating Revenue ¥11 trillion
- Operating Profit ¥380.0 billion
- Operating Profit Margin 3.5%
- ROE over 7%
- Debt/EBITDA (excl. Financial Service Business)*1 under 2.5
- Digital Sales ¥1 trillion
- Private Brand (PB) Products Sales*2 ¥2 trillion
- Overseas Operating Profit Share 25%

*1 Adjusted in consideration of the capital of hybrid corporate bonds and hybrid loans. Set off with cash.
*2 Total sales amount of Aeon's private brand Topvalu products, Local PB Products, Specialty PB Products

Positioning of the new Medium-term Management Plan

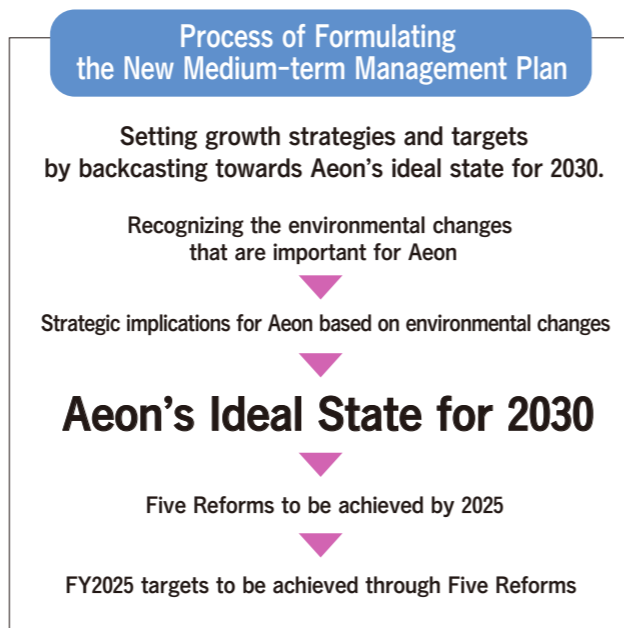


Using Environmental Changes as a Golden Opportunity to Further Accelerate the Speed of Reforms

The new Medium-term Management Plan looks five and even 10 years into the future, clarifying Aeon's Group-wide vision and indicating the direction we will take to achieve sustainable growth.

Changes Affecting AEON's Business Environment

The environment surrounding the Aeon Group has been significantly transformed due to the COVID-19 pandemic. In an era of such drastic changes, when formulating our new Medium-term Management Plan amid these circumstances, we started by identifying the environmental changes and business opportunities that will significantly impact our business and deserve our attention. Looking ahead from a medium-to long-term perspective, we recognize that we will face environmental changes that differ in scope to what we have experienced in the past. To respond to these changes, we will change the term of the new Medium-term Management Plan from the usual three years to five years, tackling major structural changes to the business after painting a clear picture of what we see as the destination.



Key Environment Understanding for AEON

1	Digital technologies and AI are prerequisites for remaining competitive	<ul style="list-style-type: none"> Accelerating digitalization of entire society toward "Society 5.0" Expansion of cashless economy Further penetration of IoT and AI into society
2	Intensification of cross-industry competition	<ul style="list-style-type: none"> Elimination of barriers between brick-and-mortar store business formats Emergence of new competitors in online ecosystems Expansion of private-brand firms and D2C* by manufacturers
3	Heightening of new health needs	<ul style="list-style-type: none"> Shift in eating habits (new focus on boosting immune system, etc.) Heightened health and wellness needs Continued rise in nursing and healthcare expenditures
4	Acceleration of regional revitalization	<ul style="list-style-type: none"> Changes in lifestyles / range of activities Acceleration of regional revitalization Population decline and strained finances of local governments
5	Demographic changes in Asia	<ul style="list-style-type: none"> Continued rise of Asia Millennials and Gen Z becoming core consumer demographics Population ageing and rise in number of single person households
6	Rise in importance of sustainability-related considerations	<ul style="list-style-type: none"> Global warming, constant abnormal weather Shift to management that incorporates environmental costs Evaluation of corporate environmental measures (ESG investment)

Implications for AEON (Opportunities)

Creation of new earnings sources through increasing online customer touch points
Acceleration of development and merchandising of unique original products based on customer needs
Meeting wellness needs ranging from disease treatment and prevention to pre-symptomatic treatment
Expansion of community-rooted business fields and acceleration of shift to regional markets
Capturing new customer segments and markets with good growth prospects
Helping to make eco-friendly lifestyles a reality through diverse business formats

*Direct to Consumer



Five Reforms to be Achieved by FY2025

In the new Medium-term Management Plan, we will further accelerate four shifts in addition to regional, digital, and Asia, which we have been working on to date, and the investments that support them, and have identified Five Reforms aimed at building the business foundations to achieve sustainable growth from FY2025 and beyond. Each Group business is

already working to revamp existing business models, and the Group will work together to seize new growth opportunities by establishing new growth models, enhancing profitability, and concentrating the management resources generated from those efforts on new growth areas.

1 Acceleration and Evolution of the Digital Shift

We expect that the digitization of society and our daily lives will advance at an accelerating rate, with the pursuit of convenience through a fusion of the online and offline and the importance of data continuing to rise. By pursuing a fusion between digital technologies and our strengths, including multi-format store networks, products, customer data, payment methods, and infrastructure, we will provide customers with the value of convenience and highly satisfying experiences. To standardize our membership base across the Group, develop smartphone apps, and accelerate system development to promote digital transformation, we established AEON Smart Technology Co., Ltd. In China, we will develop cutting-edge systems through the Aeon Digital Management Center, provide digital services to Group companies operating in Asian countries, pursue the transfer of know-how, provide new customer experiences that utilize digital technologies, boost business productivity, and promote the development of digitally-minded human resources.

To strengthen the digital business, we have already launched efforts in conjunction with the U.S.-based Boxed, Germany-based SIGNA Sports United GmbH, and UK-based Ocado, and will achieve business growth at an accelerated pace in both the B2C*1 and B2B*2 fields to establish new pillars of Group growth.

*1 Business to Consumer *2 Business to Business

Acceleration of digital business	<ul style="list-style-type: none"> Expand e-commerce, online supermarket, and omnichannel sales Build next-generation e-commerce platform with Ocado
Digitalization of stores, head office/headquarters	<ul style="list-style-type: none"> Improve customer experience through self-checkout, etc. Improve efficiency of store operations Improve efficiency by reviewing workflow and leveraging digital technology
Development of common digital infrastructure	<ul style="list-style-type: none"> Personalize sales promotion through apps and loyalty programs Create new revenue sources such as through advertising by utilizing customer data Improve profit margins through data integration and data infrastructure development



An "on-premise delivery cat-type robot" automatically runs through the mall to make various on-premise deliveries such as distributing informational materials. (Aeon Mall Kawaguchi)

AEON wallet incorporating both e-money and point card functions

Launch of Aeon's Integrated App Service to Earn Points, Make Smooth Payments and Assist in Daily Life

From September 1, 2021, Aeon launched iAEON, which combines the various services provided by Aeon Group companies and makes them available through a single app.

Main Features

- Links store information, products and services with customers' own lifestyles.
- Makes it easier and more convenient to use and exchange WAON points.
- In addition to Mobile WAON, the app provides a smooth shopping experience for code-based payments with AEON Pay.



2 Establishment of Unique Value by Supply Chain

In addition to competition that transcends the boundaries of offline business formats, borderless competition is intensifying among net-based companies and the trend of D2C where manufacturers and producers sell directly to end consumers. We recognize that providing unique products and services will be the source of business competitiveness in this climate. As well as Aeon's shared Group-wide private brand (PB) Topvalu, we will work to develop specialty PB products developed by specialized Group businesses and local PB products mainly consisting of fresh foods and delicatessen products from local operating companies. Towards achieving this, we will orient towards a model that manages and streamlines the supply chain on a total basis from upstream to downstream, and proactively offer unique value that differentiates us from the competition.

Our local operating companies will maximize their strengths by maintaining close ties with local communities, while for global procurement and national brand (NB) products, we will accelerate demand aggregation utilizing the Group's economies of scale. We will also start building a next-generation process center model to achieve a level of value comparable to restaurants.



Topvalu - The Aeon brand that creates and provides unique value that reflects customer feedback

Create and propose unique private brand (PB) products

- Expand PB products (Topvalu, Local PB, Specialty PB)

Expansion of demand aggregation for national brand (NB) products

- Aggregate demand for NB products by AEON GLOBAL MERCHANDISING

Establish the Group's food hub function

- Strengthen menu development function and production capacity of food processing centers to supply products across businesses

Supply chain optimization

- 7-step supply chain optimization
 Planning and Product Strategy ▶ Sourcing and Upstream Supply chain ▶ Demand Forecasting
 ▶ Inventory Mgt. ▶ Warehouse Mgt. ▶ Transport Mgt. ▶ Sales

3 Advancement of Health & Wellness for A New Era

In addition to disease prevention and treatment, customer healthcare needs are expanding into new areas such as pre-symptomatic treatment due to rising health consciousness and interest in boosting the immune system.

To respond to this trend, we make suggestions to customers to fulfill their needs from various angles beyond simply selling products, and aim to become a leading company developing a new health and wellness market.



Actively develop drug stores centered on "dispensing," "counseling," "midnight business," and "nursing care"



Operate the 3FIT sports club in response to growing health consciousness

Expand Health & Wellness business domain

- Expand Welcia business
- Provide drug-related products and services for prevention and treatment and have Group companies develop and provide customers with products, services, and sites with a focus on newly emerging health needs
- Provide customer experiences that exceed the level of experiences that can be provided by AEON alone by forming strategic partnerships with external firms in addition to Group companies

4 Creation of the AEON Living Zone

As the next step in the shift to regional markets, we aim to construct AEON Living Zones rooted in their respective communities by combining Aeon's strength in multi-format store networks and businesses with digital infrastructure. To cater to customers looking to make their lives more convenient and enriching, all businesses will be integrated to seamlessly provide hubs that form the core of a living zone beyond simply offering products and services. Through our business activities we will continue to contribute to customers as consumers and

residents, and strive to become the No.1 group of companies in each region where we operate.



Nagoya Noritake Garden, a new facility combining commercial space and offices (opened October 2021)

Provide products, services, and infrastructure to help enrich people's lifestyles

- Provide community-rooted products, services, and lifestyle infrastructure as the next step in the shift to regional markets
- Create bases to form the core of the Living Zone that supplement social capital needed in each community
- Construct digital infrastructure for the Living Zone by increasing the number of app users and expanding the cashless payment network

5 Further Acceleration of the Shift to Asian Markets

The middle-income class in Asia is expected to continue growing in the future, and we recognize that capturing new customer segments will be essential to the Group's growth. We have already been working to accelerate the rate of Group store openings and expand our areas of operation to further the shift to Asian markets, but since digital growth in Asian retail markets will match or even surpass that of offline counterparts, in Asia we will promote the development of offline and online businesses in parallel to accelerate business growth. We look at all of Asia as one market, and will capture business from

growth markets expected to keep growing in the future by clearly identifying the targets for the investment of our Group management resources and leveraging our collective Group strength to accelerate the shift to Asian markets.



Aeon Mall Guangzhou Xintang (China), which newly opened in May 2021



Self-checkout terminals in Aeon Hong Kong

China

- General Merchandise Store Business initiatives using cutting-edge digital technology
- Take on the role of transferring know-how and technology to Japan and Asia as the Group's cutting-edge R&D organization

Vietnam

- Accelerate multi-format expansion at shopping centers and in the General Merchandise Store Business and Supermarket Business
- At the same time, advance digital initiatives and devise optimal area specific strategies

Malaysia

- Raise value of existing stores by refurbishing aging shopping centers and stores
- Expand horizontally in Asian countries by developing digital business as an earnings pillar based on our partnership with U.S.-based Boxed

Acceleration and Evolution of the Digital Shift

The acceleration and evolution of the digital shift, which also underscored in the new Medium-term Management Plan, is a high-priority initiative for the Aeon. We recognize the importance of data, and to turn that data into opportunities for business growth, we will strive to achieve a digital transformation that greatly changes the rules of retail.

Aiming to Create Aeon Living Zones and Maximize Customer Experiences

Aeon's basic principle of focusing on the customer will never change, regardless of the era or environment in which we operate, and that also applies to digitization. Digital technologies are only a means to an end, and our primary aim is to utilize customer lifestyle data to advance our products and services to improve customer convenience and satisfaction.

Our greatest strength in promoting digitization is the fact that we maintain many physical stores that serve as direct points of contact with customers. A major theme of our approach is that we enhance these real-world strengths with digital technologies in the course of operating a wide range of business types and providing various services as part of the lifestyle business.

First, we will promote the digitization of our physical stores and provide highly convenient and satisfying services that better match the lifestyles of customers. In addition, we will support all manner of situations in customers' lives by fusing offline with online, thereby creating new value inspired from the perspective of real-world sites that are not a part of dedicated online businesses. For example, Aeon Malls not only include retail stores but facilities such as clinics and government offices, and by also offering them online, customers will be able to access healthcare and government services from their own devices with peace of mind. The WAON electronic money provided by Aeon that is integrated with Individual Number Card Points is already being used by many customers.

Technological changes will further evolve Aeon's DNA of "constant transformation," and by finding new value, we will aim to establish Aeon Living Zones and maximize customer experiences.



Yuki Habu
Executive Vice President and Executive Officer of Digital

Yuki Habu joined JUSCO Co., Ltd. (currently, Aeon Co., Ltd.) in April 1991. In September 2004, she was appointed General Manager of Aeon South China Co., Limited. She later served as President of Beijing Aeon Co., Ltd. and CEO of the China business before assuming her current position from March 2020. She serves concurrently as the President and Representative Director of Aeon Smart Technology Co., Ltd.

Our Vision With the Shift to Digital Markets

(The Five Reforms to be Achieved by FY2025)



(Creating Aeon Living Zones and Maximizing Customer Experiences)

- Making full use of offline assets and providing highly convenient OMO* customer experiences fused with online technologies
- Having Aeon support every situation in customers' lives
- Continually transform through technology to bring an evolution to Aeon's DNA

*Online Merges with Offline

Building a New Customer-Focused Ecosystem

When considering an overall digital strategy, it is necessary to clearly define the fields in which to compete. As the Aeon is comprised of companies operating various business types in different industries, we carefully examine areas of profitability, where we can acquire customers and where to create new domains. We also broadly classify our businesses into

three areas: (1) businesses that will solidify our foundation, (2) businesses that will undergo significant transformation, and (3) businesses that will be the source of a new competitive advantage. By focusing our resources on these three areas, we will build a new customer-focused ecosystems on a Group-wide basis.

Building a New Customer-Focused Ecosystem with Technology



Realizing Digital-Driven Operations Across the Aeon Group

Aeon companies are managed autonomously and have each established their own missions and numerical targets. We have decided to pursue digitization based on three models used where appropriate for each circumstance: Aeon Co., Ltd. will take the lead regarding efforts that are more effective and show greater investment efficiency if undertaken on a Group-wide basis and through inter-business initiatives, Aeon Co., Ltd. and operating companies will collaborate in areas where the Group lacks experience or has limited knowledge, and individual operating companies will take the lead on their own independent initiatives. Within this system, we have placed particular emphasis on the involvement of top management at each operating company, with their respective presidents taking the lead. By having top management gain in-depth insight and experience digital technologies through actual operations, we aim to change their thinking from a zero-based perspective. Then, while trying out these technologies in regular

business operations, they will make adjustments while moving quickly towards the best methods. This kind of agile, speed-focused process has become necessary.

On the other hand, having various things moving quickly also carries risk. It is necessary to constantly review the process to make sure things are not being pushed through too quickly and that the fundamental approach is being adhered to, and at times it will be necessarily to stop to verify the results.

To perform these promotional and organizational efforts, a DTO* has been assigned to each Group company. The DTO at Aeon Co., Ltd. will check the entire Group from a cross-sectional perspective. At individual companies, the president or a person in a position directly under the president will take full responsibility for internal digital infrastructure while considering the digitization of the Group.

Through these activities, we hope to achieve digital-driven operations across the Aeon Group.

*Digital Transformation Officer

New Online Business Initiatives

Developing a Next-Generation Online Supermarket

Aeon Next Preparation Co., Ltd.

In November 2019, Aeon entered into an exclusive domestic partnership agreement with UK-based Ocado, and in December of the same year, Aeon Next Preparation Co., Ltd. was established to prepare for the opening of a next-generation supermarket by 2023. Construction has also begun in Honda, Chiba Prefecture, on the first customer fulfillment center (CFC), a centrally consolidated warehouse using AI and robotic technologies that will serve as the core facility of this endeavor, aiming to provide a new shopping experience combining transportation and delivery that thoroughly maintains the cold chain in pursuit of customer convenience.



CFC overview and conceptual image of its interior



Using AI and robotic technologies

Developing a Sports E-commerce Service

Aeon Signa Sports United Co., Ltd.

In January 2020, Aeon established a joint venture company to operate a sports e-commerce service in Japan with Germany-based SIGNA Sports United GmbH, which runs Europe's leading sports e-commerce platform. Aeon will fully utilize SIGNA's expertise in building and operating a sports e-commerce platform and its strong ability to deliver suggestions to customers to provide products that serves the needs of customers who demand high levels of expertise, and also contribute to the promotion of sports in regional areas, create communities, and help advance the health of its customers.



Operating three businesses in the categories of Bike, Tennis and Outfitters

Digital Shift 3

Steps in the Shift to Digital Markets Ahead of FY2025

Accelerating Growth (2024-2025)

- Provide further added value with a customer focus and expand revenue
- Develop new customer-focused businesses

Building Infrastructure and Achieving Short-term Results (2021-2023)

- Establish digital points of contact with customers
- Strengthen connections with customers
- Establish infrastructure to utilize wisdom Group-wide
- Establish mechanisms to promote Group-wide digital transformation
- Embody the ecosystem of our future vision

Vision for FY2025

- One trillion yen in online sales
- Expansion of app user base
- Higher percentage of cashless payments



Digital Shift 4

Promoting Workstyle Reforms through the Use of Digital Technologies

Currently, we are also working to visualize management figures common across the Group using digital technologies. Our aim is to integrate databases, develop dashboards, and allow everyone from senior management to field staff to see how much a certain store is selling in real-time. Achieving this will allow use to check basic figures at any time and from anywhere.

In addition, we currently have multiple staff sharing the same PCs, but if a screen was installed in the staff room, information can be shared with staff whenever they come and go. Instead of the current way of doing things being the norm, if we can get everyone to think that new ways of doing things could be possible through digitization, and if we are able to collect those ideas, we could work with people to solve those challenges together, leading to major reforms.

To accomplish this, we need to start simply by having people interact with user-friendly systems and open their mindset to the possibilities of digital technologies, realize that they too can utilize those systems, and develop an interest. We can then work from that as a basis for eliciting further ideas.

Even as Executive Officer of Digital, since it is necessary to develop systems while always envisioning the situations in which those systems will actually be used, I regularly visit our stores to gather information. The front lines of our operations are a really good source for various feedback, so I try to listen carefully and offer ways to solve the issues that come up with digital technologies.

Social Value Created through the Shift to Digital Markets

One of the elements of value that Aeon is able to provide to customers is convenience. I also believe that convenience in turn enriches the lives of customers. While each person has a different idea of how enrichment should be defined, from the customers' perspective, I think there is always tremendous value in providing the right product at the right time, in the right quantity. Imagine being able to shop at Aeon any time and from anywhere. By giving even stronger support to these qualities through the shift to digital markets, I believe we will eliminate customers' troubles and concerns, enrich their lives, and create social value, thereby leading to further advancements at Aeon in the future.



waon! /



Establishing Digital Infrastructure Changing Tokimeki Point to WAON POINT

From September 2021, Tokimeki Points earned based on the amount spent using Aeon Cards are standardized as WAON points, which are earned based on cash and WAON electronic money spending. With this point integration, Aeon aims to further promote cashless transactions, develop digital infrastructure in Aeon Living Zones, and expand its customer base.



Through improved management efficiency and investment in growth areas, we will establish operating foundations while striving to maintain a sound financial balance.

Review of Previous Medium-term Management Plan

In our previous Medium-term Management Plan, we set four shifts, specifically the “regional shift,” “digital shift,” “shift to Asian markets,” and the “investment shift” to support them, and the Aeon Group companies made a concerted effort to take on these initiatives with the utmost priority. In terms of the regional shift, we have completed the management integration of the GMS Business and Supermarket Business in six regions around Japan to achieve further advances through community-based management. As part of the digital shift, we pursued coordination with companies possessing cutting-edge expertise and technologies such as UK-based Ocado and U.S.-based Boxed, while also promoting digital transformation (DX) at our stores to improve customer convenience, including the introduction of smartphone based self-scanning and self-checkout systems,

self-service cash registers, and digital signage. We also strengthened our online sales infrastructure and promoted the fusion with physical stores, such as by expanding stores supporting online supermarket shopping and the store pickup service for online supermarket orders. In terms of the shift to Asian markets, we accelerated the opening of shopping malls that would become the largest in the region in an effort to establish the mall business in Asia. The overseas contribution to operating profit went from 6% in FY2016 to 16% in FY2020.

However, there were delays in the progress of Group-wide initiatives such as the establishment of business models based on digital technologies, the building of new supply chains, and the allocation of investments into these growth areas, and issues with improved profitability remained.

Management Indicators in the New Medium-term Management Plan

In the new Medium-term Management Plan, we plan to make significant improvements to financial indicators by expanding operating profit, and will endeavor to achieve business growth

while establishing a healthy financial balance. Additionally, we will enhance our ability to generate cash flow and strengthen the allocation of investments in digitalization, supply chain reformation and overseas areas to build operating foundations to support sustainable growth.

	FY2019 Results	FY2020 Results	FY2021 Forecast	FY2025 Plan
Operating Revenue (billion yen)	8,604.2	8,603.9	8,620.0	11,000
Operating Profit (billion yen)	215.5	150.5	200-220	380
Operating Profit Margin	2.5%	1.7%	2.3-2.5%	3.5%
Ordinary Profit (billion yen)	205.8	138.8	190-210	—
Profit Attributable to Owners of Parent (billion yen)	26.8	-71.0	20-30	—
ROE	2.5%	-7.0%	—	Over 7%
Debt/EBITDA*	3.3 times	3.6 times	—	Under 2.5 times

*Adjusted in consideration of the equity credit of hybrid corporate bonds and hybrid loans. Set off with interest-bearing debt and cash. Excludes Financial Services Business.

Transforming the Group Portfolio

In addition to achieving further growth in the Financial Services Business and Shopping Center Development Business that have supported profit growth to date, we will transform into a highly profitable operating structure by a digital shift, merchandise and supply chain reforms, and the shift to Asian markets in the Retail Business.

In terms of the digital shift, we will continue to promote initiatives aimed at improving customer convenience, including the expansion of existing online supermarkets and online shops, the development of cashless and contactless payments, and the ability to pick up online orders at physical stores. Additionally, by launching full-scale operations of a next-generation online supermarket utilizing Ocado solutions, we will build the image of Aeon being synonymous with online deliveries. We will also develop a digital infrastructure to turn the payment and purchase data held by each Group business into the Group's competitive strengths.

In transforming the merchandise/supply chain, we will create and propose “unique value available only from Aeon” by expanding private brand products, strengthen the further consolidation of demand for national brand products, and aim to achieve ¥2 trillion in sales of private brand products by FY2025. In the shift to Asian markets, given that digital growth is surpassing the growth of physical retail in the Asian retail market, we will accelerate the speed of growth by promoting the expansion of the physical store network and development of digital retail in parallel.

Allocation of Investments in Growth Areas and Enhancing Monitoring

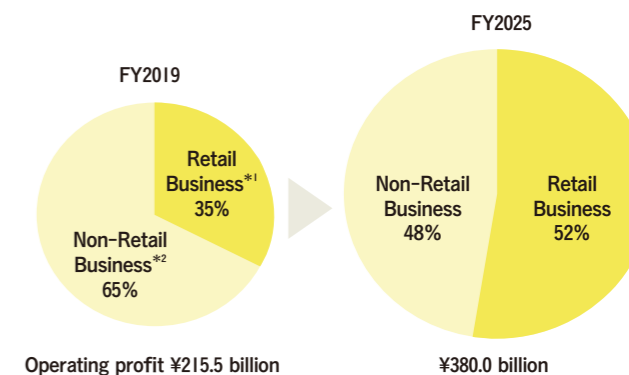
In the new Medium-term Management Plan, we expect to make investments worth ¥400-450 billion per year on average and will allocate investments to infrastructure-related areas such as digital technologies and logistics as well as new stores overseas on a priority basis. Additionally, by monitoring the progress and efficiency of investments for each business and measure, we will flexibly review investment plans over the course of the plan. In addition to improving investment efficiency, we will secure free cash flow by expanding operating profit and aim to strike a balance between establishing business foundations and growth investment based on sound finance.

Strengthening Governance Framework

To achieve the management indicators set forth in the new Medium-term Management Plan, we will steadily iterate on a monitoring cycle of executing growth strategy through executive bodies and monitoring implementation through the Board of Directors. Based on this framework, during the first half of the new Medium-term Management Plan we will improve the ability to generate free cash flow by implementing short-term measures while making future-oriented investments to promote the establishment of business foundations. During the second half of the plan, we will establish the business foundations that will support sustainable growth in the lead-up to 2030.

Transforming the Group portfolio Operating Profit Share

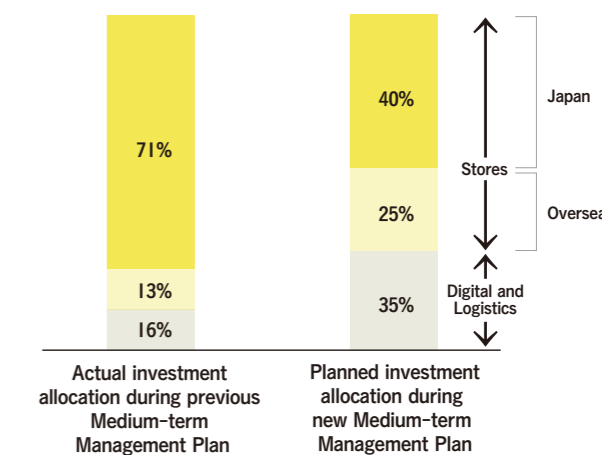
● Increase retail business profit share in group portfolio by improving the profitability of the Retail Business through reforming digital infrastructure, products, and supply chain



*1 Retail Business: GMS, SM, Health & Wellness and International
*2 Non-retail Business: Shopping Mall Development, Financial Services and others

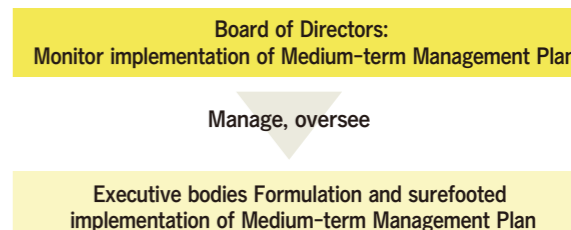
Investment Allocation

● Prioritize investment to digital, merchandise/supply chain and overseas



Governance Framework

● Strengthen governance framework to facilitate steady implementation of the new Medium-term Management Plan and monitoring of progress



The Group Synergy

Form Solid Links with Each Business to Create Synergy - The Source of Profit

Aeon operates many businesses in a complex manner, including the Shopping Center Development Business handling the development and operation of shopping malls with a focus on retail, the Financial Services Business that provides financial services including credit cards, banks, insurance and electronic money, as well as the Service & Specialty Store Business.

The holding company formulates management policies beyond the framework of the Group businesses and individual companies, optimizes management resources, and oversees overall Group governance. Each operating company maintains a certain level of autonomy while operating its business to create synergy, and this is the source from which profits are generated.

Going forward, we will work to restructure and reorganize within segments to further reinforce these strengths, optimizing our business portfolio to match the needs of the times.



Striving to Become a New Comprehensive Retailer Fusing Offline and Online While Creating New Demand and Customers

Based on the concept of “beyond retail,” we will strive to propose new lifestyles that keep one step ahead of the times, provide shopping experiences that include fun and new discoveries through a fusion with digital technologies, and pursue greater convenience.

Aeon Retail believes it is important to work from three perspectives, namely the economy, society, and the environment as a new mission a retail business will be expected to fulfill from now on. We will aim to be a company that supplies products in a stable manner as a lifeline for members of the community while considering the environment and achieving sustainable growth together with the local community.

Accordingly, our mission is to create new demand. As the No.1 retailer supporting local communities in conjunction with Group companies, affiliate companies, Aeon DO YOU! stores, and suppliers, we will transform into a new comprehensive retailer by providing inspiration and fun on a daily basis, creating new demand through novel combinations of offline and online, and creating needs for new customers.

As medium-term strategies to achieve this, we developed three portfolios, three reforms, and four KPIs. For the three portfolios, we will strive to improve earnings through digitalization to achieve target operating profit for FY2025, and make considerable changes to the composition of gross profit by retail line. For investment allocation, we will achieve an equal split between offline and online.

As for the three reforms, we will work on supply chain reform to solve issues in the supply chain, develop strong products and enhance our ability to sell them, pursue digital reform by executing an e-commerce growth strategy and digital promotion strategy, and work on organizational and educational reform to ensure implementation of the other reforms.

We will transform into a comprehensive retailer by ensuring the above measures are carried out through progress management of four KPIs, namely net sales per tsubo (1 tsubo = 3.3m²), gross profit margin, inventory turnover days, and productivity per person-hour.

Three Portfolios	Operating Profit	Investment Allocation	Gross Profit by Retail Line	
Three Reforms	Supply Chain Reform	Digital Reform	Organizational and Educational Reform	
Four KPIs	Net Sales per Tsubo*	Gross Profit Margin	Inventory Turnover Days	Productivity per Person-Hour

*1 tsubo = 3.3m²

Supporting Improved Customer Service and Sales Floor Operations by Using AI to Analyze In-Store Footage

AI is used to analyze the behavior of customers in need of assistance in the clothing or lifestyle departments of our stores. By notifying an employee of the situation, we can provide speedy assistance to the customer. We have also begun demonstration testing to visualize sales departments where customers tend to linger for extended periods, the routes taken, and product shelves that customers frequently reach out for to inform layout changes for sales departments and make enhancements to top-selling products on a per-store basis.



Streamlining register operations with cashless and self-service registers

Further strengthening of markets using smartphone apps and other technologies, providing the same fun and convenience of shopping at a physical store in an online format



Supermarket Business

Using Management Integration to Facilitate Restructuring into a More Sustainable Business Model and Become the Community's Most Popular Provider of Food

In FY2020, we completed management integration in six regions across Japan. We will take on the challenge of allocating management resources in a strategically weighted manner to evolve into a highly convenient shopping location that stays close to local customers.

Aiming to businesses that contribute the most to local communities, the integrated companies in each region will respond to the increasingly diverse food industry with its local, low-price and health focus, the growing awareness of safety and security, the intensifying competition in the food market with other business types such as e-commerce, convenience stores and drug stores, and changes to the labor environment.

United Super Markets Holdings (U.S.M.H), which operates chain stores in the Kanto region, has expanded the number of stores offering the Scan & Go system allowing customers to easily scan items and complete payment using their own smartphone to avoiding lining up at the register, unstaffed pick-up rooms at stores where customers can collect products ordered online, and online deliveries to designated delivery locations within given areas. U.S.M.H is also actively implementing ad delivery and expanded marketing utilizing AI digital signage, upgrading its stores, working to enhance the fresh and delicatessen products on offer, and striving to improve convenience as a chain of dedicated food stores. Efforts are also underway to boost productivity through task standardization and other measures.

In the Hokkaido region where Aeon Hokkaido and Maxvalu Hokkaido have integrated management, the Ishikari PC, which integrates a low-temperature logistics center and process center (PC), began full-scale operation in August 2021. Functioning as a low-temperature logistics center handling the supply of products to the suburbs of Sapporo, the PC will start the production and supply of livestock and delicatessen products developed in-house. With this development, we will become a competitive food provider in the region and facilitate operational streamlining at stores by consolidated production at the PC.

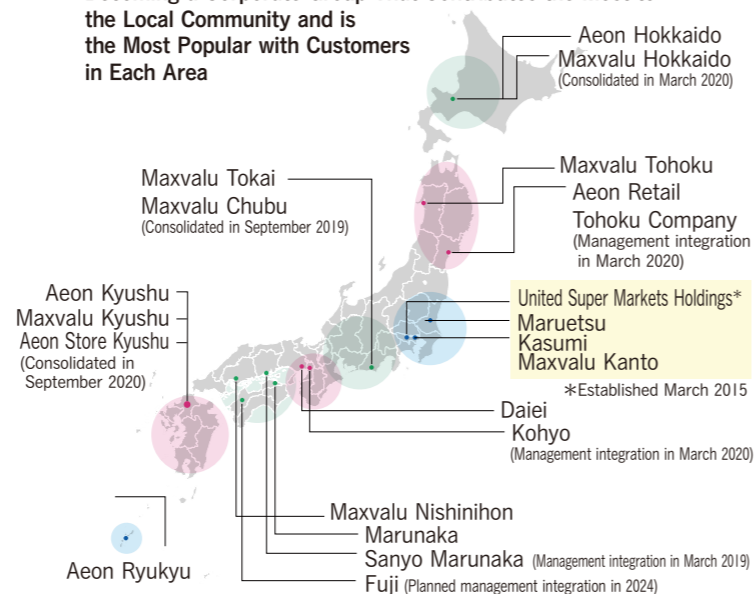
In the Tokai region where Maxvalu Tokai and Maxvalu Chubu have integrated management, a Medium-term Management Plan (FY2020-FY2022) has been formulated with a focus on making a full transition to a sustainable growth trajectory and strengthening the management base in anticipation of management environment changes and risks. Efforts in response to the growing demand to eat at home and save money during the COVID-19 pandemic include improvements to fresh foods and items that are frequently purchased, improving the attractiveness of prices, and establishing a strong range of products in small quantities that are individually packaged. The newly integrated company will also drive the opening of new stores in the Mikawa Area of Aichi Prefecture and Midwest area of Shizuoka Prefecture, which are considered priority areas for new stores. In addition, the company will strive to improve convenience for local customers by expanding the

number of locations providing online supermarket services and launching food delivery services.

In the Tohoku region, the food businesses of Maxvalu Tohoku and Aeon Retail were integrated in March 2020, and Aeon Tohoku was established with the aim of becoming a supermarket company contributing to the Tohoku region through food. The way customers lead their daily lives changed dramatically during the COVID-19 pandemic. To swiftly cater to their new needs, in September 2021 the Tohoku Division of Aeon Retail, which handles apparel, home, leisure, and HBC businesses, was integrated into Aeon Tohoku. The integration will provide one-stop shopping and create a structure for demonstrating the strengths of combined capabilities handling everything from food and apparel to home, leisure, and HBC, representing a fresh start for the newly formed Aeon Tohoku.

Additionally, in the Chugoku and Shikoku regions, a basic agreement has been reached on the establishment of a new integrated company through the merger of Fuji and Maxvalu Nishinohon planned for March 2024. The integration aims to respond to increasingly diverse customer needs, better enrich communities, actively participate in solutions to issues facing the Chugoku and Shikoku regions in terms of industry, society, culture and employment, and to evolve into a corporate group playing a part in regional co-creation.

**<Progress of the Regional Integration of Supermarkets>
Becoming a Corporate Group That Contributes the Most to the Local Community and is the Most Popular with Customers in Each Area**



Health & Wellness Business

Enhancing Specialization as a Drugstore and Providing a Healthy and Enriched Life to Local Communities

We will create "comprehensive specialty stores" by providing products and services necessary for healthcare, daily life, and nursing care to the local community, establishing more in-depth coordination with local governments, medical institutions, and nursing facilities and enhancing our expertise.

Welcia aims to become a "comprehensive specialty store" that is able to make wide-ranging suggestions covering prevention, pre-symptomatic treatment, treatment, and the maintenance and advancement of health in order to provide an enriching social life and healthy living to local communities. Welcia is strengthening merchandising strategies and service development based on regional and store characteristics, as well as striving to achieve two key capabilities: improved operating capabilities by pursuing greater specialization and thorough business streamlining and improved profitability.

To achieve the former, Welcia is pursuing more in-depth area operation based on a branch system while expanding the number of stores integrated with pharmacies, developing and expanding the sales of private brand (PB) products, and attracting medical institutions.

To achieve the latter, the Group has implemented thorough store person-hour management and visualized work schedules through computerized systems, and also improved accuracy and expanded categories for automated order placements and improved the efficiency of prescription drug dispensing operations to reduce store workload. Efforts are also underway in the area of digital transformation (DX), including digital pamphlets, improved app-based sales promotions, and digital improvements to store and headquarters operations.

Meanwhile, as activities recognizing the SDGs and social contributions, the Group is working to contribute to the local community through "Welcafe" operated by Welcia and focusing on diversity promotion, including the development of female store managers and developing a workplace environment that accommodates LGBTQ workers.

The Group aims to achieve net sales of ¥1.8 trillion in FY2022 as its medium-term plan, and will continue to pursue integration and tie-ups with drugstore companies that share its principles while expanding the number of stores with integrated pharmacies, and continuing to champion the improved health and healthy lifestyles of people in local communities.



Expanding the number of stores operating late at night to ensure the availability of lifestyle infrastructure any time of day



A wellness-oriented café utilized as a place of rest, a chance to chat, and the opportunity to disseminate information

New Form of SM Business Responding to Growing Health & Wellness Needs

[Bio c' Bon] Organic Supermarket Originating in Paris

Against a backdrop of growing health consciousness and rising interest in food safety, demand for organic products has expanded. With its mission to "build a society that uses organic products on a regular basis," Bio c' Bon operates 27 physical stores throughout Tokyo and Kanagawa along with an online store. As well as focusing on procurement through direct imports, Bio c' Bon stores also carry a range of Japanese ingredients, aiming to develop stores that closely reflect the diverse lifestyles of customers. Bio c' Bon also promotes sustainable initiatives, including introducing Japan's first donation-type PET bottle collection machines in autumn 2020.



Bio c' Bon Musashi-Kosugi Store

[Picard] French Store Specializing in Frozen Foods

As the diversity of society advances, so has the diversity of each person's food-related sensibilities.

As a frozen food specialty store originating in France, Picard not only values the flavors, presentation, and safety of food but also develops food that are organically cultivated and environmentally responsible, has introduced a nutritional grading system, and caters to "flexitarian" dietary needs as part of efforts to the development products and services delivering increasingly diverse value out of a desire for customers to "eat and life better." In Japan, Picard currently operates 15 physical stores around Tokyo and Kanagawa in addition to an online store.



Picard Jiyugaoka



Working to Develop the Financial Infrastructure to Create “Aeon Living Zones”

We will make full use of the Group’s large-scale offline businesses and provide financial services personalized to customers that are available anytime, anywhere, and which are safe and secure, convenient, and good value.

Aeon Financial Services is working to develop the financial infrastructure to create Aeon Living Zones in anticipation of the “new normal” of the post-COVID world.

To promote cashless payments on a Group-wide basis, we are making progress on centralized management of customer information and strengthening efforts to encourage customers to use an Aeon card as their main card. We are also developing data management systems, expanding Group and non-Group affiliate stores with the aim of achieving cross-selling through the use of that data, and providing one-stop financial and lifestyle services on a multi-channel basis.

We endeavor to strengthen coordination with local public institutions and affiliate stores so that we can tap into needs that are more in tune with the daily lives of local customers and establish a more familiar presence with customers.

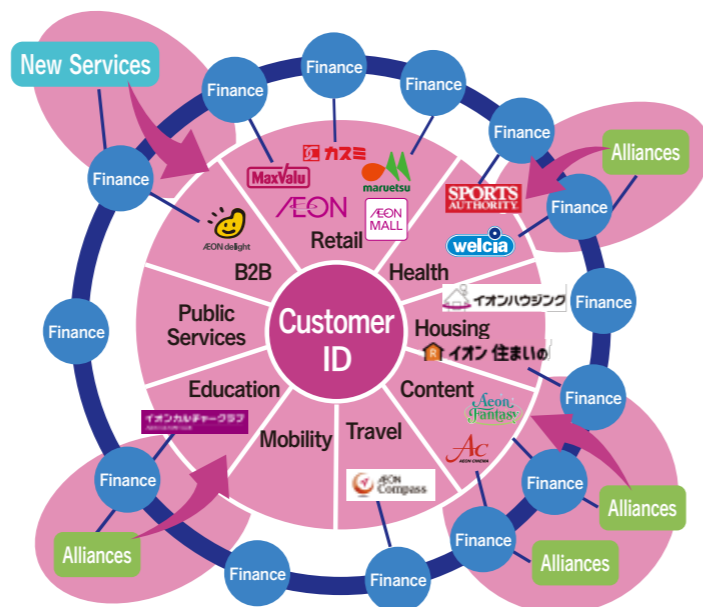
We are also working to develop more advanced screening procedures and diverse marketing methods with the aim of expanded our fields of business. We are making efforts to strengthen risk and cost control through sophisticated screening and credit management utilizing AI technologies in an effort to reduce bad debt expenses, while broadening the customer base through digital financial inclusion in each country.

In Thailand and Malaysia, we are actively allocating resources into priority areas, such as expanding the business portfolio. We will also formulate and revise area strategies that address the differences between urban and rural areas, identify disparities between cities and industries, deploy sales and marketing strategies on that basis, upgrade our digital contact points, and implement priority measures to optimize our network of branches.

Additionally, we will accelerate digital transformation (DX) efforts, streamline business operations through contactless customer service and the introduction of eKYC (online personal authentication), promote employee workstyle reforms through telework and other measures, and establish systems that will ensure business continuity under all kinds of environments.

Second Founding: Value Chain Innovation and Creation of Networks

Building living zones (marketplaces) by connecting payments, points, and other financial services with Group and affiliated services



Aeon Financial Services: Main Numerical Targets for FY2025

	FY2019 (Results)	FY2020 (Results)	FY2025 (Target)
Operating Revenue	¥457.3 billion	¥487.3 billion	¥760 billion
Operating Profit	¥65 billion	¥40.6 billion	¥100 billion
Operating Profit Margin Domestic / Overseas	55% / 45%	53% / 47%	40% / 60%



Launch of eKYC (online personal authentication) in October 2020



Expanding the operating network in Thailand with low-cost “kiosk” style stores with a space-saving design



Providing Local Communities with “Daily Life Locations” That will Form the Core of Aeon Living Zones

We will grow together with local communities through urban development that takes advance of local characteristics, play the role of core facilities and social infrastructure for local communities as local community places and places for consumers to enjoy leisure and gatherings, and provide solutions to the issues faced by regions and local communities.

As its Three-Year Plan Growth Policies, Aeon Mall Co., Ltd. has set achieving high profit growth overseas, achieving stable growth in Japan, building a financing mix and governance structures supporting growth, and pursuing ESG-based management. As management challenges and our vision for achieving these policies, we have formulated plans to achieve profitable growth in our overseas business and accelerate new mall openings; maximize the appeal of brick-and-mortar malls through customer experience; build next-generation malls and pursue the urban shopping center business; pursue digital transformation; and formulate and pursue medium-term strategies and accelerate reforms based on ESG perspectives. We are working to establish more in-depth operations through these endeavors.

We are also working to create a decarbonized society towards 2050 by promoting energy conservation and utilizing renewable energy, and have set the target of operating all Aeon Malls through 100% renewable energies by the year 2025. Aeon Mall Kawaguchi has begun operating as an effectively net-zero mall in terms of CO₂ emissions from electricity and gas usage.

Aeon Town is developing NSC store openings that facilitate the creation of “Aeon Living Zones” through advancement of Health & Wellness and accelerating the shift to digital markets.

To realize a convenient and comfortable shopping environment that is compatible with society’s “new normal,” we have created a new neighborhood shopping center (“NSC”) format that combines drive-through, park and community facilities, and are also working on urban development and town center development projects 3,000 to 10,000 m² in size. We are also strengthening coordination with Supermarket and Discount store operating companies in each area to accelerate store openings, utilizing Aeon real estate services and promoting stronger coordination with government organizations. For existing stores, we have outlined the broad strokes of revitalization plans designed to further enhance profitability, within which we have considered various infection prevention measures, action to preserve aesthetics, and the role of eco-friendly NSCs in achieving a decarbonized society. In FY2019, the Fujimino location utilized CO₂-free power sources to achieve zero CO₂ emissions from power consumption. Meanwhile at Aeon Town Konan, the first Power Purchase Agreement for solar power generation was introduced in an effort to lower CO₂ emissions. By taking environmental action in various other ways, Aeon Town will contribute to achieving the Group-wide Aeon Decarbonization Vision through the development of the Next-Generation Smart Aeon.

Aeon Mall Long-Term Vision (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 profit of ¥90 billion.
- ③ Conduct floor space expansions and renovations in Japan to Become the Overwhelmingly Dominant Mall in Each Region.
- ④ Secure growth markets overseas, expand overseas business to 50 malls, and record operating profit of ¥27 billion (25% profit margin).

<Quantitative Goals for Operating Profit>

		FY2019 (Results)	FY2025 (Targets)
Domestic	Malls	86.6%	68.7%
	Urban Shopping Centers	- 0.3%	1.3%
Overseas Business		13.7%	30.0%



Aeon Mall app supporting specialty store businesses by distributing peak store visit times based on changes in customer behavior



Aeon Mall Ageo covers 100% of its electricity usage with effectively CO₂-free electricity



Aeon Town Fujimino has introduced a community development square and spaces for visitors to engage in their interests and studies

Services & Specialty Store Business

Tapping in to Emerging Needs Early On to Promote Businesses That Respond to the Times

We respond to a wide range of needs in response to the changing social environment in an effort to develop products and services that bring further convenience and enrichment to daily lives.

Aeon Delight has formulated Vision 2025 and aims to become a company that solves social issues and creates environmental value based around three growth strategies: safety and security, personnel shortages and the environment.

In the Three-Year Management Plan (FY2021–FY2023), we will accelerate growth towards achieving Vision 2025 by putting three initiatives into practice: management with customers as the starting point, promoting digital transformation (DX), and Group management. In management with customers as the starting point, we will practice market-in approaches based on customer needs identified through nationwide customer support centers and account sales with the aim of expanding market share in markets outside the scope of Aeon. In promoting DX, we will implement a nationwide rollout of an area management system that reduces the staffing required for facility management. In terms of Group management, we will work to strengthen governance and enhance our management capabilities.

Aeon Fantasy has formulated a Medium-term Management Plan (FY2021–FY2023) and set the vision of becoming a “one-and-only edutainment company” delivering a combination of fun play and learning to put smiles on the faces of children and their families around the world. To address the two management issues of expanding areas of business to deal with the “new normal” and business restructuring through IT, we are working on four key measures: evolving and expanding play spaces, shifting to portfolio management, achieving full digitalization, and implementing reforms that support growth regarding personnel, organizations, and corporate climate.



Customer support center engaging in area management for Aeon Delight



Adenosine triphosphate (ATP) testing as part of new standards for cleaning conducted at Aeon Delight



Aeon Fantasy strives to put smiles on the faces of children and their families



FANPEKKA, opened by Aeon Fantasy in April 2021 in Zhejiang Province, China

Discount Business

Establishing a Business Structure That Responds to Polarized Shopping Behaviors and Meets the Needs for Low Prices

To establish and grow the discount store business, each of the The BIG stores operated by Maxvalu companies in each region will be gradually consolidated under the dedicated company Aeon BIG. Additionally, Big-A and Acolle, which operate retail stores primarily in the Tokyo metropolitan area, underwent a management integration in March 2021. To offer prices that are overwhelmingly popular with customers, consolidated product purchases, integrated logistics, and low-cost operations linked with logistics will be rolled out across the organization and head office functions will be consolidated in an effort to achieve management that thoroughly pursues low prices.



Big-A implements low-cost measures to continually support the healthy lifestyles and finances of customers

International Business

Identifying Different Customer Needs in Each Country and Implementing Detailed Strategies Suited to Each Region

Towards achieving the further acceleration of the shift to Asian markets, one of the Five Reforms to be achieved by FY2025, we will work to speed up and optimize management by addressing local needs with locations in the field playing leading roles.

We will focus on the Asian retail market where online growth is surpassing offline, promoting an expansion of our network of offline stores while simultaneously promoting digitization, and work on reforms to shift from the currently Japanese-style business model to develop models matching the characteristics of each Asian country. We will also develop environments enabling products to be freely distributed within regions, and work to improve the quality of global personnel by developing and exchanging talented human resources in each country.

In China, working from the Aeon Digital Management Center (DMC) established in 2019 as a starting point, we are promoting GMS initiatives utilizing cutting-edge digital technologies. Aeon app services that handle online sales and respond to interest in bulk purchases have been introduced at all stores, enabling us to provide information and delivery services that leverage the strengths of physical stores. We are also promoting the shift of digital service provision and know-how to Group companies and play the role of strengthening the Group's cutting-edge R&D functions.

In the ASEAN region, we are pursuing a joint venture with U.S.-based partner Boxed. In FY2021 we will launch an online supermarket business followed by the development of marketplace and B2B businesses as part of a plan to grow these businesses into new pillars of revenue.

In Malaysia, we utilize the excellent ability to make suggestions to customers based on an advanced online algorithm from Boxed to provide customers with convenient shipping experiences.

In Thailand, we will pursue supermarket reforms to combine specialized ready-to-eat businesses with online sales with the aim of expanding market share.

In Vietnam, we will take an intensive approach to allocating management resources due to the particularly high level of growth expected, and will accelerate the opening of new stores while enhancing synergy between retail, shopping center development, and financial endeavors.

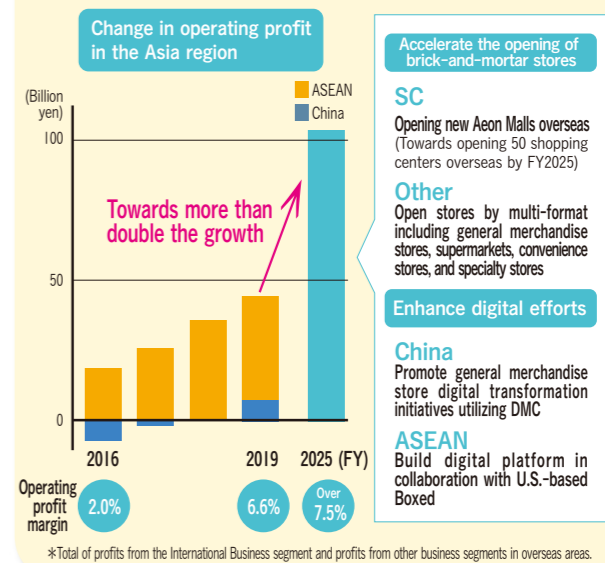
In Cambodia, we will continue to implement cash flow-oriented management through stable and profitable management of GMS while expanding openings of specialty stores and e-commerce businesses to build pillars of revenue outside GMS.

In Indonesia, we will fuse the specialty store and e-commerce businesses with the GMS business at the core, putting the growth of our business on track with local growth.

Further Acceleration of the Shift to Asian Markets—The Direction of Reforms

- Operate brick-and-mortar stores and digital businesses in parallel in Asia. Accelerate speed of growth using dedicated business models unique to Asia.
- Shift from current Japanese-style business model to models matching the characteristics of each Asian country and allocate investments in human resources, goods, and capital to Asia as a whole.

Speed of Profit Growth through Shift to Asian Markets



In-store guidance utilizing AI (Xingtang Store, Guangzhou, China)



Dedicated mobile app registration station (Le Chan Store, Hai Phong, Vietnam)



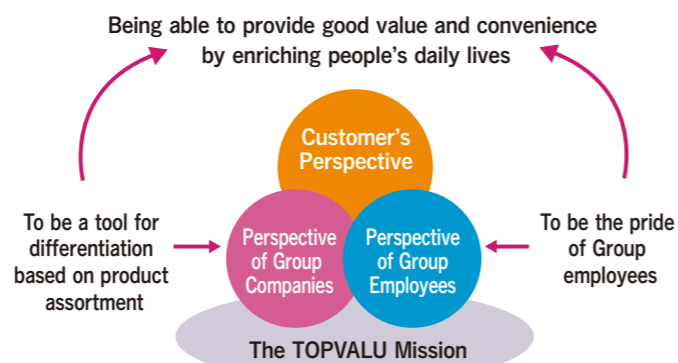
A Constantly Evolving Private Brand That Takes Customer Feedback On Board

Aeon's Private Brand "TOPVALU" Embodies Aeon's Basic Principles

TOPVALU not only pursues customer needs that have already materialized but also latent needs, and has developed as a brand that is the most useful for safe, secure, smart, and enjoyable living. We will further expand Aeon's private brand TOPVALU, which embodies Aeon's "Customer-First" philosophy, and take on the challenge of creating unique value leveraging the collective strengths of the Group.

Origin The Origin of TOPVALU Product Development

The retail business fulfills a substitution function for consumers. We procure the products and services that customers need on their behalf and offer them at reasonable prices. TOPVALU is what enables this. Our aim is for people to "shop at Aeon because there is TOPVALU."



Creating Products Creating Based on the Customer's Perspective

With TOPVALU, we work to create products by taking the point of view of our customers into consideration throughout each phase, from product planning and design to the selection of manufacturers, determination of product specifications, production management, and sales.

Customer opinions and feedback are gathered and centrally managed through the VOICE system, then analyzed for use in product improvements and new product development. Personnel including development staff, quality control staff, and customer service staff work to realize the function that customers expect from TOPVALU products while also ensuring the safety of raw materials, the use of additives, production processes, and other aspects are appropriate.

The TOPVALU Vision

Vision
Becoming the True No.1 Private Brand in Asia in Terms of Both Quality and Quantity
TOPVALU not only pursues customer needs that have already materialized but also latent needs. By continuing to take on challenges by channeling sincerity, innovation, and passion, TOPVALU will become a brand that is the most useful for secure, smart, and enjoyable living.

Sincerity
Thorough quality control standards, in-house inspection, and a development framework. From planning and production to logistics and sales, TOPVALU takes responsibility for every aspect, which is why Aeon is on the label as the seller.

Innovation
We look into latent customer needs (convenience, health, environment, natural, kodawari) in great depth to deliver solutions for living. Based on a spirit of innovation and taking on challenges, TOPVALU delivers uniquely accessible, useful, and valuable products, as well as trusted information and services.

Passion
We strive to develop products that will always give customers Waku Waku and provide this through TOPVALU.

TOPVALU "Are - Kore Navi"

TOPVALU "Are - Kore Navi" is a System to Receive Feedback from Customers

In September 2020, it was released as a smartphone app that enables customers to search for product information and get recipe suggestions and receives their feedback and requests.

<Main Features>

- Search product information using barcodes
- Keyword-based product search
- Recipe search
- Receive feedback and requests



History of TOPVALU Evolving through Product Development Taking a Customer-First Approach

The Starting Point of a Private Brand

Why Our Cup Noodles Didn't Come With Forks

In the early 1970s, cup noodles were hot-selling products. But against the backdrop of the oil shock, producers announced unilateral price hikes. Aeon temporarily stopped carrying cup noodle products, saying it could not explain this to customers, and set about planning and developing its own products. This was the creation of Aeon's "J-Cup" private brand for cup noodles. To offer the products at ¥85, a price that would compete with existing products, the included fork was removed, based on our survey results indicating that only 35% of people used the fork that came with cup noodle products. Other innovations to the product in terms of ingredients and flavoring ensured it could be enjoyed by customers of all ages, from children to adults.

Elementary School Backpacks

Aeon Elementary School Backpacks That Have Continued to Evolve Since Their First Release

In 2001, Aeon began selling elementary school backpacks in 24 different colors nationwide, breaking the conventional thinking at the time that backpacks were generally black for boys and red for girls. The concept was born from the demand for backpacks with a greater variety of colors that would suit individual children's preferences, and was the first time such a wide range of colors had been released in Japan. In 2004, the backpacks adopted the TOPVALU brand and sales increased significantly from 40,000 in FY2001 to 70,000. Our elementary school backpacks have not grown into a dominant product in that around one in every four new elementary school students purchases an Aeon backpack. In 2021, we added the lightest models of the series (in the 100g range) to the lineup with "Karusupo Mirai Pocket" backpacks, which include storage space for tablet devices. They also feature simple, gender-neutral designs. We will continue to plan and develop new elementary school backpacks to coincide with the constantly changing educational environment.



1974

J-Cup, the pioneering private brand (PB) product, goes on sale



1975-

Aeon starts development of a private brand (PB) to reflect customer feedback. In 1975, with the sharp increase in the price of goods causing great uncertainty in consumer behavior, Aeon drove the development of a private brand for daily essentials in order to achieve the stable supply of inexpensive and good quality products. Aeon shortened its distribution routes and launched a string of value-priced products that eliminated waste.



1992

The birth of TOPVALU BEST PRICE products priced lower than usual. With an economic recession and customers increasingly looking to save money, Aeon began selling products at 15%-50% below regular prices.



1993

Aeon begins development of GURINAI products. Ahead of the "Guidelines for the Special Labeling of Fruits and Vegetables, etc. Related to Organic Produce" from the Ministry of Agriculture, Forestry and Fisheries going into effect, Aeon began developing GURINAI products farmed without the use of chemical fertilizer, such as with organic farming, or cultivated with as little chemical fertilizer as possible.



1994

Birth of the "TOPVALU" private brand. The 25th anniversary of Jusco marked the arrival of "TopValue," the predecessor to "TOPVALU." Created by combining the words "Top" and "Value," it was designed to be a brand that balances unbeatable low prices with quality.



2000

From "TopValue" to "TOPVALU". Based on a new brand mark inspired by "MOTHER FOREST - The Quality of Life Forest," The SELCT and GURINAI were established as sub-brands.



2014

The 40th anniversary of TOPVALU-Redesign into four brands. To stay in touch with increasingly diverse needs, the existing categories and brands were revised and redesigned into four brands.



2015

Sales launch of TOPVALU SELECT under new standards. TOPVALU SELECT is based on the new standard to "only release products with an 80% or higher satisfaction rating from customers" and was reimagined as a brand delivering carefully selected, high-quality products at reasonable prices.



2016

TOPVALU GURINAI revamped into three series. In response to demands for health and wellness-oriented products, which were generated by a growing trend for health-consciousness, we redesigned TOPVALU GURINAI into three new series, "Organic," "Natural," and "Free From."



2018

Revamping TOPVALU BEST PRICE. TOPVALU BEST PRICE was transformed into a brand providing satisfactory quality at an amazing price. By utilizing the Aeon Group's economies of scale, quality was maintained at or above the level of national brands while still managing to deliver products at reasonable prices.



A Constantly Evolving Private Brand That Takes Customer Feedback On Board

Expansion of Private Brand (PB) Products Centered around TOPVALU

Value Creation Making an All-Out Group-Wide Effort to Create Unique Value

Customer behaviors have changed dramatically due to the COVID-19 pandemic, making it necessary to develop products catering to new needs. At the same time, the barriers between online and offline, and between manufacturing and retail, continue to be diminishing. With it becoming easier to compare prices and quality due to society's shift to digital technologies, Aeon aims to further expand its range of PB products, with TOPVALU at the center, and will take on the challenge of creating "unique value by supply chain." As a company that maintains points of sale, PB products are an area where we can demonstrate our strength in reflecting customer feedback in products. We believe that this is where the growth potential for TOPVALU lies and will employ this approach in rebuilding the TOPVALU brand. Aeon is making an all-out, Group wide effort to shift from a focus on proposing products already on the market to creating and proposing unique value that only Aeon can offer.



Creation of Unique Value by Supply Chain

The direction we are aiming for through change

- Shift from serving as an intermediary and making proposals for products already on the market to **creating and proposing unique value that only Aeon can offer**
- Make all-out Group-wide effort to create unique values by drawing not only on TOPVALU brand but also on the expertise in each business format and region-specific value**

Main Initiatives	Key Measures	Measures to Implement
Main Initiatives	Create and propose unique private brand (PB) products	Expand PB products (TOPVALU, Specialty PB, Local PB)
	Expansion of demand aggregation for national brand (NB) products	Aggregate demand for NB products by AEON GLOBAL MERCHANDISING
	Establish the Group's food hub function	Strengthen menu development function and production capacity of food processing centers to supply products across businesses
	Supply chain optimization	7-step supply chain optimization Planning and Product Strategy ▶ Sourcing and Upstream Supply Chain ▶ Demand Forecasting ▶ Inventory Mgmt. ▶ Warehouse Mgmt. ▶ Transport Mgmt. ▶ Sales

Plant-Based Foods "Vegetive Series," Substitute Foods for Vegetable Ingredients

In recent years there has been a growing interest in plant-based ingredients due to rising health consciousness and changing dietary habits. Moreover, the world population is expected to grow to around 9.7 billion by the year 2050, creating the need for even more food. Giving these circumstances, Aeon has planned, developed, and implemented a full-scale launch of the Vegetive series, which replaces various traditional ingredients with plant-based equivalents with a focus on plant-based protein sources, which have a minimal impact on the environment in terms of the greenhouse gases generated during production, the crops required for cultivation, and the use of water. The series considers health and the environment, while responding to feedback indicating that customers want to actively incorporate plant-based foods into their daily meals.



TOPVALU Vegetive Series

Reduction of Plastic Use Products That Save on PET Bottle Labels, Label-Free Natural Water

From February 2021, Aeon began selling TOPVALU BEST PRICE Label-free Natural Water by the case at 288 locations including Aeon and Aeon Style stores throughout the Hokkaido, Kanto, and Tokai regions, marking a first for the TOPVALU brand, these products are free of labels on the PET bottles.

Based on the Aeon Plastic Usage Policy, Aeon has declared the goal of halving the amount of disposable plastics used compared with 2018 levels by the year 2030. The sale of this product is a part of those efforts, and will lead to less plastic waste compared with regular labelled PET bottles and reduce the burden of removing labels when sorting waste each day.



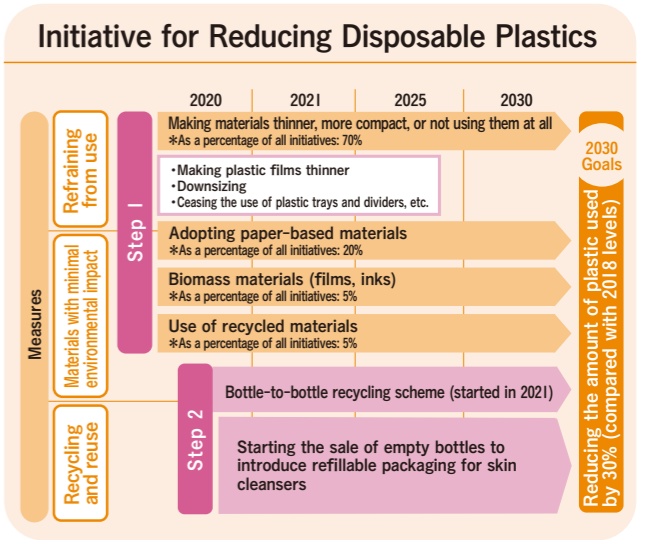
TOPVALU BEST PRICE "Label-free Natural Water" sold by the case (six 2-liter bottles per case)

Environment and Society Efforts Conscious of Harmony with the Environment and Society

TOPVALU also strives to develop sustainable ecosystems conscious of harmony with the environment and society, respond to social issues, and realize a decarbonized society. In developing a sustainable ecosystem, we take great care to ensure that the gifts of nature cultivated in the sea and mountains are not damaged, and we reflect this thinking in various products by rethinking them on a global scale. As a means of resolving social issues, we have established the Aeon Supplier Code of Conduct on a voluntary basis for forming a foundation for equal partnerships and fair trade and request compliance with this code by our suppliers.

To realize a decarbonized society, we have been promoting our initiatives for decarbonization together with our stakeholders such as customers, the suppliers related to the entire supply chain responsible for production, logistics, and other activities.

At the root of these initiatives are Aeon's Basic Principles of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view." We aim to embody these principles through our products.



Developing products that impress customers and playing a Group-leading role

As a retail business, we need to play the role of an art gallery or museum curator to select products that are the best for customers and provide things not available anywhere else, and when it comes to our private brand (PB), the role we play is extremely important.

TOPVALU products have been developed based on our Customer-First values cultivated throughout Aeon's long history. Moreover, no other retail groups operate in as many different industries, business types, and sizes as Aeon, and the consolidation of a diverse range of knowledge that comes from each Group company maintaining the same values but with a different perspective is the greatest benefit to TOPVALU. That is why we see developing and speeding up the basis for consolidating information within the Group and bringing each member's opinions to the table for discussion as a critical challenge that we are actively addressing.

Under the crisis situation created by the spread of COVID-19, customers tend to select brands with which they have an emotional connection that is close to their hearts. TOPVALU, for example, has reworded the prolonged "stay-at-home" situation as "enjoy home," proposing "Ready-to-eat" and "Ready-to-cook" ingredients and dishes as a new line of products. We are also focused on developing products that consider the global environment and sustainability. Improving our communication with customers is an important part of these efforts. We work on a "mobile-first" approach to distribute information and enhance two-way communication over smartphones and other mobile devices and aim to become Japan's top private brand in those areas as well. Additionally, in the Aeon Living Zones described in the new Medium-term Management Plan, we play the role of developing and supplying products that not only address health but are also eco-friendly and respond to the needs for local and organic produce.

Customers visit Aeon in search of products they cannot find anywhere else. TOPVALU hopes to play a Group-leading role by developing products that impress customers. To accomplish that, I hope to value the feedback of our customers and employees even greater than before and direct those insights into product development.



David Lopes

President and Representative Director
AEON TOPVALU CO., LTD.

David Lopes has been involved in the retail industry for many years, and has gained experience at many of the best companies in Europe while developing extensive insight into global private brands. In 2018 he became a director at AEON TOPVALU and was appointed president in March 2020.

Transformation with Communities

Proposing New Lifestyles to Customers and Realizing a Sustainable Ways

Aeon strives to solve environmental and social issues not only through store and product development but across its supply chain, including logistics and suppliers. These efforts alone, however, are not enough. Responding to environmental issues requires each of us to also make significant changes to the way we live. As a company that is closely connected with people's daily lives, we believe that we have a responsibility to work with customers to realize a sustainable society. By proposing new decarbonization and resource recycling-oriented lifestyles to customers through our products and services, we will help them lead their lives in sustainable ways.

Aeon Sustainability Principle

Aeon strives to ensure Group growth while helping to realize a sustainable society in accordance with the basic principle of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view at its core." We aim to think globally and advance activities locally as we actively promote initiatives involving both environmental and social aspects with our many stakeholders.

(Formulated in 2011, Revised in 2018)



Sustainability Activity Areas and Specific Actions That Aeon Takes through Its Business Activities with "Living" as a Keyword

Based on the Aeon Basic Principles, we established the Aeon Sustainability Principle in 2011 and are working to resolve environmental and social issues through our business activities.

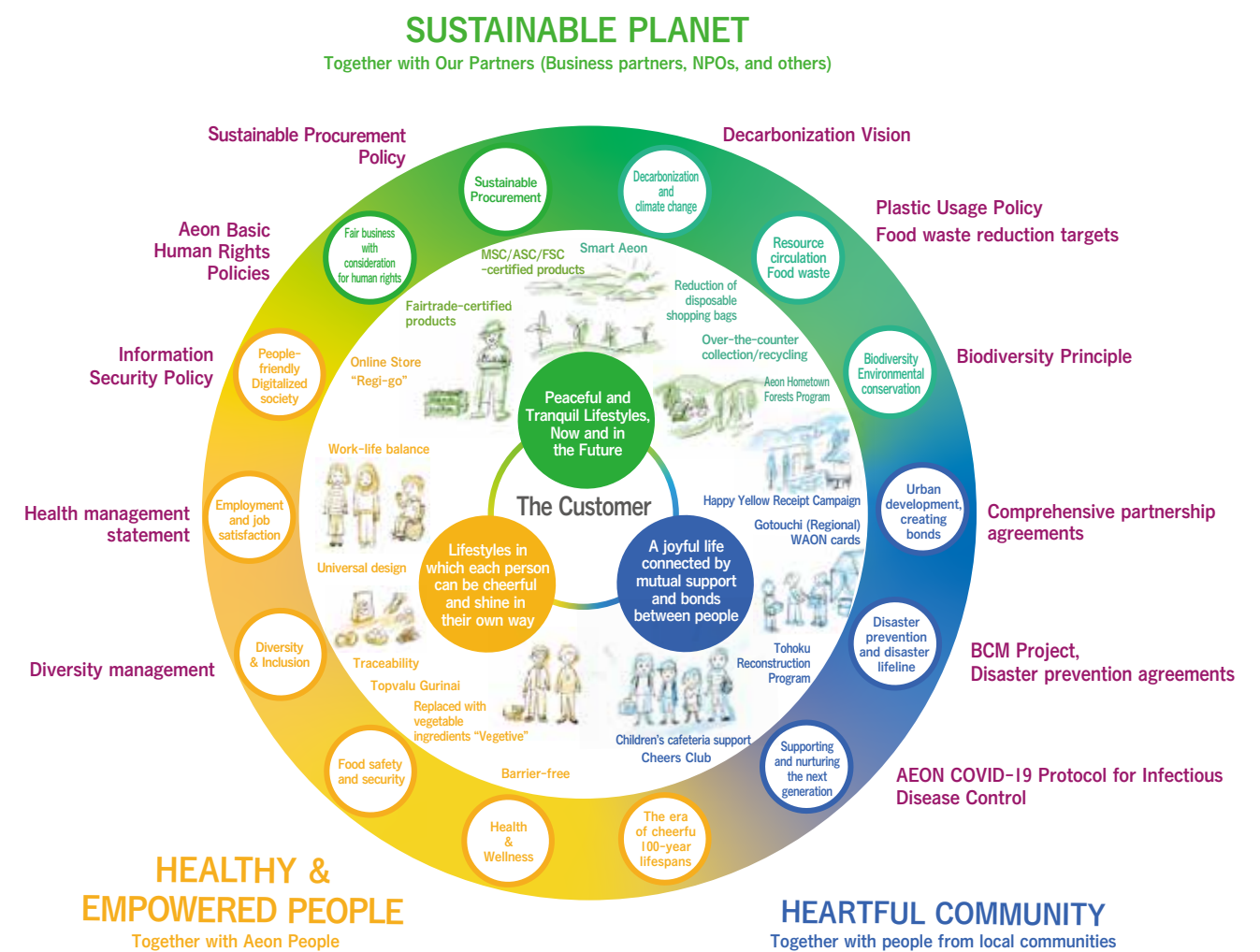
Under the Aeon Group Medium-term Management Plan (FY2021-FY2025), sustainability is at the center of our business and as the core of our growth strategy. Accordingly, we re-examined the responsibilities to be fulfilled by Aeon from the perspective of changes in the times and social conditions and took a fresh perspective toward solving such matters through our business activities.

First, reading the Aeon Basic Principles of Peace, People and Community through the lens of sustainability, we established Sustainable Planet, Healthy & Empowered People, and Heartful Community as three aspects of being of value to society, which is our aspiration. Going further, to gain customer support and participation, we have transformed "value to society" into "value to customers" and expressed it in three aspects of "living."

We have set the activity areas that Aeon will work on through our business activities and summarized the overall picture of Aeon's sustainability efforts, including specific actions, as the "Sustainability Compass."

We believe that the direction in which Aeon's sustainability should proceed will contribute to the happiness of our customers now and in the future. Aeon's raison d'être is to continue proposing "better living" that will lead to the future, and we define it as the vision of Aeon's sustainability and express the overall picture with a "Sustainability Compass."

AEON SUSTAINABILITY COMPASS



How Can We Change by 2030 to Establish a Decarbonized Society? Key Roles Aeon Should Play

As a company deeply rooted in people’s daily life, Aeon seeks to realize a sustainable society by responding to climate crisis with agility and promoting CO₂ reduction in collaboration with local communities and companies and through prompting changes in lifestyles of members of the community.



Kahori Miyake
Chief Sustainability Officer

Kahori Miyake joined JUSCO Co., Ltd. (currently Aeon Co., Ltd.) in 1991. After working as General Manager of the company’s Branding Department, in 2008 she was appointed President & Representative Director of Claire’s Nippon Co., Ltd. In 2014 she became an executive officer at Aeon Retail Co., Ltd. holding concurrent posts as general manager of the Public Relations and Customer Service departments. In 2017 she assumed the role of Executive Officer of Aeon Co., Ltd. in charge of environmental and corporate social responsibility, public relations, and investor relations. She has held her current post since March 2021.

Environmental issues have reached a stage requiring immediate action. In Japan, the term “climate crisis” is increasingly used in place of “climate change,” reflecting people’s growing sense of crisis. The next decade will be the key to avoiding the crisis. What can we do then? The point is whether we can shift the direction of the whole of Japan, including its social system, toward decarbonization. If we could do so by 2030, we can probably sidestep the imminent crisis, at least for the time being. Unfortunately, however, the percentage of renewable energy used in industry and daily life in Japan is low. Given that, what can we do ourselves to expand it? Aeon’s approach is to install as many solar panels as possible at its stores, and to not only create renewable energy, but to make its stores renewable energy hubs that play the role of driving decarbonization efforts across entire communities. It is also important to make not just Aeon but the entire supply chain green, and there are many things that need to be start-

ed over the next 10 years. The time has come to implement the things that have emerged over the past few years in terms of “what” we need to work on building a decarbonized society, and “how” we should carry it out. Aeon has been doing what it can for the environment, examples being the Aeon Hometown Forests Program, a tree-planting activity, and the Bring Your Own Shopping Bag Campaign, both of which started in 1991. We have undertaken every activity steadily and continuously and have moved ahead to make energy-saving investments and introduce renewable energy. However, under the current situation, our conventional efforts, or extensions thereof, to just increase the use of renewable energy by 1.2% each year have become no longer sufficient. Anticipating such a situation, we formulated the Aeon Decarbonization Vision 2050 in 2018. In our most recent Medium-term Management Plan, we have incorporated the bold scheme to use 100% renewable energy at 150 malls in Japan by FY2025.

Accordingly, in addition to achieving zero total CO₂ and other greenhouse gas (GHG) emissions from stores, we have been making concerted decarbonization efforts throughout our supply chain, encompassing logistics operations as well as business partners, to eliminate these emissions from business processes as well.

Incorporating Decarbonization into Daily Life While Proposing Better Lifestyles Leading to the Future

Responding to environmental issues requires a change both in the social structure and people’s ways of daily living. I believe that avoiding climate crisis will be difficult unless we make such a significant change in the next 10 years. From the data of CO₂ emitted each year by Japanese people in our daily lives, we can see that our lifestyles are not environmentally friendly.

This is not unique to Japan; it is common among other developed nations as well. But to overcome the climate crisis, we will need to not only change the social structure but also make drastic changes in consumer lifestyles.

Aeon has several key roles in this regard. Aeon operates in business fields concerned with enriching the daily lives of customers. We have a responsibility to think about what kind of homes our customer live in, what types of food they eat, and how they lead their life, and in doing so, to provide the means for tackling decarbonization together with them. Everyone can act with an awareness of decarbonization in every aspect of their lives. That is the kind of society we believe we should help create.

For instance, we now need to adjust our merchandise assortment in a way to allow customers to choose lifestyles with lower environmental impact. Examples include minimizing the amount of plastics used in packaging materials while promoting their recycling as well as offering low environmental impact products,

such as a meat alternative using soybeans, at affordable prices to encourage daily use. These represent the aspirations of Aeon in 2030.

It is said that the ultimate recycling-oriented society is where things, including plastics, circulate many times while repeatedly changing their forms and people can live without the need to extract additional underground resources. What is important is how we should recover used products from consumers and utilize them for recycling and reproducing. Being the last stop to deliver products to customers and the first to recover such used items, a retail store is a convenient recycling spot, causing less burden on customers as they can complete this one-stop process at a store they frequent. Since we have an opportunity and the functionality necessary for establishing a recycling-oriented society, Aeon will play an increasingly greater role as a local hub.

The Aeon Basic Principles Serve as Our Foundation

Aeon’s efforts concerning environmental issues have their origin in the Aeon Basic Principles, which represent our intention of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” These principles, in turn, are based on our belief that a retail business thrives only when there is peace in society, and as a corporate citizen, seeking a peaceful society is of utmost importance for Aeon. Aeon’s mission and its approach to sustainable management means taking a long-term view of changes in the world and adapting to them early on in order to achieve sustainable growth while continuing to be a Group that contributes to local communities.

Remaining loyal to this belief until now and into the future, we intend to combine the individual strengths of each and every employee, shift our direction toward decarbonization, and ultimately realize sustainable living in the Aeon Living Zone.

Responding to Climate Change Through Scenario Analysis

Aeon is working on the scenario analyses recommended by the Task Force on Climate-related Financial Disclosures (TCFD) in order to analyze the impact that climate change has on the sustainability of its business and to respond to the various risks and opportunities climate change poses.

Scenario Analysis Aimed at Zero CO₂ Emissions

In 2018, Aeon established the Aeon Decarbonization Vision, aimed at achieving zero CO₂ emissions. To achieve this target, we need to envisage what kind of societies will exist in the world between 2030 and 2050 and to consider our responses to them in advance. To do so, we are using scenario analysis techniques to identify risks with a significant impact and consider countermeasures to ensure business continuity.

Aeon Decarbonization Vision

Aeon will help realize a decarbonized society through its following three-pronged approach for reducing greenhouse gas (hereinafter “CO₂”) emissions.

- **Stores**
We will reduce the total CO₂ emissions from our stores to zero.
- **Products and Logistics**
We will continue our efforts to achieve zero CO₂ emissions from our business operations.
- **Hand in Hand with Customers**
We will cooperate with our customers for the realization of a decarbonized society.

Revised July 2021

To reduce CO₂ emissions from our stores, we initially set the targets of achieving zero emissions by 2050 and a 35% reduction by 2030, but to achieve our targets ahead of time, we established the new target of switching the electricity used at our stores to 50% renewable energy by 2030. This is a target accredited by the international Science Based Targets (SBT) initiative and is aimed at reducing total emissions of CO₂ and other GHGs emitted in the course of business activities to zero by around 2040.

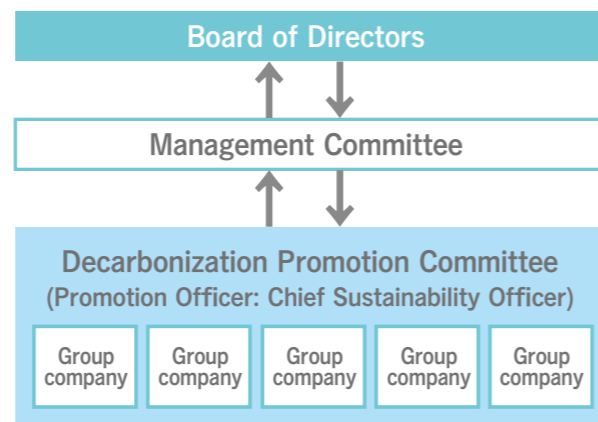
Building a Structure to Tackle Sustainability with Consistency and Continuity Based on Scenario Analysis

On dealing with climate change issues, the Decarbonization Promotion Committee (overseen by the officer in charge of Sustainability) was launched as a Group-wide organization based on the structure for promoting sustainable management. The committee submits proposals and reports to the Aeon Management Committee and accepts decisions and instructions accordingly.

With regard to climate change issues, our long-term initiatives targeting 2050 (with 2030 as an interim target) must uphold consistency and continuity. This will require decisions that will have a material impact on overall management, such as upfront investments in renewable energies and business portfolio revisions. For this reason, we believe it is of vital importance that we establish an organizational structure capable of pursuing these initiatives consistently over the long term.

In promoting these endeavors, the officer in charge of Sustainability makes proposals and reports to the Aeon Management Committee, which is chaired by the CEO and comprises all executive officers as members. The results of the committee’s deliberations are then decided and approved by the Board of Directors, as the highest decision-making body, before being put into action.

Aeon’s Structure for Promoting Sustainable Management



Objectives and Methods of Scenario Analysis

The objective of the scenario analysis is to ensure business continuity under both the 4°C global temperature rise scenario, which represents an extension of current policies, and the 2°C (preferably 1.5°C) global temperature rise scenario, which demonstrates a clear intention to decarbonize predicated on the implementation of strict policies and countermeasures. However, since the international community has already confirmed its goal of ensuring that

temperature rise is kept within 2°C (preferably 1.5°C) under the Paris Agreement, we are prioritizing the implementation of countermeasures based on the 2°C scenario.

Accordingly, we conducted analyses based on the 4°C and 2°C (preferably 1.5°C) scenarios and studied the risks and countermeasures for each case. The transition risks and physical risks we referenced are as follows.

[Transition Risks]

WEO2018 CPS*¹ (approx. 3.7°C) and SDS*² (2°C)

Transition risks: The risk to the company due to policies associated with the transition to a decarbonized society and changes in technologies and markets

[Physical risks]

IPCC 5th Assessment Report RCP8.5*³(4°C) and RCP2.6 (2°C)

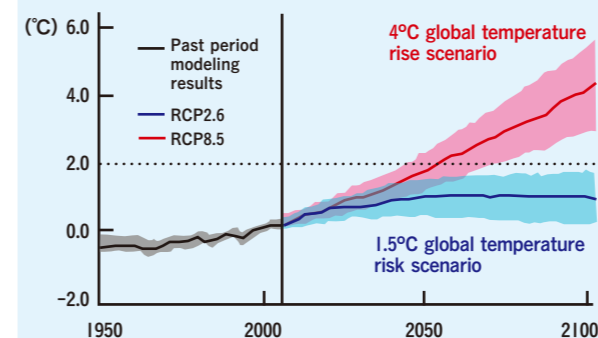
Physical risks: The risk to the company due to typhoons and flooding, and changes such as rising average temperatures and weather patterns

Whichever scenario (4°C or 2°C) is pursued, as continuing on the same trajectory will involve a continuing increase in CO₂ emissions*³ up to 2030, aiming for a 2°C (1.5°C) warmer world will require responses to both physical and transition risks. Responses to transition risks may incur a temporary increase in costs, and it will be necessary to consider the difference between this cost and the cost of responding to

physical risks from 2030 onward.

From the stage when the Aeon Decarbonization Vision was formulated in spring 2018*⁴, we conducted a comparison of the 4°C warmer world scenario, which represents an extension of current policies, and the 2°C (preferably 1.5°C) warmer world scenario that demonstrates a clear intention to decarbonize. In autumn 2018, the IPCC published a special report on the impacts of global warming of 1.5°C, and we recognized the need to further strengthen and accelerate our initiatives. We plan to progressively update our scenario analysis and countermeasures envisaging a 1.5°C > 2°C (preferably 1.5°C) warmer world, and will use this to build even higher resilience.

Change in Air Temperatures from 1950 to 2100 (Observations and Predictions)



Source: Created based on Japan Meteorological Agency final translation of IPCC AR5 WGI SPM

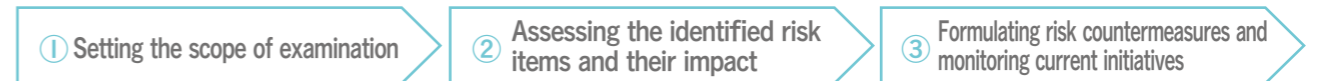
*1 CPS: Current Policy Scenario, SDS: Sustainable Development Scenario
*2 RCP: Representative Concentration Pathway Scenario

This is the scenario adopted by the Intergovernmental Panel on Climate Change (IPCC). The numbers represent the results of global warming (referred to as radiative forcing) with higher figures indicating higher greenhouse gas concentrations, showing the strong effects causing warming.

*3 AR5 Summary for Policy Makers SPM.6

*4 In setting the target of reducing CO₂ emissions to zero by 2050 and reducing emissions by 35% by 2030 in line with the Paris Agreement, we used the SBT’s SDA tool, which was made publicly available for testing the scientific rationality of targets against the 2°C target.

Scenario Analysis Flow



① Setting the scope of examination

The scope covers all Group companies in Japan and overseas, and from a risk management perspective, includes companies and suppliers that make up the supply chain from the perspective of risk management.

Two most important fields as a retail business

Store operations
Stores and distribution sites in Japan

[Reason]

This scope makes the physical risks and transition risks relatively clear given the large number of business formats and stores.

Physical procurement
Food (ingredients procurement, manufacturing and processing steps)

[Reason]

The scope has the largest business structure and a significant impact on customers’ lives. Considering the broadening of the supply chain, both domestic and overseas suppliers are included in the scope.

② Assessing the identified risk items and their impact

Impact assessment					
	Risk items	Store operations	Product procurement	Financial impact in a 4°C warmer world as an extension of current policies	Financial impact in a 2°C warmer world with a clear intention to decarbonize
Transition risks	① Carbon pricing Risk types: policies and regulations	○ Applicable	○ Applicable	Small	Large
	② Energy saving and fluorocarbon alternative regulations Risk types: policies and regulations	○ Applicable	— Not applicable	Small	Large
	③ Energy costs (electricity costs) Risk type: market	○ Applicable	○ Applicable	Large	Small
	④ Supply and demand balance of food and raw materials Risk types: market and technology	— Not applicable	○ Applicable	Large	Small to medium
	⑤ Changes in customers Risk types: market and reputation	○ Applicable	○ Applicable	Large	Small
Physical risks	⑥ Risk from extreme weather events Risk types: acute and chronic risks	○ Applicable	○ Applicable	Large	Small to medium

③ Formulating risk countermeasures and monitoring current initiatives

- ① We will systematically reduce greenhouse gas emissions due to our business activities by implementing decarbonization measures optimized for each business. In addition, as emissions trading measures, we will work to shift to renewable energy for electric power, which accounts for 90% of our emissions. As carbon tax measures, we will strengthen coordination on reducing emissions at the supply chain stage, which directly impacts product prices.
 - Combined the purchase of premium electricity through hydro-electric generation and on-site PPA, etc., to achieve the RE100 store initiative (Aeon Mall Fujidera, Aeon Style Ebie, Aeon Style Ageo, Aeon Town Fujimino, Aeon Head Office)
 - Utilize renewable energy through a large-scale on-site PPA (Aeon Town Shonan, Aeon Mall Tsu-Minami, Aeon Mall Matsumoto)
 - Joint venture initiatives to reduce emissions throughout the entire supply chain through networks with suppliers



Aeon Mall Kawaguchi, an effectively net-zero CO₂ emissions mall for power supply and gas

- ② We will promote Smart Aeon (development of stores with environmental performance and high efficiency), an effort that has been ongoing since the 2000s, and strive to develop the next generation of Smart Aeon targeting the introduction of natural refrigerants. In addition, we will roll out energy saving best practices for equipment at existing stores on a systematic basis.
 - Accelerate the reduction of alternative fluorocarbons (HFCs) and comply with the Kigali Amendment
 - Promote plans to switch to equipment using natural refrigerants
 - Respond to policies promoting the widespread adoption of electric vehicles targeting 2030s
 - Promote decarbonization of vehicles used for online supermarkets (short-distance logistics) and logistics centers
- ③ We will promote Group measures to purchase renewable energies, incorporate renewable energy development into our business portfolio, advance the electrification of heat sources, encourage the thorough pursuit of modal shifts, and champion the active introduction of next-generation logistics vehicles.
 - Shifting the usage of electricity at stores to renewable energies by revising electricity purchasing contracts (2025: achieving RE100 for all Aeon Malls; 2030: achieving RE100 for all Aeon Town and Aeon Retail locations)
 - Switching from fossil energy (fuels) to renewable energy (electric power) for store equipment, facilities, and vehicles

- ④ We will respond to production areas and yields due to the adoption of SPA in the food procurement sector, while converting and creating demand through new product development and regularly reviewing production areas and suppliers.
 - Promote the elimination of plastics and waste reduction initiatives as a platform for stores
- ⑤ We will develop new business formats to respond to changes in customer lifestyles, promote customer awareness-raising activities, and incorporate climate change information into store development plans.
 - Development of scientific risk determination systems in coordination with outside expert organizations
 - Newly add weather risk prediction maps to flooding prediction maps and geological survey maps based on business continuity plans (BCPs). Conduct weather damage risk determinations for business sites while planning and implementing countermeasures in advance
- ⑥ We will take measures to continue Aeon BCM projects, implement measures to maintain facilities during torrential rains and flooding, and coordinate with authorities to maintain and enhance our functions as public facilities in times of emergency.
 - Development of scientific risk determination systems in coordination with outside expert organizations
 - Newly add weather risk prediction maps to flooding prediction maps and geological survey maps based on business continuity plans (BCPs). Conduct weather damage risk determinations for business sites while planning and implementing countermeasures in advance

TOPICS Launching Collaborative Efforts to Reduce CO₂ Emissions Throughout the Supply Chain

With the Aeon Decarbonization Vision, we are committed to reducing our CO₂ emissions to zero while actively pursuing efforts to also reduce CO₂ and other greenhouse gas emissions emitted when our products are manufactured and used. Behind these efforts is our recognition that society is increasingly demanding that decarbonization be tackled throughout the entire value chain as a global standard. Aeon engages in business activities with a large number of suppliers, and in order to strengthen coordination with suppliers in realizing a decarbonized society and ensure that CO₂ and other greenhouse gas emissions are reduced across the supply chain, we are making full-fledged efforts to manage and reduce emissions. As a first step, we have launched activities to deepen engagement with TOPVALU production partners to an even greater extent. We ensure that TOPVALU production partners understand the need to comply with our standards of conduct based on the Aeon Supplier Code of Conduct, conduct regular audits, and verify the status of basic environmental activities. To foster more in-depth communications, we began conducting questionnaires of production

partners for TOPVALU foods and H&BC producers to share information about the status of initiatives tackling climate change-related issues, organizational structures and greenhouse gas emissions at each company, and to field requests and other feedback concerning Aeon. We make sure to collect this data to calculate CO₂ emissions generated through the production processes for TOPVALU products to a high degree of accuracy, and further refine our numerical calculations. We have set the period up to the year 2025 as the "First Term," and over this period we will actively pursue promotion activities in partnership with suppliers, including the formulation of greenhouse gas emissions reductions plans and policies as needed. In the future, we will set targets for each company that are consistent with international standards and devise effective energy efficiency plans to develop products that make even further contributions to decarbonization. At the same time, we will pursue specific plans to reduce greenhouse gas emissions across every aspect of the supply chain, as well as aim to actively facilitate inter-company coordination to promote decarbonization.

Working to Achieve a Low Environmental Impact across the Entire Lifecycle to Create a Recycling-Oriented Society

Aeon has established highly sustainable activities in each stage of the lifecycle from raw materials procurement to production, sales, use, disposal and recycling.

Promoting Sustainable Procurement

Aiming to balance the sustainability of natural resources with the sustained development of business activities, we formulated the Aeon Sustainable Procurement Principle in 2014. In 2017, we announced the Aeon Sustainable Procurement Policy and 2020 Sustainable Procurement Goals, which relate to agricultural produce, livestock products, marine products, paper & pulp and wood, and palm oil. Aeon will work to further promote the procurement of goods produced in ways consistent with global standards.



"Fish Baton" Corner with a Collection of MSC and ASC Certified Products

Aeon Sustainable Procurement Policy

[Agricultural products]

We strive to procure sustainable agricultural products that are in harmony with nature, ecosystems and society. By directly cultivating vegetables, we will provide safe and delicious vegetables and contribute to the creation of a safe food future.

[Livestock products]

We strive to procure sustainable livestock products that are in harmony with nature, ecosystems and society. By directly producing beef, we will provide safe and delicious beef and contribute to the creation of a safe future for food.

[Seafood]

We regularly conduct risk assessments from the perspective of preventing resource depletion and conserving biodiversity. In addition, we will consider feasible measures to reduce risk and strive to procure sustainable seafood.

[Paper, pulp, wood]

We will use wood and pulp produced from properly managed forests as raw materials for products and store materials to prevent deforestation.

[Palm oil]

We will strive to procure palm oil, which is used as a raw material for products, in consideration of deforestation and biodiversity.

Formulated in April 2017

Reducing Food Waste and Building Food Resource Recycling Models

The reduction of food waste is an important issue for retailers. Toward solving this challenge, Aeon has set the goal of halving food waste by 2025. Further, to utilize excess food as a resource instead of simply disposing of it as waste, we have been working to build food resource recycling models.

In addition, to reduce waste across the entire supply chain, we participate in the 10x20x30 Initiative to reduce food loss and waste and promote the project in Japan.

Aeon Group Food Waste Reduction Targets

- Halve food waste by 2025 (compared to FY2015)
- Building a food resource recycling model
A community recycling model will be built in collaboration with stores, producers and recycling agents.

Formulated in October 2017



Cooking stations introducing recipes that use ingredients without waste while presenting live cooking demonstrations



Developing Eco-Friendly Products to Realize a Resource Recycling-Oriented Society

As part of its responsibility as a retailer selling products closely related to people's lives to customers, Aeon has continued to pursue initiatives aimed at reducing container and packaging materials and even suspended the free distribution of plastic shopping bags before it was required by legislation. Aeon has formulated the Aeon Plastic Usage Policy to further realize a resource recycling-oriented society and is accelerating initiatives with the goal of halving the amount of disposal plastic used (compared with 2018 levels) by 2030.



Aeon Plastic Usage Policy

- 1 We will review the waste of resources and the use of disposable types in our business activities and aim for zero disposable plastics.
- 2 The necessary plastics will be converted from fossil-derived materials to environmentally and socially friendly materials.
- 3 We will build a resource recycling model that collects, reuses and recycles used plastics from our stores, and work with our customers on sustainable resource use.

[Goal]

Aiming for sustainable use of plastics with zero CO₂ emissions in 2050

- By 2030, we will halve the amount of disposable plastic used compared to 2018.
- By 2030, all PB products will use environmentally and socially friendly materials.
- By 2030, we will convert PET bottles of PB products to 100% recycled or plant-derived materials.

Formulated in September 2020



Use a package converted to paper

Considering the Environment in Logistics

Aeon has formed a unique logistics network made up of functional companies responsible for logistics management and operations. To visualize CO₂ emissions, we promote a modal shift to more efficient delivery vehicles, eco driving and other initiatives as part of efforts to reduce CO₂ emissions from our logistics operations.



Jointly promoting modal shift with companies from other industries to reduce CO₂ emissions

Developing Human Resources Able to Consider Their Individual Role as Aeon Employees

In our New Medium-term Management Plan, we will put into practice health and productivity management, which links the health and happiness of employees with the safety and security of local communities.

Human Resources Supporting Aeon's Sustainable Growth

Aeon's basic principles are "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." To achieve sustainable management envisaged in the New Medium-term Management Plan, we must foster the development of human resources who fully understand these principles and are capable of acting on their own to realize them. We cultivate self-motivated personnel who, instead of following others, consider how they should act for themselves, and give in-depth consideration to how Aeon should be as a company. We also believe that placing the right people in the right jobs is an important role played by human resources.

For this reason, it is important to give staff the opportunities to think for themselves in various situations from early on in their careers. Department heads, managers, and others in managerial roles should not merely communicate company decisions to their subordinates, but rather offer guidance to help staff understand the meaning and purpose of those decisions. With this approach, subordinates are empowered to act independently based on that understanding and are able to provide similar guidance when assuming a similar position in the future. In this way, we work to foster a corporate culture enabling each individual to deeply understand their position and act accordingly.

Creating an environment in which employees can pursue the areas that interest them is essential to cultivating self-motivated human resources. Aeon maintains a wide variety of business formats and types, has spread throughout Asia, and has a diverse range of jobs and employees. The size of the Group provides extremely favorable conditions for human resources development. Additionally, the five human resources principles established immediately after the formation of Aeon's predecessor JUSCO set forth the principle of fairness from the outset, upholding the idea that motivating individuals can take on challenges and be evaluated equally, regardless of race, age, background, nationality, gender, and physical or mental disability. Going forward, Aeon is looking to expand its in-Group recruitment-based personnel transfer system.



Developing Confident Global Human Resources

The global personnel Aeon aims to cultivate are able to fully take on the responsibilities of local staff and the local business, whether in Japan or abroad. This is not simply a matter of being fluent in a language. Employees should have or be willing to gain an understanding their assigned region, consider what needs to be done to develop the local community and enrich the lives of customers based on the basic principles, and act with self-discipline to that end. In conducting the various businesses of the Group and in the promotion and evaluation of human resources, it is important to always preserve resolute values. Human resources with these qualities will succeed in whichever country or region they work, enabling them to deliver results.

Aeon has implemented growth strategies that are more closely connected with local communities. It is in these times of turmoil that we are reminded of how retail is an industry deeply rooted in local communities, and this reflects our desire to promote the development of human resources aware of contributing to local communities.

Aeon's Health Management

Health and productivity management is an ongoing challenge for companies, and there is a tendency to focus only on healthcare. Aeon practices health and productivity management which emphasizes that the health of employees leads to the health of local communities. We believe that when employees live in healthy ways, they are better able to bring customers health and happiness, which in turn contributes to the safety and security of the local community. We believe it is important for more of our stakeholders to understand this, and for our employees to understand it most of all.

For example, reducing the number of smokers in the Group not only advances employee health but also reduces indirect harm to the health of customers due to secondhand smoke. Additionally, to prevent the spread of COVID-19 we have promoted vaccinations at our shopping centers. Conducting workplace vaccinations of employees including the staff of tenants raises the vaccination rate in the community. In this way, Aeon seeks to not only advance the health of its employees but also to facilitate healthy lifestyles, safety, and security in local communities.

Hiroyuki Watanabe Executive Officer Chief Human Resources Officer, Administration & Risk Management

Hiroyuki Watanabe joined Isejin JUSCO Co., Ltd. (currently AEON Co., Ltd.) in 1982. In September 2003 he headed the Administration Department at the Kanto Company of JUSCO Co., Ltd. Later, after serving as a Representative Director at Aeon Financial Project Co., Ltd., he was appointed Representative Director and President of Aeon Bank, Ltd. and served as Director and Vice President of Aeon Financial Service Co., Ltd. before assuming his current position from September 2018.



One of the concepts Aeon has passed down from generation to generation is that the greatest form of welfare is education. This is based on the idea that as employees in the field improve their skills through education, the sales at their stores rise, leading to improved business results that in turn raise the income levels of individual employees. Aeon's human resource policies place a great importance on ensuring that the growth of employees is linked with the growth of the company, as well as the local community.

Applying Digital Technologies to Human Resources

Aeon's Group-wide workforce comprises around 570,000 employees, and in this regard, we believe it is important to have an attentive attitude toward each employee. To facilitate this, we think it is important to utilize digital technologies to maintain human resources databases and visualize personnel information. At the same time, we revise the overall flow of complicated procedures and make applications and other administrative tasks paperless as part of workstyle reform efforts.

During the COVID pandemic, we have increasingly shifted training and seminars to online and make it easier for employees to acquire basic skills and knowledge. However, communication between employees and activities such as brainstorming have been cutback. In 2022, when post-COVID circumstances are expected to develop, we recognize the need to shift to training that can be experienced on-site in addition to online training in order to hone

the communication and presentation skills of employees.

Promoting Female Participation and Diversity

A major challenge in the promotion of female participation at Aeon is the small number of women in their thirties. Although we have made progress in developing systems enabling women to actively participate based on their respective life stages including marriage, childbirth, and childrearing and developed childcare facilities close to workplaces, we recognize that there is a pressing need to make it even easier for female employees to make use of these systems and to develop environments that are better suited to each individual. Is our current childcare leave system and the workplace environment after employees return from childcare leave really acceptable in its current form, and does each supervisor have a proper understanding of employees who are on childcare? When looked at in terms of diversity, we need to consider these questions from various perspectives, such as whether there are issues with encouraging male employees to take childcare leave in addition to female employees. Life events such as childbirth and raising children tend to have a greater impact on women, and to overcome those challenges, we believe it is important to give employees the opportunity to enjoy their work and experience job satisfaction. Going forward, we will focus on cultivating a more diverse variety of role models, and on creating an environment in which women and other employees can work with enthusiasm and succeed in their jobs.

Promoting Health and Productivity Management Enabling Each Employee to Thrive

Based on the principle that personnel are the most important management resource, Aeon strives to be a company where diverse human resources can be healthy and continue to realize their full potential, and strives to promote health and productivity management in conjunction with human resources development.

Contributing to the Health of Employees and Their Families and to the Healthy, Safe, and Secure Lives of Customers

Based on the belief that it is the health of employees that enable them to provide services that bring health and happiness to customers in local communities, Aeon has established the Aeon Health Management Declaration and promotes health and productivity management. Ensuring the physical and mental health of employees promotes health & wellness, improves productivity and creativity, and leads to higher employee satisfaction. We also believe that health and productivity

management is extremely important from the perspectives of optimizing healthcare expenses and risk management. Under the Group Health and Productivity Officer, we have established the Aeon Health Promotion Section, which formulates Group policies and monitors progress, and have also built promotion frameworks at each Group company to maintain and advance the health of employees as a united Group-wide effort. Management is responsible for ensuring that employees can work in healthy and safe ways, and we believe that working to maintain and advance the health of employees will be increasingly important for corporate management going forward.

Aeon Health Management Declaration

Aeon will support the health of employees and their families
Aeon will achieve health and happiness in the local community together with employees

Basic Principles on Personnel

Ensure that continuously growing human resources can continue to work for a long time

Purpose of Health and Productivity Management at Aeon

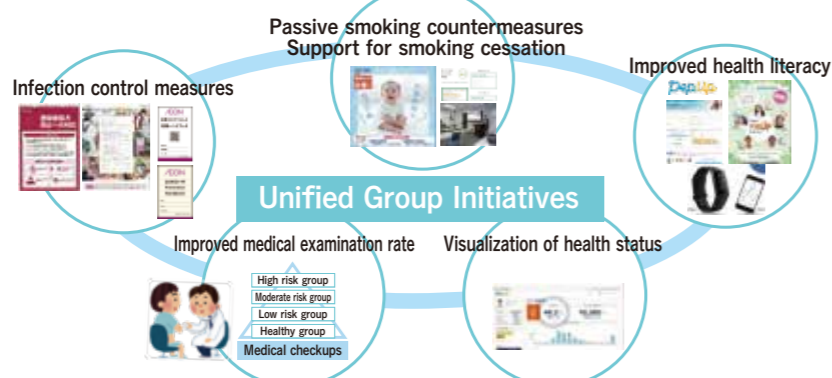
By improving the physical and mental health of employees, we will achieve the following:



Striving to Maintain and Advance the Health of Employees on a Unified Group-wide Basis

In terms of measures to address the health issues of Group employees, Aeon undertakes passive smoking countermeasures and support for smoking cessation, infection control measures, improvements to health literacy, and other initiatives. Particularly in terms of passive smoking countermeasures and support for smoking cessation, with the aim of ensuring the health of employees and their family members during the COVID-19 pandemic and providing customers with safe and secure shopping environments, we banned smoking during working hours and

on company premises at 115 Aeon Group companies in a bid to reduce the number of smokers by 25% during FY2020. As awareness-raising and support for smoking cessation to achieve this, we provide an online smoking cessation program to employees free of charge and provide website content that helps employees take on the challenge of smoking cessation according to their individual circumstances. Commending these initiatives, Aeon was certified as a White 500 Enterprise for Health and Productivity Management in 2021. This marks the fifth consecutive year that Aeon has received the recognition.



Education Is Key to Enriching the Lives of Employees

In the management of the Aeon Group, our basic personnel policy is based on the idea that the power of corporate development lies in people, and we believe that everything comes down to our human resources.

In keeping with this policy, Aeon embraces the approach that the “greatest form of welfare is education.” This statement expresses our belief that it is education, and not just salary and welfare benefits that enrich the lives of employees.

We also believe that improving the skills and knowledge of employees enables us to boost customer satisfaction and leads to improved corporate value. This is why we have established various human resources development programs to meet the aspirations of employees and support their growth.

Coordination between Group Companies and the Holding Company to Produce and Cultivate Management Candidates

Aeon has established three pillars of continuous human resources development training, namely management training, specialized and functional human resources training, and basic training for new and junior employees.

In management training, we cultivate human resources across all Group companies from next-generation leaders to current managers to foster the development of leaders who will handle the management of the Group in the future. We have also built mechanisms to integrate human resources development at Group companies and the holding company, and conduct “career development support testing” aimed at identifying management candidates early on to produce and cultivate candidates for management positions early in their careers.

Cultivating Personnel at Various Levels to Handle Group Management

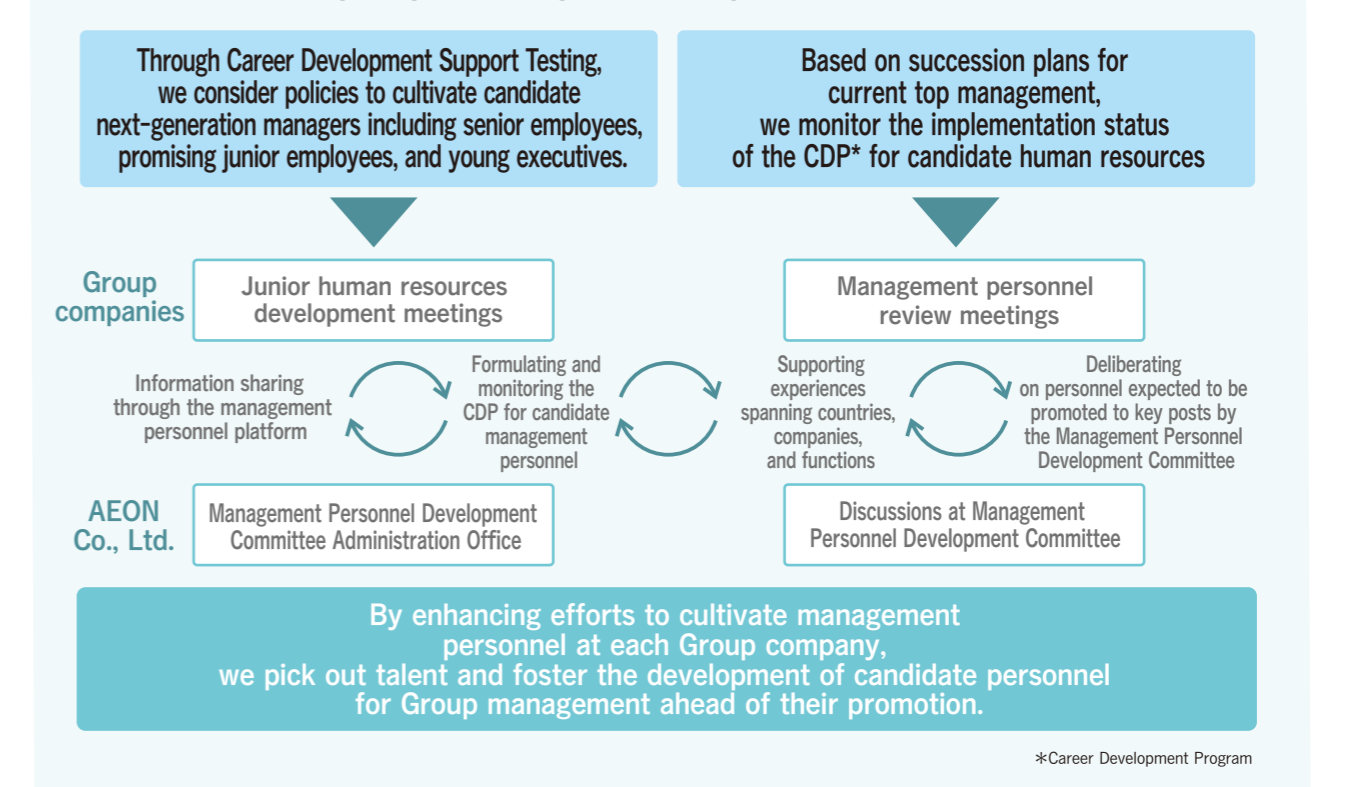
Specialized and functional human resources training is based around the Aeon Business School, in which employees can learn the knowledge needed for the future jobs to which they aspire in a self-directed manner. In this way, we facilitate the development of human resources who will support Group functions.

As basic training for new and junior employees, the Aeon Basic Educational Curriculum has been introduced across all Group companies and thoroughly teaches employees all the basics

within three years after joining the Aeon Group.

In addition to these programs, Aeon is also focused on nurturing local personnel with close ties to the community, as well as cultivating store employees responsible for enhancing the value that customers experience. We encourage employees to acquire the skills that are needed now and hone the skills that they will need to improve customer experiences at physical stores, training them to play a leading role in achieving community-based management.

Ongoing Training of Management Personnel



*Career Development Program

Directors

Number of company shares held: 2,532,000



Director, Chairman of the Board, Nomination Committee Member, Compensation Committee Member Chairman and Representative Executive Officer

Motoya Okada Date of birth: June 17, 1951

Mar. 1979 Joined the Company
 May. 1990 Appointed Director of the Company
 Jun. 1997 Appointed President and Representative Director of the Company
 May. 2003 Appointed Director, President and Representative Executive Officer of the Company
 Mar. 2012 Appointed Director, President and Representative Executive Officer, and Group CEO
 Mar. 2020 Appointed Director, Chairman and Representative Executive Officer of the Company (current position)

Number of company shares held: 10,000



Director President and Representative Executive Officer

Akio Yoshida Date of birth May 26, 1960

Apr. 1983 Joined the Company
 Mar. 2011 Appointed General Manager of China Development Management Department, China Division of Aeon Mall Co., Ltd.
 May. 2014 Appointed Managing Director, General Manager of Sales Division, and Chief China Business Officer of Aeon Mall Co., Ltd.
 Feb. 2015 Appointed President and CEO of Aeon Mall Co., Ltd.
 Mar. 2016 Appointed Executive Officer, Shopping Center Development Business of the Company
 Mar. 2019 Appointed Executive Vice President and Representative Executive Officer, Shopping Center Development Business and Digital Business of the Company
 Mar. 2020 Appointed President and Representative Executive Officer of the Company
 May. 2020 Appointed Director, President and Representative Executive Officer of the Company (current position)

Number of company shares held: 20,000



Director Executive Vice President and Representative Executive Officer, CFO, Business Management

Akinori Yamashita Date of birth Jan. 1, 1954

Apr. 1977 Joined the Company
 May 2004 Appointed Executive Officer of the Company
 May 2005 Appointed Managing Executive Officer, CFO, Affiliated Companies of the Company
 May 2007 Appointed Managing Director of The Dai-ichi, Inc.
 Sep. 2013 Appointed Executive Officer, Group CFO
 Mar. 2014 Appointed Senior Managing Executive Officer, CEO of Financial Services Business and Chief Officer of E-money Business of the Group
 Jun. 2014 Appointed President and Representative Director of Aeon Financial Service Co., Ltd.
 Mar. 2016 Appointed Executive Vice President and Executive Officer, CFO of the Company
 Mar. 2016 Appointed Chairman and Representative Director of Aeon Retail Co., Ltd.
 May 2016 Appointed Director, Executive Vice President and Executive Officer, CFO of the Company
 Mar. 2017 Appointed Director, Executive Vice President and Executive Officer, CFO, Business Management of the Company
 Mar. 2020 Appointed Director, Executive Vice President and Representative Executive Officer, CFO, Business Management of the Company (current position)

Number of company shares held:



Director Chairman of the Compensation Committee, Audit Committee Member

Takashi Tsukamoto Date of birth Aug. 2, 1950

Apr. 1974 Joined The Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)
 Apr. 2002 Appointed Executive Officer of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
 Mar. 2003 Appointed Managing Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2004 Appointed Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Mar. 2006 Appointed Executive Managing Director of Mizuho Corporate Bank, Ltd.
 Apr. 2007 Appointed Deputy President of Mizuho Corporate Bank, Ltd.
 Apr. 2008 Appointed Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Jun. 2008 Appointed Deputy President of Mizuho Financial Group, Inc.
 Apr. 2009 Appointed President of Mizuho Financial Group, Inc.
 Jun. 2011 Appointed Chairman of Mizuho Financial Group, Inc., President & CEO of Mizuho Bank, Ltd.
 Jul. 2013 Appointed Chairman of Mizuho Bank, Ltd.
 Apr. 2014 Appointed Senior Advisor of Mizuho Financial Group
 Jun. 2016 Appointed Chairman of The Japan-British Society (current position)
 Jul. 2016 Appointed Outside Director of Asahi Mutual Life Insurance Company (current position)
 Apr. 2017 Appointed Honorary Advisor of Mizuho Financial Group (current position)
 May 2017 Appointed Outside Director of the Company (current position)
 Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. (current position)
 Jun. 2017 Appointed Outside Director of Internet Initiative Japan Inc. (current position)

<Reasons for Appointment>
 Designated independent director to draw on his acute insights and extensive experience as a senior manager at a major financial institution as well as his international excellence in economics and finance to provide guidance in support of continued sound, transparent management and enhanced corporate governance.

Outside Independent

Number of company shares held:



Director Chairman of the Audit Committee, Chairman of the Nomination Committee

Kotaro Ohno Date of birth Apr. 1, 1952

Apr. 1976 Appointed Public Prosecutor of Tokyo District Public Prosecutors Office
 Dec. 2001 Appointed Deputy Secretary-General of Cabinet's Task Force on Judicial Reform
 Aug. 2005 Appointed Director-General of the General Affairs Department of Supreme Public Prosecutors Office
 Jul. 2007 Appointed Director-General of the Criminal Affairs Bureau of Ministry of Justice
 Jul. 2009 Appointed Vice-Minister of Justice
 Aug. 2011 Appointed Superintending Prosecutor of Sendai High Public Prosecutors Office
 Jul. 2012 Appointed Superintending Prosecutor of Tokyo High Public Prosecutors Office
 Jul. 2014 Appointed Prosecutor-General
 Sep. 2016 Retired as Prosecutor-General
 Nov. 2016 Appointed Special Counsel of Mori Hamada & Matsumoto (current position)
 May 2017 Appointed Outside Director of the Company (current position)
 Jun. 2017 Appointed President of International Civil and Commercial Law Centre Foundation (current position)
 Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Komatsu Ltd. (current position)

Outside Independent

<Reasons for Appointment>
 Designated independent director to draw on his extensive experience as an attorney, Vice Minister of Justice, Superintending Public Prosecutor, and Prosecutor-General, as well as his insights into law and compliance to provide guidance for compliance management.

Number of company shares held:



Director Nomination Committee Member, Compensation Committee Member

Peter Child Date of birth Mar. 25, 1958

Sep. 1976 Joined United Kingdom Atomic Energy Authority
 Jun. 1980 Joined Michelin Tyre Company
 Jan. 1984 Joined McKinsey & Co., London
 Aug. 1987 Appointed Manager of McKinsey & Co., Los Angeles
 Aug. 1988 Appointed Partner of McKinsey & Co., London
 Aug. 1990 Appointed Senior Partner of McKinsey & Co., Paris
 Apr. 2007 Appointed Senior Partner of McKinsey & Co., London
 Mar. 2015 Appointed Senior Partner of McKinsey & Co., Hong Kong
 May 2018 Appointed Outside Director of the Company (current position)
 Mar. 2020 Appointed Independent Director and Chairman of the Board of Directors of Maisons du Monde (current position)

Outside Independent

<Reasons for Appointment>
 Designated independent director to draw on his expert insights into the retail sector, gained primarily from serving as a leader of a consumer goods and retail group at a major, world-famous consulting company, to provide guidance in the promotion of the Company's global management.

Number of company shares held:



Director Audit Committee Member

Carrie Yu Date of birth Sep. 30, 1958

Jul. 1982 Joined Levy Gee, Chartered Accountants, London
 Jan. 1987 Joined Coopers & Lybrand (now PricewaterhouseCoopers (PwC)), Hong Kong
 Sep. 1991 Appointed Manager of PwC Vancouver
 Nov. 1996 Appointed Partner of PwC Hong Kong
 Dec. 1996 Appointed Graduate Recruitment Partner of PwC Hong Kong
 Jul. 2002 Appointed Retail & Consumer Leader of PwC China & Hong Kong
 Jul. 2004 Appointed "We Care" Program Lead Ambassador of PwC China & Hong Kong
 Jan. 2006 Appointed Retail & Consumer Leader of PwC Global
 Mar. 2008 Appointed Board Member of PwC Global Governance Board
 Jul. 2009 Appointed Retail & Consumer Leader of PwC China & Asia Pacific
 Jul. 2019 Appointed Senior Advisor of PwC Hong Kong (current position)
 May 2020 Appointed Outside Director of the Company (current position)

Outside Independent

<Reasons for Appointment>
 Designated independent director to draw on her international and expert insights into the accounting and retail sectors, gained from serving as a member of CPA associations in the UK, Canada, and Hong Kong, and as a leader of a retail and consumer group in the Asia Pacific region at a world-famous consulting company, to provide guidance in the promotion of the Company's global management.

Executive Officers

Chairman and Representative Executive Officer
Motoya Okada

President and Representative Executive Officer
Akio Yoshida

Executive Vice President and Representative Executive Officer, CFO, Business Management
Akinori Yamashita

Executive Vice President and Representative Executive Officer
 Chief Officer of SM
Motohiro Fujita

Executive Vice President and Executive Officer
 Chief Officer of Digital
Yuki Habu

Executive Officer, Chief Officer of ASEAN
Soichi Okazaki

Executive Officer, Chief Human Resources Officer,
 Administration & Risk Management
Hiroyuki Watanabe

Executive Officer, Chief Officer of DS
Manabu Oike

Executive Officer
 Chief Officer of Merchandising
Yasuo Nishitohge

Notes regarding Directors

Total number of shares held by Directors: 2,563,000

Note: The term of office of Directors is from the conclusion of the regular General Meeting of Shareholders for the fiscal year ended February 2020 to the conclusion of the regular General Meeting of Shareholders for the fiscal year ending February 2021.

Outside Independent Independent directors for whom notification has been submitted to the Tokyo Stock Exchange

Leveraging the Different Views and Perspectives of Stakeholders in Conducting Business

We also promote corporate management from the different perspectives of stakeholders through our Outside Directors who possess a diverse knowledge and experience.



Takashi Tsukamoto
 Director
 Chairman of the Compensation Committee,
 Audit Committee member

Having a financial business background, I have always looked at companies from a perspective of the quality of revenue and sustainability. Recently at Aeon, the Financial Services Business and Shopping Center Development Business have greatly contributed to the Aeon Group's revenue. However, things have changed drastically due to the impact of COVID-19. What is important now is to attain sustainable growth by adapting the business model of each business to changes in society and in the market. For Aeon, the recovery of its retail business is particularly important. The retail business will bring about a significant, positive impact on other businesses within the Group if it is able to provide products that capture the heart of consumers through an optimum mix of real-world and digital channels, build a sound financial structure by reexamining its cost structure and increase its competitive edge through forward-looking investment. I believe that the resulting unsurpassed superiority, which originates from the retail business, will surely enable Aeon to generate sustainable operating revenue. In general, large corporate groups tend to take a look at an increase in administrative costs, being unable to demonstrate sufficient group synergy. Aeon's new medium-term management plan overcomes this issue by digitalization and regionalization. At the same time, the plan is designed to put Aeon on a new track to growth through its contribution to a sustainable society with a strong focus on local communities, health and the environment. Additionally, the ambitious targets of the plan are highly promising as they have been determined through interactive and thorough communication between the holding company and operating companies. It is my hope to support Aeon's major transformation as an Outside Director.



Kotaro Ohno
 Director
 Chairman of the Audit Committee,
 Chairman of the Nomination Committee

Besides seeking maximum profit, the growing worldwide trend in corporate management now attaches a greater importance on the interests of all stakeholders, including shareholders, customers, employees and suppliers. Foreseeing this trend, Aeon is steadfastly responding to various environmental and social issues based on the Aeon Basic Principles. For example, Aeon goes beyond the limit of a company to assume a role of social infrastructure in supporting the recovery of disaster-affected areas and promoting disaster prevention in local communities. As I have served the public for many years, I strongly emphasize with Aeon's contribution to the benefit of local communities. For a huge corporate group such as Aeon, it is impossible to control everything centrally. Instead, it is crucial to ensure appropriate collaboration between a holding company, which plays the role of determining the direction of and increase synergy in the entire group, and operating companies, which voluntarily and proactively undertake activities in each region and business field. As for parent-subsidary listings, I think that the pros and cons in each case should be examined to find an optimum solution for all stakeholders. As Aeon has many organizations and different locations, there is a constant risk associated with compliance and other issues. What is important is how top management of each company within the Group works to ensure governance with risk awareness and how honestly each company responds to a problem without recurrence. As an Outside Director, I will continue to provide my candid opinions from a governance perspective and point out matters within the Group, with the intention to help Aeon achieve sound growth while demonstrating the Group's combined strengths.



Peter Child
 Director
 Nomination Committee member,
 Compensation Committee member

Now, I see three globally common trends that are greatly changing consumer behavior. These are acceleration of digitalization, environmental conscientiousness and changes in society caused by the COVID-19 pandemic. The Board of Directors of Aeon has been proactively tackling every management issue and has been well engaged in discussions about the impacts of these trends. How should Aeon reorganize its portfolio of real stores and digital business? How can Aeon provide value in the areas of the environment and health through its original brands, including TOPVALU? What does Aeon do to establish AEON Living Zones, which provide not just products but also the value of experiences, while capturing a broader set of customer needs? By taking an agile approach to these issues, I believe that Aeon can be ahead of the trends. I think that the new medium-term management plan is a very good growth plan designed to improve profitability, taking into account the said trends and putting together a series of priority initiatives. I hold high expectations for President Yoshida to lead the execution of the plan and help bring about a needed cultural transformation. As the Board has not spent a lot of time on "people" and "diversity," I hope to deepen our discussions on these two topics in the future. These require long-term efforts and represent important themes beneficial to Aeon. I spent over 35 years with McKinsey & Company as a management consultant, and for many years I was the leader of the global retail practice. Based on this experience, I will continue to provide recommendations from the global perspective as to how Aeon should be, having businesses in Japan and in Asia.



Carrie Yu
 Director
 Audit Committee member

Most companies aspire for sustainable growth and corporate management is a means to achieve this goal. Managing a holding company is similar to the operation of an airport traffic control tower. It assumes a very important role of formulating a flight plan and ensuring that its operating companies will arrive at their destination safely. The management team of each operating company is a pilot. They control their respective companies while making their own judgements autonomously within the scope of the flight plan. The creation of true corporate value will become evident when corporate resources are well employed in accordance with the agreed strategy. I think Aeon's strengths in terms of management are its international mindset, long-term support for the environment and local communities, as well as its sourcing capability and diverse businesses. I highly regard Aeon for being early adopters of many sustainability initiatives. The pursuit of sustainable growth underpins the concept of the unique AEON Living Zone, combining its retail and other businesses and incorporating international best practices, being ever aware of the environment and maintaining close ties with local communities, and carrying out sustainable procurement within the Group and in collaboration with suppliers. As for the new medium-term management plan, my focus is on how Aeon will proceed with its transformation in the next five years. Aeon will undergo transformation with a sense of urgency under the strong leadership of President Yoshida. I will also do my best to help Aeon in this regard. Finally, as a message to Aeon employees, I would like to dedicate to them "The Power of the Dream", theme song of the 1996 Atlanta Olympics. The song is about the power of the dream in each person's heart that brings people together and helps them achieve their goals. I think these words best describe Aeon and its people at present.

Group Management Organization Reforms

Aeon has a history of alliances and mergers with leading regional companies that began with the formation of JUSCO, while transforming Group management to increase the Group's scale with a nationwide chain of stores.

We used a federated approach to management based on an alliance and merger strategy after establishing JUSCO. Under this approach, we created streamlined management units at the head office to raise efficiency and address issues common to the Group companies through the entire Group. We also largely delegated authority to enable the Group companies to operate independently with close community relationships. We subsequently diversified and internationalized operations, leading us to revolutionize Group strategy in 1989 and change our name to Aeon Group from JUSCO Group. In this period of innovation, we formed a loose confederation that brought the Group closer together while respecting the autonomy of the Group companies and sharing expertise to support Group growth.

In 2008 we changed by moving to a pure holding company to clarify the holding company and operating company organization framework as we developed mall-type shopping centers, rolled out small-sized retail stores, implemented an M&A strategy, increased the Group's scale, and diversified with a focus on the retail business.

We have subsequently evolved our management organization in line with changes in the external operating and competitive environment and the scale of Group businesses while maintaining our commitment to putting customers first, close community relationships and a frontline focus. Following these reforms, the GMS Business, the Supermarket Business, the Health & Wellness Business, the Financial Services Business, and the Shopping Center Development Business have reached a nationwide business scale, as Aeon has grown into a corporate group with FY2020 consolidated operating revenues of more than ¥8.6 trillion.

In addition, this year we formulated and announced the Aeon Group Medium-term Management Plan (FY2021-FY2025), which represents the direction being pursued on a Group-wide basis. The Group's operating companies will use this plan as a guidepost to fashion their own medium-term plans.

Basic Approach

Ever since its founding, Aeon has remained customer-focused and has adhered to the conviction that unstinting contribution to customers and local communities and the realization of employee happiness are the eternal mission of the retail industry. In keeping with these values, Aeon has set forth the Basic Principles of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core" and uses them as a guideline for all corporate activities. On the basis of this recognition, we have set forth the basic concept of values, management stance, and corporate governance to be emphasized in Aeon's corporate governance in the following Basic Stance on Corporate Governance and have enacted and

published the Basic Policy on Corporate Governance, with the Basic Stance at its core, in order to continue into the future to practice management grounded in a long-term perspective built on the Basic Principle and Aeon's DNA of innovation.

Basic Stance on Corporate Governance

Creating Value by Focusing on Customers and the Front Lines

Customer delight is our most important mission. We create optimal value aligned with changing customer needs by focusing on the front lines of our business, which are our point of contact with customers, and by consistently putting customers first.

Respect for People, Our Most Important Asset

We believe people are our greatest asset. We therefore respect each individual, emphasize diversity, and provide educational opportunities to help employees' self-development. Our goal is to be a company that has strong ties with employees who take delight in helping customers.

Committed to Developing with Local Communities

We are a caring corporate citizen and a member of local communities. We strive to develop the communities we serve in cooperation with their other members, including customers, employees, shareholders, and business partners, to contribute to community prosperity, environmental sustainability, and peace.

A Long-Term Perspective and Incessant Innovation for Sustainable Growth

Aeon Group management is committed to constantly increasing Group value. We strive to take on the challenge of successive innovation to sustain growth as we create value with a long-term perspective, which enables us to adapt to the changing operating environment and continue to meet the expectations of customers and communities.

Transparent and Disciplined Management

We endeavor to achieve transparent and disciplined management by maintaining proactive dialogues with stakeholders, taking their evaluations sincerely, and exercising self-discipline at all times.

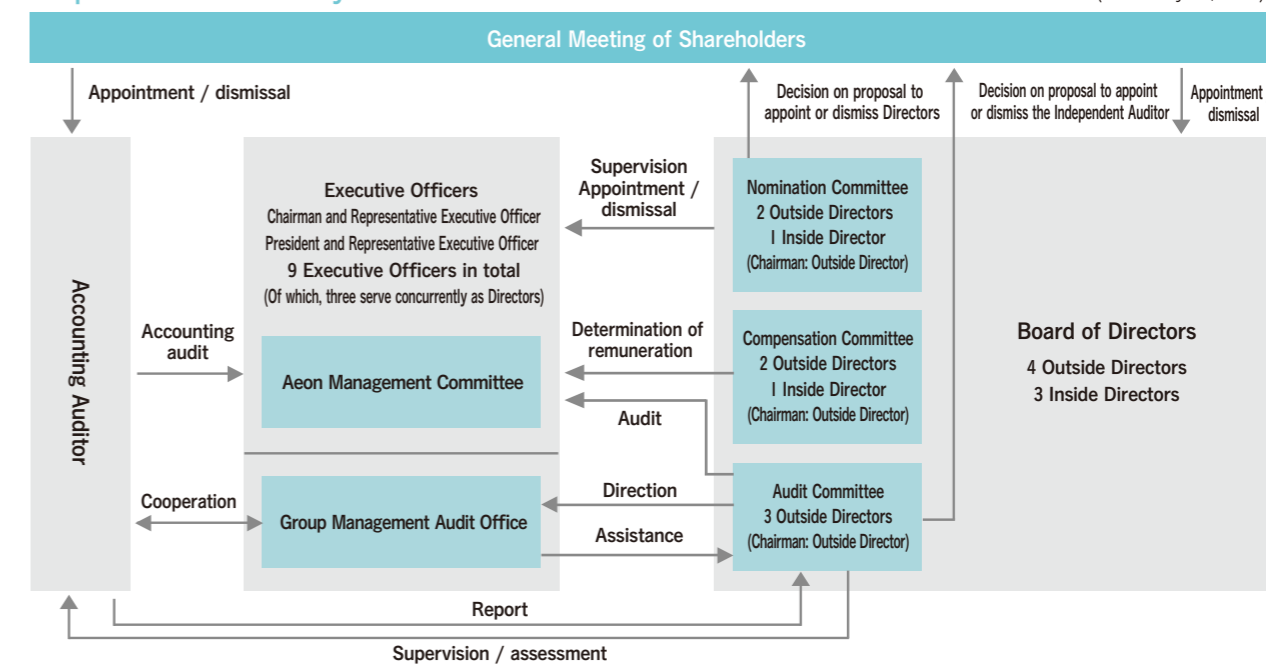
Corporate Governance Framework

Aeon pursues "management based on a Basic Principle that incorporates a group-wide perspective," "management that is transparent, sustainable, and stable," and "ceaseless innovation with customers as the core." To put these into practice, Aeon has adopted a company with a nomination committee and other committees system as the optimal corporate governance system. Under such system, the Company segregates management oversight and business execution and has instituted a governance system that realizes expeditious management decision making through the delegation of significant authority to executive officers while having

established the Nomination Committee, Audit Committee, and Compensation Committee, each consisting of a majority of outside directors, to ensure management transparency and objectivity. Additionally, management transparency and fairness have been further enhanced by having the Nomination, Audit and Compensation committees chaired entirely by outside directors. Furthermore, as a pure holding company, Aeon is taking initiatives which go beyond the framework of the Group business and of each company and formulating a management policy which the Group is to pursue, optimizing the allocation of management resources and creating synergy across business.

Corporate Governance System

(As of May 26, 2021)



Corporate Governance Highlight

	FY2000-	FY2001-	FY2003-	FY2007-	FY2008-	FY2009-	FY2013-	FY2016-	FY2017-	FY2018-	FY2019-	FY2020-
Trade name	JUSCO Co., Ltd.	Aeon Co., Ltd. (since Aug. 2001)										
Organization form	Operating holding company					Pure holding company (since Aug. 2008)						
Corporate governance system	Company with a Board of Directors		Company with a Nomination Committee and Other Committees (since May 2003)									
Committees	Nomination Committee (Chairman: outside director)											
	Compensation Committee (Chairman: outside director)											
	Audit Committee (Chairman: outside director)											
Number of Directors	23	8	7	7	9					8	7	
(Of which, outside directors)	—*	4 (half of directors)	3	3	5 (more than half of directors)					4 (more than half of directors)		
(Of which, female directors)	1											
(Of which, foreign nationals)	1										2	
Operations of the Board of Directors, etc.	Assessment of the effectiveness of the Board of Directors											
	Outside Directors' Meeting											
Policies and code of conduct	Aeon Basic Principles (1989-)											
	Established Aeon Code of Conduct											
	Established Basic Policy on Corporate Governance											

*The outside director system was introduced with the revision of the Commercial Code in 2003. Aeon had already invited outside officers prior to this.

Role and Structure of the Board of Directors

Aeon's Board of Directors is the decision-making body for all matters pertaining to management. It resolves statutory matters and determines and approves basic management policies and key issues concerning business execution. The Board of Directors also supervises the performance of Directors and Executive Officers. In order to heighten its effectiveness, Aeon's Board of Directors consists of directors with diverse experience, abilities, and expertise. Moreover, to enhance its supervisory function, a majority of its members are Outside Directors.

Outside Directors

In light of its role of supervising the Company's management, Aeon's Board of Directors consists of seven Directors, four of whom are Outside Directors. Aeon has no special interests with its Outside Directors, and therefore it has notified the Tokyo Stock Exchange that all four Outside Directors are designated as independent directors. Additionally, the Compensation Committee and the Nomination Committee both comprise three members, and two of the members in each committee are Outside Directors. All three members of the Audit Committee are Outside Directors. Also, the chairpersons of each of these three committees are Outside Directors, thereby ensuring highly transparent management. The Company has stipulated matters such as sharing of the views in Aeon's Basic Principles and Code of Conduct and having experience as a corporate manager or equivalent experience and knowledge as selection criteria for Outside Directors. The Company has also established criteria for determining the independence of Outside Directors. The Company appoints its Outside Directors based on these criteria.

Nomination Criteria for Candidates of Outside Directors

1. The Outside Director shall have the character and insight appropriate for a director.
2. The Outside Director shall share the Company's basic philosophy, code of conduct and other approaches.
3. The Outside Director shall have extensive experience as a chief executive officer or other corporate executive, or shall have comparable experience, knowledge, and insight.
4. The Outside Director shall have high-level insight and extensive experience enabling them to guide and supervise the Company's management regarding the promotion of management strategy, strengthening of corporate governance, compliance-oriented management, etc.

Criteria for Independence of Outside Directors

To maintain independence, Outside Directors of the Company shall satisfy the requirements stipulated below.

1. A person who is not currently, and has not been during the past 10 years, a Managing Director, Executive Officer, or employee (hereinafter "executing person") of the Company or a subsidiary of the Company.
2. A person who does not currently, and has not during the past three years, fallen under any of the following categories:

- (1) A major shareholder of the Company (a person who directly or indirectly holds 10% or more of voting rights) or an executing person thereof.
- (2) A partner of the Company's independent auditor or employee thereof involved in auditing of the Company.
- (3) An executing person of a major lender to the Company (a lender from which the Company's borrowings exceed 2% of consolidated total assets).
- (4) An executing person of an important business partner of the Company (a business partner for whom transactions with the Aeon Group exceeded 2% of consolidated annual sales in said business partner's most recent business year).
- (5) A person who is an attorney at law, certified public accountant, licensed tax accountant, or other consultant and who has received compensation exceeding ¥10 million from the Company other than remuneration as a corporate officer.
- (6) An executing person of a non-profit organization for which donations from the Aeon Group exceed ¥10 million and the donation amount exceeds 2% of said organization's total revenue or ordinary income.
- (7) A spouse or relative within the second degree of kinship of any person who falls under items 1. and 2. (1) to (6) above.

*However, even if a person falls under any of categories (1) to (7) above, if the Company has judged that there is substantive independence from the Company in light of the person's character, acumen, or the like, the Company may make the person a candidate for Outside Director, provided it explains the reason publicly.

The Board of Directors in Action

The Chairperson of the Board of Directors ensures a framework at the board meetings that facilitates lively discussion, appropriate decision-making, and fair supervision. Outside Directors receive the necessary explanation, meeting materials, and information crucial to general management prior to the board meetings so that their thoughts, ideas, knowledge, and objectivity will be relevant. The Directors also have sufficient opportunities and time apart from the board meetings to discuss important issues such as the medium-term management plan and key policies. At the end of each fiscal year, the Board of Directors discusses the activities and results of the most recent fiscal year, shares the results with managers, and presents a summary of the outcomes.

Board of Directors' Meetings and Committee Meetings (FY2020)

	Times Convened	Main Functions
Board of Directors	7	<ul style="list-style-type: none"> ● Oversaw the execution of duties by Directors and Executive Officers. ● Resolved matters to be decided by the Board of Directors as stipulated by Article 416 of Japan's Companies Act and matters that cannot be delegated to Executive Officers.
Audit Committee	9	<ul style="list-style-type: none"> ● Audited the execution of duties by Directors and Executive Officers. ● Resolved matters pertaining to the appointment, dismissal, or reappointment of the Company's accounting auditor for submission to the General Meeting of Shareholders.
Nomination Committee	3	<ul style="list-style-type: none"> ● Resolved matters pertaining to the appointment and dismissal of Directors for submission to the General Meeting of Shareholders.
Compensation Committee	3	<ul style="list-style-type: none"> ● Determined the compensation of each Director and Executive Officer.

*In addition to the number of times the Board of Directors was convened as described in the above table, there was one written resolution deemed a Board of Directors resolution pursuant to Article 370 of the Companies Act and the provisions of the articles of incorporation.

Board of Directors' Activity Report

The Board of Directors engages in lively debate each time it convenes based on a long-term perspective that aims to ensure sustainable growth and enhance corporate value. In fiscal 2020, the board spent considerable time discussing the development of the new medium-term management plan that will run to FY2025. The impact of the COVID-19 pandemic was considered in addition to future changes such as climate change and population trends, and we thoroughly discussed and assessed the Group's portfolio strategy in light of environmental changes that are critical to Aeon. Additionally, a comprehensive plan that reflects the management issues that have been discussed to date, including the further acceleration of the digital shift, investment plans, and free cash flow levels was formulated. In addition, several discussions in which only independent Outside Directors participated were held, in which frank opinions were exchanged regarding the role of Group governance and the effectiveness of the Board of Directors. The findings of those discussions were reported to the executive side of the board at Board of Directors meetings. These activities were undertaken based on the concept of independent Outside Directors enhancing medium-to-long-term corporate value and further improving governance, and we believe that the supervisory function of the independent Outside Directors has been demonstrated in that capacity. Additionally, individual meetings took place between the independent Outside Directors and three Inside Directors, resulting in lively exchanges of views and discussions based on a wealth of experience, extensive insight, and expert knowledge. Question and answer sessions regarding medium-to-long term issues and measures to address them took place, making such meetings a highly productive opportunity to facilitate mutual understanding between directors. As these initiatives show, extensive discussions that aim to improve Group-wide corporate value take place not only at Board of Directors meetings but also between directors, demonstrating that supervisory functions designed to promote the sustainable growth of Aeon are functioning substantially. Looking ahead, we will endeavor to further strengthen corporate governance.

Three Committees

The Company appoints Outside Directors to chair the Nomination Committee, the Audit Committee, and the Compensation Committee in order to further enhance the objectivity and transparency of these committees. Two of the three members of both the Nomination Committee and the Compensation Committee are Outside Directors. The Audit Committee, which consists entirely of Outside Directors and is therefore completely independent from business execution, monitors the legality and validity of the execution of duties by Directors and Executive Officers. Moreover, we strive to enhance the functions of the Audit Committee through the support of the Internal Audit Department, which is independent of the units conducting business execution, and coordination with the external accounting auditor.

Executive Officers

Representative Executive Officers make decisions on matters delegated by the Board of Directors and are wholly responsible for business execution on behalf of the Company. Executive Officers report to the Representative Executive Officers, make decisions on matters delegated by resolution of the Board of Directors, and conduct business execution.

Business Execution Decisions

The Board of Directors delegates authority to Representative Executive Officers to enable quick decision-making, except for matters for which the Companies Act and the Articles of Incorporation require the Board of Directors to resolve. The Chief Executive Officer leads the Aeon Management Committee*, which consists of Senior Executives and discusses important policies and matters relevant to business execution. The Chief Executive Officer makes decisions pursuant to these discussions, and delineates responsibilities and expedites management decision-making by clarifying the role and authority of each Executive Officer.

*The Aeon Management Committee is a deliberative body chaired by the President and Representative Executive Officer, composed of Executive Officers, the Chief Corporate Planning Officer, and other members appointed by the President and Representative Executive Officer. The Committee deliberates and decides important matters pertaining to the management, including the Group's business strategies and investment plans.

Organization for Internal Audits and Audits by the Audit Committee

The Board of Directors and the Audit Committee are central to management supervision because Aeon is a company with a nomination committee and other committees. The Management Audit Office is an organization that is independent of business units and provides the Audit Committee with operational and administrative support. It also coordinates with the full-time corporate auditors of Group companies, the Internal Audit Department, and the accounting auditor to conduct internal audits.

Policies for Director and Executive Officer Compensation

The Compensation Committee is chaired by an Outside Director and consists mainly of Outside Directors to ensure highly transparent, objectively determined policies for compensation of Directors and Executive Officers.

Remuneration Policy

● On the basis of the Basic Principles, the Company's Directors and Executive Officers shall continuously take on challenges as members of a corporate group with its ever-lasting innovative spirit, thereby contributing to the sustainable growth of the Group.

● The Company's Directors and Executive Officers shall receive remuneration in accordance with the roles expected of corporate officers and the degree of achievement of management objectives.

I. Basic policy on the remuneration system

(i) The remuneration system shall be highly fair and easy to understand, so as to be understood and endorsed by customers, employees, and shareholders and shall be decided by a transparent, appropriate process that ensures fairness.

(ii) The system shall link remuneration with the Aeon Group's medium- and long-term management strategies and performance, creating strong motivation to execute management strategy.

(iii) The level of remuneration shall be such that it secures, retains, and motivates human resources responsible for management of the Aeon Group.

(iv) The remuneration structure and levels shall be reviewed appropriately as needed, in light of economic and social conditions and the Aeon Group's business environment and financial performance.

II. Directors' remuneration

(i) The Company pays basic remuneration to Directors.

(ii) The Company does not pay Directors' remuneration to Directors concurrently involved in business execution.

III. Executive Officers' remuneration

(i) Basic remuneration

The Company decides base compensation on the basis of individual assessments within the standard amounts set by rank.

(ii) Performance-based remuneration

Executive officers' performance-based remuneration accounts for approximately 30% to 50% of their total cash remuneration (basic remuneration + performance-based remuneration).

(iii) Share compensation-type stock options

Share compensation-type stock options shall be granted in the form of subscription rights to shares for the purpose of enhancing morale and the motivation to continuously improve performance and increase corporate value. This will be done by strengthening the linkage between the share price, financial performance, and remuneration. The numbers of subscription rights to shares shall be determined based on the performance for that fiscal year, according to the standard number for each position.

(iv) Composition of performance-based remuneration

Performance-based compensation and share compensation-type stock options both have a corporate-performance component and an individual performance component, with each component determining 50% of the total remuneration. However, remuneration for Chairman and Representative Executive Officers and Executive Representative Executive Officer and President is based on corporate performance.

(a) Corporate performance-based remuneration

Corporate performance-based remuneration is calculated using a coefficient based on the degree of achievement in the Company's consolidated performance, with respect to standard amounts by rank and number of shares allotted, and is determined in consideration of overall financial performance.

(b) Personal performance-based remuneration

Personal performance-based remuneration is determined using a coefficient based on the performance in each category and evaluation of individual performance based on the degree of management target achievement, with respect to standard amounts set by rank and number of shares allotted.

(v) Indicators for performance-linked remuneration

The main indicator for the payment of performance-based remuneration and share compensation-type stock options shall be the degree of achievement with regard to consolidated ordinary profit, as an overall pointer to profitability. The payment ratio that is applied to the performance-linked remuneration shall be 100% of the standard amount if the targets set at the beginning of the business year are achieved. This payment ratio is adjusted based on business performance and individual evaluation in the relevant fiscal year.

Actual Performance-Linked Remuneration

Based on the consolidated performance for FY2020 and the results of the performance evaluation of each Executive Officer during the year under review by the Chairman and Representative Executive Officer, the remuneration is proposed to the Compensation Committee, which deliberates on and determines the remuneration. Despite the unique situation in the fiscal year under review, the payment ratio for corporate performance-based remuneration was 0% based on the result of deliberations by the Compensation Committee.

Total Remuneration Paid to the Company's Executive Officers in FY2020

Position	Number of persons	Basic performance-based remuneration based on Compensation Committee resolutions	Remuneration through share compensation-type stock options	Total
Chairman and Representative Executive Officer Motoya Okada	1	¥40 million	¥0 million	¥40 million
President and Representative Executive Officer Akio Yoshida	1	¥40 million	¥0 million	¥40 million
Executive Vice President and Executive Officers (includes Representative Executive Officers)	2	¥65 million	¥19 million	¥98 million
Executive Officers	4	¥104 million	¥25 million	¥149 million
Total	8	¥252 million	¥44 million	¥329 million

Evaluation Method

Analysis and evaluation of the effectiveness of the Board of Directors in FY2020 were conducted using the following methods.

- Exchange of views concerning effectiveness of the Board of Directors at Outside Directors meetings
- Individual Director interviews
- Written questionnaire survey (21 questions)

Issues Designated in the Previous Fiscal Year's Effectiveness Evaluation

(1) Enhancement of discussions aimed at group-wide value enhancement by the Board of Directors accompanying medium-term management plan preparation, and based on this, development of an executive framework in which PDCA cycling is utilized.

(2) Improvement of communication between oversight and business execution (ongoing)

(3) Strengthening of holding company functions and group governance (ongoing)

Evaluation of Efforts to Address in the Previous Fiscal Year's Issues

(1) During FY2020, the Board of Directors held a number of discussions and spent a considerable amount of time on the way to formulation of the Group's FY2021-FY2025 Medium-term Management Plan. In addition to discussions about such ongoing developments as changes in customer behavior due to climate change and demographic trends and the penetration of digital technologies into daily life, the Board of Directors discussed the accelerating digital shift, plans to invest in growth areas, and free cash flow levels, while taking into consideration the impact of the COVID-19 pandemic and the resulting societal changes. As a result, the Board was able to formulate a comprehensive plan that reflects the many issues discussed. It was resolved that reports on progress with the five growth strategies set out in the new medium-term management plan be provided on a quarterly basis at Board meetings held in FY2021, and the Board of Directors will monitor progress to ensure thorough implementation of the plan.

(2) In addition to regular meetings between Outside Directors and the President, communication between the oversight and business execution sides was further enhanced in FY2020 with individual meetings of the Company's three Inside Directors with the Outside Directors. In addition to the various medium- to long-term issues facing the Company, the Board of Directors held frank discussions on a wide range of topics, including some not included in official reports. Board meetings held in FY2020 enabled management to engage in constructive discussions based on the extensive experience and expert knowledge of Outside Directors, and this promoted greater mutual understanding between the oversight and business execution functions. These highly beneficial meetings are scheduled to continue in FY2021.

(3) In FY2020, the Audit Committee monitored the progress of initiatives related to the policy on strengthening the governance of subsidiary management that was formulated in FY2019. The Committee is implementing highly effective initiatives, including audit reports on measures to strengthen group governance. The Risk Management Committee will monitor the effectiveness of subsidiary management and will promote reinforcement measures by establishing a collaborative system for dealing with the issues faced by each company and implementing countermeasures.

Initiatives Taken in FY2020 to Enhance Effectiveness

In FY2020, the amount of time set aside for Outside Directors meetings attended by Outside Directors only was increased, enabling deeper discussions. The Outside Directors shared their views on the Company's strengths, weaknesses, opportunities, and challenges, and a significant amount of time was devoted to exchanging views on which measures should be prioritized when the new medium-term management plan was being formulated. The discussions also covered a wide range of other topics, including matters to be discussed at Board of Directors meetings in FY2021, the ideal form for progress reports, and proposals for sites to be inspected. Outside Directors presented their opinions on these topics at the January 2021 Board of Directors meeting.

Regarding FY2021 Board of Directors Meetings

(1) Quarterly reports on progress with the five growth strategies set out in the new medium-term management plan will be presented at Board of Directors meetings in FY2021 to enable the Directors to ensure thorough implementation.

(2) Regular reports on progress with the five growth strategies will be presented to the Directors with numerical data that provides a clear picture of progress in accelerating the shift to digital business, promoting private brand products, increasing the weighting of overseas business, improving investment performance, etc.

(3) If the time allotted to deliberating on reports on progress with the new medium-term management plan at Board of Directors meetings is found to be insufficient, special policy deliberation meetings will be held to ensure sufficient discussions, including discussions with Outside Directors, are held.

Approach to Publicly Listed Parent and Subsidiaries

Aeon has adopted a format where both the parent and subsidiaries are publicly listed. In other words, the pure holding company oversees governance for the entire Group, and the main listed subsidiary for each business segment oversees the other subsidiaries. Disclosures to capital markets are made on a segment basis, while the listed subsidiaries are responsible for providing information for each company. This two-tier system enables more detail in disclosure and dialogue with investors.

Anti-Takeover Measures

Aeon has forged close ties with local communities with a focus on the retail business. It has generated more than 8 trillion yen in consolidated operating revenue, making it the number one retailer in Japan, and boasts 780,000 shareholders. Aeon has also grown into a group of 315 companies including 19 publicly listed companies in Japan and overseas, operating in 14 countries with a focus on Asia with a network of around 20,000 stores. This management approach focused on coexistence with local communities and society from a long-term perspective and our broad and multi-faceted business expansion has helped enhance corporate value on a Group-wide basis. At the same time, significant changes in management policy can have a large effect on the Group, while concerns over the potential impact on local communities also necessitate careful handling. Considering these perspectives, the persons controlling decisions on the finances and business policies of Aeon need to fully understand those details and the source of corporate value, and be able to maintain and enhance corporate value and by extension the common interests of shareholders. Based on the above thinking, as a necessary and appropriate measure against the pursuit of short-term profits or large share acquisitions that could damage corporate value, Aeon has established two rules: (1) a party seeking to make a large-share acquisition must provide necessary and sufficient information to the Aeon Board of Directors prior to the acquisition; and (2) only after a certain evaluation period necessary for the Aeon Board of Directors to consider the information has passed, the party may start such a large-scale share acquisition.

Corporate Governance

URL:

https://www.aeon.info/wp-content/themes/aeon_corp/_assets/en/images/ir/policy/governance/CGreportdzz_eng_20210728.pdf
(Last update: May 10, 2021)

Basic Approach to Compliance

Aeon Code of Conduct

We established the Aeon Code of Conduct in 2003 to express the Aeon Basic Principles through a specific set of guidelines. We also began providing education and training relevant to the Code, created an Aeon Code of Conduct Hotline as an internal reporting system, and initiated monitoring activities (the Aeon Code of Conduct Survey) in 2003 in conjunction with establishment of the Code.

The Aeon Code of Conduct explicitly provides Group employees with criteria for action, consideration, and judgment in line with the Aeon Basic Principles to serve customers. It is a shared set of values for the Aeon Group.

In 2004, we began conducting full-fledged training throughout the Group to ensure all employees share and understand the Aeon Code of Conduct. Meanwhile, Group companies overseas have been providing the same training since 2006.

Since FY2011, we have been systematically disseminating and instilling the Aeon Code of Conduct at Group companies outside of Japan in line with our shift to Asian markets, which is one of the strategies of our Medium-term Management Plan.

Aeon Code of Conduct

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.

Promotion Framework

The Corporate Ethics Team is responsible for promoting the Aeon Code of Conduct throughout the Aeon Group, and is under the jurisdiction of the executives responsible for human resource management and risk management. The Corporate Ethics Team develops and executes policies for the entire Aeon Group related to corporate ethics, and proposes and recommends specific measures to address various problems and issues facing the Group. The Aeon Management Committee, an Aeon Co., Ltd. executive body, and the Audit Committee receive reports on the status of compliance issues, initiatives to resolve them, and Groupwide promotion of the Code of Conduct.

The presidents and branch managers of each company in the Group and Aeon Retail Co., Ltd. serve as Aeon Code of Conduct Promotion Officers. They assign managers to the Aeon Code of Conduct Promotion Offices to implement the Aeon Code of Conduct training, conduct fact-finding investigations for consultations reported through the Hotline, address revisions, and report to Aeon Co., Ltd.

Additionally, each store and business office selects one to three employees to serve as leaders in charge of promoting the Aeon Code of Conduct. They work on initiatives to disseminate and inculcate the Aeon Code of Conduct at their worksites.

Aeon Code of Conduct Hotline

Since 2004, the Aeon Code of Conduct Hotline has served as an internal reporting system for employees to report noncompliance and improprieties, as well as for discussing various workplace issues that employees find troubling or difficult to discuss with their immediate managers. The Hotline handles a wide variety of reports and consultations and is available to all Aeon employees. The Hotline consists of two lines: one for internal consultations and one for reaching out to and consulting with external parties. Also, from 2020 we have begun taking steps to reinforce compliance, establishing a Whistleblower Contact Point at a Law Office for the reporting of misconduct or violations of the law with regard to.

The Corporate Ethics Team provides reports and consultations to the Group companies concerned as feedback. We rigorously enforce the rule that an investigation shall then take place within two weeks to ascertain the facts associated with each report or consultation. The Corporate Ethics Team receives a report of the results, including corrective measures. In addition, the executive management team of Aeon Co., Ltd. and the presidents of all Group companies receive weekly and monthly reports on all consultation matters.

Education and Training

Aeon conducts training to disseminate and instill the Aeon Code of Conduct as the central component of corporate ethics, primarily through four programs: compliance training for Aeon executives, Aeon Code of Conduct training for senior management, Aeon Code of Conduct training for general employees, and training for new employees. Hiring examinations and promotion training also incorporate the contents of the Aeon Code of Conduct.

● Compliance Training for Aeon Executives (since 2014)
All Group executives use case studies and other tools to reconfirm written laws, Aeon's voluntary standards, and judgment and behavior in accordance with the Aeon Basic Principles. The objective of this training is to achieve even more customer-oriented management through the highly resolute, ethical, and responsible officers who uphold Aeon's reputation.

● Aeon Code of Conduct Training for Senior Management (since 2003)
Senior and mid-level executives from Group companies learn about and share information on internal and external conditions for corporate ethics, risk management, and compliance. The curriculum is designed to empower participants to make their own decisions based on ethical standards.

● Aeon Code of Conduct Training for General Employees (since 2003)
Employees and hourly workers of Group companies receive general training to confirm the basic precepts of the Aeon Code of Conduct, designed to support actual conduct from the perspective of customers.

● Training for New Employees (since 2004)
This training is designed to give new employees of Group companies a fundamental understanding of the Aeon Basic Principles and the Aeon Code of Conduct and a shared identity as Aeon employees.

Sharing and Encouragement at Overseas Companies

Aeon has been conducting the Aeon Code of Conduct training, establishing hotlines, and instituting monitoring systems (the Aeon Code of Conduct) at Group companies overseas since 2006.

In addition, in 2021, Aeon introduced the Lawyer Office Reporting Counter, which targets overseas group companies and reports fraudulent activities such as violations of laws and regulations involving management. This service is multilingual, and we are working to enhance the whistleblower system overseas as well.

Implementing the Aeon Code of Conduct Survey

Since 2003, we have conducted our Aeon Code of Conduct Survey of employee awareness annually to ascertain the extent to which the Aeon Code of Conduct has penetrated the organization and to gather information on workplace issues, employee work styles, motivation levels, and related matters. This survey is a basis for assessing employee awareness and corporate culture across the entire Aeon Group, including its overseas locations through evaluation of the visibility of promotional activities, the personal commitment of employees, and workplace conditions. We also compile, analyze, and share survey findings with Group companies and use them to help resolve specific social issues.

In FY2020, we conducted the survey at 67 Group companies overseas and received 54,402 responses. We conducted the same survey in FY2021 and will continue to strengthen our response to compliance risk by identifying the current conditions at each company based on an analysis of the responses and establishing systems to draw up and implement measures to improve our workplace culture.

Creating Support and Awareness-Raising Tools

Aeon complements training programs by creating a variety of awareness-raising tools to disseminate and instill the Aeon Code of Conduct.

For example, the Aeon Code of Conduct Newsletter, published every other month since 2004, presents excerpts from the writings of our founder, issues reported or consulted on via the Aeon Code of Conduct Hotline, reports on the results of training programs, and initiatives of each Group company.

Every month, we print and distribute approximately 300,000 copies to employees of Aeon Group companies. Not only has this newsletter helped employees to further their understanding of the Aeon Code of Conduct, but it has also led to the greater utilization of the Aeon Code of Conduct Hotline.

Aeon uses an illustrated book entitled *Arigatou no Yakusoku* (The Promise of Thank You) as a tool to share and encourage mutual understanding of the Aeon Basic Principles among the employees of new Group companies. The illustrated book covers the importance of being grateful and saying thank you in any situation and is designed to enhance the understanding of the essence of the Aeon Basic Principles in an intuitive manner.

Basic Approach to Risk Management

Aeon strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously and being self-disciplined at all times. Additionally, we regard risk management as a management priority that is the responsibility of each department. Accordingly, the Group companies and departments handle day-to-day risk management, while Risk Management Department and other departments throughout the Group monitor the status of risk management at each department. The Risk Management Committee, which reports to the Aeon Management Committee, reviews and makes decisions regarding external risk factors, such as new infectious diseases and large-scale earthquakes, which cannot be addressed by individual companies, and risks embedded in products, facilities, and services throughout the entire Aeon Group. We anticipate, predict, and preclude risks with the potential for particularly grave impact by assembling interdivisional task forces. Moreover, Aeon's organizational response to eliminate the influence of antisocial forces includes in-house regulations and close cooperation with law enforcement agencies.

Response to Natural Disasters and Major Incidents and Accidents

Aeon has created rules and procedural manuals to respond to large-scale natural disasters and major incidents and accidents, as well as providing education and training to ensure swift and accurate responses. Since the Great East Japan Earthquake, we have also introduced disaster prevention measures in each region in Japan, including areas affected by the disaster, based on a Business Continuity Plan (BCP)*1.

Hypothetical risks have become more diverse in recent years, ranging from an increasing number of natural disasters such as earthquakes and torrential rain due to abnormal weather to terrorist attacks and bombings.

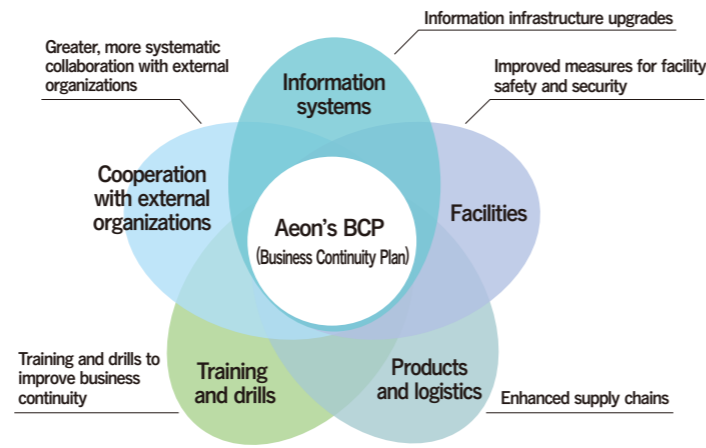
In light of these environmental changes, Aeon has formulated its Aeon Group Five-Year Business Continuity Management (BCM)*2 Plan to build a management framework that can enhance the performance of the BCP. With a view to executing this plan, we launched the Aeon BCM Project in March 2016.

Aeon is working toward establishing an operational framework by promoting BCM in five areas: 1) information systems; 2) facilities; 3) products and logistics; 4) training and drills; and 5) cooperation with external organizations.

*1 BCP: A strategic business plan to prevent business interruptions or allow key operations to resume within a targeted time frame in the event of disruptions caused by risks including natural disasters.

*2 BCM: A comprehensive management process that involves a set of policies for addressing issues relevant to the steady implementation of the BCP. BCM compares progress versus plan to manage initiatives such as the switch to new systems or efficient transportation of supplies to afflicted areas.

Five Focus Areas of the Aeon BCM Project



1. Information Systems (Information infrastructure upgrades)

We have upgraded our information infrastructure to better prepare all Group companies for possible disasters. We have further strengthened collaboration among Group companies by switching to a new Total BCM Aggregation System that centralizes disaster-related information such as disaster information, safety confirmation results, and the status of stores afflicted by disasters.

2. Facilities (Improved measures for facility safety and security)

We have formulated plans to enhance safety and security measures at our facilities. We have completed installations at 60 locations since the launch of the program in 2012. We built new disaster prevention facilities at two locations in FY2020 and will continue to pursue the development of additional disaster prevention facilities.

3. Products and Logistics (Enhanced supply chains)

In March 2016, we launched a new system to be used during disasters through cooperation with approximately 60 companies, such as manufacturers of food and daily necessities. We use the BCP Portal, which connects with our partners through cloud computing, to visualize information between each Group company and our partners and conduct centralized management of information such as plants, warehouses, and products ready for shipment.

4. Training and Drills (Training and drills to improve business continuity)

Aeon periodically conducts disaster prevention and safety drills throughout the Group. We conduct information gathering drills and training at stores and business offices in an effort to ascertain the status of disaster-stricken areas and improve our present business continuity capabilities to protect our customers and employees from risk. We will also continue to conduct drills to improve our ability to respond to and cope with natural disasters other than earthquakes, such as floods.

5. Cooperation with External Organizations

(Greater, more systematic collaboration with external organizations)

We are continually reinforcing our relations with external partners rooted in each community from local government offices, hospitals, and schools to private enterprises, in addition to our relations with energy companies, which are indispensable for business continuity should a disaster occur.

Acquisition of ISO 22301

In February 2017, Aeon Co., Ltd. became the first company in Japan's general merchandise retail industry to acquire certification for its business continuity management system (BCMS) under the international ISO 22301 standard. This initiative encompassed the head office and stores. ISO 22301 is a certification system published in 2012. It covers natural disasters such as earthquakes, floods, and typhoons, along with system problems and various risks including infectious disease epidemics, blackouts, and fires. It serves as an international standard for BCMS for minimizing the influence of these risks on businesses and responding efficiently and effectively to them. The Aeon Group's goal is to create and operate mechanisms to ensure that activities related to business continuity management (BCM) are closely linked to management, and that these activities are effective and efficient. The scope of registered activities under ISO 22301 encompasses the Group's crisis management operations at the time of registration, operation and management of the shopping center at Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services. Moreover, in November 2020, the Group expanded its operation and management services and so forth to a further 21 commercial facilities.

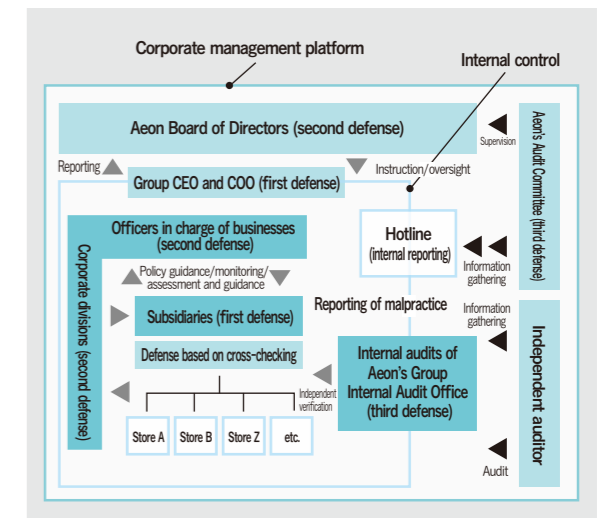
Overview of Certification

Registrant	Aeon Co., Ltd
Registration number	JQA-BC0031
Certification standard	ISO 22301:2012/JIS Q 22301: 2013
Certifying institution	Japan Quality Assurance Organization
Accrediting institution	Japan Institute for Promotion of Digital Economy and Community
Date of registration	February 20, 2017
Scope of registered activities	Operation and management of the following Aeon Group companies (1) Group crisis management (2) shopping centers (3) stores and supermarkets (4) general merchandise retail (5) integrated facility management (6) drugstores (7) convenience stores

Initiatives to Prevent Fraud

Aeon has strengthened its efforts to prevent fraud by establishing three lines of defense in its Group governance framework, (1) the Group CEO and COO, (2) the Aeon Board of Directors, and (3) Aeon's Audit Committee.

Three lines of defense



When improper conduct is discovered, we immediately launch an internal investigation, promptly make a public announcement of the details of the improper conduct, put together an investigation committee to look into the matter, formulate measures to prevent reoccurrence, and work to thoroughly establish efforts to prevent reoccurrence within the Group with the Risk Management Committee playing a central role.

Since 2014, Aeon has conducted annual compliance training for roughly 1,000 members of top management from Group companies in Japan and overseas in an effort to thoroughly disseminate the legal knowledge with which officers should be aware.

Additionally, to coincide with measures to prevent the reoccurrence of improper accounting practices discovered at Aeon Delight consolidated subsidiary Kajitaku in April 2019, we have been working to strengthen subsidiary management and governance as detailed below.

- ◆ Strengthen management system for subsidiaries under business control
- ◆ Strengthen effectiveness of Board of Directors at subsidiaries
- ◆ Review criteria for dispatching/placing directors and corporate auditors
- ◆ Strengthen compliance systems (internal reporting)
- ◆ Establish a structure to prevent accounting fraud
- ◆ Review M&A decision-making processes and monitoring
- ◆ Monitor measures aimed at preventing reoccurrence

In FY2020, Aeon established an external reporting hotline, sought to strengthen its Group reporting system, worked to improve the effectiveness of the Aeon Code of Conduct Hotline, and endeavored to thoroughly disseminate information about the law office-based whistleblower point of contact for reporting improper conduct on the part of officers.

Aeon's BCP Efforts to Respond to Environmental Changes, Accumulate Expertise, and Advance Forward

Basic Approach to Disaster Prevention

As a part of infrastructure that supports people's lives in local communities, Aeon uses its stores as bases for tackling regional disaster prevention.

To fulfill our roles including the provision of temporary evacuation locations during disasters, serving as a base of operations for recovery efforts, and providing daily necessities, Aeon has established disaster prevention facilities across Japan. We work to strengthen earthquake resistance at our stores, which serve as disaster prevention bases, while also implementing a number of measures in anticipation of power and water outages during a disaster, including the installation of in-house power generating equipment and the fitting of emergency water supply outlets to water tanks in case of emergency.

Aeon also places an emphasis on coordinating with outside entities in its disaster response efforts and has entered into agreements with various local governments and companies responsible for logistics and communications, including the signing of a "Disaster Response Cooperation Agreement" with the Japanese government.

We have concluded over 1,000 disaster prevention agreements with about 700 municipal authorities and private companies as of the end of February 2021. Under the agreements, we will provide relief supplies and allow the use of our parking lots as evacuation areas during disasters.

Comprehensive disaster prevention drills together with the local community (Aeon Mall Onahama)



Comprehensive Disaster Prevention Drills

Taking lessons from the experience of the Chuetsu Earthquake that struck Niigata Prefecture in 2004, Aeon has been conducting earthquake disaster drills since 2005 to quickly ensure the safety of its customers and employees in the event of a large-scale disaster.

In March 2014, we established the Aeon Komaki Crisis Management Center based at the Aeon Komaki Store (Komaki, Aichi Prefecture) to prepare for the possibility of Aeon's head office in Makuhari being affected by a disaster.

Flood Drills (June 2020)

Drills conducted in the first half of 2020 focused on preparing for flooding, a common occurrence in recent years. These were based on scenarios of torrential rains, store flooding, power outages, and prolonged recovery response caused by a major typhoon sweeping across Japan as part of efforts to develop systems for each Group company to quickly launch task forces, for stores and business locations to implement appropriate initial responses, and for swift recovery after the passage of a typhoon. Schemes utilizing web conferencing tools were also trialed based on the environment required to respond during the COVID-19 pandemic.

Disaster prevention drills based on a flooding scenario



Drill spanning multiple task forces to avoid close-contact settings



Dealing with a Major Earthquake during the COVID-19 Pandemic (November 2020)

A drill conducted in the second half of 2020 was based on the scenario of a major earthquake striking directly beneath Tokyo rendering the Makuhari Head Office unable to function. During the drill, each Kanto-based Group company established task forces and responded to the disaster while coordinating with the Aeon Kyushu Headquarters which had established an alternative task force. Particular emphasis was placed on the conditions of the COVID-19 pandemic, with knowledge utilized to conduct meetings using web conferencing tools, avoid the 3Cs (closed spaces, crowded places, and close-contact settings), and handle customers expected to visit in high concentrations after store reopening.

Minimizing the Risks of COVID-19 With an Initial Response Based on BCP

1 Confirming the Outbreak in Wuhan and Initiating a Group-Wide Response

Around the end of December 2019, reports emerged of an infectious disease of unknown origin. At the time, three Aeon shopping mall facilities and five general merchandise stores (GMS) were operating in Wuhan. In mid-January, the China Headquarters and Aeon Headquarters established a joint task force. Coordinating with those in the field, we responded by placing a priority on ensuring the safety of employees, who are essential for business continuity. At our stores, we practiced health management for employees, took the temperatures of customers entering stores, sterilized store interiors, and took other appropriate actions. A collective Group effort was also made to procure hygiene supplies, including masks and alcohol-based disinfectant for employees. Management staff continue to take the lead locally, while the China Headquarters played a pivotal role in following BCM practices along with sharing information with other regions in China as well as Japan to develop measures to prevent infections.



Employees engaging in thorough health management

2 Continuing to Operate as Infrastructure for People's Lives

With infections continuing to expand and Wuhan City entering a lockdown, the five GMS locations continued to operate to fulfill their functions as infrastructure for people's lives, in part in response to requests from the government. Products were secured with the assistance of local producers and through supply from neighboring regions under instructions from the China Headquarters, and we continued to sell products at reasonable prices by handling our own logistics operations, among other efforts. Additionally, based on ideas from employees, we supported the daily lives of citizens by delivering products to condominium entrances for customers who faced restrictions on leaving their homes.



Providing a service to deliver products to customers facing restrictions on leaving their homes

3 Response in Japan Utilizing the Know-how Gained in Wuhan

A state of emergency was also declared in Japan on April 7, 2020. Infections continue to spread around Japan thereafter, leading to the closure of 142 Aeon Mall locations around Japan. In anticipation of the resumption of business, Aeon utilized the know-how gained in Wuhan to introduce outbreak prevention measures. In addition to thoroughly manage the physical condition of employees, measures were taken in stores to ensure ventilation, disinfection, and protection against droplets. We also asked customers visiting Aeon stores to cooperate in avoiding the 3Cs, disinfecting their hands, and submitting to temperature checks, as well as made every effort to ensure as safe a shopping environment as possible.

In June, the Aeon COVID-19 Outbreak Prevention Protocol was established, and a website was launched so that that knowledge could be utilized by society.



Various outbreak prevention measures were introduced when Aeon malls reopened

4 Supporting the Lives and Economies of Local Communities

Aeon ensures a safe and secure shopping environment while pursuing initiatives as a part of the infrastructure that supports local communities. When certain products at our stores became temporarily scarce, we disclosed the large volume of toilet paper available at our stores and the situation at our logistics warehouses in an effort to alleviate the fears of consumers. In addition, to prevent the spread of infections, Aeon Shopping Centers have been as government-run mass vaccination centers and as workplace vaccination centers for employees.

We have also actively carried local produce, high-grade fresh fish, and other goods to offset the rapid decline in demand from restaurants and other businesses to help local producers and support the local economy. Aeon has also expanded services that utilize digital technologies such as "Net Super" in an effort to grow businesses that cater to the "new normal."



Full-scale launch of the drive-through style "Drive Pick-up Service"

Continuing to Propose a “New Normal”

Amid the spread of COVID-19 infections, Aeon will continue contributing to the development of a better society by providing new products and services that meet the needs of a rapidly changing society and people's lives on a timely basis.

Digital Services Expanding the Provision of Non-Contact and Comfortable Services Using Digital Technologies

Aeon develops and introduces services that support more convenient and comfortable living utilizing digital technologies while minimizing contact between people.

Expanding Aeon's “Online Supermarket”

Aeon has rapidly expanded its “Online Supermarket” service as a new way for customers to shop. In addition to delivering online purchases to customers' homes, the service has been enhanced to provide customers with various ways to receive their purchases.

Payment Services Evolving with the Times

To minimize person-to-person contact and provide a comfortable shopping experience, Aeon has developed a service where customers can scan barcodes themselves and complete payment procedures at dedicated payment terminals. Aeon is also expanding the number of stores where this service is available.

Expanded Online Services

In the area of finance, Aeon has set up an online consultation service for banking and insurance and provides a system that enables customers to open accounts entirely online. We also provide services that enable customers to use Aeon with peace of mind while remaining at home, such as the expanded acceptance of online prescriptions at our drugstores.

Product Development Developing the Products and Services Needed during the COVID-19 Pandemic

Experience the Flavors of Famous Restaurants at Home

With people spending more time inside due to work-from-home policies and other circumstances, TOPVALU has released the *pro-no-hitoshina* (professional dish) series of dishes supervised by professional chefs, in an effort to provide customers dishes that can be easily prepared and offer the taste of famous restaurants for a reasonable price.



Measures to Deal with COVID-19 Responding to New Needs

Developing and Providing Cleaning according to New Standards

Aeon Delight has developed a service that incorporates infection prevention measures, which it provides to commercial facilities as well as offices and healthcare-related customers. Experts in the field are cultivated through a unique training program, which has produced more than 1,200 qualified personnel thus far (as of June 2021).

Creating an Environment That Customers Can Use with Peace of Mind

At the food courts, cinemas and other similar facilities we operate, we have installed partitions and at the indoor amusement park, we are cleaning tokens to create an environment that customers can use with peace of mind.



Development of Unstaffed Stores for Offices

Ministop has developed “Ministop Pocket,” a type of unstaffed store that utilizes office space.



TOPICS

Providing a Shopping Center as a Local Vaccination Venue - Occupational Inoculation is Also Carried Out

In cooperation with governments and local governments nationwide, we provide a shopping center (SC) as an inoculation site. In addition, in order to raise the inoculation rate in the area and realize a safe and secure life, we also carry out inoculation of the entire SC including tenant employees outside the group. It is expanding nationwide.



Donation of Corona Vaccination Support to ASEAN Governments

Aiming at early termination of new coronavirus infections, we donated a total of ¥350 million to ASEAN governments in Malaysia, Vietnam, Indonesia, Thailand, and Cambodia as a support fund for the purpose of promoting corona vaccinations.



Information Security Initiatives

Based on its principle of “pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core,” Aeon recognizes the importance of personal information protection. Accordingly, Aeon treats information about individuals with the utmost care, contributing to secure and enriched lives. Additionally, based on the recognition that personal information forms the uniqueness and values of each person, we afford it the same respect as people, ensuring the safe and proper management of the information entrusted to us by members of the community to build solid relationships of trust.

Personal Information Protection Policy

- 1: Initiatives to protect personal information
 - We undertake the following activities to conscientiously implement our basic policy for personal information protection.
 - 1-1: Officers and all employees shall comply with laws and internal regulations pertaining to personal information.
 - 1-2: We shall appoint people responsible for the protection of personal information, assign responsibility and authority concerning the implementation and management of personal information protection, provide education and training, and rigorously manage personal information.
 - 1-3: We shall appoint people responsible for the protection of personal information and audit the protection of personal information.
 - 1-4: We shall improve internal regulations and operations based on the results of audits.
 - 1-5: We shall ask suppliers and related parties for cooperation to protect personal information.
 - 1-6: We shall make this policy available for viewing at any time by publishing it in media including our website and our corporate brochure.
- 2: Handling of personal information
 - 2-1: We shall delineate the purpose of use when collecting, using, or providing personal information, and shall use personal information within this defined scope.
 - 2-2: We shall respond to requests to disclose, correct, or delete personal information promptly within a reasonable period and an appropriate scope.
 - 2-3: We shall implement safety measures appropriately to preclude problems such as unauthorized access, loss, tampering, or leakage.

September 21, 2004

Motoya Okada

President and Representative Director, Aeon Co., Ltd.

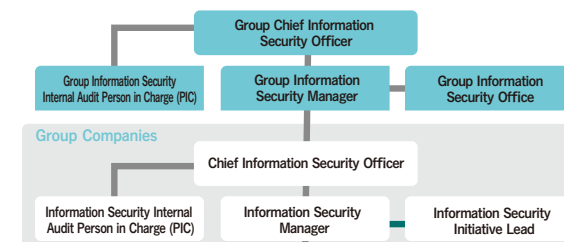
Aeon has established a personal information protection policy and a privacy policy to protect personal information properly and safely.

For details on our personal information protection and privacy policies:

<https://www.aeon.info/en/privacy/>

Information Security Initiatives

Aeon believes that information is a vital asset and it create added value for Aeon and group company's business activities. So, we established the AEON Information Security Policy, in which all employees are required to follow to correctly and safely manage this important asset and to build relationships of multiple trust with our customers, local communities, clients, shareholders, and others connected to Aeon. Also, we have established and are promoting an information security system to mitigate serious information risks in business settings. (Please refer to the chart below.)



Also, we created regulations regarding information security and carry out regular checks along with specific criteria for handling information and operating information systems.

In recent years, cyberattacks have become increasingly more sophisticated, and it has become difficult to respond to them independently. To tackle this issue, we have set up the Information Security Office within the Aeon Group, which exclusively handles information security. This office has established a structure to reinforce information security from organizational, structural, and systematic perspectives as well as from a physical perspective at each Group company. The office also responds to business continuity risks, such as system outages due to cyberattacks.

In order to respond quickly when security incidents occur, we regularly perform Group-wide cyber-security training and drills and confirm emergency response procedures and report lines for incidents.

The Information Security Office joined as a member of the Nippon CSIRT Association since March 2019. By collaborating not only within the Aeon Group but also externally to collect and analyze information regarding information security, we are improving our know-how.

AEON Information Security Policy

[Information Security Policy]

The AEON group principles are “pursuing peace,” “respecting humanity,” and “contributing to local communities,” while serving our customers. With these principles, we will recognize the importance of information security and protect important information from various threats to contribute to society for a secure and quality life.

We also believe that the information within Aeon is a valuable asset for the development of business activities and the creation of value-added goods and services. To manage it in a safe and appropriate manner, we will build a solid relationship of trust with our customers, local communities, business partners, and shareholders.

Our Information Security Policy herein serves as a guide for all employees of the Aeon group to be aware of and understand the importance of information security.

Initiatives for Information Security

We will execute the initiatives as stated below to ensure that all group companies comply with the Information Security Policy.

- (1) Define roles and responsibilities to maintain and continuously improve information security.
- (2) Establish and comply with security regulations to protect information security.
- (3) Conduct risk assessment and implement security measures to protect information.
- (4) Provide employees with security education to increase awareness of information security.
- (5) Comply with laws and regulations as well as contracts with relevant stakeholders (e.g., customers, business partners, and employees), having information properly managed.
- (6) Establish clear reporting lines for a fast and effective response for security incidents.
- (7) Maintain the information security level of subcontractors to a standard of being equal to or higher than that of the Aeon Group.
- (8) Maintain business continuity by minimizing the impact of natural disasters and cyberattacks.
- (9) Conduct periodic and non-periodic reviews and internal security audits for the continuous improvement of the above activities.
- (10) Penalties shall be applied for any violations of this policy and information security regulations/standards in accordance with the employment rules.

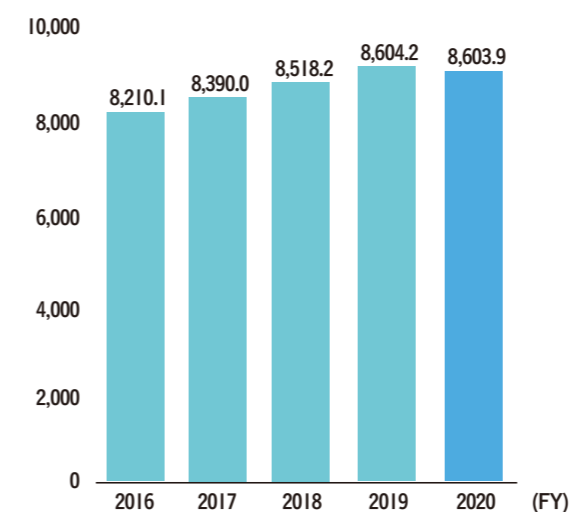
Motoya Okada
Aeon Co., Ltd.
Director, Chairman, Representative Executive Officer
March 1, 2019

Financial and Non-Financial Data

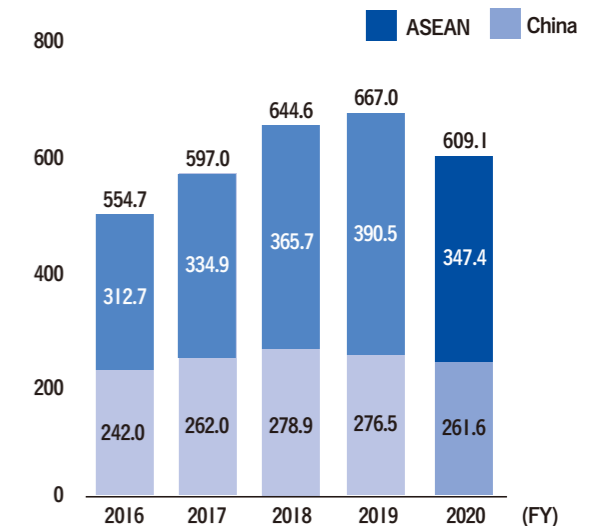
(Millions of yen)	FY2016	FY2017	FY2018	FY2019	FY2020
Fiscal Year					
Operating revenue ①	8,210,145	8,390,012	8,518,215	8,604,207	8,603,910
Segment operating revenue by region					
Japan	7,543,969	7,674,425	7,757,433	7,832,102	7,896,403
ASEAN ②	312,717	334,981	365,741	390,512	347,498
China ②	242,068	262,081	278,952	276,514	261,698
Operating profit ③	184,739	210,273	212,256	215,530	150,586
Segment operating profit by region					
Japan	173,903	187,098	176,675	171,829	126,766
ASEAN ④	18,651	24,806	33,863	34,793	21,181
China ④	(7,744)	(1,521)	1,470	9,003	4,089
Ordinary profit	187,351	213,772	215,117	205,828	138,801
Profit before income taxes	149,339	168,594	168,083	174,664	53,219
Profit (loss) attributable to owners of parent	11,255	24,522	23,637	26,838	(71,024)
Financial Position					
Total assets	8,750,856	9,452,756	10,045,380	11,062,685	11,481,268
Net assets	1,862,410	1,916,737	1,875,364	1,849,278	1,755,776
Interest-bearing debt	2,257,094	2,344,381	2,552,589	3,006,690	3,145,713
Cash Flows					
Cash flow from operating activities	294,893	463,911	469,874	624,660	396,461
Cash flow from investing activities	(267,710)	(427,854)	(662,416)	(341,492)	(341,814)
Cash flow from financing activities	81,450	28,641	143,792	51,164	24,290
Cash and cash equivalents at end of period	802,099	870,013	814,479	1,141,171	1,217,054
Per Share of Common Stock					
Basic net income (¥)	13.44	29.23	28.11	31.88	(84.06)
Net assets per share (¥)	1,349.79	1,371.60	1,299.32	1,264.63	1,147.56
Cash dividends applicable to the year (¥)	30.00	30.00	34.00	36.00	36.00
Major Financial Indicator					
Operating profit margin (%)	2.3	2.5	2.5	2.5	1.8
Return on equity (ROE) (%)	1.0	2.1	2.1	2.5	(7.0)
Return on invested capital (ROIC) (%)	3.8	4.3	4.2	3.9	2.6
Total equity ratio (%)	12.9	12.2	10.9	9.6	8.5
Debt equity ratio (excl. Financial Services Business) (Times)*	0.9	1.1	1.5	1.4	1.4
Non-Financial Data					
Number of stores (Japan and Overseas)	20,633	21,248	21,609	18,945	18,888
Aeon card, etc. credit card holders (Millions of people) ⑤	38.94	40.64	42.69	45.27	46.13
WAON electronic money cards issued to date (Millions of cards)	64.30	69.92	75.09	80.55	85.95
Types of Local WAON cards issued to date	132	145	150	151	156
CO ₂ emissions (Gross emissions) (t-CO ₂ /m ²)	0.075	0.078	0.077	0.074	0.070 ^(Prospect)
Reduction of plastic bags used at cash registers (Billions of bags) ⑥	2.77	2.73	2.64	2.87	2.94
Ratio of female managers	25.6	26.6	26.5	26.9	26.1

*Adjusted in consideration of the capital of hybrid corporate bonds and hybrid loans. Set off with cash.

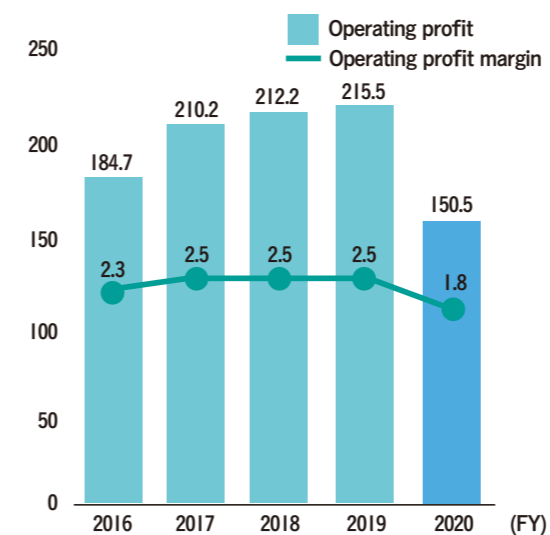
① Operating Revenue (Billions of Yen)



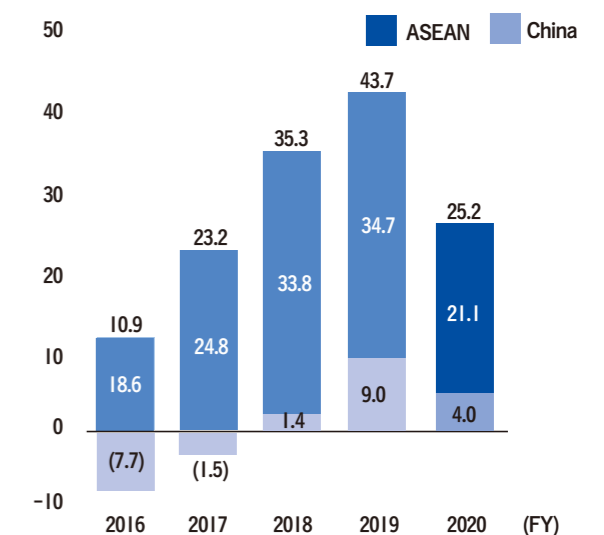
② Operating Revenues (ASEAN, China) (Billions of Yen)



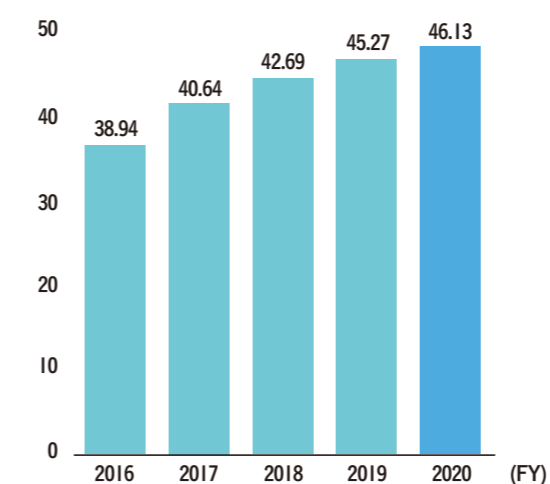
③ Operating Profit (Billions of Yen) / Operating Profit Margin (%)



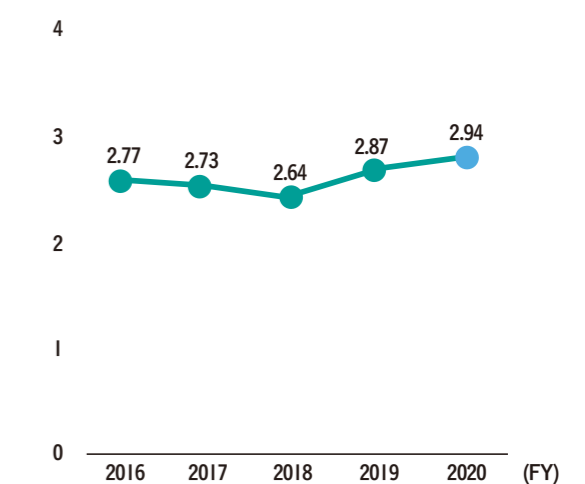
④ Operating Profit (ASEAN, China) (Billions of yen)



⑤ Aeon Card, etc. Credit Card Holders (Millions of People)



⑥ Reduction of Plastic Bags Used at Cash Registers (Billions of Bags)



Corporate Data

as of the end of Feb. 2021

Headquarters 1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8515, Japan

Representative Akio Yoshida
President and Chief Executive Officer

Founded 1758

Established September 1926

Groupwide Employees (FY2020)
Working employees: Approx. 570,000 people (Approx. 395,000 women, 175,000 men)
•Daily/monthly wage employees: Approx. 155,000 people (Approx. 70,000 women and 85,000 men)
•Hourly wage employees: Approx. 415,000 people (Approx. 325,000 women and 90,000 men)

Fiscal Year End End of February

Annual Shareholders' Meeting Held by the end of May

Stock Exchange Listing Tokyo Stock Exchange

Independent Auditor Deloitte Touche Tohmatsu LLC

Transfer Agent Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8223, Japan

Number of Shareholders 780,295

Shares Issued and Outstanding 871,924,572

URL <https://www.aeon.info/en/>

● AEON SUSTAINABILITY DATA BOOK

It complements this AEON Report (integrated report).
<https://www.aeon.info/en/sustainability/report/>

Major Shareholders

as of the end of Feb. 2021

Name	Number of shares held (thousands of shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	71,764	8.44
Custody Bank of Japan, Ltd. (Trust Account)	39,374	4.63
Mizuho Bank, Ltd.	33,292	3.92
AEON Environmental Foundation	21,781	2.56
The Cultural Foundation of Okada	21,292	2.50
The Norinchukin Bank	18,133	2.13
Custody Bank of Japan, Ltd. (Trust Account #7)	15,830	1.86
Custody Bank of Japan, Ltd. (Trust Account #5)	12,030	1.42
Employees' stockholding association	11,981	1.41
Aeon Mutual Benefit Society (Nomura Securities account)	11,921	1.40

Notes:

1. Calculations of ratio of shares held exclude treasury stock (21,900,603 shares) and have been rounded. The number of treasury shares does not include the Company's shares held by Employee Stock Ownership Plan Trust (4,388,100 shares).
2. The number of shares held by Mizuho Bank, Ltd. includes its contribution of 9,378 thousand shares to the retirement benefit trust (the holder of said shares, as listed in the shareholder registry, is "Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.").

Major Group Company's Integrated Report



● AEON MALL Integrated Report

https://www.aeonmall.com/en/ir/i_report.html



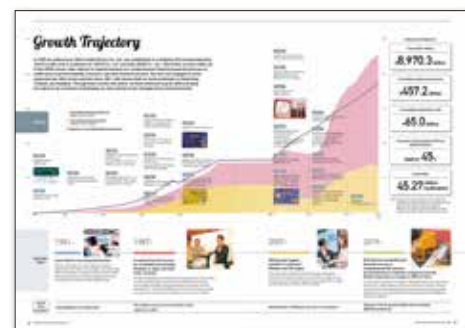
● WELCIA HOLDINGS Integrated Report

<https://www.welcia.co.jp/en/latest/integrated.html>



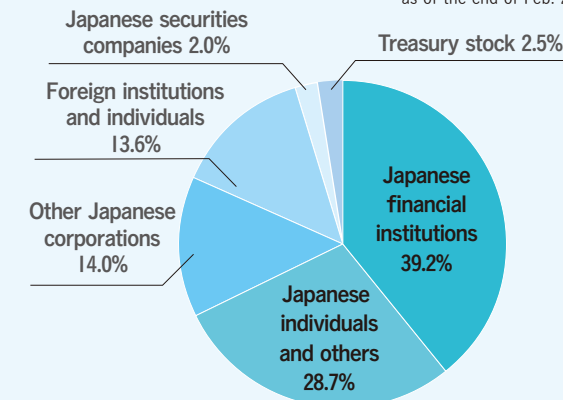
● AEON FINANCIAL SERVICE Integrated Report

<https://www.aeonfinancial.co.jp/en/ir/library/annual/>

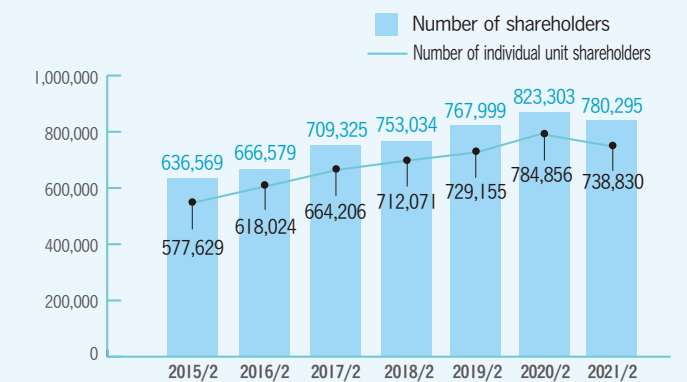


Shareholder Distribution by Owners

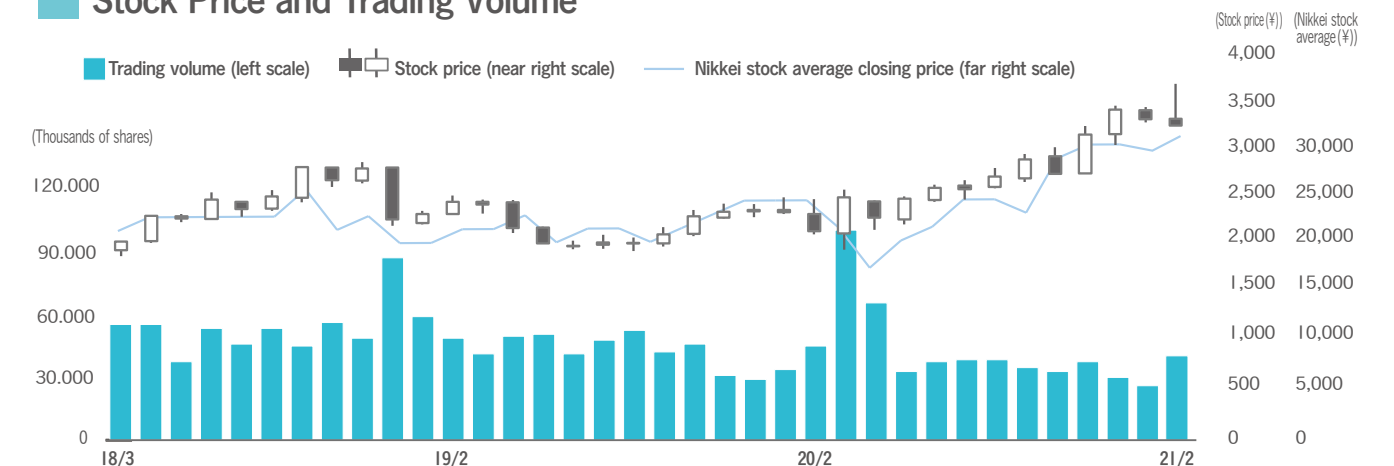
as of the end of Feb. 2021



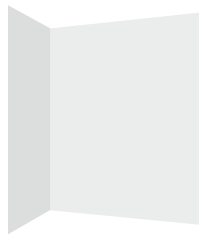
Number of Shareholders and Number of Individual Unit Shareholders



Stock Price and Trading Volume



	FY2018	FY2019	FY2020
High (¥)	2,792.0	2,399.0	3,675.0
Low (¥)	1,736.0	1,794.0	1,808.5



Thriving with Communities

Enriching People's Lives and Local Communities for Tomorrow