

Last update May 20, 2022

AEON DELIGHT CO., LTD.

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<https://www.aeondelight.co.jp/english>

**This document describes corporate governance at
AEON DELIGHT CO., LTD (“AEON delight” or “the Company”).**

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Based on our Management Principle, "We pursue the creation of 'environmental value' for our customers and for the local communities," we fulfill our responsibilities to our stakeholders through sustainable growth of the company and by increasing the value of our company, and implement an optimal corporate governance system designed to best meet the needs of society and the business environment.

In AEON delight Corporate Governance Guidelines (hereafter the "the Company's Guidelines"), we have defined our corporate governance system as "a mechanism that helps to bring about sustainable growth of the company by maintaining balance between 'offense' and 'defense' in the four areas as follows":

- 1) Means for integrating the business activities of the members (executives and employees) of our enterprise under one policy or vector and then utilizing managerial resources to the maximum degree.
- 2) Basic promises that underpin the trusting relationships with stakeholders who support the company
- 3) Preparedness for unexpected ordinary or extraordinary events
- 4) Rules each enterprise should follow for surviving as a member of society

[Management Principle]

We Pursue the Creation of "Environmental Value" for our Customers and for the Local Communities.

[Code of Conduct]

- 1 I am always grateful to the many other individuals who provide help and support, and I never forget to act with humility.
- 1 I always act with integrity and sincerity in every situation.
- 1 I always work to improve myself so as to offer services that exceed customer expectations.
- 1 I continually challenge myself, without hesitation, to help AEON delight to create environmental values.
- 1 I always act as a good corporate citizen in serving local communities.
- 1 I always seek to improve and maintain a delightful workplace and to respect my fellow employees.

[Basic Policies for Sustainability]

AEON delight's management philosophy is "We Pursue the Creation of 'Environmental Value' for our Customers and for the Local Communities."

Based on this management philosophy, we will contribute to solving social issues and achieving a sustainable society by creating "environmental value" in all aspects of our business together with our many stakeholders.

- We will strive to create a safe, secure, hygienic, and healthy usage environment in and around our facilities.
- By providing solutions that meet society's expectations, we will contribute to achieving a decarbonized society, conserving biodiversity, and promoting recycling.
- We will comply with laws and social norms, build relationships of mutual trust with our business partners, and conduct fair business activities throughout the supply chain.
- We will respect the human rights of each individual and create a vibrant organizational culture in which diverse human resources can demonstrate their abilities.
- As a corporate citizen, we will engage in social contribution activities that aim for a better environment and society.

For further details, please refer to the AEON delight website.

[AEON delight Corporate Governance Guidelines]

<https://www.aeondelight.co.jp/english/ir/management/pdf/guideline.pdf>

[Corporate Governance]

<https://www.aeondelight.co.jp/english/ir/management/disclosure.html>

[Reasons for Non-Compliance With the Principles of the Corporate Governance Code] Update

The following information is based on the Corporate Governance Code as revised in June 2021.

[Supplementary Principle 4-11-1: Views on balance, diversity, and size of the Board of Directors as a whole]

Please refer to Article 13 “Systems for the boards of directors and auditors” and Article 27 “Selection of candidate directors and auditors” of the Company’s Guidelines.

We believe that the role, experience, etc. of each director can be understood by the position, career and reason for appointment as stated in the convocation notice and the annual securities report, but will consider disclosing the combination of such skills, etc. in the future.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4: Strategically held shares]

Please refer to Article 7 "Strategically held shares" of the Company's Guidelines

In fiscal 2021, we sold two cross shareholdings after reviewing our purpose for holding them.

[Principle 1-7: Related party transactions]

Please refer to Article 9 "Prevention of transactions that go against shareholders’ interests" of the Company's Guidelines.

[Supplementary Principle 2-4-1: Ensuring Diversity in Core Personnel Hiring]

Please refer to “Other” under “3. Measures to Ensure Due Respect for Stakeholders” found in the “III. Implementation of Measures for Shareholders and Other Stakeholders” section.

[Principle 2-6: Performance of Function as an Owner of Corporate Pension Asset]

Please refer to Article 35 "Corporate Pension Fund" of the Company’s Guidelines.

[Principle 3-1: Full Disclosure]

- (1) Management principle and medium-term management plan are disclosed on the AEON delight website and in the financial results briefing materials.
- (2) AEON delight guidelines are disclosed on the AEON delight website.
- (3) Please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in this report.
- (4) Please refer to Article 27 "Selection of candidate directors and auditors" of the Company's Guidelines.
- (5) The reasons for the election and dismissal of individual directors shall be disclosed in the reference materials for the general meeting of shareholders.

[Principle 3-1-3: Sustainability Initiatives]

<Disclosure under TCFD>

In order to fulfill our social responsibilities as a corporate citizen and promote ESG management that aims to solve social issues through business activities, we formulated the Basic Policies for Sustainability in August 2021 based on our Management Principle. In addition, we established the Sustainability Committee in April 2022 as a group-wide promotion body for ESG management to solve social issues through our business activities based on our Basic Policies for Sustainability and Material Issues.

Please refer to our website for disclosure based on TCFD recommendations.

Sustainability

<https://www.aeondelight.co.jp/english/csr/>

Disclosure based on TCFD recommendations

<https://www.aeondelight.co.jp/english/csr/tcf.html>

< Investment in human capital and intellectual property, etc.>

In the ESG management described above, we identified materiality for issues that need to be addressed as a priority. The five areas of materiality include "safety and security," "labor force shortage," "environment," "technology utilization," and "corporate governance." In the area of "labor force shortage," we are promoting measures to invest in human capital and intellectual property.

<Investment in human capital and intellectual property>

We are investing in the development of true "experts" who possess both "technical" and "human" capabilities. With the aim of strengthening our competitiveness, we are working to secure specialized personnel in both business and management departments, such as those with advanced public qualifications and digital marketing skills, while also developing global personnel.

Through a combination of practical training at the AEON delight ACADEMY Nagahama, a specialized training facility owned by the Group, as well as internal recruitment and overseas training programs, we are able to secure personnel through internal training and external recruitment.

< Basic views on respecting human rights>

Based on the Basic Policies on Sustainability and Aeon Basic Policy on Human Rights, we respect human rights by complying with the human rights standards set out in the ILO Declaration on Basic Principles and Rights in Labor of the International Labor Organization (ILO) and by supporting and practicing the United Nations Guiding Principles on Business and Human Rights.

< Promotion of fair business activities>

For our suppliers, we have established a "Supplier Hotline" and conducted supplier questionnaires to ensure fair transactions and foster mutual trust.

<Promotion of health management>

We are practicing health management based on the Aeon Health Management Declaration. To realize the health and happiness of our employees and customers, and to contribute to the local community, we are promoting health management as a foundation for our diverse personnel to demonstrate their abilities and continue to perform effectively, based on our belief that people are our greatest asset. By improving our employees' health, both physically and mentally, we will drive interest and knowledge in health to promote health and wellness, improve work productivity by creating a healthy and dynamic workplace, maintain and improve the health of our employees and their families, and enhance employee satisfaction by enriching their families and communities.

[Supplemental Principle 4-1-1: Outline of the Scope of Delegation from the Board of Directors to Executive Officers] Please refer to Article 16 "Business operation systems" and Article 17 "Roles, duties, etc. of the board of directors" of the Company's Guidelines.

[Principle 4-8: Effective use of independent outside directors; Supplementary Principle 4-8-3: Majority independent outside directors]

Article 13 "Systems for the boards of directors and auditors" of the Company's Guidelines stipulates that the Company shall have at least two independent and impartial outside directors. Currently, the Company's Board of Directors is composed of eight directors, of which four are independent outside directors who meet the independence standards of the Tokyo Stock Exchange. At present, we believe that the composition of the Board of Directors is appropriate for supervising management and conducting effective deliberations. In addition, a Special Committee was established based on a resolution at the May 2022 Board of Directors meeting to deliberate and review important transactions and actions that may conflict with the interests of the controlling shareholders and minority shareholders.

[Principle 4-9: Independence Standards for Independent Outside Directors]

Please refer to Article 21 "Criteria for judging the independence of external directors" of the Company's Guidelines.

[Supplementary Principle 4-10-1: Views on independence of committee composition, authority, role, etc.]

Please refer to "Establishment of an optional committee, members of the committee, and attributes of the chairperson of the committee" and "Supplementary Explanation" under the "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" section of this report.

[Supplemental Principle 4-11-2: Concurrent Service by Board Directors and Members of the Audit & Supervisory Board]

Please refer to Article 31 "Whether directors and auditors are part-time" of the Company's Guidelines. In addition, the status of concurrent positions held by officers is disclosed in the Annual Securities Report and the Notice of Convocation of the Ordinary General Meeting of Shareholders.

[Supplemental Principle 4-11-3: Ensuring the Effectiveness of the Board of Directors]

<Evaluation Process>

The Evaluation Advisory Committee, a voluntary advisory body to the Board of Directors, administered a self-evaluation based on a questionnaire* in February 2022, and analyzed and evaluated the results. Based on the results of the analysis and evaluation by the Evaluation Advisory Committee and an opinion from the Company's legal counsel, the Board of Directors assessed the effectiveness of the Board of Directors at a meeting held on April 26, 2022.

* Self-evaluation based on a questionnaire: All directors and corporate auditors responded to a questionnaire regarding the effectiveness of the Board of Directors.

<Evaluation items>

1. Composition of the Board of Directors, 2. Operation of the Board of Directors, 3. Agenda of the Board of Directors,

4. Structure to support the Board of Directors, 5. Roles and responsibilities of the Board of Directors, 6. Others

<Overview of evaluation results>

We evaluated that the effectiveness of decision-making and supervision of business execution by the Board of Directors is being maintained in line with the Company's basic approach to corporate governance.

We evaluated that some improvements were made, including the fact that half of the Board of Directors consists of outside directors, that the diversity of Board members has increased with the appointment of female directors, and that the agenda for Board meetings is managed based on an annual plan and is organized in advance of the meetings. On the other hand, there are clear areas for improvement, including ongoing issues such as medium- to long-term management strategies, discussion from the perspective of managerial supervision and reporting on the status of business execution, and succession planning.

[Supplemental Principle 4-14-2: Training Policy for Directors and Auditors]

Please refer to Article 30 "Policy for the training of directors and auditors" of the Company's Guidelines. The Company conducts the following training and seminars for officers of the Company and its subsidiaries.

- Training for newly appointed officers
- Compliance seminars
- Top Seminars(Seminar for executives)

[Principle 5-1: Policy for Constructive dialogue with Shareholders]

The basic policies are listed in Article 10 "Dialogue with Shareholders" of the Company's Guidelines.

In order to promote constructive dialogue with shareholders, the Board of Directors appoints a director or executive officer as the person in charge of handling information and designates the President's Office, PR & IR Group as the department in charge of investor relations. The person in charge of information handling ensures organic collaboration, including ensuring that information is shared among departments that assist in the dialogue. Financial results briefings are held twice a year for investors, and video and audio of the briefings are distributed via the internet. In addition, telephone interviews and investor relations meetings are conducted as needed. Regular feedback is provided to directors based on the advice of external consultants. In order to prevent unauthorized disclosure of insider information during dialogue, information management is thoroughly implemented in accordance with the "Regulations on Insider Trading Prevention and Insider Information Management" and the "Regulations on Information Disclosure Management".

2. Capital Structure

Foreign Shareholding Ratio

Above 10% and below 20%

[Status of Major Shareholders]

Update

Shareholders	Number of Shares Owned	Percentage(%)
AEON CO., LTD.	27,613,050	55.20
The Master Trust Bank of Japan, Ltd. (Trust account)	3,439,900	6.88
AEON delight Business Partner Stock Ownership Association	1,187,900	2.37
SSBTC CLIENT OMNIBUS ACCOUNT	914,348	1.83
The Nomura Trust and Banking Co., Ltd. (Trust account)	711,400	1.42
Custody Bank of Japan, Ltd. (Trust account)	696,000	1.39
THE BANK OF NEW YORK MELLON 140044	526,443	1.05
AEON delight Employee Stockholding Association	507,290	1.01
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	389,100	0.78
Custody Bank of Japan, Ltd. (Trust account 4)	367,300	0.73

Controlling Shareholder (Except for Parent Company)

————

Parent Company

Aeon Co., Ltd. (Listing: TSE, Code: 8267)

Supplementary Explanation

The major shareholder data above is current as of February 28, 2022. Separate from the number of shares listed above, the Company holds 4,148,409 shares of treasury stock (7.66% of the total number of shares issued). In addition, percentages have been rounded to the third decimal place.

3. Corporate Overview

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime
Fiscal Year End	February
Type of Business	Services
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	More than 1,000 people
Sales (Consolidated) as of the End of the Previous Fiscal Year	Between ¥100 billion and ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Between 10 and 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with a Controlling Shareholder

AEON delight belongs to a corporate group consisting of Aeon Co., Ltd. (pure holding company; “Aeon Co. Ltd.”) and Aeon Co., Ltd. consolidated subsidiaries and equity-method affiliates.

The Company makes its own independent management decisions related to daily business operations, and confers with or reports to Aeon Co. Ltd. concerning key management issues. The growth of Aeon Co., Ltd. and its group companies leads to more business opportunities for the Company.

Therefore, the Company believes that collaboration and maximization of synergies with Aeon Group companies will contribute to the expansion of minority shareholders' interests.

In accordance with Article 9 "Prevention of transactions that go against shareholders' interests" of the Company's Guidelines, the Company ensures the economic rationality of the terms and conditions of transactions with Aeon Co., Ltd. and its group companies from the perspective of protecting minority shareholders, and concludes particularly important contracts through resolutions at meetings of the Board of Directors attended by outside directors and outside corporate auditors who are designated as independent officers and corporate auditors as stipulated by the Tokyo Stock Exchange, Inc.

5. Other Special Circumstances which may have Material Impact on Corporate Governance Update

The Company's parent company is Aeon Co., Ltd. and Aeon Co., Ltd. holds 27,613,000 shares (55.26% of voting rights) of the Company's stock.

The Board of Directors of the Company consists of eight directors, including four outside directors, and is in a position to make independent management decisions.

In addition, the Company has appointed two outside corporate auditors, one of whom is appointed as an independent officer along with four outside directors, to ensure greater independence in management decisions, and to make its own decisions regarding management decisions in terms of business operations and fund procurement.

In addition, the Company has accepted one officer who serves concurrently as an officer of Aeon Co., Ltd. but this does not prevent the Company from making its own management decisions, and the Company believes that a certain degree of independence from the parent company has been secured.

Aeon Co., Ltd.'s "Policies on Governance of Listed Subsidiaries" is as follows.

Based on its basic principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point view as its core," Aeon believes that the enterprise value of the entire Group can be enhanced by emphasizing the autonomy and originality of the management of Group companies and practicing group management based on a decentralized system, and has practiced this philosophy since its founding.

Against this backdrop, as a parent company, the Company was one of the first to transition to a company with a nominating committee in 2003 in order to increase the transparency of Group governance and the speed of management. In 2008, the Company transitioned to a pure holding company in order to strengthen management from the perspective of the entire Group without being biased toward any particular business, and has been implementing management measures to increase synergy across the entire Group.

Among the Group companies, those that are expected to achieve sustainable growth through self-directed management that reflects business and regional characteristics and improve management quality as a result of the discipline imposed by the capital markets are made into listed subsidiaries.

In addition, from the perspective of protecting minority shareholders of listed subsidiaries, the Company requests the appointment of independent outside directors and the establishment of an advisory committee of independent officers.

As described above, the Company believes that collaboration and maximization of synergies with Aeon Group companies will benefit minority shareholders.

II . Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Structure and Operation

Organization Form	Company with Audit & Supervisory Board Members
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[Directors]

Maximum Number of Directors Stipulated in Articles of Association	20
Term of Office Stipulated in Articles of Association	1 Year
Chairperson of the Board	President
Number of Directors	8
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Director Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masaaki Fujita	From another company											
Yoshiaki Hompo	From another company											
Keiji Yoshikawa	From another company											
Asako Takada	Scholar											

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/ are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masaaki Fujita	○	-----	<p>Masaaki Fujita provides accurate advice to the Company's management of technology (MOT) based on his abundant experience in quality control and production control. Furthermore, the Company judges that he can continue to supervise management execution as a Director by contributing to improve the Company's management and corporate governance in the areas of cross-industry and global business development, knowledge of management, and human resource development, among others, and play an adequate role in deciding on important matters, and has therefore selected him as an Outside Director. Mr. Fujita has no special interest in the Company, and has been appointed as an independent officer based on the judgment that his role and function of overseeing the Company from an independent standpoint are fully secured.</p>
Yoshiaki Hompo	○	-----	<p>Yoshiaki Hompo has an extensive career and broad insight as the first Commissioner of Japan Tourism Agency and Senior Vice President of Japan Post in addition to overseas experience and administrative experience related to the Ministry of Transport. He also has experience in the area of human resource development as a specially-appointed professor at Universities. The Company judges that through such experience, he can continue to supervise management execution as a Director by contributing to improve the Company's management and corporate governance, and play an adequate role in deciding on important matters, and has therefore selected him as an Outside Director. Mr. Hompo has no special interest in the Company, and has been appointed as an independent officer based on the judgment that his role and function of overseeing the Company from an independent standpoint are fully secured.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Keiji Yoshikawa	○	-----	<p>Keiji Yoshikawa has management experience as the representative executive officer and president and CEO of a company listed on the first section of the Tokyo Stock Exchange, as well as experience as the top of a global corporation based in Japan. The Company therefore judges that he is able to continue to supervise management execution as a Director by contributing to improve the Company's management and corporate governance, not only in the Company's domestic business but also its overseas business management, and play an adequate role in deciding on important matters, and has therefore selected him as an Outside Director. Mr. Yoshikawa has no special interest in the Company, and has been appointed as an independent officer based on the judgment that his role and function of overseeing the Company from an independent standpoint are fully secured.</p>
Asako Takada	○	-----	<p>Asako Takada has insight and knowledge in the areas of organization theory and innovation, which are her research fields as a university professor. The Company judges that she is able to continue to supervise management execution as a Director by drawing on these to contribute to promote organizational culture reforms for improving the Company's corporate value, improving the Company's corporate governance, and promoting diversity, and play an adequate role in deciding on important matters, and has therefore selected her as an Outside Director. Ms. Takada has no special interest in the Company, and has been appointed as an independent officer based on the judgment that her role and function of overseeing the Company from an independent standpoint are fully secured.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Establishment of an optional committee, members of the committee, and attributes of the chairperson of the committee **Update**

	Committee Name	Total Number of Members	Number of Full-time Members	Number of Inside Members of the Board of Directors	Number of Outside Members of the Board of Directors	Number of Outside Experts	Other	Chairperson
Optional Committee Corresponding to the Nominating Committee	Nomination and Compensation Advisory Committee	5	0	2	3	0	0	Outside Director
Optional Committee Corresponding to the Compensation Committee	Nomination and Compensation Advisory Committee	5	0	2	3	0	0	Outside Director

Supplementary Explanation **Update**

The Nomination and Compensation Advisory Committee provides advice and reports to the president/CEO on matters related to nominations for board of director and Audit & Supervisory Board candidates to ensure transparency and objectivity in these processes.

The Committee is chaired by an independent outside director and consists of two independent outside directors and two internal directors. The independent outside directors comprise of one male and one female, with an experienced corporate manager and an academic researcher. After the Ordinary General Meeting of Shareholders in 2022, the majority of the Board members will be independent outside directors.

In principle, meetings are held on a quarterly basis with the Group Personnel, General Affairs and IT Division serving as the secretariat, and extraordinary meetings are also held as necessary to address specific topics.

[The composition of the committee]

Committee Chairman: Masaaki Fujita,

Committee members: Kazumasa Hamada, President; Keiji Yoshikawa, Outside Director; Asako Takada, Outside Director, Goro Miyamae, Director

All committee members have attended all meetings to date.

*Mr. Yoshikawa and Mr. Miyamae will become new Board members (from May 18, 2022).

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Association	5
Number of Audit & Supervisory Board Members	4

Auditors hold meetings periodically and as required with the Accounting Auditor to exchange information. AEON delight has concluded an audit agreement with Deloitte Touche Tohmatsu LLC as the Accounting Auditor and receives audits based on the Company Act and the Financial Instruments and Exchange Act.

The Office of Corporate Audit has been established as the Group Corporate Audit Department and conducts assessments and audits in a planned manner to enhance appropriateness and efficiency of internal control across all business operations with efforts made to ensure smooth management and control of business affairs.

The corporate auditors exchange information and opinions with the Group Corporate Audit Department on a regular and daily basis, and as necessary, and also organizes three-way audit meetings to ensure mutual cooperation.

Election status of Outside Auditor	Elected
Number of Outside Auditors Update	3
Number of Outside Auditors designated as Independent Executive Officer Update	2

Outside Auditors' Relationship with the Company (1) Update

	Attribute	Relationship with the company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Kuroda	From another company			△		○		△		△	○			
Tsukasa Takahashi	Lawyer													
Mari Ebusui	Certified Public Accountant													

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of the parent company of the Company

d. Audit & Supervisory Board Member of the parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant, or legal professional who receives a large sum of monetary consideration or other assets from the Company in addition to compensation as an Audit & Supervisory Board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (not corresponding to any of f, g, or h; applies only to the Audit & Supervisory Board member himself/herself)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (applies only to the Audit & Supervisory Board member himself/herself)

l. Executive of a company or organization that receives a donation from the Company (applies only to the Audit & Supervisory Board member himself/herself)

m. Other

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takashi Kuroda		<p>Mr. Takashi Kuroda was previously an executive officer of Aeon Co., Ltd., the parent company of the Company. In addition, he previously served as an executive officer of former sister company and current supplier The Daiei, Inc., as well as AEON Financial Service Co., Ltd. and sister company AFS Corporation Co., Ltd.</p> <p>Furthermore, he was an executive officer at AEON Bank Ltd., our sister company and supplier, until May 2022, where he last held the position of Director and Managing Officer.</p>	<p>Takashi Kuroda, currently or in the past ten years, is or was an Executing Person at AEON Bank, Ltd. and AEON Financial Service Co., Ltd., subsidiaries of the Company's parent company. Takashi Kuroda has served as the person in charge of business planning and corporate management at AEON Bank, Ltd., the core company of the AEON Group's general finance business. He has also supervised management execution as a Director of the company. The Company judges that he will draw on the experience and knowledge acquired through his career to date to contribute to the further enhancement of the Company's audit operations as an outside Auditor, and has selected him as an Outside Auditor.</p> <p>There are no special interests between Mr. Kuroda and the Company.</p>
Tsukasa Takahashi	○	———	<p>Tsukasa Takahashi has been appointed as an outside corporate auditor based on his professional knowledge as a lawyer and his extensive experience in corporate legal affairs over many years, which has enhanced the effectiveness of audits at the Company. The Company believes that its outstanding experience and insights are critical to further improving the audit function.</p> <p>Mr. Takahashi has no special interest in the Company and has been appointed as an independent officer based on the judgment that his role and function of auditing the Company from an independent standpoint are fully secured.</p>
Mari Ebisui	○	———	<p>Mari Ebisui has carried out consulting for a large number of corporations over many years, drawing on her abundant experience and deep knowledge as a U.S. CPA and certified fraud examiner. The Company judges that she will also contribute to further enhance the Company's audit operations from an independent standpoint using her experience as the independent outside director of a listed company and her expert knowledge and wide-ranging experience, and has selected her as an Outside Auditor.</p> <p>Ms. Ebisui has no special interest in the Company and has been appointed as an independent officer based on the judgment that his role and function of auditing the Company from an independent standpoint are fully secured.</p>

[Independent Officers]

Number of independent officers	Update	6
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Matters Relating to Independent Officers

The Company designates all outside directors and auditors who meet the qualifications for independent directors and auditors as independent officers.

[Incentives]

Incentive Policies for Directors	Stock Options
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Supplementary Explanation

Recipients of Stock Options	Inside Directors
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Supplementary Explanation [Update](#)

At the 34th Ordinary General Meeting of Shareholders held on May 24, 2007, the Company passed a resolution to eliminate the retirement benefit program and introduce a remuneration-type stock option plan. This improves alignment between the director remuneration program and the Company's stock price and earnings, enabling directors to share the benefits and risks associated with stock price fluctuations with shareholders, thereby raising morale and motivation to improve earnings and increase enterprise value. The most recent allotment date was May 10, 2022, and the Company allotted the 15th series of stock acquisition rights to two inside directors of the Company.

[Director Remuneration]

Disclosure of Individual Director Remuneration	No Individual Disclosure
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Supplementary Explanation [Update](#)

Note that compensation of individual executives is not disclosed, as no director or auditor received a total executive compensation of ¥100 million or more on a consolidated basis.

The total executive compensation for directors and auditors in the fiscal year ended February 28, 2022, was as shown below.

Number of compensated directors: 3 (excluding outside directors)

Amount of compensation: ¥67 million

Number of compensated auditors: 1 (excluding outside corporate auditors)

Amount of compensation: ¥1 million

Number of outside directors and corporate auditors: 7

Amount of compensation: ¥54 million

[Update](#)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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The Company has resolved to adopt a policy for determining the method of calculation of remuneration for each individual director at a meeting of the Board of Directors held on February 26, 2021.

The Company's policy for determining the details of remuneration, etc. for each individual director is as follows

(a) Basic concept of the director remuneration system

The Company stipulates the compensation of the Company's directors in its regulations on director compensation as follows.

- A. The remuneration system shall be designed to strongly motivate directors to practice the Company's management philosophy, "We pursue the Creation of "Environmental Value" for our Customers and for the Local communities," and to actively work on environmental issues and social contribution, as well as to execute management strategies that contribute to improving business performance.
- B. The remuneration system shall have a high level of transparency and fairness, and be acceptable to and supported by stakeholders (customers, shareholders, employees, etc.).
- In addition, the regulations stipulate that corporate auditors shall receive the prescribed remuneration regardless of the Company's performance.

(b) Policy and process for determining remuneration, etc. of directors and corporate auditors

Remuneration for directors is determined by the Board of Directors within the range of the total amount of remuneration resolved at the Ordinary General Meeting of Shareholders, based on recommendations from the Nomination and Compensation Advisory Committee and other factors. In addition, the President, who is delegated by the Board of Directors to determine the individual remuneration of each director, prepares the amount of basic compensation for each director and an evaluation and allocation plan for performance-linked compensation based on the performance of the business for which each director is responsible, and makes decisions based on the report of the Nomination and Compensation Advisory Committee and other factors.

Remuneration for corporate auditors is determined through discussions among the corporate auditors within the range of the total amount of remuneration resolved at the Ordinary General Meeting of Shareholders. Remuneration for outside directors and corporate auditors is limited to basic compensation that is not linked to business performance due to the nature of their roles. Remuneration for internal directors (directors who are not outside directors, hereinafter the same meaning) consists of basic compensation, performance-linked compensation, and stock options, as follows.

A. Basic compensation

Basic compensation shall consist of a fixed monthly compensation paid within the standard amount set for each position, which is determined based on individual evaluations.

B. Performance-linked compensation

Performance-linked compensation shall consist of the following Company and individual performance-linked compensation. The percentage of performance-linked compensation shall be 100% of the base amount upon achievement of the target set at the beginning of the fiscal year, and shall vary between 0% and 200% based on the Company's performance and each individual's evaluation during the fiscal year. Performance-linked compensation shall be paid at a specified time each year.

a. Company performance-linked compensation

Company performance-linked compensation shall be determined based on the Company's achievement rate in relation to the base amount for each position, taking into consideration the overall performance of the Company.

b. Individual performance-linked compensation

Individual performance-linked compensation shall be determined by a coefficient based on individual evaluations of departmental performance and achievement rates of management targets, in relation to the base amount for each position.

C. Stock options (non-monetary compensation)

Stock acquisition rights are allocated to directors as stock options, with the aim of increasing their motivation and ambition to continuously boost business performance and enhance corporate value by linking stock price and business performance with compensation and sharing with shareholders not only the benefits of a rise in stock price but also the risks associated with a decline in stock price.

The number of stock acquisition rights to be granted shall be determined by the Board of Directors based on the average stock price over a certain period of time and the performance of the relevant fiscal year against the base amount for each position, following a recommendation by the Nomination and Compensation Advisory Committee.

Stock acquisition rights are granted at a specified time in each fiscal year in accordance with the terms and conditions stipulated in the Regulations for Director and Corporate Auditor Remuneration.

(c) Target indicators and results related to performance-linked compensation

As an indicator of overall profitability, the Company uses the level of achievement of consolidated ordinary income as the main indicator for the payment of performance-linked compensation and stock options, and considers the percentage of achievement of the budget for consolidated net income and consolidated operating income, as well as the year-on-year change in each income item and the nature of the change. For the current fiscal year, the forecasted consolidated operating income was ¥16.5 billion and the actual consolidated operating income was ¥15.7 billion.

(d) Reasons the Board of Directors has determined that the individual director remuneration for this fiscal year is in line with the relevant policy.

Kazumasa Hamada, President, who was delegated this task by the Board of Directors, has prepared an evaluation and allocation plan for performance-linked compensation based on the amount of base compensation for each director and the performance of the business for which each director is responsible, and based on recommendations from the Nomination and Compensation Advisory Committee and other factors, we believe that the individual director compensation for the current business year is in line with the relevant policy.

[Supporting System for Outside Directors (External Auditors)] Update

When Board of Directors meetings are held, sufficient information is provided to all officers, including outside directors and outside corporate auditors, by distributing materials and providing explanations in advance of deliberations. The Strategy Department, which serves as the secretariat for the Board of Directors, provides support for outside directors, while full-time corporate auditors and staff associated with full-time corporate auditors provide support for outside corporate auditors. In addition, we promote the exchange of information and sharing of understanding through participation in management meetings and the use of voluntary advisory committees.

[Retired presidents / CEOs holding advisory positions]

Retired presidents/representative directors holding advisory positions

Name	Job title/position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/representative director ended	Term
Osamu Shikata	Advisor	Mr. Shikata provides advice based on his extensive experience and wide range of knowledge having served in key positions in government agencies and as a corporate executive.	Non-permanent with remuneration	22 March 2001	1 Year

Number of retired presidents/representative directors holding advisory positions

1

Other Update

When appointing an advisor, the role and treatment of the advisor are determined based on established internal procedures. The advisor's role is clarified based on his or her background and expertise, and he or she is responsible for providing advice. He or she is not involved in management decision-making or business execution.

[Group Governance]

In response to the discovery of accounting problems at our consolidated subsidiary in the past, we established the 3 pillars of group governance (1. the growth strategy of each company; 2. budget control; and 3. compliance and internal control system) to accelerate the overall growth strategy of the AEON delight Group and strengthen the Group governance system.

The Board of Directors, the Domestic Group Management Committee, and the Overseas Group Management Committee, to which authority has been transferred, monitor whether these 3 pillars of Group governance are functioning systematically. In addition, the Board of Corporate Auditors and the Group Management Audit Department audits the effectiveness of these 3 pillars as a whole.

We have also reviewed our organizational structure, and since March 2021, in addition to strengthening the existing Risk Management Committee, we have established two new committees: the Group Governance Enhancement Promotion Committee, which is responsible for monitoring the maintenance and continuation of the recurrence prevention measures that have been implemented to date, and the Corporate Culture Committee, which is responsible for instilling the Group's common philosophy and Delight Way as a mindset for all Group employees, as well as for creating a diverse work environment centered on the concept of diversity.

In the fiscal year ended February 28, 2022, the Risk Management Committee met twice and the Group Governance Enhancement Promotion Committee met 12 times. The Corporate Culture Committee conducted a questionnaire survey regarding organizational culture for employees, including those of Group companies, and reported the results of the survey at a meeting of the Board of Directors.

By having these three committees work together according to their respective responsibilities, we have strengthened the Group's governance system.

In addition, issues identified by each of the three committees were consolidated under the supervision of the executive officer in charge of corporate culture reform, who was appointed in May 2021, and reported to the Board of Directors of the Company.

In this way, we are further strengthening our Group governance system by establishing a system to resolve issues throughout the organization.

The Sustainability Committee was established in April 2022 as a group-wide promotion body for ESG management, which is aimed at solving social issues through our business activities. Based on our Basic Policies for Sustainability and Material Issues, the committee makes decisions on the highest priority issues and initiatives, etc. The committee is scheduled to meet twice a year going forward.

[The Board of Directors]

The Board of Directors plays the second most important role after the general meeting of shareholders in our company's corporate governance system. It makes important decisions on business management as well as provides effective oversight over the senior management team, including the directors and executive officers.

In principle, the Company holds regular meetings of the Board of Directors once a month, as well as extraordinary meetings as necessary. A total of 18 meetings were held during the fiscal year ended February 28, 2022.

Since July 2019, half of our directors have been independent outside directors as defined by the Tokyo Stock Exchange, Inc. to ensure transparency in management. In addition, by clearly separating the supervisory functions of the directors from those of the executive officers, the Board of Directors are able to focus on important decisions and supervisory functions, such as setting the management framework.

[Management Meeting]

The Management Meeting Committee consists of Managing Officers and above, as well as other members as necessary depending on the nature of the discussion, and discusses management policies, management strategies, and other important management matters.

In particular, proposals to be submitted to the Board of Directors are discussed thoroughly in advance at the Management Committee before being submitted to the Board of Directors to ensure enhanced deliberations and appropriate decision-making by the Board of Directors.

In principle, the Management Committee meets at least once a month. A total of 18 meetings were held during the fiscal year ended February 28, 2022.

[Nomination and Compensation Advisory Committee]

The Nomination and Compensation Advisory Committee was set up voluntarily by the Board of Directors to advise the Board on the nomination and selection of directors and corporate auditors, succession planning of the President and other senior executives, and incentive plans and compensation of directors.

Similarly, the Nomination and Compensation Advisory Committee also advises the Board on the nomination and dismissal of the President and directors of each Group company.

[Evaluation Advisory Committee]

The Evaluation Advisory Committee is a voluntary advisory body to the Board of Directors, established to strengthen the independence and objectivity of the Board of Directors. It analyzes and evaluates the effectiveness of the Board of Directors as a whole and provides advice and recommendations to the Board of Directors. In principle, the Board of Directors meets once a year.

Composition of the Committee

Committee Chairman: Yoshiaki Hongo, Independent Outside Director

Committee Members: Kazumasa Hamada, President; Keiji Yoshikawa, Independent Outside Director; Tsukasa Takahashi, Independent Outside Auditor

[Special Committee]

The Special Committee is an advisory body to the Board of Directors and was established in May 2022 for the purpose of appropriately reflecting the opinions of minority shareholders and other stakeholders in the Board of Directors from a standpoint that is independent of management executives and controlling shareholders. The committee is chaired by an independent outside director and all committee members are independent outside directors. Meetings are held when there is a concern about a conflict of interest between controlling shareholders and minority shareholders.

Composition of the Committee: *All independent outside directors

Committee Chairman: Yoshiaki Hongo

Committee Members: Masaaki Fujita, Keiji Yoshikawa, Asako Takada

[Internal Audit]

The Corporate Audit Department periodically conducts internal audits, including audits of the company's subsidiaries, reports the audit results to the President and the Board of Directors, and provides appropriate supervision on business management.

[Accounting Auditor]

AEON delight has elected Deloitte Touche Tohmatsu LLC as its Accounting Auditor and receives accounting audits from the company. There is no special vested interest between AEON delight and Deloitte Touche Tohmatsu LLC or any of the public accountants engaging in the auditing work.

The accounting audit system for the fiscal year under review is as follows.

Name(s) of the certified public accountant(s) who performed the audit

CPAs that performed the audit: Kazunari Todoroki and Hideshi Fujii

Composition of assistants for audit work

16 certified public accountants, 15 junior accountants and certified public accountant exam passers

[Limited Liability Agreement]

The Company has entered into agreements with outside directors Mr. Masaaki Fujita, Mr. Yoshiaki Hongo, Mr. Keiji Yoshikawa, and Ms. Asako Takada, and outside corporate auditors Mr. Takashi Kuroda and Mr. Tsukasa Takahashi, Ms. Mari Ebisui to limit their liability to the Company under Article 423, Paragraph 1 of the Company Law to the extent that they have performed their duties in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with a Board of Corporate Auditors, and the Corporate Auditors and the Board of Corporate Auditors audit the execution of duties by the Directors and the Board of Directors. The Board of Directors of the Company has both executive and supervisory functions. However, in order to speed up decision-making related to execution, the Board of Directors has introduced an executive officer system and delegated the execution of specific areas of business to executive officers.

III. Implementation of Measures for Shareholders and Other Stakeholders Update

1. Measures to Ensure Active General Shareholder Meetings and the Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling Meetings to Avoid Peak Meeting Day	<p>The Company's fiscal year ends in February and the Ordinary General Meeting of Shareholders is held in May of each year. Most recently, the 49th Ordinary General Meeting of Shareholders was held on May 18, 2022.</p> <p>The meeting is held as a hybrid interactive virtual shareholder meeting, and the deliberations at the meeting venue is streamed live via the internet so that more shareholders can attend the meeting.</p> <p>In addition, this year we introduced a system that enables us to accept questions from shareholders in advance and answer them on the day of the event.</p>
Allowing Electronic Exercise of Voting Rights	<p>The Company uses the "Smart Exercise (trademark registered)" system, which enables shareholders to easily exercise their voting rights by scanning a two-dimensional code from their smartphones.</p>
Participation in Electronic Voting Platform	<p>The Company participates in the "Platform for Electronic Voting Rights Exercise" operated by the Japan Exchange Group.</p>
Providing Convocation Notice in English	<p>The English version of the convocation notice (summary) is disclosed on the Tokyo Stock Exchange and the Company's website for shareholders and investors. https://www.aeondelight.co.jp/english/ir/library/meeting.html</p>
Others	<p>The notice of convocation and the results of the exercise of voting rights are posted on the Company's website. https://www.aeondelight.co.jp/english/ir/library/meeting.html</p>

2. IR Activities Update

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>The disclosure policy is posted on the Company's website https://www.aeondelight.co.jp/english/ir/policy.html</p>	
Regular Investor Briefing for Individual Investors	<p>The Company holds company briefings for individual investors at investor relations events and other events about twice a year to introduce the Company and explain its business performance.</p> <p>*The briefings were not held in the fiscal year ending February 28, 2021 due to the spread of COVID-19.</p>	Provided
Regular Investor Briefings for Analysts and Institutional Investors	<p>Semi-annual briefings are held by representatives of the company. The briefing was held as part of the financial results briefing for the fiscal year ending February 28, 2022 on April 7, 2022.</p>	Provided
Regular Investor Briefings for Overseas Investors	<p>The Company participates in a conference with overseas investors held in Japan once a year, and holds quarterly IR meetings with overseas investors via teleconference and web conference.</p> <p>In addition, the Company strives to further strengthen efforts to distribute information to overseas investors by posting materials necessary for investment decisions in English, mainly on the IR page of the Company's website.</p>	Provided

Posting of IR Materials on Website	<p>The Company's website contains financial results, materials for financial results briefings, annual securities reports, quarterly securities reports, corporate governance report, and research reports by external research organizations. English versions of financial results, financial results briefing materials, and research reports by external research organizations are also available. In addition, videos of financial results briefings, general meetings of shareholders, and briefings for individual investors are posted on the IR/ investor information portal site, "IRSTREET," along with the above materials.</p> <p>Company website: https://www.aeondelight.co.jp/english/ir/library/IRSTREET:</p>	
Establishment of Department and/or Manager in Charge of IR	President's Office, PR & IR Group	

3. Measures to Ensure Due Respect for Stakeholders Update

Supplementary Explanations	
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	<p>AEON delight has established the AEON delight Corporate Governance Guidelines, AEON delight Code of Conduct, and AEON delight My promise, and has defined them as its approach to stakeholders and criteria for making decisions.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company is a member of the Aeon Social Welfare Fund and the Aeon 1% Club, and the Company and its employees are working together on a variety of environmental and social contribution activities.</p> <p>One of the ongoing activities is a monthly clean-up activity conducted on the 11th of each month. This is a volunteer activity for employees to clean up the area around the Company's offices throughout Japan. In addition, at the end of the year, the Company used the Aeon Social Welfare Fund program to send letters and donate gifts to twelve social welfare facilities. Furthermore, through the Aeon 1% Club, the Company contributed ¥106 million in fiscal 2021 to support the National Children's Cafeteria Support Fund and the Myanmar School Construction Support Fund, and participated in tree planting activities and other environmental conservation initiatives through the Aeon Environmental Foundation.</p> <p>Details of the Company's sustainability activities are disclosed in the Integrated Report and on the Company's website.</p> <p>Integrated Report https://www.aeondelight.co.jp/ir/library/pdf/Integrated_report2021.pdf</p> <p>Sustainability Page https://www.aeondelight.co.jp/csr/</p>

Development of Policies on Information Provision to Stakeholders

In addition to disclosing information appropriately in accordance with laws and regulations, the Company will actively disclose the following items from the perspective of ensuring transparency and fairness in corporate decisionmaking and achieving effective corporate governance.

- Basic management policies, including management strategies, management plans, and capital policies
- Basic approach and basic policies regarding corporate governance
- Quantitative and qualitative information that is meaningful for understanding the Company's business conditions, including information that is strongly sought for disclosure through dialogue with investors
- We will make efforts to disclose and offer information in English within a reasonable range as much as possible, from the viewpoint of international information disclosure.

In addition, from the perspective of international information disclosure, the Company discloses and provides IR materials and other necessary information in English.

Other

The Company has stated in its Basic Policies for Sustainability that it will "create a vibrant organizational culture in which diverse human resources can demonstrate their abilities". In addition, the Company and its group have grown through multiple mergers and consolidations since its establishment, and its employees and managers all come from a diverse range of companies. For AEON delight (non-consolidated), the ratio of mid-career hires in management positions is 47.1% (49 employees; as of Fiscal 2021).

The Company has received the Eruboshi (level 3) certification and the Leading Companies with Actively Participating Women in Osaka City certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and is making efforts to create an environment where women can thrive, such as by dispatching employees to Aeon Group's "Daimanzoku" College, an initiative to promote diversity, to develop female management candidates.

The Company also strives to recruit the best possible personnel regardless of nationality, country of origin, or gender.

The Company also strives to recruit the best possible personnel regardless of nationality, country of origin, or gender. It hires employees of various nationalities and countries of origin, mainly from China and the ASEAN region where the Company has business operations. Of the Company's (non-consolidated) new graduate hires for fiscal 2022, university and postgraduate hires consisted of 51.0% women and 17.7% non-Japanese.

As for the ratio of mid-career hires in management positions, we have not set a specific target as nearly half of our hires are mid-career hires, as mentioned above.

As for the appointment of non-Japanese nationals to management positions, we have not set a specific target as we are expanding our business in China and ASEAN countries, and our overseas operations are mainly led by non-Japanese management executives.

We will continue to promote personnel utilization that emphasizes skills and results regardless of nationality, country of origin, gender, or employment category.

< Fiscal 2030 targets for ensuring diversity > *Group includes overseas companies

Ratio of female managers (section manager or above)

Non-consolidated: 10.0% (6.5% in fiscal 2021)

Group: 30.0% (22.1% in fiscal 2021)

Ratio of female university graduates and postgraduates hires (new graduate hires)

Non-consolidated: 50.0% (51.0% for fiscal 2022 hires)

Ratio of employees

Ratio of women in Group: 28.0% (19.5% in fiscal 2021)

For more information, please refer to the Company's website below.

Promoting Diversity and Inclusiveness

https://www.aeondelight.co.jp/csr/social/d_and_i/
ESG data

https://www.aeondelight.co.jp/csr/esg_data/

IV. Matters Related to the Internal Control System Update

1. Basic Views on Internal Control System and the Progress of System Development

On May 18, 2022, the Board of Directors adopted a resolution on the basic policy related to systems for ensuring that directors execute their duties in compliance with laws and regulations and with the Articles of Incorporation, and systems necessary to ensure the appropriateness of the Company's operations and the operations of the corporate group consisting of the Company and its subsidiaries, as follows.

Basic Policy on Internal Control Systems (Updated May 18, 2022)

(1) The system to ensure that the execution of duties by its directors and employees complies with laws and regulations and with the Company's Articles of Incorporation (compliance system)

- ① In addition to complying with laws and regulations and with its Articles of Incorporation, the Company always adheres to its Management Principle and Code of Conduct and acts with high ethical standards.
- ② The Company will implement a system to ensure that the execution of duties by its directors and employees complies with laws and regulations and with its Articles of Incorporation, as follows:
 - (a) The Board of Directors will make decisions on matters of importance as prescribed by the Board of Directors rules and standards on deliberations as well as provide oversight over the execution of the Company's business operations. Directors will mutually exercise checks and balances within the Board and will ensure that decisions of the Board and the Company's execution of its business comply with laws and regulations and with its Articles of Incorporation;
 - (b) The Board of Directors will appoint an officer in charge of compliance, and the Group Compliance Division will be under this officer's control. The officer in charge of compliance and the Group Compliance Division will be responsible for ensuring that the Company and its consolidated subsidiaries (hereinafter referred to as the "Group") implement necessary measures to strengthen compliance.
 - (c) The Company's Group Compliance Division will appoint compliance committee members who do not concurrently serve as directors or officers at Group companies. Under the Company's Group Compliance Division Manager, it will evaluate the appropriateness of their activities and nominate and dismiss committee members.
 - (d) The Company will require all employees to adhere to laws, regulations, company rules, etc. in the Company's working rules and will organize compliance training periodically or whenever necessary to raise directors' and employees' compliance awareness;
 - (e) The Company will establish a whistleblower system for early detection and remedy of inappropriate corporate activities and prevention of similar incidents from happening again;
 - (f) The Group Corporate Audit Department, as an internal audit department, will examine and assess the effectiveness of the compliance system; and
 - (g) The Corporate Auditors and the Board of Auditors will, if they recognize problems in the system of compliance of laws and regulations and the Articles of Incorporations, request the Board of Directors to implement measures to remedy such problems.

(2) The system for preservation of information related to execution of duties by the directors (information preservation system)

- ① The Company will implement a system to appropriately store and preserve documents such as the minutes of the general meetings of shareholders and of the Board of Directors, the preservation of which is a statutory requirement, and other important information, as follows:
 - (a) In accordance with laws and regulations as well as the internal regulations on document management and other internal regulations, the Company will appropriately store and preserve important documents and electromagnetic digital media relating to execution of business by its directors;
 - (b) The Company will respond immediately to requests from directors and auditors to examine those documents and media; and
 - (c) The Company will manage information appropriately in accordance with internal regulations, including regulations on information security management and on protection of personal information, and review such regulations from time to time.

(3) The regulations and systems for management of risk of loss (risk management system)

- ① The Company will implement a system to make necessary decisions and take necessary steps in response to various risks that may arise during the course of business activities, as follows:
 - (a) As for risk management during the normal course of business, risk management departments, assigned for each risk, will manage risk to prevent risk-related incidents and reduce loss;
 - (b) The Risk Management Committee, with the Group Compliance Division serving as its secretariat, will summarize the results of risk

- assessment and analysis performed by each department in charge of risk management as well as the proposed countermeasures, verify the risk scenarios of each Group company, and periodically report its findings to the Board of Directors. If risk becomes actualized and substantial damage can be expected, directors must promptly report it to the Corporate Auditors; and
- (c) In times of emergencies, the Disaster Response Headquarters will be established, with the President acting as the head, to enable quicker decision making and execution than during normalcy. In addition, it will prepare the basic regulations and manuals for business continuity in times of crisis (BCP basic regulations), BCP detailed regulations, disaster recovery handbook, etc, periodically revise regulations and manuals, and plan and conduct disaster drills.
 - (d) The Group Management Audit Department will evaluate the effectiveness of risk management through audits of the departments in charge of risk.
- ② The Company, with its commitment to quality of its operations as a way to concretize "creation of environmental value" enshrined in its Management Principle, will implement a system for maintaining and improving quality so as to continue to win the support of its customers, as follows:
- (a) The Company will establish an Integrated Manual on Quality and Environment and review its contents as needed.
 - (b) The Company shall provide ISO internal auditor qualification training to all Area managers and Site managers to ensure that operations are conducted in accordance with business management regulations and manuals. In addition, mutual audits will be conducted by ISO internal auditors to confirm the effectiveness of such audits.

(4) The system for ensuring that directors are executing their duties efficiently (system to ensure efficiency)

- ① The Company will implement a system to ensure that directors are executing their duties with efficiency, as follows:
- (a) The Company will set out the rules of the Board of Directors and identify those issues that require the resolution of the Board and those issues that must be reported to the Board. As for other issues before the Board, the company will demarcate decision-making authority based on regulations on decision-making and on responsibilities and authority of the directors. It will also set out clearly the division of labor for executing business operations within the organization and the boundaries of jobs and responsibilities;
 - (b) The Board of Directors shall devote sufficient deliberation to important management decision-making and supervision of management and business execution. In addition, the Company shall implement an executive officer system to improve the efficiency of business execution, and shall utilize such meeting bodies as the Management Committee, Regional Office Management Committee, Domestic Group Management Committee, and Overseas Group Management Committee to ensure efficient management of the Group.
 - (c) The Company shall establish a system that ensures management efficiency by including multiple independent outside directors on the Board of Directors, examining management proposals from various perspectives, providing highly effective supervision of directors, and supporting prompt and decisive decision-making.
The Board of Directors shall establish the Nomination and Compensation Advisory Committee and the Evaluation Advisory Committee as voluntary advisory committees for the purpose of supervising the fairness of the execution of duties and evaluating their appropriateness, and shall appoint an independent outside director as the chairman of these committees.
 - (d) The basic concepts of the Company's corporate governance, which have been outlined above, will be set down in writing and disclosed in AEON delight Corporate Governance Guidelines.

(5) The system to ensure fair business transactions within the corporate group consisting of the Company, its parent company and subsidiaries (internal control within the corporate group)

- ① Transactions between AEON delight and any of AEON Co., Ltd., AEON Group companies, or AEON delight subsidiaries will be based on the market price. Measures will be implemented to prevent conflict of interest and to ensure fair transaction.
- ② Material transactions that may cause conflicts of interest between controlling shareholders and minority shareholders shall be deliberated and reviewed by a Special Committee consisting of independent outside directors.
- ③ AEON delight Group will implement a system for sharing its basic philosophy and principles and reinforcing internal control within the Group, as follows:
 - (a) The Company will set down the basic framework for governance of subsidiaries by parent companies in the regulations on management of affiliated companies, including provisions on matters that subsidiaries must report to the parent company and matters requiring prior approval of the parent company. The Company will also dispatch its directors and auditors to its subsidiaries to supervise management of the subsidiaries;
 - (b) In addition to receiving monthly performance reports from its subsidiaries, the Company will organize the Domestic and Overseas Group Management Committee meetings, which include the Company's directors and the Presidents of subsidiaries as members. Through this, the Company will take stock of the performance of its subsidiaries, and establish individual growth strategies, budget performance management, and internal control systems as a part of Group governance.
 - (c) The AEON delight Group will operate its compliance and whistleblower system under a common, unified framework. The Company will conduct annual compliance training for officers and employees of the Group to foster compliance awareness. The Group Compliance Division will work with the Compliance Committee members appointed for each Group company to carry out

activities that raise compliance awareness among the management and employees of each company. In addition, the Company will ensure that all employees are aware of the Group's whistleblower system and will operate it independently of the management of each Group company.

- (d) As for internal control related to financial reporting, risk management, and internal audits, AEON delight will have basic policies implemented across the Group. On the other hand, it will also consider the nature, scope and complexity of the businesses of its subsidiaries so that it can determine the reporting and management systems of each of its subsidiaries; and
- (e) The Corporate Auditors and The Group Corporate Audit Department will regularly inspect and supervise the subsidiaries. In conducting business operation audits, the Corporate Audit Department will place under close scrutiny those subsidiaries that are considered high risk in light of past performance audits and whistleblower incidents.

(6) Matters related to employees assisting the Corporate Auditors (assignment of auditor staff)

- ① The Company shall assign dedicated employees to assist the Corporate Auditors at the request of the Corporate Auditors.
- ② Such employees will follow the instructions of the Corporate Auditors and assist their work.

(7) Matters related to the independence of employees assisting the Corporate Auditors (independence of auditor staff)

- ① The Company shall obtain approval from the full-time Corporate Auditor or the Board of Corporate Auditors in advance for matters related to personnel affairs, such as the hiring, selection, and transfer of employees to assist the Corporate Auditor's Office, and the full-time Corporate Auditor shall make personnel evaluations of such employees.
- ② The Company must obtain prior approval of full-time Corporate Auditors or of the Board of Auditors before initiating disciplinary action against employees working in the Audit Office.

(8) The System for enabling directors and employees to report to the Corporate Auditors and other matters related to making reports to the Corporate Auditors (auditor reporting system)

- ① The directors and employees of AEON delight Group must report immediately to the Corporate Auditors or the Board of Auditors if they discover or come to have knowledge of any fact that will have a significant impact on the Group's business or business performance, or if they discover or come to have knowledge of any breach of laws and regulations or other compliance-related issues.
- ② The Group Corporate Audit Department and Group Compliance Department will regularly report the statuses of internal audits, compliance, and risk management to the Corporate auditors.
- ③ The Corporate Auditors may attend the Board of Directors meetings and other important meetings related to the management of the Company's business and freely express their views.
- ④ The Group Corporate Audit Department will be the office responsible for AEON delight Group's whistleblower system. The Corporate Auditors will, periodically or whenever necessary, receive reports from the office on the status of whistleblower reports made by AEON delight Group's directors and employees through the whistleblower system.
- ⑤ The Company prohibits anyone from unfavorably treating or taking retaliatory action against any director or employee of AEON delight Group or any user of the whistleblower system for having made a report to a Corporate Auditor or for having used the whistleblower system. The Company will ensure that directors and employees of AEON delight Group are made fully aware of this prohibition.

(9) Other systems for ensuring that the Corporate Auditors can execute their duties effectively (system for ensuring effective audit by auditors)

- ① The Company will implement a system to ensure that the Corporate Auditors can conduct their audits effectively, as follows:
 - (a) To enable effective execution of audit duties, the Corporate Auditors will have regular meetings with the President and exchange views on issues that need to be dealt with and other important issues pertaining to the audit;
 - (b) To enable effective execution of audit duties, the Corporate Auditors will work in close collaboration with the Corporate Audit Department;
 - (c) The Corporate Auditors will also exchange information with and work in close collaboration with the Accounting Auditor and with outside directors; and
 - (d) If requested by the Corporate Auditors to make a report or submit related documents and other materials on matters within the remit of the Corporate Auditors, the directors and employees of AEON delight Group will comply with the request promptly and in good faith.
- ② The Company will meet reasonable requests made by the Corporate Auditors for payment of expenses required for execution of their duties, as follows:

- (a) If requested by the Corporate Auditors to make advance payment of costs related to execution of their duties pursuant to the provisions of the Companies Act, Article 388, the Company will promptly settle such expenses or debt; and
- (b) The Company will allocate a budget for expenses that the Company deems necessary for the Corporate Auditors to execute their duties. Contingencies paid by the Corporate Auditors will be settled based on a claim made by the Corporate Auditors.

(10) System for eliminating anti-social forces

- ① The Company will sever any and all ties with anti-social forces. If unfair claims are made against the Company by anti-social forces, the Company will work with specialist outside organizations to take legal steps as an organization.
- ② If it comes to light that a business partner of the Company is an anti-social force, has business dealings with anti-social forces, or has resorted to a violent and intimidating anti-social behavior, the Company will immediately rescind all transactions and agreements with such a business partner.
- ③ The Company will appoint the Group Legal Affairs Department to handle requests from anti-social forces, actively collect information from external organizations, and strive to eliminate anti-social forces.

(11) Internal control system for financial reporting

- ① The Company will set out the Regulations on Internal Control Related to Financial Reporting based on the Company's internal control and reporting system. The Company will work towards ensuring the accuracy and reliability of financial reporting of AEON delight Group through education, supervision, and evaluation.

2. Basic Views on Eliminating Anti-Social Forces

The Company will sever any and all ties with anti-social forces. If unfair claims are made against the Company by anti-social forces, the Company will work with specialist outside organizations to take legal steps as an organization.

Please refer to “1. Basic Views on Internal Control System and the Progress of System Development (10) System for eliminating anti-social forces”.

V. Matters Related to the Internal Control System

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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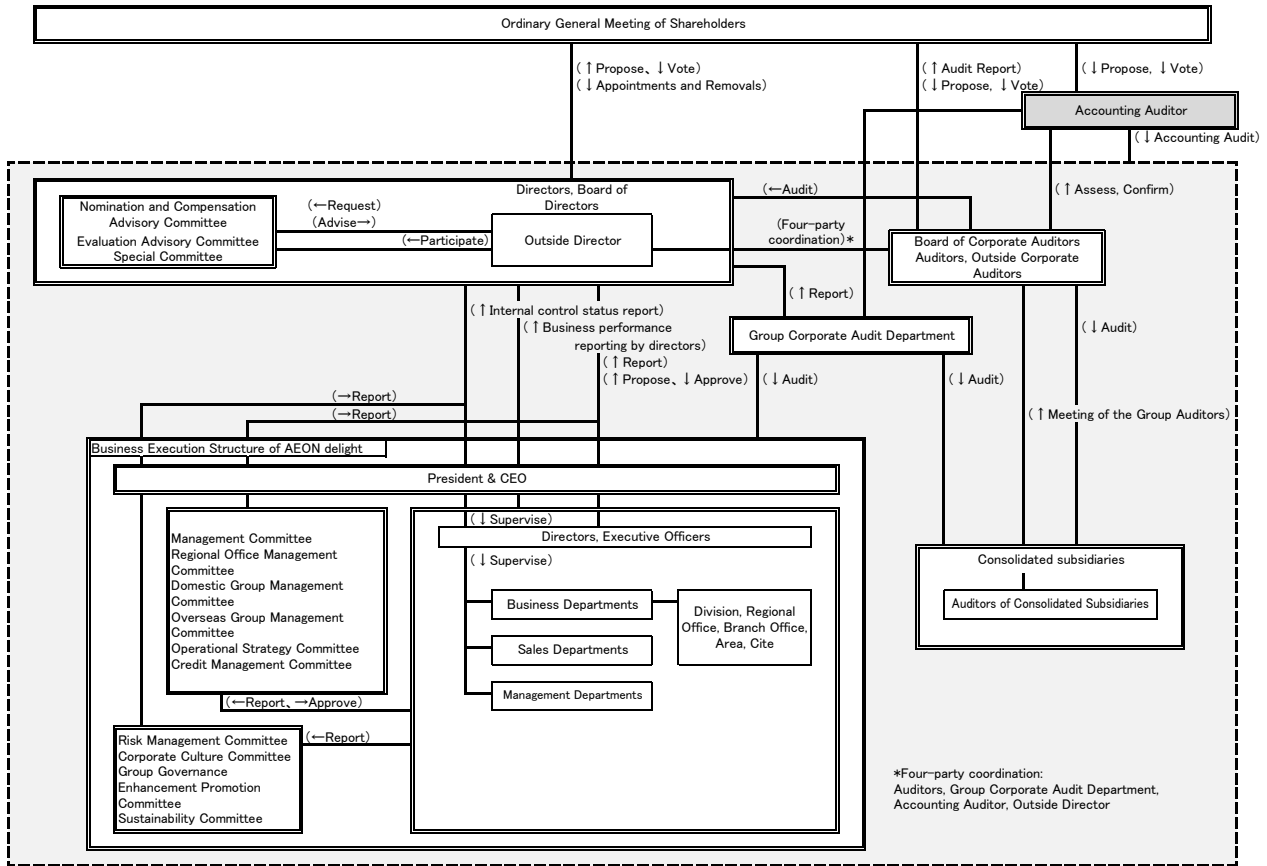
Supplementary Explanation

The Company does not adopt any anti-takeover measures. As needed, the Company might consider adopting the measures.

2. Other Matters Concerning to Corporate Governance System

- ① Basic policy for timely disclosure
On information disclosure and transparency, it is stated as follows in the Company's Guidelines, Article 11 "Disclosure and transparency of information".
- ② Corporate System for timely disclosure
Important management information (facts that have been determined, facts that have occurred, financial information, etc.) shall be disclosed in a timely and appropriate manner using TDnet by the President’s Office, PR & IR Group in charge of PR and IR based on direction from the Group Strategy Division, which is in charge of handling information, upon discussion and reporting at the meetings of the Board of Directors.

■ Corporate Governance Structure Chart



■ Flow Chart of Internal System of timely disclosure

