

Priority Measures Overseas

Overseas

One of our growth policies is to achieve high profit growth overseas. The two main pillars in pursuit of this goal are accelerating new mall openings and strengthening the earning power of existing malls.

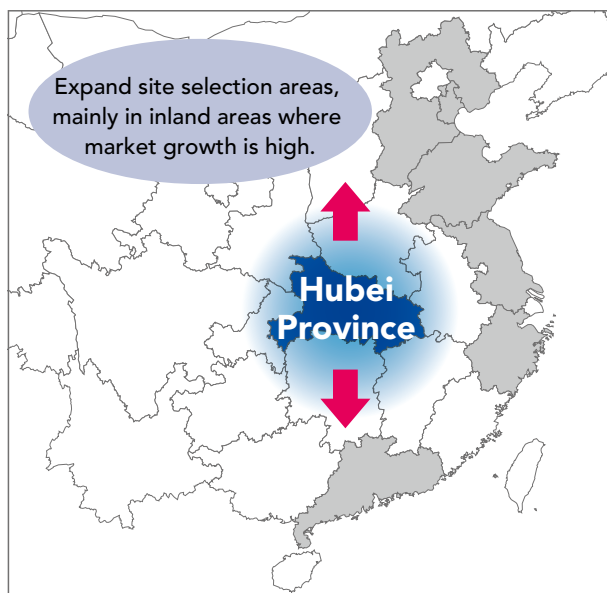
Further Expansion of Operations in China and ASEAN

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

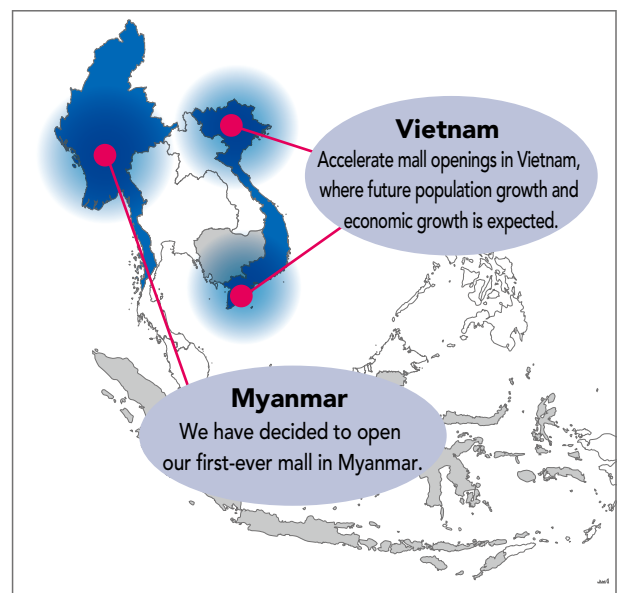
We will increase our dominance in areas where

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

China



ASEAN



AEON MALL Overseas Strengths and Growth

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

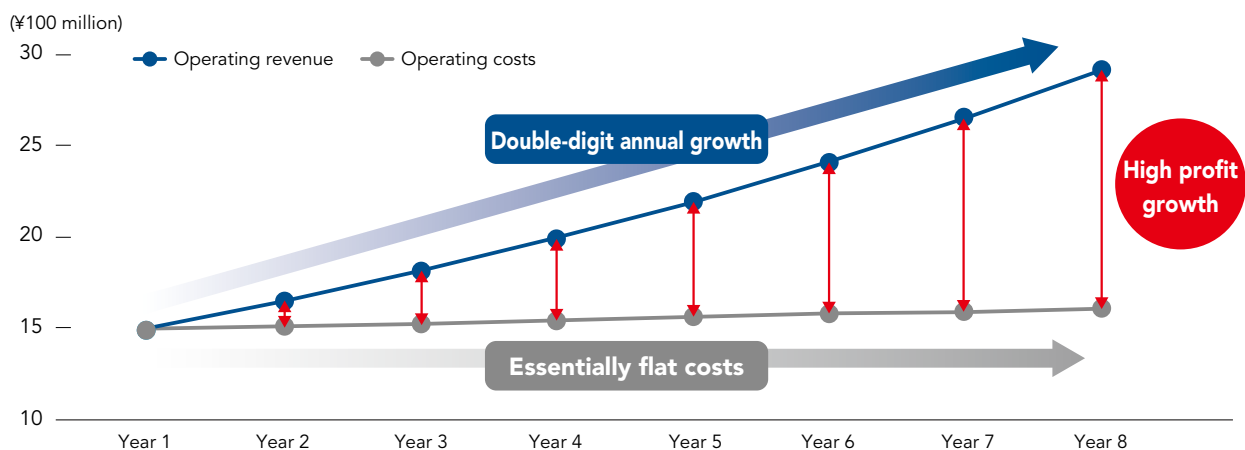
- (1) Large parking capacity in response to motorization
- (2) Ability to create a sales area localized to the community
- (3) More entertainment options to meet the demand for experiential consumption
- (4) Events that attract customers
- (5) Safe, secure, pleasant facilities

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

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

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

Profit Growth Model



Priority Measures Overseas

Overseas

Accelerating New Mall Openings

Search for and secure properties to accelerate future mall openings

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



■ Three-Year Plan for Mall Openings

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

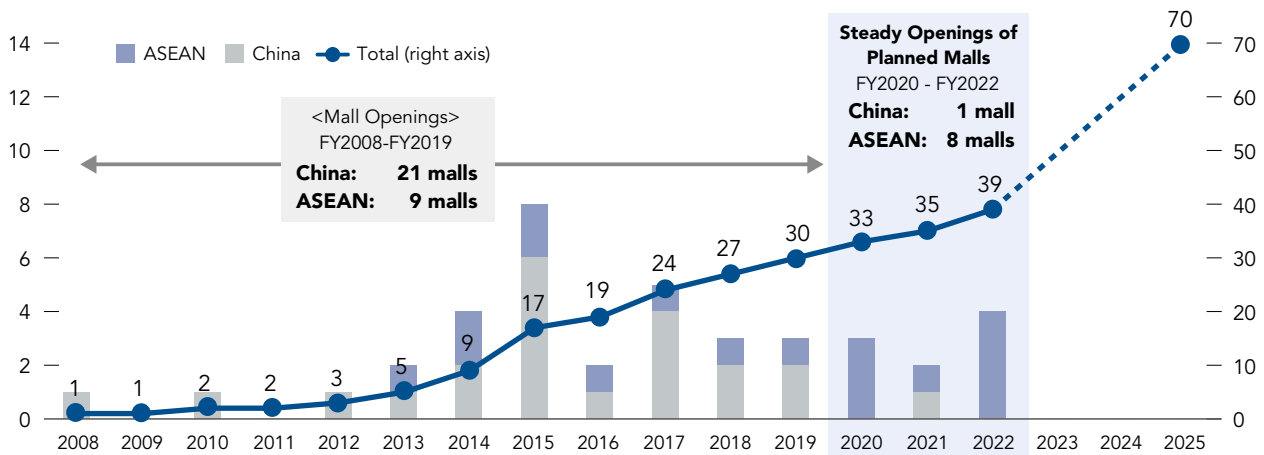


(Tentative name) AEON MALL Guangzhou Xintang (China)



AEON MALL Hai Phong Le Chan (Vietnam)

■ Changes in Number of New Malls Opened Overseas



Strengthen the Earnings Capacity of Existing Malls

Expansions and renovations

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



Events and sales promotions timed to social events

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



Creating mall environments via utilizing digital technology/live commerce

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



Live broadcast booth installation and use free of charge



Improving customer service, operational efficiencies, etc.

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



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

Priority Measures in Japan

Japan

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

Strengthening the Earning Power of Existing Malls

Securing a position as the overwhelmingly dominant mall in the region

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

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

■ Three-Year Mall Opening Plan

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



AEON MALL Takasaki (Gunma Pref.)

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



AEON MALL Kochi (Kochi Pref.)

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

Adding functions to create new incentives for customer visits

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

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

Happiness Mall

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



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

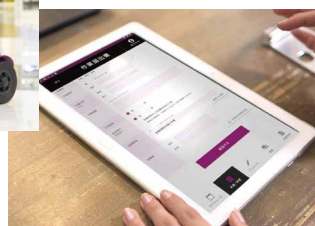
Expanding Public Functions

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



Creating Smart Malls

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



Priority Measures in Japan

Japan

Opening New Malls

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

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



Improving Urban Shopping Center Business Income

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

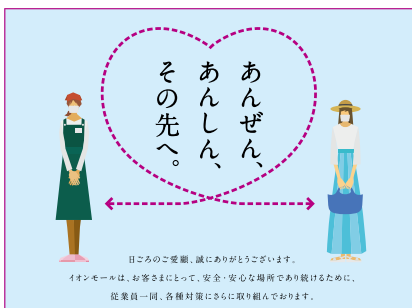
our assets by leveraging the characteristics of land near railway stations, for example, offering shared office space. Through these initiatives, we will expand the efforts to improve profits that we started in FY2019.



Mall Operations for the With-COVID-19 Era

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

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



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

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

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

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

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

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

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

