

Corporate Governance

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

Basic Approach

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

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

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

• Corporate Governance Structure Guidelines

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

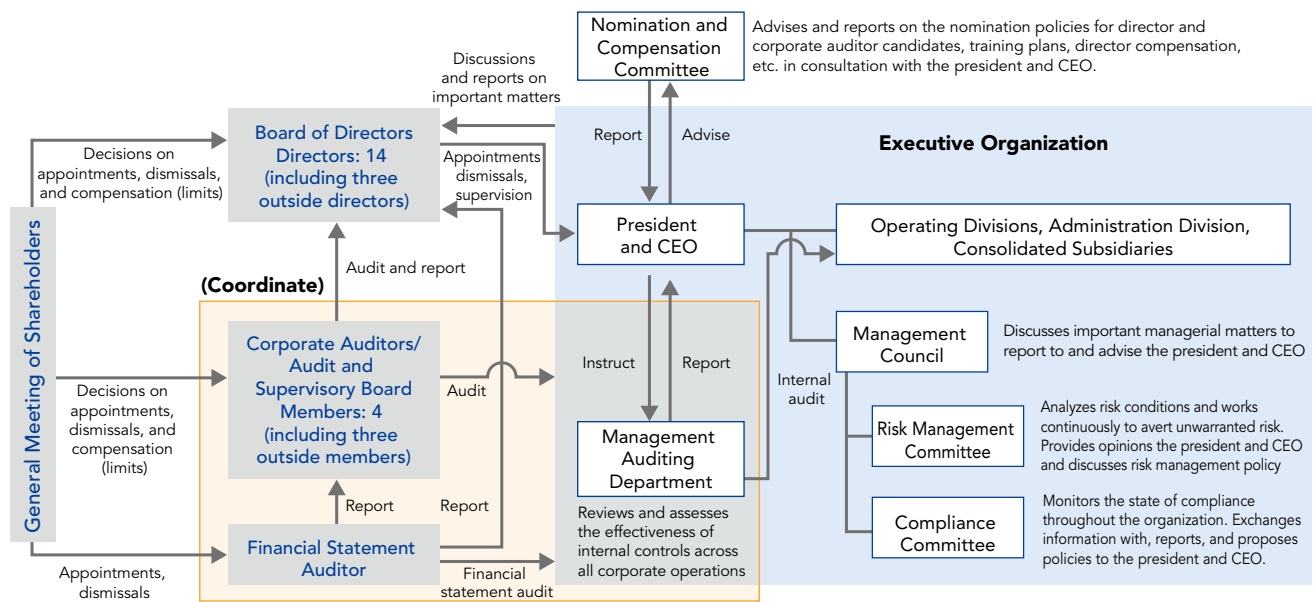
Corporate Governance Structure

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

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

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

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



Adopting the Corporate Governance Code

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

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

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

Internal Controls System

■ Basic Policies and Organization for Internal Control Systems

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

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

■ Operational Status of Internal Control Systems

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

Corporate Governance

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

Managing Board of Director Meetings

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

Strengthening Our Organization to Improve Global Governance

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

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

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

Criteria for Appointing and Dismissing Officers

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

(Policies for the nomination of director candidates)

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

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

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

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

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

• Reasons for Election

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

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

Corporate Governance

Independence Standards

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

■ Independence Standards for Outside Directors

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

Board Member Training Policies, Outside Director Support System

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

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

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

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

Succession Plan

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

Evaluating Board of Director Effectiveness

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

1. Analysis and Evaluation Process

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

2. Overview of Analysis and Evaluation Results

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

3. Response Going Forward

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

Officer Compensation

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

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

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

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

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

2. Resolutions of the General Meeting of Shareholders

Directors Maximum monetary compensation

¥600 million per year

Maximum stock-linked compensation

¥100 million per year

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

Corporate auditors Maximum compensation

¥50 million per annum

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

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

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

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Cross-Shareholdings

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

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

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

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

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

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

Related-Party Transactions

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

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

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

Compliance Promotion System

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

company's social responsibilities.

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

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

Initiatives to Prevent Corruption

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

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

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

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

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

and follow these rules as a code of conduct.

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

Communications with Shareholders and Investors

■ Disclosure policy publication

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

▶ <https://www.aeonmall.com/ir/>

■ Regular information meetings for individual investors

We conduct information meetings for individual investors.

■ Regular information meetings for analysts and institutional investors

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

■ Regular information meetings for overseas investors

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

■ Investor Relations website

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

■ Investor relations department and manager

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

■ Other

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

Corporate Governance

Risk Management

■ Risk Management Promotion Structure

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

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

■ Business Risk

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

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

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

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

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

2. Risks to business growth related to securing human resources

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

region, which are new growth markets.

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

3. Legal regulations

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

AEON MALL Group pursues community-based mall development through cooperation with local governments. The City Planning Act limits large-scale stores exceeding 10,000m² to commercial districts, neighborhood commercial districts, and quasi-industrial districts. Large-scale stores are not permitted in districts not designated as any of the above. Construction of a large-scale store in non-zoned city planning district or quasi-city planning district requires a special permit issued by the governor of the relevant prefecture, etc., or relaxed zoning restrictions by district planners. Such legal restrictions could adversely affect plans for AEON Mall openings.

(2) Changes to real estate tax laws

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

4. Business

(1) Period required for a mall development

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance

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

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

(8) Risk related to business partners

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

(9) Risks related to tenant management

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

(10) Risks of information system stoppages

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

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

(11) Personal information management

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

(12) Risks related to compliance

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

(13) Risk related to natural disasters and accidents

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

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

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

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

(14) Overseas business expansion

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

5. Finances

(1) Changes in performance due to interest rate conditions

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

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

(2) Risks related to exchange rate fluctuations

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

(3) Capital procurement

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

(4) Risks related to asset-impairment accounting

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