## **Corporate Strategy to Achieve Our Long-Term Vision**

We will steadily implement our business strategy to achieve our Vision for 2025 by building a business portfolio consisting of multiple businesses in Japan and capturing growing markets overseas.

We have formulated a medium-term management plan as a backcast with a view to achieving the longterm vision.

### **Looking Back on Past Strategies**

Medium-Term Management Plan FY2014-FY2016

#### Overview (Target)

#### Numerical Targets

Operating Revenue: ¥280 billion (FY2016 Actual: ¥269.7 billion)

- Operating Income: ¥46.5 billion (FY2016 Actual: ¥44.9 billion)
- **Priority Measures**
- 1. Expansion of new business bases in Japan
- 2. Improve profitability
- 3. Establish business foundations in China and the ASEAN region
- 4. Omni-channel support
- 5. Ensure financial discipline

#### Results

Over three years, we have opened a total of 31 malls, 15 in Japan and 16 overseas. In Japan, we opened new malls based on new concepts, such as those that support consumer spending and locations in front of stations. Overseas, we promoted the expansion of new store openings and the search for properties in China and ASEAN, which will become our new growth drivers.

#### Issues

Overseas, net loss increased (-¥5.4 billion in FY2015) due to the expansion of new store openings. In Japan, the investment efficiency of new malls decreased due to soaring construction unit prices. As a result, profit growth for three years slowed to an average of 2.1% per year, and both operating margins and asset efficiency declined. Medium-Term Management Plan FY2017-FY2019

#### **Overview (Target)**

#### Numerical Targets

Operating Revenue: ¥326 billion (FY2019 Actual: ¥324.1 billion) Operating Income: ¥62 billion

(FY2019 Actual: ¥60.7 billion) Priority Measures

- Filonity Measures
- 1. Capture Asian Growth Opportunities
- 2. Develop Latent Sources of Domestic Demand3. Become the Overwhelmingly Dominant
- Mall in Each Region
- 4. Capture Urban Growth Opportunities
- 5. Build a Financing Mix and Organizational Structure Supporting Growth

#### Results

Over the past three years, we have opened a total of 21 malls, 10 in Japan and 11 overseas. The number of overseas malls opened exceeded that of domestic malls. The shift to overseas is in full swing and we achieved profitability overseas in FY2018. In Japan, we promoted the expansion and renovation of existing malls to strengthen their profitability (eight malls in three years), and the consolidated profit growth in three years was 10.6% on average per year, getting back on the path to growth.

#### Issues

Performance was sluggish due to the lack of progress in reforming OPA's business model in the urban business. Overseas business improved profit and became a profit growth trend, but the operating margin and asset efficiency did not improve.

#### Medium-Term Management Plan FY2020-FY2022

#### Overview (Target)

#### Numerical Targets

Operating revenue: ¥360 billion Operating income: ¥68 billion

#### **Priority Measures**

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

#### **Progress (Actual)**

We established preventative measures in the malls we operate based on the AEON COVID-19 Prevention Protocol. In response to the new normal lifestyle, we pursue sales measures leveraging digital technology, including the AEON MALL app and Live Commerce sales promotions. To achieve our Long-Term Vision, we have positioned ESG management as a measure of growth and defined our materialities. We established materiality targets (KGIs, KPIs), redoubling our efforts.

#### **Future Strategies**

We identified five management issues and formulated a future vision to achieve the four growth initiatives over the three years of our medium-term management plan.

- Achieve overseas business operating growth and accelerate new mall openings
- Maximize the appeal of brick-and-mortar malls through customer experience (CX)
- Build next-generation malls and pursue the urban shopping center business
- Digital transformation
- Formulate and pursue medium-term strategies, accelerate reforms based on ESG perspectives

## **Achieving Our Long-Term Vision**

#### Financial Indicators for FY2025

Indicator	Туре	Target (for FY2025)	End of FY2019	FY2020
EPS (income per share) growth rate	Growth indicator	7% annual (annual growth between 2019 and 2025)	2.1% (YoY)	-
Net interest-bearing debt/ EBITDA ratio	Stability indicator	Within 4.5 times	4.7 times	6.2 times
ROIC (Return on invested capital)	Efficiency indicator	At least 5%	4.3%	2.2%

\* EPS: Net income attributable to owners of parent/average number of shares during the year Net interest-bearing debt/EBITDA ratio: (interest-bearing debt - cash and cash equivalents)/(operating income + depreciation and amortization on the statement of cash flows)

ROIC: Operating income x (1-effective tax rate)/(average equity for the fiscal year + average interest-bearing debt for the fiscal year) \* We revised our financial indicators in response to the adoption of IFRS16 in FY2019, as well as new goals to maximize future cash flows and improve corporate value

\* The Company did not calculate EPS growth rate for FY2020, as there was a net loss per share for the consolidated fiscal year under review.

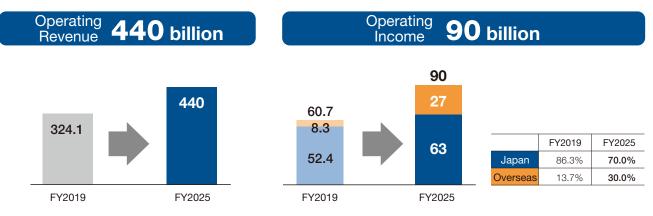
## Vision for 2025

#### <Qualitative Goals>

- 1. Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
- 2. Put AEON MALL in the same class as the top global commercial developers, aiming for consolidated operating income of ¥90 billion.
- 3. Conduct floor space expansions and renovations in Japan to become the dominant mall in each area.
- 4. Secure growth markets overseas, expand overseas business to 50 malls, and record operating income of ¥27 billion (25% profit margin).

\* We aim to achieve consolidated operating income of at least ¥100 billion in FY2026, taking into account one year of profit growth lost due to the COVID-19 pandemic. \* We plan to secure a pipeline for reaching 70 malls as of FY2025, achieving a 70-mall structure by FY2028.

#### <Quantitative Goals>

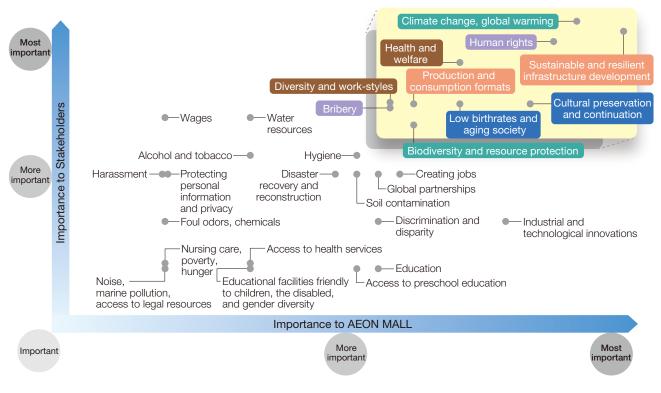


#### Corporate Strategy to Achieve Our Long-Term Vision

## **Identifying Materialities**

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

#### Materiality Matrix



#### The Materiality Analysis Process



#### Identify Topics

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

\*1 Sustainability indicators jointly selected by S&P Dow Jones Indices (US) and RobecoSAM (Switzerland). \*2 The London-based FTSE calculates and manages stock indices.

# Step 2

#### Importance to Stakeholders

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

\* US-based Sustainability Accounting Standards Board



#### Importance to AEON MALL

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



#### Confirm Relevance

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

Value Creation Story

### **Corporate Strategy to Achieve Our Long-Term Vision**

#### **Creating Materiality/KPIs**

Our employees discussed the 10 key initiatives (materialities) that we need to tackle and determined the KGI (final goals) and KPI (intermediate goals). In line with the KGI we have set as our goal for 2050, we will set specific KPIs to be achieved by 2030, share the issues throughout the company, and work together to solve them and contribute to local customers and a sustainable society. In deciding how to formulate KGI/KPIs, a diverse group of 22 people, from veterans to young employees, including those from overseas, were selected by the general managers of each division and through open recruitment. We ran four workshops during a period of about six months starting in July 2020 to examine what each participant thought we should be as a company. Along with the advice of experts, we decided on the KGI/KPIs that would serve as performance indicators for all employees.

#### Process for Setting KGI/KPIs

Prior to determining the KPIs, we held workshops and received a variety of opinions from the young employees and overseas employees who participated.

- I participated in the workshop because I have always wanted to contribute to solving social issues through urban development. I don't believe that KGI/KPIs are the end of the story, but they are important in disseminating information and aligning vectors so that people can see them as their own.
- It was a valuable experience for me to be able to exchange opinions with other employees who want to improve the company, regardless of their age. Through the workshop, I realized that there is a way for the entire community to enjoy working together alongside our customers to conserve resources.
- •AEON MALL Vietnam is moving to actively engage in social contribution activities, and I participated in this event to gain a deeper understanding of our company's basic ideas and initiatives in Japan. We would like to raise each employee's awareness and promote activities to achieve our KGI/KPIs.



# We will share our KGI/KPI initiatives with our customers and tenants.

Managing Director, General Manager of Administration Division Masahiko Okamoto

For us to be a company that is chosen by customers, tenants, and employees, it is necessary to clearly set forth the guiding principles of the kind of company we want to be. Through discussions with our employees, we have set the company's future vision (KGI) and intermediate goals (KPI) that will serve as our guideposts. From veterans in key positions to young employees who ran for open positions, employees from all walks of life were able to openly and frankly discuss the issues, giving each of them a good opportunity to think about the future of the company and listen to opinions that differ from their own. As a solutions company that provides solutions to local and social issues, we will continue to raise awareness within the company by ensuring that all employees include materiality-related items in their personal goals, and we will actively share information with our customers and tenants. Corporate Strategy to Achieve Our Long-Term Vision

## Establishing issues that AEON MALL needs to address

	Materiality	Related SDGs	
Developing community and social infrastructure P.53	Developing sustainable and resilient infrastructure		
	Production and consumption formats		
Build community relationships P.54	Cultural preservation and inheritance	3 GOOD HEALTH A DA DE LESING A TI ASTRAMALE COLLS	
	Low birth rates, aging society		
Environment P.55	Climate change, global warming	6 DELAW WATER AND SANTANDAN       12 REPORTED CONSUMPTING AND PRODUCTION       13 CLIMATE ACTION         14 LIFE CONSUMPTING       15 LIFE CONSUMPTING       15 LIFE CONSUMPTING	
	Protecting biodiversity, resources		
Diversity and work- style reform P.57	Health and welfare	З соор нелати за округа 5 сероня 10 несонало в	
	Diversity, work-styles		
Promote responsible business P.59	Human rights		
	Bribery	8 CECINI WORK AND ECONOMIC CROWN INSTITUTIONS	

KGI (How we want to be)	KPI (Performance Indicators until 2030)
A society in which everyone can feel safe and secure	<ul> <li>Make all malls in Japan disaster relief facilities as a measure to strengthen our BCP</li> <li>Percentage of disaster response agreements signed with local governments</li> </ul>
A society with near-zero impact on the global environment through appropriate production and consumption	<ul> <li>Promotion of ethical consumption. Rate of buying green</li> <li>Promotion of plastic elimination initiatives</li> </ul>
A society with an established platform for cultur- al inheritance	<ul> <li>Actively holding traditional and cultural events and expand them to other regions, including overseas</li> </ul>
A society in which everyone, including children and the elderly, can live comfortably	<ul> <li>Improved services for children</li> <li>Number of people supporting dementia patients</li> </ul>
<ol> <li>A society which has achieved decarbonization</li> <li>A society in which all regions are environmentally conscious</li> </ol>	<ul> <li>Expand installation of EV chargers. Number of EV chargers installed</li> <li>35% reduction in total annual CO<sub>2</sub> emissions through the creation of renewable energy</li> <li>Strengthen environmental awareness initiatives for local residents and tenants</li> <li>Eco certification award rate of 100%</li> </ul>
A society which is environmentally friendly and in harmony with nature	<ul> <li>Number of malls awarded ABINC (Association for Business Innovation in harmony with Nature and Community) accreditation</li> <li>Achieve a 70% recycling rate (excluding thermal recycling)</li> </ul>
A society in which everyone can be both physically and mentally healthy	Promote a healthy lifestyle
A society in which everyone has equal opportunities regardless of race, nationality, age, gender, or location	<ul> <li>Ratio of women in management roles</li> <li>Paternity leave rate of 100%</li> <li>Promotion of human resource development for global activities</li> </ul>
A society in which everyone's human rights are respected	<ul> <li>Establish and implement a human rights due diligence process</li> <li>Human rights training attendance rate of 100%</li> </ul>
Zero number of incidents	<ul> <li>Conduct anti-bribery training to ensure compliance with the Basic Rules for the Prevention of Bribery</li> <li>Ongoing compliance with anti-bribery clauses in AEON MALL employment rules</li> <li>Continuous review of the compliance system of the Basic Rules for the Prevention of Bribery. Report compliance status to the president at least once a year. Thoroughly implement any corrective measures</li> </ul>