

Pursuing ESG-Based Management

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 structure.

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.

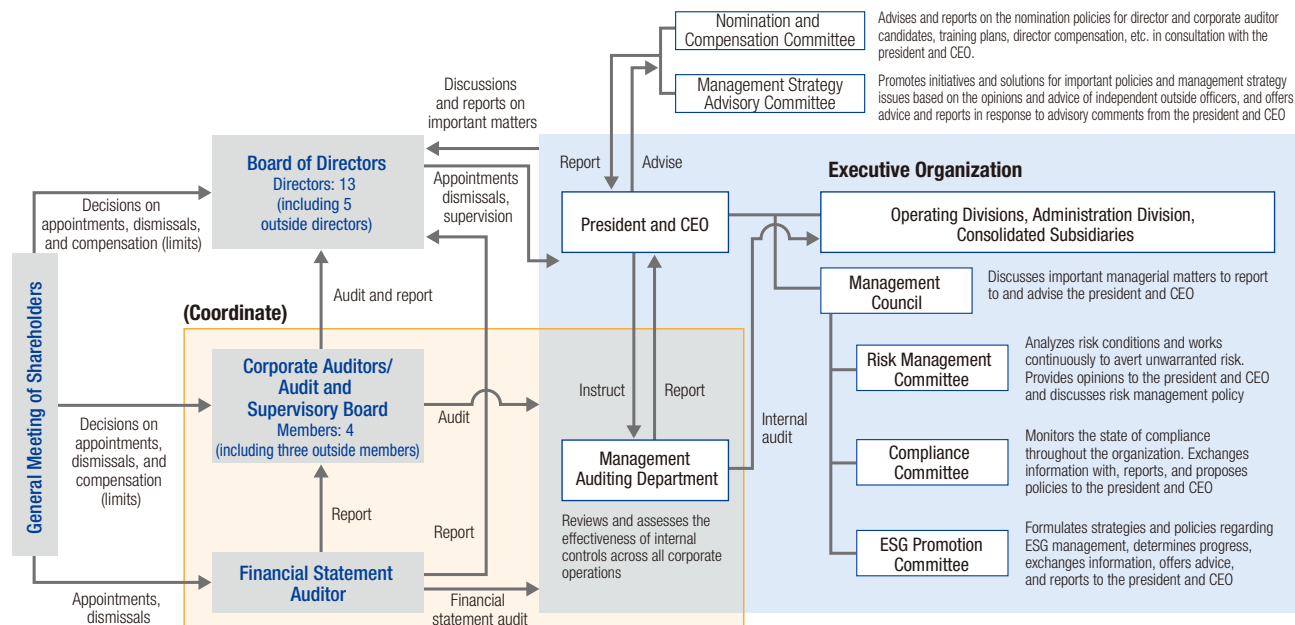
In addition to these mechanisms, we strive to disseminate information through committees led by

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 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.

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 May 20, 2021)



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/en/ir/c_governance.html

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 the 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 and presents 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

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stronger information security measures. This committee has started to hold meetings in conjunction with the Risk Management Committee.

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 independent 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.

Nominations of candidates for members of the Audit & Supervisory Board are proposed by the president and chief executive officer according to the standards provided below. Nominations are determined by board resolution after discussion with the Audit & Supervisory Board, and are presented to the annual general shareholders' meeting for approval.

(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
Yasutsugu Iwamura	Since joining the company, Yasutsugu Iwamura has developed knowledge related to global business management and administration, including management experience at AEON MALL Vietnam, which is one of the company's important areas of development and business overseas. He was named president and CEO in 2020, and in this role he has contributed to improved corporate value at AEON MALL, making decisions on important management matters and overseeing the execution of our businesses. During fiscal 2020, Mr. Iwamura demonstrated leadership and drove our businesses toward continued corporate value growth in the midst of the COVID-19 pandemic and changing business environment. Accordingly, the company has appointed him for another term as director to achieve our Vision for 2025 and our medium-term management plan.
Mitsuhiro Fujiki	Since joining the company, Mitsuhiro Fujiki has engaged primarily in the administration and operation of shopping malls. Currently, as general manager of the Customer Experience (CX) Creation Division, he plays a central role in maximizing the value of our real-world spaces and creating new value offerings through local community solutions and new initiatives in collaboration with store association members. Accordingly, the company has appointed him for another term as director.
Hisayuki Sato	Hisayuki Sato has been engaged in development projects in Japan and China, and also has experience in managing local entities in China. Currently, as general manager of the Development Division, he strives to enhance corporate value by pursuing new business formats such as mixed-use development, utilizing his extensive expertise in development as well as his achievements and contributions in overseas business management. Accordingly, the company has appointed him for another term as director.
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 is involved in personnel training and compliance with the Corporate Governance Code, and is in charge of promoting and strengthening our internal controls and risk management in Japan and overseas. Accordingly, the company has appointed him for another term as 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 currently serves as general manager of the Finance & Accounting Division. Mr. Yokoyama has extensive achievements and experience related to real estate development and finance, and he has steadily pursued measures to accelerate our global expansion and strengthen our cash generation capabilities. Accordingly, the company has appointed him for another term as director.
Motoya Okada	AEON Co., Ltd. and AEON Group companies recognize that shareholders benefit when we maximize synergies through close collaboration, while respecting autonomy and originality. Motoya Okada has extensive experience and abilities as a manager in enhancing the effectiveness of group strategies and managing sound company business. Accordingly, the company has appointed him for another term as director.
Akiko Nakarai	Since joining the company, Akiko Nakarai has engaged primarily in the administration and operations of shopping malls. Currently, she serves as executive manager of the Marketing Management Department. Ms. Nakarai strives to improve customer convenience and the value of customer experience through apps, etc., using her expertise in all aspects of sales, digital technologies, and management experience at company subsidiaries. Accordingly, the company has appointed her for another term as director.
Tatsuya Hashimoto	Since joining the company, Tatsuya Hashimoto has engaged primarily in the administration and operations of shopping malls. Currently, he serves as China Business Manager. He has expertise in all aspects of sales, and he demonstrates leadership as China Business Manager, striving to offer new value through the pursuit of digital technologies. Accordingly, the company has appointed him for another term as director.

Name	Reasons for Election
Kunihiro Koshizuka	In addition to serving in posts related to technology strategies, new business creation, and large-scale acquisition projects, Kunihiro Koshizuka also possesses expertise, knowledge, and experience in digital science and technology cultivated as an engineering professional. Our expectation is that he is capable of offering appropriate advice and supervision regarding management issues, businesses that produce future ways of living for a new era, and promotion of digital transformation. Accordingly, the company has appointed him for another term as director.
Yasuko Yamashita	Yasuko Yamashita possesses expertise in accounting developed through experience as certified public accountant and work experience in an audit corporation, as well as experience in director and Audit & Supervisory Board member roles at other companies, being capable of offering advice and management supervision. Accordingly, the company has appointed her for another term as director.
Hironobu Kurosaki	As the chief responsible party (president) and through activities at overseas local subsidiaries, Mr. Hironobu Kurosaki has built experience and expertise in management related to building structures and growing businesses. He has developed knowledge of overseas risk management through assignments abroad in developing nations. We expect Mr. Kurosaki to leverage his experience and skills to offer appropriate advice and management supervision related to high profit growth in overseas businesses, which is an important management issue for the company. Accordingly, the company has appointed him as a new director.
Junko Owada	Junko Owada has deep knowledge in a number of personnel recruitment education-related areas, including human resources utilization, personnel solutions, diversity, and work-style reform. We expect that she will leverage her experience and achievements as an advisor and consultant in IT and personnel solutions to offer advice on diversity and work-style reform, which are important issues for the company. Accordingly, the company has appointed her as a new director.
Chisa Enomoto	Chisa Enomoto has abundant experience and achievements as a leader at multiple companies, including multinational firms, and she possesses a broad network and scope of activities, including initiatives at universities and positions as an outside director to other companies. We expect that she will offer advice from a multifaceted point of view, based on her broad knowledge regarding information disclosure and brand strategy promotion, which are important issues for the company. Accordingly, the company has appointed her as a new 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. Accordingly, the company has appointed her as an outside member of the Audit and Supervisory Board.
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 director and 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 experience and specialized knowledge of corporate legal affairs. We believe she will continue to contribute her viewpoint as a legal expert for the benefit of AEON MALL. 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	Masato Nishimatsu has a broad knowledge and expertise gained in AEON Group companies, based upon which he will provide supervision and effective advice regarding company management. Accordingly, we have appointed him as a member of the Audit and Supervisory Board.

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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 seven outside directors (five 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) Individuals who serve as directors, executive officers, managers, or other employees of the AEON MALL parent company or subsidiary of the AEON MALL parent company (excluding AEON MALL and AEON MALL subsidiaries)
 - (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) Individuals who have served as an AEON MALL Group executive within 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 the 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 one staff member 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 a 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 2020)

Classification	No. of Officers	Amount of Compensation (thousands of yen)
Directors (No. of outside directors)	16 (4)	235,835 (19,800)
Audit & Supervisory Board Members (No. of outside members)	3 (3)	23,880 (23,880)
Total (No. of outside directors)	19 (7)	259,715 (43,680)

Note 1: Data to the left does not include one director and two members 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 improve the AEON MALL Group corporate value over the medium and long term. This policy considers a number of factors including business strategy and business relationships. Our board of directors meets to review individual cross shareholdings on an annual basis, considering the purpose for holding shares, risks involved in holding shares, the cost of capital, and other economic rationale on a comprehensive basis, determining the reasonableness for cross-shareholdings. We consider selling shareholdings when deemed as having little significance, considering the impact of such sales on the markets. We disclose the results of such sales 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 Co., Ltd. is the parent company of the company, holding 58.22% of the company's voting rights (as of February 28, 2021).

When the company conducts transactions with Aeon Co., Ltd. or AEON group companies, we obtain approvals at a meeting of the board of directors attended by independent outside directors to ensure the fairness and rationality of the transaction from the perspective of enhancing Company corporate value. In this way, we ensure appropriate supervision of transactions according to importance.

AEON MALL works with Aeon Co., Ltd. and its subsidiary, general retail operator AEON Retail Co., Ltd., as well as other group companies, conducting shopping mall management and operations in various regions. While AEON MALL signs building lease agreements with AEON Retail Co., Ltd., we enter into agreements with transaction terms similar to general agreements of the type in question. Therefore, we recognize that we have secured a certain degree of independence from Aeon Co., Ltd. and group companies.

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. In addition, in order to prevent bribery, we are improving our internal structures within the Group and conducting education based on the Basic Rules for the Prevention of Bribery.

AEON MALL has established a Compliance Committee, which is chaired by the general manager of the 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.

The company has established a help line (*Aeon Mall Hotline*) for internal reporting. The company's labor union has likewise established its own *Kumiai 110* help line. Subsidiaries have also established help lines equivalent to the company's. We ensure privacy protection for users of this help line and that they are not penalized. Additionally, we investigate any problems reported to the company through this help line. If wrongdoing is confirmed, we take necessary actions in line with our internal rules. The issue in question is reported to the Compliance Committee and the company implements Group-wide measures to prevent recurrence in the future.

Initiatives to Prevent Corruption

All executives and employees ("Group 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 on 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/en/ir/index.html>

■ 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 the 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 Strategy Department and is responsible for company disclosures. (Tel. +81-43-212-6733)

■ Other

AEON MALL conducts individual meetings with domestic and overseas investors and securities analysts. We also offer mall tours in Japan and overseas on a regular basis.

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Risk Management

■ Risk Management Promotion System

The company's president and CEO is the executive officer responsible for risk management under the Group's rules and other systems for managing risk of loss. The executive director over each business unit is responsible for risk management at the business unit level. This structure provides a system and environment ensuring business continuity and the safety of human life. The group has created Risk Management Rules to prevent crises or minimize damage in the event of a crisis, striving to reduce risk and mitigate any damages.

Specifically, we have selected risk categories having a high impact on the Group and have established departmental teams to address risk management by category. As each team executes PDCA cycles for risk measures, we strive to prevent damage to our brand value and improve overall corporate value by managing the risk of loss for the Group as a whole.

Furthermore, in the event of an emergency presenting a risk of significant loss, we engage in appropriate information sharing and decision-making according to our Risk Management Rules, taking proper steps to minimize damages.

■ Establishment of the Risk Management Committee and Overview of Activities

The company has established the Risk Management Committee, chaired by the HQ general manager. The purpose of this committee is to maintain and improve risk management systems, including determining the status of risk management operation across the Group and reviewing

risk management systems on a continual basis. The details of this committee are as follows. The Risk Management Committee analyzes risk status, conducts ongoing activities to avoid risks, provides opinions to the president and CEO, and deliberates issues related to risk management promotion systems and measures. The Risk Management Committee discusses risk measures to address major incidents, etc., leading to highly effective risk measures.

Furthermore, for crises that require same-day judgment, e.g., during an earthquake, a separate emergency response office will be established to provide a rapid, appropriate initial response, to prevent escalation, and to aid an early resolution.

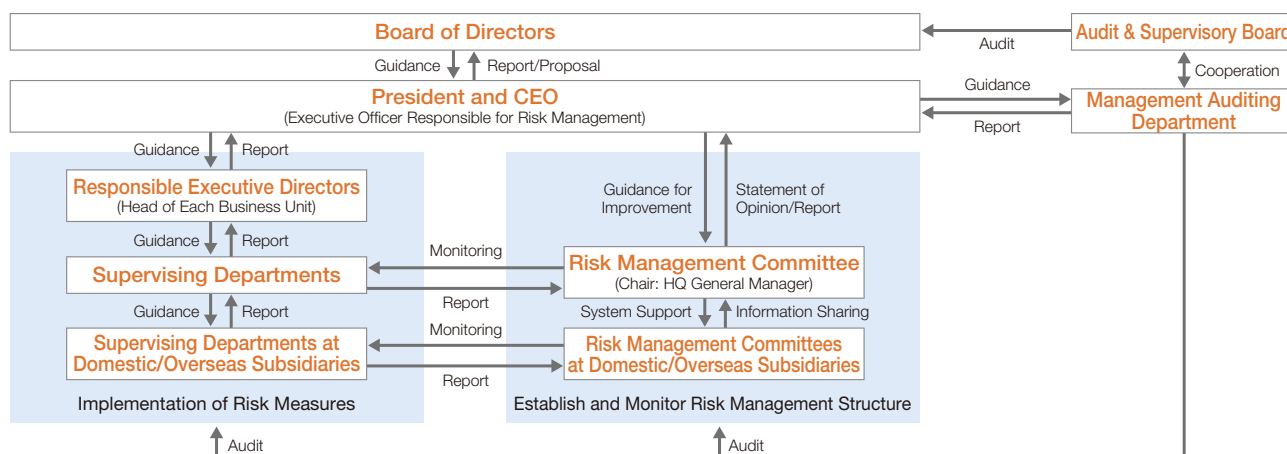
Over the most recent three years, the Risk Management Committee held activities approximately five times each year, with the committee reporting to the board of directors at the beginning of each fiscal year (March) regarding details of initiatives in the previous fiscal year and policy regarding initiatives in the current fiscal year. Domestic and overseas subsidiaries such as OPA Co., Ltd. and companies outside Japan have established Risk Management Committees by country. The details of committee deliberations are shared with the company's Risk Management Committee.

The members of the company's Risk Management Committee are as follows.

- Chair: HQ general manager
- Members: A) Heads of supervising departments for risk response as defined in the Risk Management Rules
B) Persons nominated by the chair
- Secretariat: Legal Department

(Note) In order to improve the effectiveness of the risk management system, a responsible member will be selected within the department leading prevention of and response to a given high-impact risk for the Group.

● Risk Management Promotion System Diagram



■ Risk Management Process

To carry out efficient and effective management of various risks, the Risk Management Committee identifies risk items that affect the Group in particular. The committee then makes recommendations to the president and CEO regarding systems for managing said risks. Subsequently, a department to be in charge of handling each risk item is selected. These departments are responsible for planning, executing, and reviewing risk measures, while the Risk Management Committee and internal audits are conducted to monitor the implementation status of the executive body, assessing risk measure effectiveness.

We categorize risks under one of three categories (management strategy risk, compliance risk, other risk) according to the nature of the risk to consider and

monitor the progress of risk measures at each department related to the risk in question. A director in charge of management strategy risk is designated in accordance with the category. This individual reports the progress of risk measures to the board of directors on a quarterly basis. Compliance risks are reported at the Compliance Committee, and other risks are reported at the Risk Management Committee, with details and progress of risk measures discussed as necessary. All risk measures for each risk item are eventually aggregated and managed by the Risk Management Committee.

The implementation of risk measures is decided and carried out after internal approval by the respective supervising department for risk response.

● Diagram of Risk Management Process



■ Identifying Risk

When identifying risks, we narrow risks to those that impact the Group according to their nature. Our identification method is as follows.

● Identifying risks

We conduct risk surveys (questionnaires and interviews) with directors, Audit & Supervisory Board members, and employees, assessing risks quantitatively and qualitatively.

● Using a risk map to assess risks

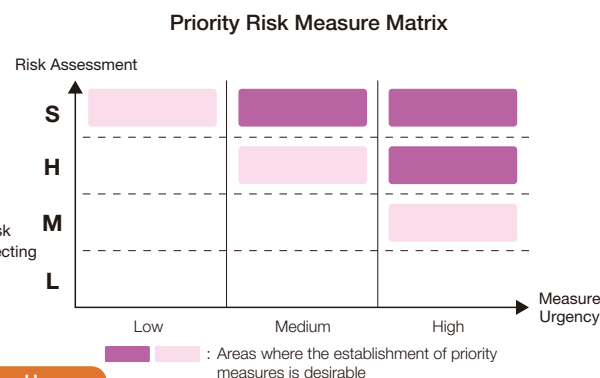
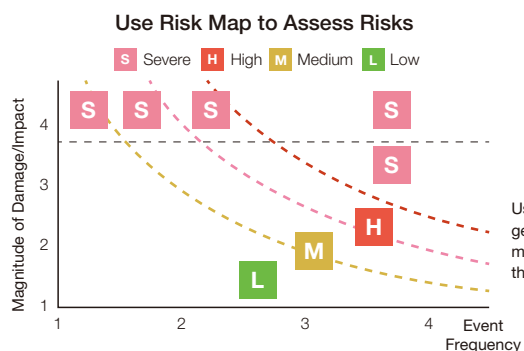
Based on the results of risk surveys, we create a risk map based on the frequency and magnitude of damage or impact of

each risk. We evaluate risks and identify those risks that require countermeasures.

● Establishing priorities using a priority risk measure matrix

Based on the status of existing measures for identified risks, we create a priority risk measure matrix based on the need for measures, identifying the risks that should be prioritized.

Based on the preceding, we have identified 92 risk items and have adopted risk measures according to priority. Risk assessments will change as our business environment changes. Therefore, priority risks measures will be updated as necessary in parallel with risk surveys.



Risk Assessment

Assess risks and categorize across four levels (Severe, High, Medium, Low) based on risk map location. Risks categorized at higher levels that have greater frequency and magnitude of damage/impact

Other

Other matters identified in interviews

Measure Urgency

- (Assessed by the company based on interviews and other methods)
- Risks for which suggestions to revise assessment upward have been indicated in interviews
 - Risks for which measures may have room for improvement
- Low:** Requires verification of measure effectiveness
Medium: Requires steady measure implementation and verification of effectiveness
High: Requires rapid response

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Business and Other Risks

Based on the latest business environment in Japan and overseas, we have identified risks that may impact the Group's business activities and that require company-wide management. Of the risk items identified according to risk map assessment and priority risk measure matrix, certain risk items require risk assessment and measures in particular. In addition to these risks, risk items other than those identified that may have a potential material impact on investor decisions. We categorize those risks as follows.

Type	Risk Item	Risk Assessment	Measure Urgency
Business strategy risks	a. Risks related to changes in the business environment	S	High
	b. Risks related to real estate development and investment	S	High
	c. Risks related to securing and cultivating human resources	S	High
	d. Risks related to transactions with AEON Co., Ltd. and its affiliates	☆	☆
	e. Risks related to statutory regulations	☆	☆
Risks related to finances	f. Impairment risks	S	High
	g. Risks related to capital procurement, interest rate fluctuations, and exchange rate fluctuations	S	Medium
Operational risks	h. Risks related to the occurrence of natural disasters, accidents, and terrorism	S	High
	i. Risks related to the occurrence of war, civil disorder, and coup d'état	S	High
	j. Risks related to the spread of infectious diseases	S	High
	k. Risks related to information security	☆	☆

☆: Risk items that may have a material impact on investor decisions.

Business Strategy Risks

a. Risks related to changes in the business environment

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>In the Group's external business environment, certain overseas retail markets exhibit high growth potential due to strong economic development. However, concerns exist related to accelerated store openings by competing developers and slowdown in growth due to global economic recession. Japan is experiencing changes in demographics and family structures due to population decline, low birthrates, and an aging population. In addition, there are ongoing changes in consumer behavior, including the expansion of e-commerce, an orientation toward savings, and the rise of the sharing economy.</p> <p>Major tenants of malls managed and operated by the Group are retail and service companies, which tend to be sensitive to economic and personal consumption trends. Therefore, economic downturns and intensifying competition with other real estate developers and retailers could result in a negative impact on the Group's business performance or financial position, including a worsening of tenant leasing terms or an increase in vacant spaces.</p>						<p>The Group's business is to provide solutions to issues faced by local communities and society, without being bound to the framework of a commercial facility. We aim to establish shopping malls that serve as a core facility and social infrastructure in their local communities.</p> <p>Overseas, economic policies continue to develop centered on the development of social infrastructure. Accordingly, we are pursuing property development and opening new locations in areas of advancing urbanization with high market growth potential. We strive to differentiate ourselves from competing developers through competitive malls that leverage our expertise in mall management and operations cultivated in Japan.</p> <p>In Japan, we secure a market position as the dominant mall in each region, increasing our market share through localization efforts that include revitalizing floor space expansions that meet local needs and expanded regional infrastructure functions. In addition, we expand our business domains by diversifying development patterns according to local characteristics. These patterns include multi-function commercial facilities and innovative regional commercial facilities.</p> <p>In terms of leasing, we work to create attractive malls from the customer standpoint by attracting new tenants. We provide added value through new business formats, taking advantage of our relationships with tenant companies in Japan and overseas.</p>				

b. Risks related to real estate development and investment

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>Mall development requires significant time and investment prior to opening. Tasks include market research, site selection, negotiations with landowners, legal proceedings, mall construction, and tenant recruitment. Therefore, recouping investment requires a certain period of time. If the development schedule is delayed due to unseasonable weather, natural disasters, environmental pollution in the development area, delays in obtaining licenses, opposition from local residents, or other local factors, or if real estate prices rise, the cost of acquiring and renting real estate may increase, potentially having a negative impact on the Group's business performance or financial position.</p>						<p>The Group has put in place a system in which each department works together to manage the schedule and progress of future development properties, as well as to identify and analyze possible risk scenarios, formulating plans based on the most appropriate plan in terms of revenue and cost to achieve progress. In addition, for new location openings and floor space expansion revitalization in Japan and overseas, we make decisions after clearly identifying the department responsible for the business plan, and deliberate the appropriateness of the profit and loss plan and the feasibility of the return on investment based on operation under a clear investment profitability standard at meetings of the board of directors and the Management Council.</p>				

c. Risks related to securing and cultivating human resources

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>The Group is pushing forward with the creation of a foundation for the expansion of business bases and the strengthening of profitability in domestic business and overseas business in China and ASEAN, which are growth drivers. It will be necessary to secure and develop human resources who can demonstrate strong management skills and leadership from a global perspective.</p> <p>Particularly in Japan, the working population is decreasing due to declining birthrates and an aging population. If we are unable to secure and train the human resources necessary for business expansion, this may have a negative impact on the Group's business performance or financial position.</p>						<p>In the belief that human resources are the greatest management resource for achieving sustainable growth, the Group seeks to become a company in which diverse human resources can enjoy healthy lives as they continue to demonstrate their talents. We pursue a growth strategy by investing in human resources to this end.</p> <p>We promote diversity management to respond to rapid social changes and innovate our business model. We are developing systems and work environments by which a diverse base of employees can express their individuality, demonstrate their capabilities, and play active roles.</p> <p>We have established a wide range of programs for the cultivation and education of our human resources. In addition to employee training based on position and level of growth, we offer personnel exchanges between Japanese and overseas locations to cultivate future leaders in our overseas business. We have also created the AEON Business School (ABS), a program for cultivating future top managers.</p> <p>We provide senior manager training and other opportunities for directors and members of the Audit & Supervisory Board to cultivate stronger leadership and strategic business thinking, as well as to gain a stronger understanding of compliance and governance. To ensure transparency and fairness in cultivating candidates for management, we also discuss the necessary standards, career plans, cultivation policies, and plans for managers at the Nomination and Compensation Committee, which consists of outside directors primarily.</p>				

d. Risks related to transactions with AEON Co., Ltd. and its affiliates (hereinafter, "AEON Group companies")

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios										
<p>The role of anchor tenants with the ability to attract customers is extremely important in developing malls. We leverage our close relationship with our parent company AEON Co., Ltd. to arrange for AEON and AEON STYLE general merchandise stores, primarily operated by our subsidiary AEON Retail Co., Ltd., to serve as anchor tenants. Going forward, we anticipate that malls developed by the Group will continue to have AEON and AEON STYLE stores serve as anchor tenants.</p> <p>In this way, the relationship between the Group and AEON Co., Ltd. and AEON Group companies provides advantages in mall development in the form of a stable source of anchor tenants. On the other hand, the business performance, store opening policies, and store closure policies of these anchor tenants may have a negative impact on the Group's business performance or financial position.</p> <p>AEON Retail Co., Ltd. accounted for 11.7% of the Group's operating revenue for the fiscal year ended February 28, 2021, while the total of AEON Group companies other than AEON Retail Co. amounted to 10.9% of total operating revenue.</p>										

e. Risks related to statutory regulation

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios										
<p>The Group coordinates initiatives with local municipalities to develop malls firmly rooted in local communities. However, owing to the City Planning Act and the Building Standards Act, construction of large retail facilities exceeding 10,000m² are in principle not possible except in those areas designated as commercial zones, neighboring commercial zones, or semi-industrial zones as designated by the aforementioned acts. Furthermore, to develop large shopping centers in un-zoned city planning areas or un-zoned areas within semi-approved city planning projects, either a zoning designation or an approval to relax site purpose requirements is needed from the relevant prefectural governor. Therefore, there is the potential that the company's future plans for new malls could be affected by these legal restrictions.</p> <p>In the event of a revision of real estate-related tax policies, higher costs associated with ownership, purchase, and sale of assets could have a negative impact on the Group's business performance or financial position.</p> <p>Since the Group is expanding its overseas business in China and ASEAN, changes in statutory regulations regarding investment, trade, competition, taxes, foreign exchange, and other topics in countries and regions where new locations are opened could have a negative impact on the Group's business performance or financial position.</p>										

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Risks Related to Finances

f. Impairment risks

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
In the event of ongoing operating losses at malls due to significant worsening of the business environment, increasing vacancies due to tenant closures, etc., or due to a significant drop in market price of mall sites, the resulting impairment losses for fixed assets held by the Group for business purposes could have a negative impact on the Group's business performance, financial position, or creditworthiness.						<p>The Group formulates plans reflecting optimized costs and revenues after determining and analyzing possible risk scenarios. For investment projects over a certain amount, we also deliberate the appropriateness of the profit and loss plan and the feasibility of the return on investment at meetings of the board of directors and the Management Council. In this way, we strive to improve the accuracy of investment profitability plans.</p> <p>We verify the operating status of malls that have been opened at company-wide meetings. The results of investment profitability verifications for malls that have been open for a certain period of time are reported to the board of directors. For malls facing possible impairment loss, we form a response project team (value-building project team) to take action, primarily to improve profitability as we strive to reduce the risk of impairment.</p>				

g. Risks related to capital procurement, interest rate fluctuations, and exchange rate fluctuations

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>The Group procures capital to support mall development based on the Group's growth strategy, primarily via borrowings from financial institutions, the issuance of corporate bonds, leases, or capital increases. However, instances may occur in which a destabilization in financial market conditions, worsening in the Group's business outlook, or deterioration in the Group's creditworthiness, etc., may result in the Group being unable to procure funding in a timely manner under desirable terms. In the event of an increase in market interest rates, the increased cost of capital for financing or refinancing mall development and higher rents paid to property owners under lease contracts could have a negative impact on the Group's business performance or financial position.</p> <p>In addition, the Group is expanding its overseas business in China and ASEAN, regions driving future growth. This expansion is leading to an increasing volume of foreign currency-denominated transactions in areas like materials procurement for overseas development properties. These transactions are affected by exchange rate fluctuations, which may have a negative impact on the Group's business performance or financial position.</p>						<p>In principle, the Group procures capital at fixed interest rates and hedges exchange rate fluctuation risk in part by currency swaps. While we diversify the methods and sources of our capital procurement (borrowings), we make efforts to maintain and improve credit ratings by controlling our balance of interest-bearing debt, etc., to ensure needed financing facility. Furthermore, we have established commitment lines enabling immediate procurement of necessary working capital even during dramatic changes in the financing environment.</p>				

Operational Risks

h. Risks related to the occurrence of natural disasters, accidents, and terrorism

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>Since the Group conducts business both in Japan and overseas, the malls we manage and operate may suffer damage (including damage to reputation), destruction by fire, deterioration, or other serious harm as a result of events occurring in the respective mall's country or region. These incidents include natural disasters such as large-scale earthquakes, typhoons, and torrential rains, as well as human accidents such as fire and power outages, and even acts of violence or terrorism that endanger human life. Such events could force a suspension of business, having a negative impact on the Group's business performance or financial position.</p>						<p>The Group has established and is working to strengthen our risk response systems to minimize harm caused in the event of emergencies. We have established and communicated our crisis management administration rules and Risk Management Rules that address natural disasters, epidemics, accidents, etc. Furthermore, we conduct disaster prevention drills simulating large-scale earthquakes and terrorist attacks.</p> <p>Measures taken to protect buildings and facilities include seismic retrofitting and fire protection soffit slabs to mitigate harm in the event of a large-scale earthquake. We also install plate water stops in malls at risk of flood damage.</p> <p>The Group subscribes to fire insurance at all malls we operate, as well as profit insurance to cover lost rent and other expenses in the event of a fire, flood, or other large-scale disaster. The Group subscribes to earthquake insurance jointly with the AEON Group, striving to manage risks associated with earthquakes in an appropriate manner.</p>				

i. Risks related to the occurrence of war, civil disorder, and coup d'état

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>Since the Group conducts business both in Japan and overseas, the malls we manage and operate may suffer damage (including to damage to reputation), destruction by fire, deterioration, or other serious harm as a result of events occurring in the respective mall's country or region, including war, civil disorder, and coup d'état. Such events may lead to long-term mall closures, wider vacancies due to the withdrawal of tenants in Japan and/or overseas, and costs incurred to rebuild damaged malls. This could have a negative impact on the Group's business performance or financial position.</p>						<p>Particularly when developing business overseas, the Group pursues business in partnership with local governments, local companies, and other business partners. We strive to collect information through close communication with these parties.</p> <p>We work to build a system by which we engage in appropriate responses, even in the event of an emergency. This system includes measures such as preparing various rules and manuals, e.g., the Risk Management Rules and emergency response manuals, conducting training based on business continuity plans (BCP) in each country, and educating employees on crisis management.</p>				

j. Risks related to the spread of infectious diseases

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>The Group is engaged in the mall business both in Japan and overseas. In the event of an outbreak of a large-scale and severe infectious disease in countries and regions where the Group operates malls, national or municipal government lockdown orders, requests to restrict activities, or other actions could limit customer movement outside their homes. Such developments could lead to changes in customer values and consumption behavior. In the event that the malls managed and operated by the Group are forced to close temporarily, to shorten business hours, or to change plans for mall openings, this may have a negative impact on the Group's business performance or financial position.</p> <p>The spread of COVID-19 has caused a slowdown in the global economy and changed customer lifestyles. As it is difficult to predict when the pandemic will subside, we expect uncertainty to remain as to the future business environment.</p>						<p>Based on the AEON COVID-19 Prevention Protocol, a standard for quarantine measures established by AEON to protect the health and livelihoods of tenants and Company employees, the Group continues to establish improved mall environments and operations in the interest of infection prevention measures. We view this as an opportunity to reinvent our business models and create malls that offer new concepts and service functions in the era of the new normal and in response to changing customer values and consumption behavior. We strive to create malls that respond to social change in Japan and overseas.</p> <p>We are also working to prevent the spread of infection through rigorous health management, including temperature checks, and we encourage telecommuting, so employees work in good health and safety. We pursue work efficiency through videoconferencing systems and improved remote work environments. We are also moving forward with initiatives toward work-style reforms.</p>				

k. Risks related to information security

Risk Assessment	S	H	M	L	☆	Measure Urgency	High	Medium	Low	☆
Risk Scenarios						Measures				
<p>The importance of the Group's information systems within our overall business operations has increased dramatically. In the event of a large-scale natural disaster or similar occurrence, data centers could be damaged and information system operations could be interrupted.</p> <p>If the personal information of our customers or employees, confidential business information, or other information is leaked or altered as a result of cyberattacks or other unforeseen circumstances, the Group's social credibility may be damaged, and the Group may become responsible for paying significant compensation for damages. Such events could have a negative impact on the Group's business performance or financial position.</p>						<p>To address the risk of information system outages, we have backup data centers in standby operation at remote locations in addition to data centers in primary operation. By establishing a system allowing recovery, even in the event of failure at the primary data center, we have further strengthened our current business continuity plan (BCP), striving to minimize the impact of large-scale natural disasters on Group businesses.</p> <p>With respect to risks such as information leakage and alteration, we have implemented a number of measures against cyberattacks. These measures include antivirus software on work computers, logging tools for network communications, and limitations on the use of external recording media in work computers. We have also implemented a variety of measures in our operations. These measures include the latest security patches to applications and other software used, information security education programs for employees, and regular information system security checks.</p>				