A portrait of Yasutsugu Iwamura, President and CEO of AEON MALL. He is a middle-aged man with dark hair, wearing a dark grey suit, a white shirt, and a dark tie with diagonal stripes. He is standing in front of a blurred background that appears to be an office or a modern building with large windows and greenery. The text is overlaid on the lower right portion of the image.

## To Our Stakeholders

Striving for Empathy as a Watchword, AEON MALL  
Aims to Become a Life Design Developer that  
Offers New Value for the Future.

And what should the future of AEON MALL be after this time of the COVID-19 pandemic? How best can we empathize with employees, business partners, shareholders, and local customers, and share the fruits of our growth? How best can we progress toward achieving our vision for 2025? President and CEO Yasutsugu Iwamura shares his thoughts on the today and tomorrow of AEON MALL.

**Yasutsugu Iwamura**  
President and CEO

## A Look Back on AEON MALL and Fiscal 2021

Fiscal 2021 was an important year for us to advocate for ourselves as a Life Design Developer and to determine the future shape of AEON MALL as a company.

COVID-19 showed no signs of abating and had a significant impact on our business performance. And while revenue and profits increased year on year, performance did not return to the pre-COVID-19 profit levels of two years ago. As a result, we fell short of our full-year plan.

Amid the two-year span of the COVID-19 pandemic, infections continued in Japan and overseas. Our malls were subject to many restrictions, including temporary closings and shortened operating hours. Customers, who were forced to stay in their homes, experienced changing lifestyles. We saw a shift in focus from shopping at brick-and-mortar stores to e-commerce. Still, this was not a trend arising solely due to COVID-19. We should look at this shift as a rapid acceleration of a trend expected to occur several years in the future.

The prolonged nature of the pandemic caused many to seriously consider the meaning and the *why* of their travel outside the home. For us, the main outcome of the past year was the opportunity to take a hard look at the future role of AEON MALL as a platform the response to this “why.” How do we survive the post-COVID-19 era? We must think about how to integrate the real and the online seamlessly, offering experiential value. Even in an era of rapid social change, we believe there are not only rational economic people, who seek mainly efficiency, but also those who seek slower, experiential value that cannot be obtained through the pursuit of efficiency alone. We must find ways to offer pleasing experiences to customers who spend time in our malls. Society will only make greater demands for environmental friendliness, safety, and security in the future. These are the greatest concerns of any person, and we aim to answer these concerns as a matter of course, ensuring that our customers spend purely joyful time at malls, with no worries about the outside world.

## Overview of Fiscal 2021 Consolidated Results

### • Consolidated Statements of Income

(¥millions)

	FY2021	FY2020	YoY Change		Full-Year Plan	
	Actual	Actual	Change	%		Progress rate (%)
Operating revenue	316,813	280,688	+36,125	112.9	344,000	92.1
Operating costs	248,884	218,926	+29,958	113.7	—	—
Gross profit	67,928	61,761	+6,167	110.0	—	—
Selling, general and administrative expenses	29,700	27,367	+2,332	108.5	—	—
Operating income	38,228	34,394	+3,834	111.1	59,000	64.8
Ordinary income	32,540	28,437	+4,103	114.4	50,500	64.4
Net income (loss) attribute to owners of parent	19,278	▲ 1,864	+21,142	—	31,000	62.2
Net income per share (yen)	84.72	▲ 8.19	+92.91	—	136.23	—

\*Scheduled for April 2021 announcement



\*1 AEON MALL Hakusan: Opened in July 2021 in Hakusan City, Ishikawa Prefecture. This mall offers one of the largest food zones in the Hokuriku area, and provides enjoyment, surprise, and excitement for people of all ages, from trendy fashion to culture and entertainment. This mall will serve as a regional hub of interchange.



\*2 AEON MALL Nagoya Noritake Garden: Opened in October 2021 in Nagoya City, Aichi Prefecture. Located in a rare urban setting surrounded by greenery, this mall represents a business model combining new commercial facility development with offices that support the growth of workers and companies.



\*3 Establishment of AEON MALL Cambodia LOGIPLUS. AEON MALL plans to establish and operate a multi-function logistics center in a special economic zone. The center has the necessary licenses for cross-border e-commerce businesses, including bonded functions, as well as customs clearance and fulfillment center functions.

## Finding the *Why* Brings the Shape of the Next-Generation Mall into Focus

Our vision for AEON MALL is to be the center of the local community, providing solutions indispensable for everyday living.

We have been thinking about what it means for customers to visit a mall amid the constraints of the COVID-19 pandemic, taking on new initiatives and delivering tangible answers.

One initiative is to provide value in terms of the mall environment, and we have focused on creating spaces that appeal to all five senses. AEON MALL Hakusan (Ishikawa Prefecture)\*<sup>1</sup> offers relaxing spaces and greenery. AEON MALL Nagoya Noritake Garden (Aichi Prefecture)\*<sup>2</sup> is an office complex that responds to changing work styles. These two facilities embody our vision of a new model for shopping malls.

Overseas, we plan to open a multifunctional logistics center\*<sup>3</sup> in Cambodia in fiscal 2023 as a means to provide solutions in the region. This center is an effort to solve the shortage of logistics facilities in the special economic zone, where foreign companies continue to expand operations. Here, we are solving local social issues beyond the framework of a conventional mall business. In taking on new challenges one at a time through trial and error, I believe we are making progress toward change. We must take on these challenges driven by a strong desire to make these initiatives new pillars of our business, rather than merely functions that complement the mall business.

Achieve digital transformation (DX) as conceived by AEON MALL is another important topic. Technology is not an answer in itself. The first step is to identify the issue, and then leverage technology as a solution. This is an initiative by which we envision our ideal future, giving shape to this vision to achieve a DX\*<sup>4</sup> that supports emotions and ideas. I am convinced that driven by a strong desire, we will grow into an advanced DX company.

### Innovation

#### Putting our management philosophy and vision into practice

Pioneer business domains as a Life Design Producer that creates new lifestyles beyond the framework of commercial facilities

### Achieve Digital Transformation (DX) Focused on Human Perception

#### Digitization Digitalization

##### Responding to a digitalized society

Establish a mall business and operating system that respond to a new era

#### Transformation

##### Mindset reform

Foster a corporate culture that asks *why*, leading to action and the creation of opportunities





\*4 In January 2022, AEON MALL obtained certification as a DX Certified Business Operator under the DX Certification System established by the Ministry of Economy, Trade and Industry.

## Fiscal 2022 Will be a Bridge to a New Medium-Term Management Plan

Fiscal 2022 is the final year of our current three-year medium-term management plan. We defined four growth initiatives and formulated five management measures to pursue these initiatives. We believe that this current fiscal year is important not only for completing the current medium-term plan, but also for solidifying the foundation for the measures we will pursue under a new medium-term plan for fiscal years 2023 through 2025.

### Three-Year Plan Growth Policies

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

We have identified the following management issues and future vision to pursue the growth initiatives above:

1. Achieve profitable growth in our overseas business and accelerate new mall openings
2. Maximize the appeal of brick-and-mortar malls through customer experience (CX)
3. Build next-generation malls and pursue the urban shopping center business
4. Pursue digital transformation(DX)
5. Pursue Medium-Term Strategies, accelerate reforms based on ESG perspectives

\*See P25 to P36 for more on initiatives 1. through 5.



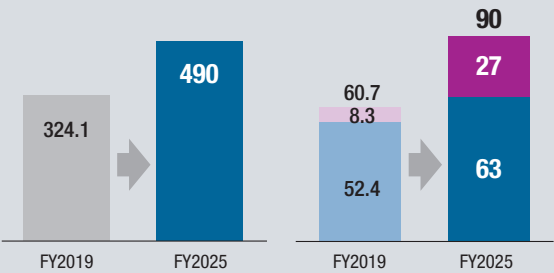
The figures in our fiscal 2022 earnings plan\*<sup>5</sup> are based on the state of COVID-19 in Japan and overseas.

In China, a variant strain began spreading throughout the country in January resulting in continued harsh conditions, including city lockdowns through the end of May. However, the Chinese government is expected to launch a large-scale economic recovery program, and we anticipate the economy to return to a growth track beginning in the second half of the year.

Vision for 2025

Operating Revenue  
¥490 billion

Operating Income  
¥90 billion



Operating Margin of Japan and Overseas

	FY2019	FY2025
Japan	86.3%	70.0%
Overseas	13.7%	30.0%

\*<sup>5</sup> Operating Income ¥404 billion, Operating Income ¥55.5 billion, Ordinary income ¥45.5 billion, Net income attributable to owners of parent ¥23 billion

The spread of variants of COVID-19 continues in Vietnam and other ASEAN countries. However, sales are recovering in Vietnam, where consumer confidence is strong, thanks to the government's shift in direction toward a with-COVID-19 policy and an emphasis on economic activities.

And while the spread of infections in Japan is likely to continue for the time being, we expect the economy to recover moderately due to lower risks on infection based on vaccine-based immunity and behavioral changes, as well as the government's economic recovery policy. Together with our own sales measures, we expect the economy to return to fiscal 2019 levels.

### Forming a Medium-Term Management Plan Looking Ahead to 2030

Our medium-term plan beginning in fiscal 2023 will be the last plan leading toward our long-term vision ending in fiscal 2025. We intend to prepare steadily toward creating an ideal AEON MALL in 2025, building a solid foundation upon which to pass the baton to a post-2025 medium-term plan. Continuing as before by focusing on short-term figures will not produce the results we seek. If we provide value sufficient to earn the support and appreciation of our customers, then the numbers will follow in turn.

Gone are the days when simply opening a large mall in the suburbs is enough to provide great value to customers. How do we provide new value unique to brick-and-mortar malls while ensuring the safety and security of our customers? We must anticipate changes in customer lifestyles, consider the new experiential value to be gained beyond purchasing behavior, and respond with a sense of urgency.

This is also true for opening malls overseas. Rather than simply building numerous shopping centers as we have in the past, we must consider the value we provide as a foreign company. What types of infrastructure are necessary for each country or region? How do we create deep roots and become accepted members of local communities? The answers will lead ultimately to an increase in the number of overseas mall openings and profit growth.

We view Vietnam<sup>\*6</sup> as our most important area for development. When I served as a representative of our local subsidiary in Vietnam, I learned about the needs, culture, and climate of each area. We provided solutions that included employment opportunities and contributions to community development. As a result, our malls have become important sources of value, and we received an invitation to open malls in other areas.

In this way, we must look ahead, even in uncertain times, anticipating trends in the world and planting seeds that will bloom in the year 2030. I want the next generation who will lead the way in 2030 to give shape to their vision of an ideal AEON MALL. New generations have difficulty in taking ownership of and implementing plans created by and from the perspective of the current generation of management. This is why I hope our employees not only do their assigned jobs, but also think about the *why* of their work, taking greater

<sup>\*6</sup> Since opening the first AEON MALL in 2014, the company has contributed to the economic development of the region in collaboration with local governments. Six malls are under current operation. We plan to have 16 malls in operation by FY2025 toward an eventual 20-mall network in the country.



Hanoi City, Socialist Republic of Viet Nam  
Dai Ki, Hoang Mai District  
We plan to open the first overseas Office  
BIZrium at AEON MALL Hoang Mai.

\*7 Started in July 2021. A working group to envision the ideal AEON MALL in the year 2030, and to reform our internal mindset through actions toward this vision.

➡ See P.22

responsibility. Mindset reform within each individual will lead to the growth of the entire organization, and allow us to provide even greater value to our customers.

We launched studio LIFE DESIGN\*7 last year with the aim of mindset reform within the company. This project is a working group consisting mainly of young employees who are thinking about the future ideal of AEON MALL. We asked this group to envision society in the years 2040 and 2050, backcasting to how AEON MALL will become a deeply rooted member of our communities in the year 2030.

### Embodying the AEON MALL Philosophy of Heartful and Sustainable

Beyond sustainable growth and improved corporate value, I believe stakeholders want to see the future we aim to achieve for AEON MALL as a company. I am strongly committed to the brand statement, *Heartful and Sustainable*. The concept of Heartful and Sustainable is the very essence of AEON MALL corporate activities that contribute to the development and revitalization of local communities and society. In this pursuit, we act as a corporate citizen toward sustainable societies based on our management philosophy of being a Life Design Developer. Heartful and Sustainable is a term that embodies the philosophy and actions on which AEON MALL has focused since before the words ESG or SDGs were even known. Instead of creating initiatives for the SDGs, we consider how the things we already do in pursuit of our philosophy fit within the 17 goals of the SDGs.

Most recently, we have been working on the local production for local consumption of electricity, efforts to reduce food waste, and clothing recycling through our Happy Clothes Relay! program. In these ways and others, we seek to create circular economies.



We call our initiatives to contribute to and revitalize communities and society, Heartful and Sustainable. We pursue these initiatives to offer sustainable societal development as a good corporate citizen under our management philosophy as a Life Design Developer. We strive to create a better society, not only on our own, but also in partnership with our customers, communities, companies, shareholders, and investors.

Among the social issues AEON MALL must address are those of particular importance to our stakeholders and those closely related to our Heartful and Sustainable corporate activities. These issues, including global climate change and plastic waste, were selected as materialities\*8, and we move forward focusing on solutions and improvements. Beginning last year, we established clear KPIs for materialities, and we have all been working together to achieve these goals.

Last fiscal year, we also took steps to enhance the functions of the board of directors and increased the number of independent outside directors to bolster our governance structure\*9.

\*8 Materiality

➡ See P.49

\*9 Governance structures

➡ See P.77





We believe the next step is to focus on global governance and improve risk management in anticipation of overseas business expansion. We must also concentrate on the mindset of our employees regarding governance.

### **Working with Stakeholders Through a Cycle of Empathy**

We believe our business is built on a cycle of empathy. Employees empathize with each other to create new ideas, which are then shared among partner specialty store companies and become a tangible part of our malls. The malls share these ideas with customers, who in turn share them with each other. This in turn leads to empathy within the local community, which eventually leads back to our partners and employees. As this cycle expands, we become a presence rooted in each of our communities.

We are a platform for creating a stage together with the support of our partners. We can only co-create value when we foster empathy with local communities. We are convinced that this cycle of empathy is what we stand for as a *Life Design Developer* that creates the future of community living.

We hope to expand the cycle of empathy with all stakeholders and develop our business further. We look forward to your continued support.