

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*. Under this management philosophy, we defined our corporate activities as Heartful Sustainable. In this way, we contribute to the development and revitalization of communities and society as a corporate citizen, striving to achieve sustainable societies through various initiatives.

We develop malls localized to the characteristics of each community we serve in Japan and around the world, contributing to better individual lifestyles and community growth. Through efforts in co-creation with customers, communities, partner companies, shareholders, and investors, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be central facilities for local communities.

We recognize the importance of corporate governance in accomplishing this vision and we work continually to improve our corporate governance structure.

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

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, communities, employees, partner corporations, and stakeholders, conducts business activities ethically, and engages in a positive approach to sustainability.
3	We have created a Disclosure Policy and Rules for Managing Information Disclosure to address the 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 with diverse experience and expertise, helping AEON MALL capitalize on our background as a retail developer. We appoint independent outside directors to strengthen our supervisory function and conduct highly transparent business. Our board of directors determines important strategies and measures to achieve our long-term vision and medium-and long-term plans.
5	We incorporate feedback and input received through constructive dialogue with shareholders to improve our corporate value.

Corporate Governance Structure

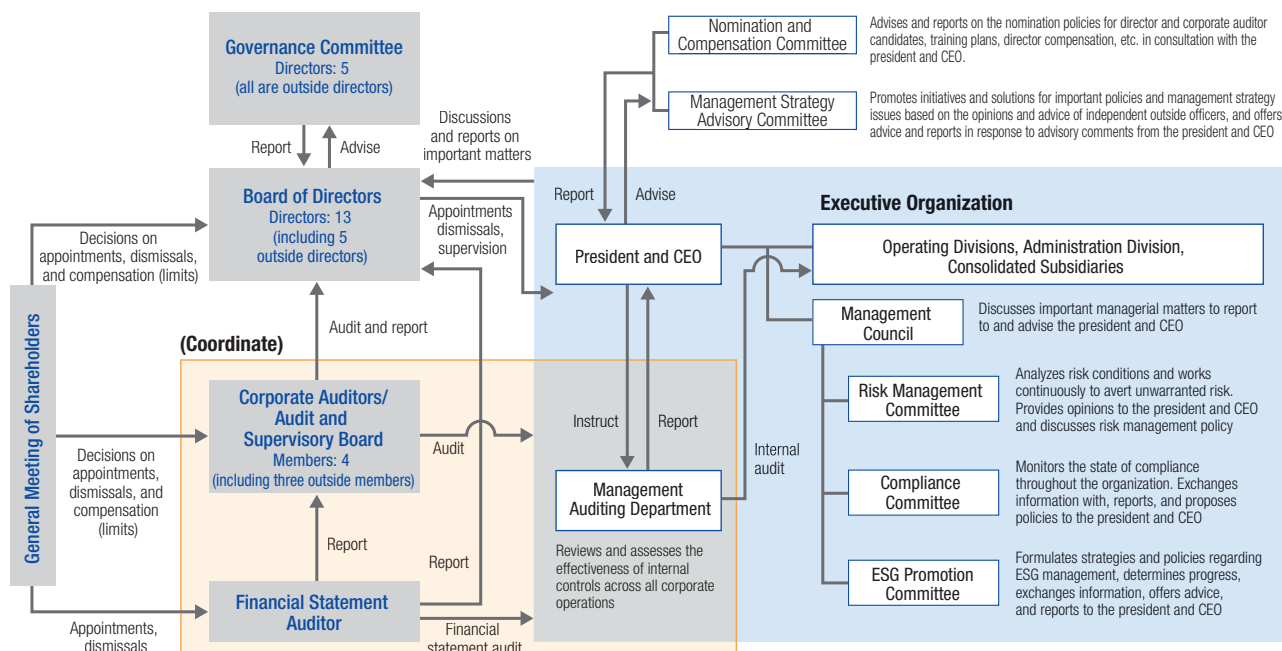
The company believes that a strong corporate governance function and improved competitiveness through expeditious decision-making are indispensable to achieving sustainable growth.

The company has adopted an Audit & Supervisory Board system. The company had 13 directors (five of whom are outside directors) and four members of the Audit & Supervisory Board (three of whom are outside members). By including outside directors who are well versed in a variety of areas in the board of directors, we conduct highly effective supervision and strengthen our management structure. We are also working to bolster the functions of the Audit & Supervisory Board, thereby maintaining and strengthening sound management. As a general rule, the board of directors and the Audit & Supervisory Board meet once a month. In addition

to these mechanisms, the Company strives to disseminate information through committees led by general managers or other managers below the rank of a representative director. The purpose of these committees is to ensure efficient business activities.

We operate an audit system under which the Audit & Supervisory Board, our outside financial statement auditors, and the Management Auditing Department maintain a close working relationship, exchanging information and opinions as necessary. This system is designed to ensure improvements in the practicability and efficiency of our audits. Each member of the Audit & Supervisory Board attends board of director meetings, while full-time members of the Audit & Supervisory Board are always present at meetings of the Management Council and other important meetings.

Corporate Governance Organization Chart (as of May 20, 2022)



Board of Directors

The board of directors is chaired by the president and CEO and consists of eight internal directors and five independent outside directors. As a management decision-making body, it votes on resolutions regarding legal matters, and supervises overall management by making decisions, etc., on how to best execute important business. Furthermore, Audit & Supervisory Board members attend board of directors' meetings and express their opinions as necessary.

Audit & Supervisory Board

The Audit & Supervisory Board is chaired by a full-time member (outside member) and consists of four members in total: one outside member, two independent outside members, and one internal member. Members of the Audit & Supervisory Board works with the board of directors in supervising the Company, conducting audits regarding legal compliance and operations to achieve sound and sustainable Company growth, as well as to create medium- to long-term corporate value.

Governance Committee

The Governance Committee is chaired by an independent outside director and consists of five independent outside directors. For the purpose of lawful and efficient operation of the board of directors as well as the sustainable growth of the company, the committee will provide advice and report to the chairman of the board of directors on matters related to organizational restructuring such as mergers and company splits, and matters to be discussed by the board of directors regarding transactions with parent companies

and group companies, ensuring the fairness and rationality of such transactions.

Nomination and Compensation Committee

The Nomination and Compensation Committee is chaired by the lead independent outside director and consists of seven directors: five independent outside directors, the president and CEO, the HQ general manager, who is an internal director, and two independent outside members of the Audit & Supervisory Board. It ensures transparency and objectivity by providing advice and reports to the president and CEO regarding the nomination and appointment of candidates for directors and Audit & Supervisory Board members as well as the determination of remuneration for directors.

Management Strategy Advisory Committee

Chaired by the president and CEO, the committee consists of seven directors, five independent outside directors, and four auditors. In response to inquiries from the president, the committee discusses and exchanges opinions on important policies and management issues, the direction of measures and initiatives, specific plans and rates of progress, and provides advice and reports to the president.

Management Council

As an advisory body for the president, we have established a management committee centered on directors, full-time auditors, and those nominated by the president, to strengthen management strategy functions and improve the efficiency of the decision-making process.

Board of Directors

Composition of the Board of Directors

To ensure active deliberations and rapid decision-making, no more than 20 directors shall be appointed according to the Company's corporate charter. At present, five board members are independent outside directors.

In considering the composition of the board of directors, we seek candidates with diverse expertise and knowledge that will not only strengthen our management supervisory function, but also drive key Company strategies and growth policies. We provide a summary of the skills offered by each director in the skills matrix.

Internal directors have an understanding of our overall business operations, a sense of balance, a history of achievements, and decision-making skills, contributing to the diversity of expertise among board members in shopping mall operations and management, overseas business expansion, improved governance, sound finances, etc.

Outside directors consist of independent individuals with management experience and expertise in a variety of industries, contributing a diversity of viewpoints, a wealth of experience, a depth of knowledge, and expert opinions in the areas of international business strategy, governance, corporate branding, diversity management, and finance.

As a developer, manager, and operator of shopping malls, AEON MALL seeks the values and conceptual ideas of women. Accordingly, we pursue diversity in management, including appointing women as constituent members of our board of directors. Currently, six of the 17 board members are women. The Company employs a diverse workforce without regard to nationality, race, gender, age, educational background, religion, etc.

Please refer to the Independence Standards for Outside Directors in the Company's Corporate Governance Report.

► https://www.aeonmall.com/en/ir/pdf/c_governance_report.pdf



Expertise and Experience of Directors <Skill Matrix>

The list below does not represent all the expertise and experience each person has, but rather lists the skills we would especially like to see in candidates.

Directors	Corporate Management	Internal Controls	Finance and Accounting	Real Estate		Diversity and Workstyle Reform	Digital Transformation	Sustainability	Global	Marketing and Branding
				Development	Operation					
Yasutsugu Iwamura	●			●			●	●	●	
Mitsuhiro Fujiki					●			●		●
Hisayuki Sato				●				●	●	
Masahiko Okamoto		●				●		●		
Hiroshi Yokoyama		●	●	●						
Motoya Okada	●							●	●	
Akiko Nakarai					●		●			●
Tatsuya Hashimoto					●				●	●
Kunihiro Koshizuka (Outside Director)	●	●					●			
Hironobu Kurosaki (Outside Director)	●								●	
Junko Owada (Outside Director)		●				●				
Chisa Enomoto (Outside Director)		●						●		●
Yoko Taki (Outside Director)			●							

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.

The main resolutions and reports of the board of directors in fiscal 2021 are as follows.

Category	Main contents
Matters concerning directors	<ul style="list-style-type: none"> • Selection of representative directors • Business reports from executive directors • Remuneration of directors • Selection of executive directors
Matters concerning corporate governance	<ul style="list-style-type: none"> • Revision of the Corporate Governance Code • Establishment of Governance Committee and enactment of rules • Policy on cross-shareholdings • Annual reporting of related party transactions
Matters related to budget and settlement	<ul style="list-style-type: none"> • Determination of annual budget • Surplus dividend • Approval of annual and quarterly financial results
Matters related to finance and matters related to personnel and the organization	<ul style="list-style-type: none"> • Issuance of corporate bonds (Sustainability Linked Bonds) • Revision of investment profitability standards • Organizational reform
Matters concerning risk management, compliance, and audits	<ul style="list-style-type: none"> • Risk Management Committee Annual Report • Report on the evaluation of the effectiveness of the internal controls of annual financial reports • Annual Internal Audit Policy and Plan • Compliance Committee Annual Report
Matters related to business promotion	<ul style="list-style-type: none"> • Investment profitability plans for new properties and floor space expansions and revitalization of existing properties • Progress reports on future development properties
Matters related to climate change response	<ul style="list-style-type: none"> • Promotion of new business (creation of renewable energy for local production and local consumption) • Issuance of corporate bonds (Sustainability Linked Bonds)

Appointment Criteria for Directors and Audit & Supervisory Board Members

The president and CEO propose director candidates according to the following criteria. The Nomination and Compensation Committee, after listening to input from independent outside directors, discuss 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 into a professional specialization. These individuals must have sufficient time to carry out their duties as company directors and possess qualities to provide independent supervision and recommendations on the appropriateness of decision-making by the board of directors.

Nominations of candidates for Audit & Supervisory Board member positions are proposed by the president and CEO according to the standards provided below. Nominations are determined by board resolution after obtaining the consent of the Audit & Supervisory Board, and are submitted to the general meeting of shareholders 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 are 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.

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. The following describes initiatives carried out in fiscal 2020.

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. The establishment of the Nomination and Compensation Committee has improved the evaluation of executive directors. In addition, we concluded that advice and discussions backed by the expertise of outside directors and members of the Audit & Supervisory Board contributed not only to the board of directors, but also served as strengths in establishing a flexible management structure.

3. Responses

It is clear that certain issues are ongoing and must be addressed in the future. These issues include establishing a more transparent management system for board of director meetings and conducting deliberations from the perspective of medium- to long-term management strategies and supervision. Other issues include speeding up decision-making

and clarifying executive responsibilities through a review of business execution authority. As part of our efforts to resolve these issues, we have changed the composition of our board of directors to five independent outside directors (38.5% of board members). We also established a Management Strategy Advisory Committee to provide advice based on committee member expertise. In this way, the Company continues to deliberate and exchange opinions regarding policies and management issues.

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.

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. This training includes seminars for newly appointed directors 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

Issues and Improvements Concerning the Evaluation of Board of Director Effectiveness

Issues	Responses
1) Lack of discussion regarding medium- to long-term management strategies	From fiscal 2021, we will establish a Management Strategy Advisory Committee which will meet once a month and provide an opportunity to discuss important management issues and strategies.
2) Transparency regarding the operation and structure of the board of directors is insufficient	The Nomination and Compensation Committee was established and began activities. Additionally, we established the provisions of our Rules for Managing Related-Party Transactions and began submitting them for board of director deliberations. We also established the Governance Committee, which held as appropriate.
3) Lack of clear supervision and execution by management	From fiscal 2021, we will establish a structure composed of five independent outside directors, strengthen the supervisory function, and improve the feasibility of priority policy through discussions that utilize their expertise. Going forward, we will work to improve the delegation of business execution authority and the content of the matters to be discussed and reported to the board of directors.

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.

* Mall observations and interviews with mall managers conducted twice yearly via online conferencing since the beginning of the COVID-19 pandemic.

Officer Compensation

Director Remuneration Structure

Director remuneration consists of basic compensation, performance-linked compensation, and stock options. The maximum amounts 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, which is made up mainly of outside directors, 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 deliberations between said members.

i. Basic Compensation

Basic compensation is paid on a monthly basis, as determined by individual evaluation and within the standard amount established for each title.

ii. Performance-Linked Compensation

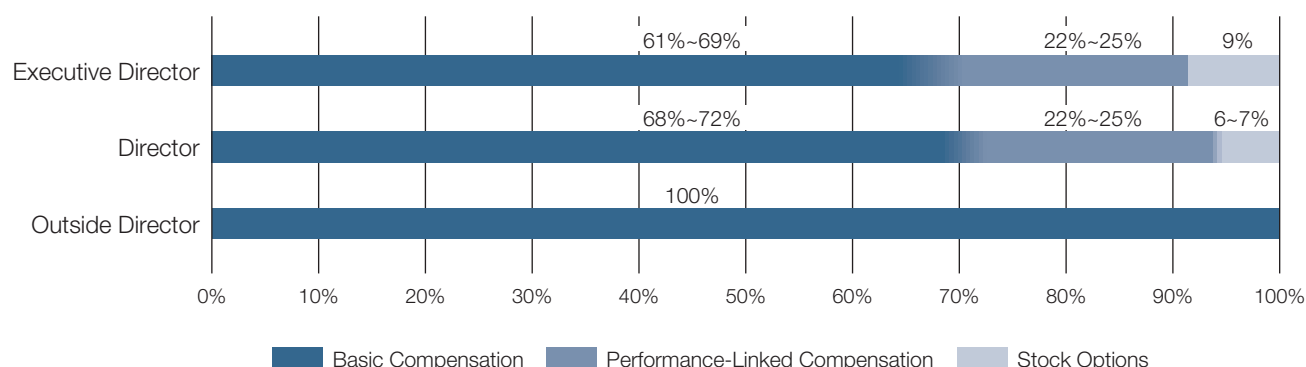
Performance-linked compensation is weighted at approximately 30% of total cash compensation (basic compensation plus performance-linked compensation), weighted according to individual responsibility. Performance-linked compensation paid to each director (individual basis) is calculated according to the performance-linked amount

and performance-linked payout ratio, reflecting a payout ratio based on corporate earnings (0% to 170%) and an evaluation of individual performance. We have selected budget-to-actual for the beginning of ordinary income as the most appropriate indicator of normal business performance for the company. Evaluations of individual director performance are conducted by independent outside directors serving as members of the Nomination and Compensation Committee, based on an annual performance report of the individual director in question. These evaluations were finalized after an additional evaluation by the president of the company.

iii. Stock Options

Our aim is to increase the motivation and morale toward medium- and long-term sustained earnings and corporate value improvement through the allocation of stock acquisition rights as stock options reflecting corporate earnings. We accomplish this by strengthening the relationship between share prices, earnings, and compensation, ensuring directors share the same benefits of share price increases and risk of share price decreases with shareholders. The percentage of total compensation is around 10%, with that percentage increasing in line with job responsibilities. If ordinary income for the grant year is less than 80% of the budget, half of the planned options will be granted.

Composition of Director Remuneration



Authority to Determine Individual Remuneration Amount

The president and CEO is the person with the authority to determine the amount of individual director remuneration, etc., and who is also best suited to evaluate the performance of each director from a high level overlooking the overall performance of the Company. The particulars of this authority and scope of discretion relate to individual remuneration amounts (cash portion) for each director.

At a meeting held in November 2018, the board of directors resolved to establish the Nomination and Compensation Committee, which began operating in January 2019. The Nomination and Compensation Committee consists of seven independent outside directors (as of May 20, 2022) who conduct deliberations, and provide advice and report to the president and CEO of the company.

The president and CEO determine performance-linked compensation within a pre-established range based on Company performance and reports from the committee. Compensation evaluations are based on the performance of each individual director.

Audit & Supervisory Committee Member Remuneration Structure

Given their independent position in supervising the execution of duties by directors, members of the Audit & Supervisory Committee are paid only fixed compensation. This level of remuneration is necessary to ensure the appropriate people play a central role in establishing and operating high-quality corporate governance.

i. Basic Compensation

The company pays a fixed amount according to the experience, insight, and title of each member of the Audit & Supervisory Board.

ii. Performance-Linked Compensation

The company does not offer performance-linked compensation to members of the Audit & Supervisory Board.

iii. Stock Options

The company does not offer stock options to members of the Audit & Supervisory Board.

Total Amount of Officer Compensation for Fiscal 2021

Classification	No. of Officers	Amount of Compensation (thousands of yen)	Total from all types of compensation		
			Basic Compensation (thousands of yen)	Performance-Linked Compensation (thousands of yen)	Stock Options
Directors (No. of outside directors)	16 (6)	190,222 (32,400)	162,960 (32,400)	13,240 (—)	14,022 (—)
Audit & Supervisory Board Members (No. of outside members)	3 (3)	24,000 (24,000)	24,000 (24,000)	— (—)	— (—)
Total (No. of outside directors)	19 (9)	214,222 (56,400)	186,960 (56,400)	13,240 (—)	14,022 (—)

Cross-Shareholdings

Policy on Cross-Shareholdings

The AEON MALL policy on cross-shareholding is to hold shares for the purpose of contributing to improved AEON MALL Group corporate value over the medium and long term. This policy considers a number of factors including business strategy and business relationships.

Verification of Reasonableness by the Board of Directors

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.

Standards for Exercising Voting Rights

When exercising the voting rights of cross-shareholdings, we verify whether each proposal will contribute to an improvement in the medium- to long-term corporate value of the investee company and whether the proposal may potentially damage our corporate value. As necessary, we hold discussions with the issuing company as part of our overall decision-making process.

Cross-Shareholdings Status (2022)

Number of issuing companies 13
(including 11 exchange-listed stocks)

Total amount recorded on balance sheet 1,991 million yen
(of which exchange-listed shares make up 1,985 million yen)

Protection of Minority Shareholders

Policy on Measures to Protect Minority Shareholders in Conducting Transactions with a 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, 2022).

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 directors or major shareholders (related-party transactions) do not infringe on the interests of the Company or our shareholders.

1. We engage in prior deliberations via the Governance Committee, consisting of independent outside directors, and carefully consider in board of director deliberations whether competitive transactions by directors and transactions involving conflicts of interest between directors and AEON MALL infringe on the interests of the Company and our shareholders. Our investigations include consulting with experts regarding the reasonable nature of the transactions in question. The Company ensures fairness in this process through a number of means, including recusing directors having special interests in transactions with the Company from voting in the resolution.
2. When the company enters 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 when making decisions that show examples of transactions with non-related parties. According to the importance and nature of the transaction in question, we comply with our Rules of Jurisdiction by soliciting opinions from outside directors and members of the Audit & Supervisory Board regarding the rationality of the transaction (its necessity from a business perspective) and the appropriateness of the transaction terms before submitting it to the board of directors. 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.

Risk Management

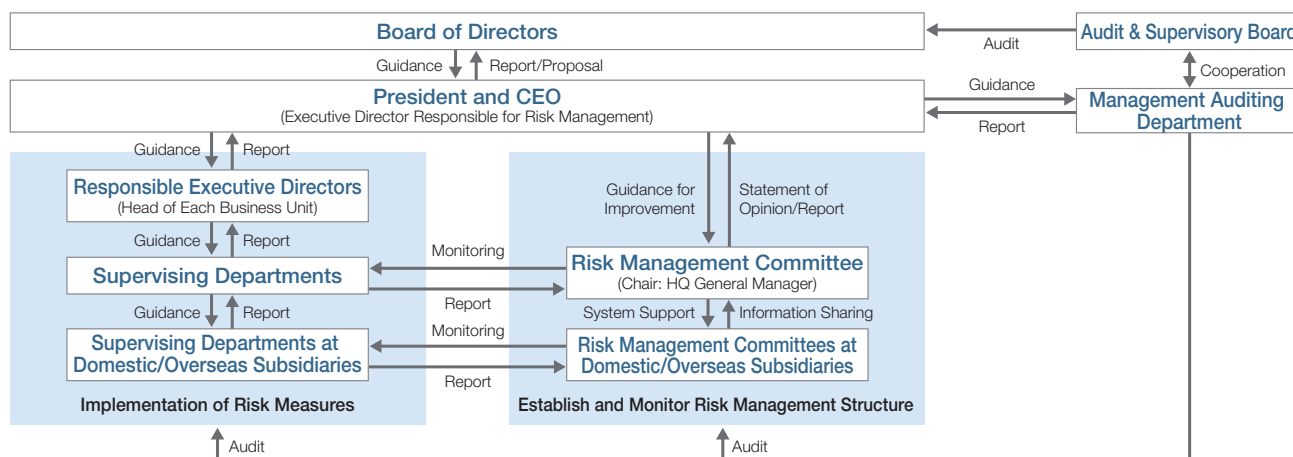
Risk Management Promotion System

The Company designates its President and CEO as the executive director of risk management and business division heads as directors in charge of risk management. These individuals are tasked with developing a system and environment to ensure business continuity and the safety of human lives. The Group has established Risk Management Rules to prevent crises or minimize damages 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.

Risk Management Promotion System Diagram



[The members of the company's Risk Management Committee]

- 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 to lead the prevention of and response to a given high-impact risk for the Group.

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. 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.

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 subsidiary OPA and overseas subsidiaries 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.

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. The Management Strategy Advisory Committee, which deliberates and exchanges opinions regarding important management strategy risk policies, will consider the approach and direction of initiatives for each risk and appoint an executive director in charge according to the category. This individual will report to the board of directors on the progress of the risk countermeasures 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

We use the following methods to identify risks that affect the Group.

• Examining 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 and identify risks

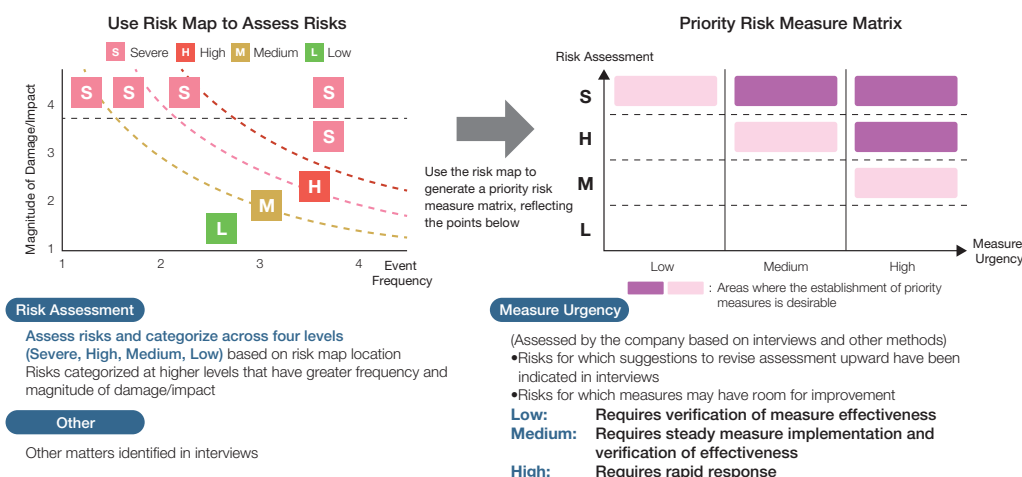
Based on the results of risk surveys, we create a risk map based on the frequency and magnitude of damage or impact of each risk. We evaluate risks and identify those risks that require countermeasures.

• 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 above, we identified 92 risk items and adopted risk control measures based on the degree of relative priority of each measure. As a result of the risk survey we conducted in 2021, however, we revised the number of risk items to 91 and are currently implementing corresponding measures. We plan to periodically conduct risk surveys based on business changes that occur every few years, with the aim of reflecting the results in our medium- to long-term management plans. Additionally, in order to respond to the ever-changing business environment, we review the risk assessments even in fiscal years when risk surveys are not conducted, and update the risks that need to be prioritized.



Business and Other Risks

Based on the latest business environment in Japan and overseas, we have examined 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. 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 governance	H	High
Risks related to finances	e. Impairment risks	S	High
	f. Risks related to capital procurement, interest rate fluctuations, and exchange rate fluctuations	S	Medium
Operational risks	g. Risks related to the occurrence of natural disasters, accidents, and terrorism	H	High
	h. Risks related to the occurrence of war, civil disorder, and coup d'état	S	Medium
	i. Risks related to the spread of infectious diseases	S	Medium
	j. Risks related to information security	H	High

Please refer to our website for details on each risk item.

► <https://www.aeonmall.com/en/ir/risks.html>



Compliance

Compliance Promotion System

We emphasize compliance management and compliance with the AEON Code of Conduct, which is the code of conduct of the AEON Group, fostering improved relations with local communities and meeting our social responsibilities. To prevent harassment, we will establish Anti-Harassment Regulations, providing education and awareness building for employees. 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 and presented in an annual report.

The company has established a helpline (AEON MALL Hotline) for internal reporting. The company's labor union has likewise established its own Kumiai 110 helpline. Subsidiaries have also established helplines that mirror the AEON MALL system. We ensure that the privacy of individuals who use this helpline is protected, and that they do not suffer retaliation. Additionally, we thoroughly investigate any problems reported to the company through this helpline. If unacceptable behavior is discovered, we take disciplinary action in accordance with our internal rules. The issue in question is reported to

the Compliance Committee and the company implements company-wide measures to prevent recurrence in the future.

Initiatives to Prevent Corruption

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

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

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 company's approach to compliance.

Executives 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. Executives and employees of the company 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.

Internal Control System

Please refer to our Corporate Governance Report for more information about the basic concept and development status of the internal control system.

► https://www.aeonmall.com/en/ir/pdf/c_governance_report.pdf



The major operational status for the current fiscal year is as follows.

Based on findings through a risk survey conducted in fiscal 2016 and its responses to serious incidents that occurred and new business fields and environments, the Company divided risks according to their importance and need for countermeasures. The Company is building a more effective management system by assigning the intensive discussion of the details of initiatives taken by management divisions to the Risk Management Committee. Furthermore, in light of the expansion of the Company's business scale and changes in social conditions, a risk survey was conducted in fiscal 2021, based on which we revised the risks to be managed.

In expanding overseas business store openings and diversifying incidents, we conducted a risk survey for property development and reviewed the emergency response manual in light of the coup d'état in Myanmar and other events. In addition, we revised our BCP in light of the expansion and diversification of our domestic business.

Based on the results of a risk survey conducted for the Company's subsidiaries in China and ASEAN in fiscal 2017, they adopted systems for autonomously promoting risk management systems in each country in line with the practice at the head office in Japan. Furthermore, given the growing importance of subsidiary management in line with business expansion, we are developing standards for risk management systems tailored to the size and operations of subsidiaries, and are working to improve the Group's risk management system as well.

The Company's Compliance Committee is discussing matters for the sake of preventing recurrence, treating violations that have occurred in Japan and overseas as case studies, in order to prevent the violations of laws and regulations, and internal rules. In order to improve effectiveness, the results of discussions are reported to the Management Council and the Board of Directors. In the fiscal year under review, discussions by the Compliance Committee focused on measures for preventing harassment, abuse of superior bargaining positions, and reduction of working hours. Particularly with regard to overseas compliance violations, the Company has established a reporting flow leading to the head office, while working for early recognition of such violations, and is taking measures to resolve these violations as soon as possible and prevent recurrence thereof.

For responses to transactions that may cause a conflict of interest between the Company and its parent or Group companies, we deliberate on the rationality of transactions and the appropriateness of the terms and conditions of the transactions in accordance with Rules for Managing Related-Party Transactions. We also provide explanations in advance to outside directors on the proposals submitted to the Board of Directors to help them make necessary judgments. In addition, in order to strengthen internal controls, we establish regulations and strengthen the audit system in overseas subsidiaries in China and the ASEAN region. We also control and manage information through appropriate measures, such as obtaining approval from the Management Council for important decisions. In September 2018, we established the Basic Rules for Prevention of Bribery in order to prevent bribery in Japan and overseas countries. Based on the rules, we improve the internal system and provide education.

The internal audit department holds meetings with full-time Audit & Supervisory Board Members once a month to manage the progress of the improvement status and sends reports to the Management Council once every semi-annual period.