

Basic Approach and History of Corporate Governance Reform History

We work to strengthen our corporate governance functions and create a system that enables prompt decision-making. In doing so, we aim to enhance long-term stable corporate value and achieve sustainable growth.

Basic Approach to Corporate Governance

- 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, partner corporations, employees, shareholders, investors, and other stakeholders, conducts business activities ethically, and engages in a positive approach to sustainability.
- 3 We have created the Disclosure Policy and Rules for Managing Information Disclosure to address disclosure of financial and non-financial 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 ensure highly transparent management. Our board of directors determines important strategies and measures to achieve our long-term vision and medium- to long-term plans.
- 5 We incorporate feedback and evaluations received through constructive dialogue with shareholders to improve our corporate value.

Our History of Corporate Governance Reforms (as of February 28, 2023)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Corporate Governance Structure	Company With Board of Directors, Company With Audit & Supervisory Board															
Committees	Chairperson: Outside Director (members include a majority of independent outside directors)											Nomination and Compensation Committee				
	Chairperson: President (members include directors * excluding advisors)															Management Strategy Advisory Committee
	Chairperson: Outside director (members include only independent outside directors)															Governance Committee
Directors	20	17	13	14	11	12	12	11	12	13	13	14	14	13	13	13
Independent Outside Directors								1			2			3		5
Female Directors									1				2			4
Audit & Supervisory Board Members	4															
Outside Members	4			3				4						3		
Independent Outside Members						2			1					2		
Female Members							1							2		
Board of Directors Operation	Effectiveness evaluation of the board of directors															
	Meetings between the president and outside directors (2-3 times a year)															

Corporate Governance

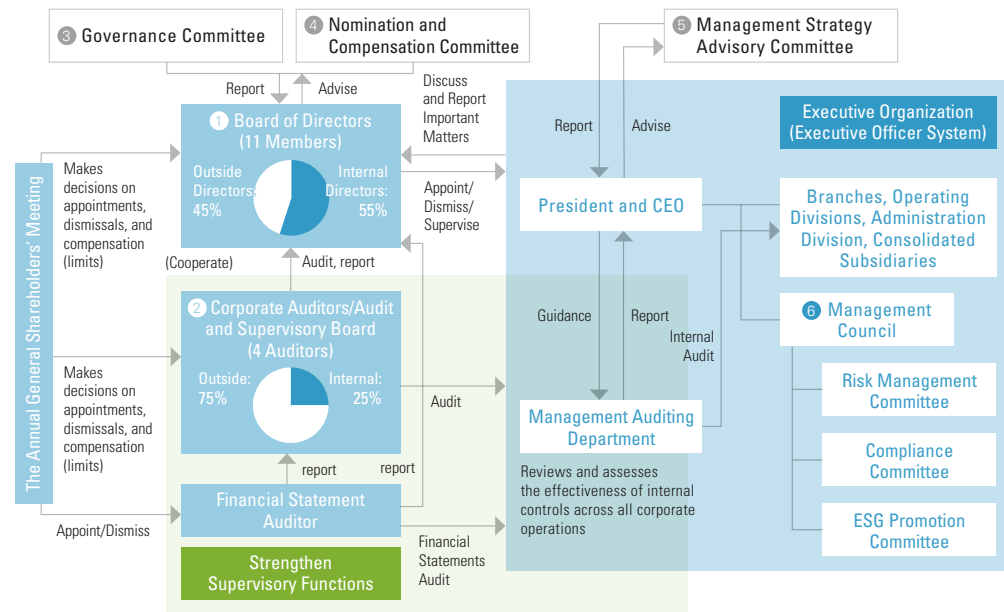
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Corporate Governance Structure

Corporate Governance Structure

The Company has adopted an Audit & Supervisory Board system comprised of 11 directors (5 of whom are outside directors) and 4 members of the Audit & Supervisory Board (3 of whom are outside members). By inviting outside directors with expertise in various fields to the board of directors, we aim to strengthen the management system with highly effective supervision. We also maintain and strengthen sound management by enhancing the function of corporate auditors. Meetings of the board of directors and the Audit & Supervisory Board are generally held once a month. In addition, we strive to disseminate information through committees led by general managers or senior managers below the rank of representative director. The purpose of these committees is to ensure efficient business activities.

Our Audit & Supervisory Board works to improve the effectiveness and efficiency of audits. They do so by cooperating in the mutual exchange of information and opinions with Financial Statement Auditors and the Management Auditing Department, which is our internal audit department, on a case-by-case basis. All Audit & Supervisory Board Members regularly attend board of directors meetings, while full-time members also attend management meetings and other important meetings.



① Board of Directors

The board of directors is chaired by the president. As a management decision-making body, the board supervises general management by voting matters such as legal matters and important business execution decisions. Members of the Audit & Supervisory Board also attend meetings of the board of directors, offering opinions as necessary.

② Audit & Supervisory Board

The Audit & Supervisory Board is chaired by a full-time member (outside member). Members of the Audit & Supervisory Board work with the board of directors in supervising the company and conduct audits regarding legality and adequacy. In doing so, they aim to achieve sound and sustainable company growth, as well as create medium- to long-term corporate value.

③ Governance Committee

The Governance Committee is chaired by an independent outside director. This committee serves as an advisory body to the board of directors and aims to contribute to their legal and efficient operation, as well as to the sustainable growth of the company. The committee advises and reports to the chair of the board of directors on matters related to organizational restructuring, such as mergers and corporate divestitures, as well as on transactions with the parent company and group companies. In doing so, they ensure the fairness and rationality of such transactions.

④ Nomination and Compensation Committee

The Nomination and Compensation Committee is chaired by the lead independent outside director. The committee advises and reports the board of directors on matters regarding the nomination and appointment of candidates for directors, as well as their compensation, therefore ensuring transparency and objectivity.

⑤ Management Strategy Advisory Committee

The Management Strategy Advisory Committee is chaired by the president and CEO. In consultation with the president, the committee discusses and exchanges opinions on important policies and management issues, such as the concept and direction of initiatives, specific plans, and progress reports. In this way, the committee advises and reports to the president.

⑥ Management Council

As an advisory body for the president, we established the Management Council consisting mainly of directors, full-time auditors, and individuals nominated by the president. This committee serves to strengthen management strategy functions and improve the efficiency of the decision-making process.

- **Risk Management Committee:** Analyzes risk conditions and works continuously to avert unwarranted risk, as well as provides opinions the president and CEO and discusses risk management policy.
- **Compliance Committee:** Monitors the state of compliance throughout the organization. Exchanges information with, reports, and proposes policies to the president and CEO.
- **ESG Promotion Committee:** Formulates strategies and policies regarding ESG management, determines progress, exchanges information and offers advice and reports to the president and CEO.

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Board of Directors

Board of Directors Composition

To ensure active deliberations and rapid decision-making, no more than 20 directors shall be appointed according to the Company corporate charter. At present, five board members are independent outside directors. The board of directors is composed of directors with diverse expertise and knowledge that will not only strengthen the management supervisory functions, but also promote key strategies and growth measures by leveraging our business characteristics. The skills expected from each director are disclosed in the following skills matrix.

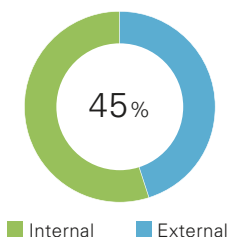
(▶ P.74)

Internal directors have an understanding of our overall business operations, a sense of balance, a history of achievements, and decision-making skills. They also have various expertise in shopping mall development, operations, and management, overseas business expansion, improved governance, sound finances, and so on.

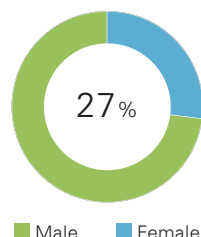
Outside directors consist of independent and expert individuals with management experience, expertise in a variety of industries. In addition to possessing a wealth of experience and a depth of knowledge, they offer various viewpoints and expertise on items such as international business strategy, enhancing governance, improving corporate branding, diversity management, and finance.

As a developer, manager, and operator of shopping malls, AEON MALL believes that female values and conceptual ideas are important. Currently, 3 of the 11 board members are women and the Company employs a diverse workforce without regard to items such as nationality, race, gender, age, educational background, and religion.

Ratio of Outside Directors



Ratio of Female Directors



Please refer to our Corporate Governance Report for more information on the independence criteria for outside directors.

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

Directors and Audit & Supervisory Board Members Election Criteria

The president and CEO suggests director candidates for nomination according to the criteria below. After consulting independent outside directors on the Nomination and Compensation Committee, the board of directors resolves to submit said candidate for approval by the annual general shareholders' meeting.

(Policy for Nominating Director Candidates)

- Internal directors should have the ability, knowledge, experience, and track record in their specialized fields of expertise, as well as a sense of balance and decisiveness to understand and act on all aspects of the business.
- Outside directors must have abundant experience and a high level of insight in their respective fields of background. They must also have sufficient time to perform their duties as directors of the Company, and have the qualifications to supervise and make proposals from an independent standpoint to ensure the adequacy and appropriateness of decision-making by the board of directors.

The president and CEO suggests Audit & Supervisory Board member candidates for nomination according to the criteria below. After discussing candidates and receiving consent at the Audit & Supervisory Board, the board of directors resolves to submit said candidate for approval by the annual general shareholders' meeting.

(Policy for Nominating Audit & Supervisory Board Member Candidates)

- Individual is aware of business issues from experience in general business management.
- Individual has no interests or business relationships that may affect their execution of duties as a member of the Audit & Supervisory Board.
- Individual has considerable knowledge in finance and accounting, or has skills, expertise, and experience in a specialized field.

The appointment and dismissal of the Company president and CEO shall be decided by resolution of the board of directors. The Company follows a highly transparent and fair procedure to determine whether the candidate appointed has the necessary qualifications, reputation, and experience to serve as president and CEO. Discussions are held by the Nomination and Compensation Committee, which consists mainly of independent outside directors, followed by deliberations by the board of directors on the matter.

The appointed president and CEO must have a wealth of experience, a high degree of insight, and high level of expertise, as well as the managerial ability and leadership skills necessary to achieve the continued growth of our business.

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Director Expertise and Experience Skills Matrix

Director Expertise and Experience Skills Matrix

We appoint directors with diverse expertise and knowledge to the board of directors that will not only strengthen the management supervisory function, but also pursue key strategies and growth measures by leveraging our business characteristics. This skills matrix summarizes the skills we expect from each director.

Internal directors have an understanding of our overall business operations, a sense of balance, a history of achievements, and decision-making skills. They also have expertise in shopping mall operations and management, overseas business expansion, improved governance, sound finances, and so on.

Outside directors consist of independent and expert individuals with management experience, expertise in a variety of industries. In addition to possessing a wealth of experience and a depth of knowledge, they offer various viewpoints and expertise on items such as international business strategy, enhancing governance, improving corporate branding, diversity management, and finance.

The following table is not exhaustive of the expertise and experience possessed by each director, but rather indicates the skills particularly expected from them.

Name	Current Position and Responsibilities in the Company	Board of Directors Attendance	Tenure	Corporate Management	Internal Control	Finance & Accounting	Real Estate		Diversity and Work-Style Reform	Digital Transformation (DX)	Sustainability	Global	Marketing and Branding
							Development	Management					
Yasutsugu Iwamura	President and CEO, Officer in Charge of Overseas Operations	14/14 meetings (100%)	4 years	●			●			●	●	●	
Mitsuhiro Fujiki	Senior Managing Director, Officer in Charge of CX Creation	14/14 meetings (100%)	8 years					●			●		●
Masahiko Okamoto	Managing Director Officer in Charge of Business Management	14/14 meetings (100%)	5 years		●				●		●		
Hiroshi Yokoyama	Managing Director Officer in Charge of Finance	14/14 meetings (100%)	6 years		●	●	●						
Motoya Okada	Director and Advisor	13/14 meetings (93%)	25 years	●							●	●	
Shinichiro Minami	Director Officer in Charge of Development	-	-				●				●	●	
Kunihiro Koshizuka	Director <small>Outside Independent</small>	14/14 meetings (100%)	3 years	●	●					●			
Chisa Enomoto	Director <small>Outside Independent</small>	14/14 meetings (100%)	2 years		●						●		●
Hironobu Kurosaki	Director <small>Outside Independent</small>	14/14 meetings (100%)	2 years	●								●	
Junko Owada	Director <small>Outside Independent</small>	14/14 meetings (100%)	2 years		●				●				
Junko Taki	Director <small>Outside Independent</small>	11/11 meetings (100%)	1 year		●	●							

*1 Information presented for years in office and the composition of each committee is current as of the close of the 112th annual general meeting of shareholders.

*2 The above table indicates Director Taki's attendance at board meetings held after her appointment to outside director at the 111th annual general meeting of shareholders held on May 19, 2022.

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Board of Directors Operation and Evaluation of Board Effectiveness



Corporate Governance

Board of Directors Operation

In addition to holding regular board of directors meetings at least once a month, AEON MALL convenes extraordinary board meetings as 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 president and/or by resolution of the board of directors. We clarify management responsibilities by granting the necessary authority in the execution of each duty according to the predetermined Rules for Organization Management, Rules for Segregation of Duties, Rules of Jurisdiction, Rules for Approval Requests, and Rules for Management of Affiliates.

Major resolutions and reports of the board of directors in fiscal 2022 are as follows.

FY2022 Board of Directors Major Resolutions and Reports

Type	Main Resolutions and Reports	
Directors	<ul style="list-style-type: none"> Appointment of the president and CEO Director compensation 	<ul style="list-style-type: none"> Appointment of directors to execute business Reports on business execution of directors
Corporate Governance	<ul style="list-style-type: none"> Effectiveness evaluation of the board of directors Yearly reports on related-party transactions 	<ul style="list-style-type: none"> Ownership policy on cross-shareholdings Reports on Governance Committee deliberations
Budget and Settlement of Accounts	<ul style="list-style-type: none"> Medium-term management plan Approval of annual and quarterly financial statements 	<ul style="list-style-type: none"> Budget decision for the fiscal year Dividends from surplus
Finance and Personnel and Organizational Matters	<ul style="list-style-type: none"> Partial revision of the Articles of Incorporation Reorganization and restructuring 	<ul style="list-style-type: none"> Introduction of the executive officer system Bonds issued
Risk Management, Compliance, and Auditing	<ul style="list-style-type: none"> Risk Management Committee annual report Internal audit policies and plans for the fiscal year 	<ul style="list-style-type: none"> Compliance Committee annual report Report on the internal control financial reporting effectiveness evaluation
Business Promotion	<ul style="list-style-type: none"> Progress report on future development properties Capital and business alliances Measures for unprofitable stores 	<ul style="list-style-type: none"> Investment profitability plan for new properties and properties with floor space expansion or revitalization Establishment of corporate venture capital
Sustainability	<ul style="list-style-type: none"> ESG Activities 	

Board of Directors Effectiveness Evaluation

The Company ensures that corporate governance functions effectively and is strengthened by examining the contribution of the board of directors, identifying issues, and making improvements. In doing so, the board of directors self-analyzes and evaluates board effectiveness. The following is a summary of fiscal 2022 implementations.

Analysis and Evaluation Process



Our board of directors was evaluated to function appropriately with active discussions by directors and Members of the Audit & Supervisory Board that possess diverse insights and experience. As a whole, the board was also evaluated as generally effective.

Our Strengths	The evaluation confirmed that our Company tends to agree on many items and indicated that our use of the PDCA cycle is steadily resolving issues. In particular, our cooperation with auditing agencies and our support system for outside directors were rated as highly effective.
Our Challenges	The following are considered issues that require continued improvement and enhancement. <ul style="list-style-type: none"> Lack of discussions from the perspective of medium- to long-term management strategies and management supervision Acceleration of decision-making process and training of director candidates for the next term through the review of business execution authority Improvement of areas such as the position and functions of each committee
Response to Issues	We introduced the Executive Officer System in May 2023 to resolve the above issues. We will enhance management mobility and strengthen our corporate governance structure by accelerating management decision-making processes, as well as by separating and clarifying the supervisory and business execution functions. At the same time, we will pursue the development of next generational management personnel. The Company will consider measures at the board of directors and each committee to address other issues and further enhance the effectiveness of the board.

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Officer Compensation



Corporate Governance

Director Remuneration Structure

Compensation for directors consists of base compensation, performance-based compensation, and stock options. The maximum compensation amount is submitted to the annual general shareholders' meeting and compensation is paid within the scope determined by their resolution. The Nomination and Compensation Committee (consisting mainly of independent directors) considers job responsibilities, company performance, and other factors, and deliberates the appropriateness of each director's performance and payments levels. The board of directors then determines the amount to be paid. Compensation for members of the Audit & Supervisory Board is determined according to negotiation with said members, subject to the scope determined by resolution at the annual general shareholders' meeting.

Directors compensation strongly motivates the execution of management policies. It is also linked to business performance, and is designed to be objective and transparent.

i Basic Compensation

Base compensation is paid monthly and determined based on individual evaluations within the standard amount set for each position.

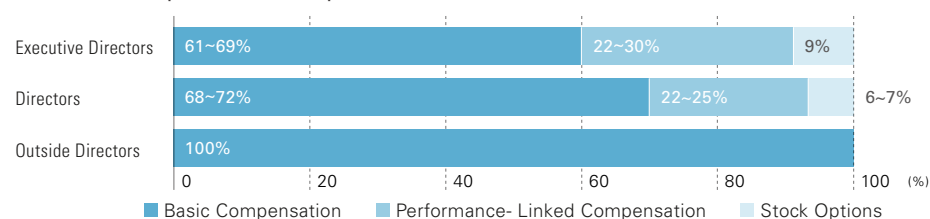
ii Performance-Linked Compensation

The weight of performance-linked compensation in total cash compensation (base compensation + performance-linked compensation) is set at around 30%, and the weight is increased in proportion to director responsibility. The amount of performance-based compensation paid to each director (individual) is calculated as stipulated performance-based compensation x performance-based compensation payment rate. The compensation is determined by reflecting the payment rate (0% to 170%) based on company performance and individual performance evaluation. The Company selected the percentage of ordinary income budget attained at the beginning of the period to be the indicator that most appropriately represents our normal business performance. Individual performance evaluations are conducted by independent outside directors on the Nomination and Compensation Advisory Committee. These evaluations are based on the annual business report of each director, and evaluated by the president.

iii Stock Options

By allocating stock acquisition rights as performance-reflected stock option compensation, we aim to motivate and raise morale for continued performance improvement and increased corporate value. To do so, we link compensation to share price and business performance, and share the benefits and risks of share price fluctuations with shareholders. The percentage of stock options in total compensation is set at around 10%, with a higher weighting in proportion to director responsibility. However, if ordinary income for the target year is less than 80% of the budgeted amount, half of the planned compensation amount will be granted; if ordinary loss is incurred, no compensation will be granted.

Directors Compensation Composition



Authority to Determine Individual Remuneration Amount

The board of directors determines the amount of compensation for each individual director. The particulars of this authority and scope of discretion relate to individual compensation amounts (basic compensation and performance-linked compensation) 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 committee aims to discuss and report to the board of directors with its five independent outside directors.

The board of directors decide performance-linked compensation based on the proposal from the president and CEO within a set range. It is also based on company performance, reports from the committee, and the individual performance evaluation for each 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 2022

Classification	Total Compensation (Thousands of Yen)	Total Compensation by Type			No. of Target Directors (Persons)
		Basic Compensation (Thousands of yen)	Performance-Linked Compensation (Thousands of Yen)	Stock Options (Thousands of Yen)	
Directors (Including 5 Outside Directors)	208,591 (36,000)	153,480 (36,000)	46,400 (–)	8,711 (–)	13 (6)
Audit & Supervisory Board Members (Including 3 Outside Members)	24,000 (24,000)	24,000 (24,000)	– (–)	– (–)	3 (3)
Total (Internal and Outside Directors)	232,591 (60,000)	177,480 (60,000)	46,400 (–)	8,711 (–)	16 (9)

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Operational Status of Each Committee

Corporate Governance

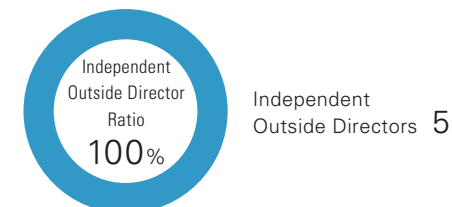
Governance Committee, Nomination and Compensation Committee, and Management Strategy Advisory Committee

	Governance Committee	Nomination and Compensation Committee	Management Strategy Advisory Committee
Duties	Aims to contribute to the lawful and efficient operation of the board of directors and the sustainable growth of the Company; independent outside directors providing advice and reports upon request by the board of directors regarding the rationality of transactions and reasonableness of transaction terms with respect to conflicts of interest, etc., to ensure the perspectives of minority shareholders are considered appropriately	Advises and reports on the nomination policies for director and Audit & Supervisory Board member candidates, training plans, director compensation, etc., in response to advisory comments from the president and CEO	Promotes initiatives and solutions for important policies and management strategy issues based on the opinions and advice of independent outside directors; offers advice and reports in response to advisory comments from the president and CEO
Meetings (FY2022)	9	6	12
Member Composition (as of May 18, 2023)	Directors: 5 (all independent outside directors)	Directors: 7 (5 independent outside directors, 2 internal directors)	Directors: 10 (5 independent outside directors, 5 internal directors) Audit & Supervisory Board Members: 4
Yasutsugu Iwamura		●	◎ (Committee Chair)
Mitsuhiro Fujiki			●
Masahiko Okamoto		●	●
Hiroshi Yokoyama			●
Motoya Okada			
Shinichiro Minami			●
Kunihiro Koshizuka	Outside Independent ●	◎ (Committee Chair)	●
Chisa Enomoto	Outside Independent ◎ (Committee Chair)	●	●
Hironobu Kurosaki	Outside Independent ●	●	●
Junko Owada	Outside Independent ●	●	●
Junko Taki	Outside Independent ●	●	●
Kazuhiro Aoyama	Audit & Supervisory Board Member —	—	●
Emi Torii	Audit & Supervisory Board Member —	—	●
Rumiko Tanabe	Audit & Supervisory Board Member —	—	●
Masato Nishimatsu	Audit & Supervisory Board Member —	—	●

■ Governance Committee

The committee consists solely of independent outside directors to ensure that the opinions of minority shareholders are appropriately reflected in the board of directors. Members discuss the reasonableness and appropriateness of transactions with conflicts of interest in board of directors agenda items from a standpoint independent of management and controlling shareholders. They then report their approval or disapproval to the board with an overview of their reasoning.

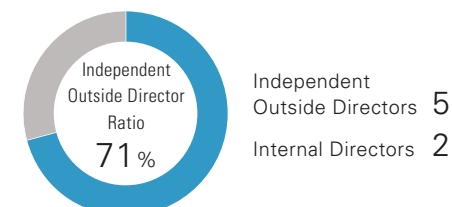
Committee Composition



■ Nomination and Compensation Committee

In accordance with the Nomination and Compensation Advisory Committee Rules, the committee focuses on discussions on the nomination and nomination policies for director candidates as well as the appropriateness of performance evaluations of each director in determining their base and performance-linked compensation. The committee reports their discussion to the board of directors as appropriate.

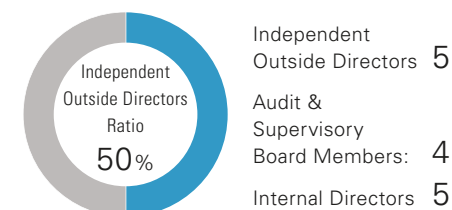
Committee Composition



■ Management Strategy Advisory Committee

This committee promotes initiatives and solutions for important policies and management strategy issues based on the opinions and advice of independent outside directors. The committee also reports in response to advisory comments from the president and CEO.

Committee Composition



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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, 2023).

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, the general merchandise store (GMS) AEON Retail Co., Ltd., as well as other Group companies, to conduct shopping mall management and operations in various regions. While AEON MALL signs building lease agreements with AEON Retail Co., Ltd. and other Group companies, 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.

Status of Governance Committee Activities (As of February 28, 2023)

Establishment	Major Discussion Items
October 2021	<p>Matters to Be Resolved by the Board of Directors</p> <ul style="list-style-type: none"> • Verification of the reasonableness of transaction conditions with the AEON Group (Joint group sales promotion expenses, corporate contributions, brand royalty agreements)
	<p>Reported Matters</p> <ul style="list-style-type: none"> • Board of directors effectiveness evaluation method • Issues and countermeasures in response to the FY2022 board of directors effectiveness evaluation results • Annual report on related-party transactions • Company response and procedures for related-party transactions • Review of group synergies • Disclosed content of the Corporate Governance Report
Meetings	
FY2021: 2 FY2022: 9	

Comment From the Governance Committee Chair



The Governance Committee was established in 2021 as part of our efforts to strengthen governance. The committee met a total of nine times in fiscal 2022. The committee held robust discussions and reported in response to board of directors' inquiries. Discussions covered ensuring transparent management decisions with respect to parent-subsidiary listings and inter-group transactions, as well as the rationality and reasonableness in conflict-of-interest transactions from the minority shareholders' viewpoint. In addition, committee members strengthen their own involvement by setting topics and pursuing discussions from a broader perspective, such as by requesting the secretariat to address topics that improve the Company governance functions. The Governance Committee will continue to strive to meet the expectations of all stakeholders by maximizing the value of the Aeon brand while strictly supervising the Company as a committee from the perspective of minority shareholders.

Committee Chair, Director
Chisa Enomoto



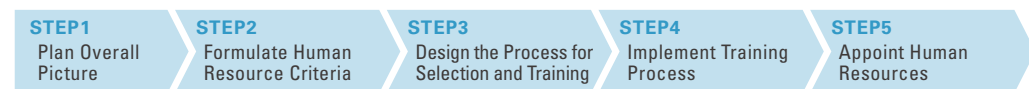
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Succession Planning

Overall Succession Plan Process

The Nomination and Compensation Committee, consisting mainly of outside directors, discusses training policies and plans to provide managers (including manager candidates) with the necessary standards, career development, and training content. The board of directors then deliberate on said policies and plan to ensure transparent and fair planning. (For more information, see our Human Resources Strategy on [P.58](#))



Policies Regarding Training for Director and the Support System for Outside Directors

We provide capacity building for directors and members of the Audit & Supervisory Board to cultivate stronger leadership skills and management strategies. We also provide training opportunities for senior management, such as seminars for newly appointed directors and top executives to gain a stronger understanding of compliance and governance.

The support system for outside directors and outside members of the Audit and Supervisory Board is assisted by the General Affairs Department. We also assign one full-time member to assist the Audit & Supervisory Board members, including outside members. The Company distributes materials for discussion and provides explanations in advance of the board of directors meetings to enable effective discussions within the limited time of the meetings. We additionally provide accurate and necessary information as needed.

Comment From the Nomination and Compensation Committee Chair

The Nomination and Compensation Committee is responsible for important governance matters such as nomination and nomination policies for director candidates as well as the appropriateness of performance evaluation for determining compensation for each director. The committee also discusses policies and plans for developing successors and other director candidates for those in place to be the next director candidates. Through direct interviews with the candidates, the committee provides them with advice to enhance their perspectives on management and enable them to play active roles as future managers. The Nomination and Compensation Committee will continue to strive to enhance corporate value and strengthen the corporate governance structure through committee discussions.

Committee Chair, Director
Kunihiro Koshizuka



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 (As of February 28, 2023)

Number of issuing companies	14 (including 11 exchange-listed stocks)
Total amount recorded on balance sheet	2,129 million yen



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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. Heads of supervisory departments under each business division are designated as the executive officers in charge of risk management. By separating risk management execution and supervision, we arrange a system and environment to ensure business continuity and the safety of human lives. The Group 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 selected risk categories that have a high impact on the Group and established departmental teams to address risk management by category. While these teams perform the PDCA cycle of risk countermeasures, executive officers in charge of risk management are responsible for cycle implementation. Directors in charge then monitor the status and effects of the cycle. Through this structure, we strive to prevent damage to our brand value and improve overall corporate value by managing the risk of losses 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



Members of the Risk Management Committee

- Committee chair: Director in charge of management
- 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 established the Risk Management Committee, chaired by the director in charge of management. 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 immediate judgment, e.g., during an earthquake, a separate emergency response office will be established to provide a rapid and appropriate initial response, prevent escalation, and 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, we select departments to be in charge of handling each risk item. These departments are responsible for working with responsible executive officers to plan, execute, and review risk measures. The Risk Management Committee, responsible directors, and internal auditors monitor the implementation status of the executive body and assess 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 officer in charge of risk management 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.



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Identifying Risk

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

- **Identifying risks**

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

- **Using a risk map to assess and identify risks**

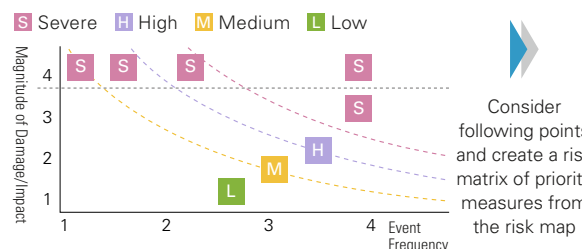
Based on the results of risk surveys, we create a risk map based on the frequency and magnitude of damage or impact of each risk. We evaluate risks and identify those risks that require countermeasures.

- **Establishing priorities using a priority risk measure matrix**

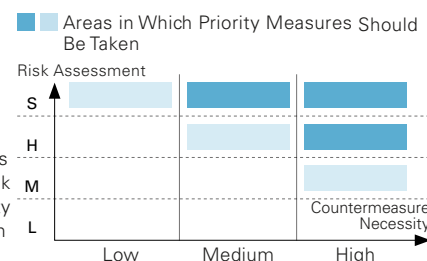
Based on the status of existing measures for identified risks, we create a priority risk measure matrix based on the need for measures, identifying the risks that should be prioritized.

We conventionally identify specific risks mentioned above through risk surveys and implement countermeasures against such risks. We conducted another risk survey in fiscal 2021, identifying and revising 91 risk items, and are currently implementing countermeasures.

Use Risk Map to Assess Risks Using a Risk Map to Assess Risks



Priority Risk Measure Matrix



Risk Assessment

- Risks are assessed and categorized 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

Countermeasure Necessity

(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

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. We annually review risk items and assessments, even in fiscal years when risk surveys are not conducted, to respond to the ever-changing business environment. In addition, we update the risks that need to be prioritized according to changes in this environment, such with certain incidents, as needed.

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 through risk map assessments and priority risk measure matrix, certain risk items require risk assessment and measures in particular. We categorize those risks as follows after review by the Risk Management Committee.

Classification	Risk Items	Risk Assessment	Countermeasure Necessity
Business Strategy Risks	① Risks related to changes in the business environment	S	High
	② Risks related to real estate development and investment	S	High
	③ Risks related to securing and cultivating human resources	S	High
	④ Risks related to governance	H	High
Risks Related to Finances	⑤ Impairment risks	S	High
	⑥ Risks related to capital procurement, interest rate fluctuations, and exchange rate fluctuations	S	Medium
Operational Risks	⑦ Risks related to the occurrence of natural disasters, accidents, and terrorism	H	High
	⑧ Risks related to the occurrence of war, civil disorder, and coup d'état	S	Medium
	⑨ Risks related to the spread of infectious diseases	S	Medium
	⑩ 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](https://www.aeonmall.com/en/ir/risks.html)

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Compliance

Compliance Promotion System

AEON MALL focuses on compliance management to foster improved relations with local communities and meet our social responsibilities. We established Anti-Harassment Regulations, providing education and awareness building for employees to prevent harassment. To prevent bribery, we improve our internal Group structures and educate employees based on the Basic Rules for the Prevention of Bribery.

AEON MALL established a Compliance Committee, which is chaired by the director in charge 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.

We newly established the Compliance Department during our April 2022 reorganization.

This department centrally implements compliance measures, including legal compliance and compliance not limited to harassment. The Compliance Department also offers awareness activities, training, and corrective guidance to ensure that each employee is able to comply.

Internal Reporting Desk

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.

Compliance Training

Period	Eligible Trainees	Training Content
First half of FY2022	Department heads (317)	Trainings use AEON MALL case studies and all participants submitted action plans after the training
Second half of FY2022	All employees	<ul style="list-style-type: none"> Compliance training at each sales office and office, led by general managers (including of business departments) and office heads All employees participate in this training

For more information on specific initiatives, such as anti-corruption policies and systems, please refer to the section of our website titled To ESG Investors and Experts.

▶ <https://www.aeonmall.com/en/esg/index.html>



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Introduction

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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 fiscal 2022 is as follows.

- We divided risks according to their importance and need for countermeasures. This division was based on findings from a risk survey conducted in fiscal 2021 and its responses to serious incidents that occurred as well as to new business fields and environments. We establish a more effective management system through intensive discussions at the Risk Management Committee on the details of initiatives taken by the responsible departments. From fiscal 2023, we will review the division of risk levels each fiscal year going forward and strengthen our system to retaliate quickly to changes in the business environment. In addition, we will review the system that explores management strategy risks, conduct risk management training, examine and address new risks associated with the launch of new businesses, and provide education to improve risk management capabilities in each department. In doing so, we will further enhance the effectiveness of our risk management system.
- We established a risk management system for our subsidiaries in accordance with their size and business operations. OPA Co., Ltd. and our subsidiaries in China, Vietnam, Cambodia, and Indonesia established autonomous risk management systems in accordance with AEON MALL. Like the Company, they also established their own risk management committees to discuss risk countermeasures and will conduct risk surveys sequentially from fiscal 2023. The companies will renew risks to be managed by comparing these survey results with the results of past risk surveys.
- In April 2022, we newly established the Compliance Department. This department centralizes awareness-raising activities that address harassment and compliance with laws and regulations. The department also centralizes the enforcement of our code of conduct, compliance trainings, and corrective guidance. Since fiscal 2022, domestic subsidiaries and overseas corporations also participate in the Compliance Committee to establish a system to promote compliance globally. At the same time, they conduct employee, executive, and general training programs respectively to ensure that all employees are aware of compliance.
- 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, we establish regulations and strengthen the audit system in overseas subsidiaries in China and the ASEAN region to strengthen internal controls. At the same time, we 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 to prevent bribery in Japan and overseas countries. We improve internal systems and provide education based on these rules.
- 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.

Basic Policy on Information Security

In accordance with the AEON Group Basic Policy on Information Security, we formulated the Information Security Management Rules. These rules establish and operate a system and framework to maintain and improve the security level of information and information systems handled by the Group. The Information Security Committee, chaired by the director in charge of the Administration Division, formulates, monitors, and reviews annual information security plans. The committee also conducts risk management related to information security through discussions and information sharing on information security within the Group. The Company conducts an annual internal audit on information security through the Management Auditing Department, which is objectively evaluated and linked to the improvement cycle, in addition to itself-inspection within the Information Security Management Department.

Policy for Protection of Personal Information

At AEON MALL, our basic philosophy is the customer comes first. As such, we are fully aware of our social mission regarding the protection of all personal information handled by the Company. We comply with laws and regulations regarding the protection of individual rights and personal information. We hereby declare that we will establish a system to manage the protection of personal information and enact the policies located on our website below. We will take Company-wide measures to continuously improve this system as we monitor changes in social demands and in the business environment.

Policy for Protection of Personal Information

▶ https://www.aeonmall.com/en/personal_info.html

Information Security and Protection of Personal Information

Information security and the protection of personal information are closely related. As such, we regularly educate our directors, employees, and contractors of information, equipment, and security on matters to be observed when entrusting information, points to keep in mind when sending important information or when taking Company PCs out of the office, as well as on the communication flow during emergencies.



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