

Integrated Report 2019



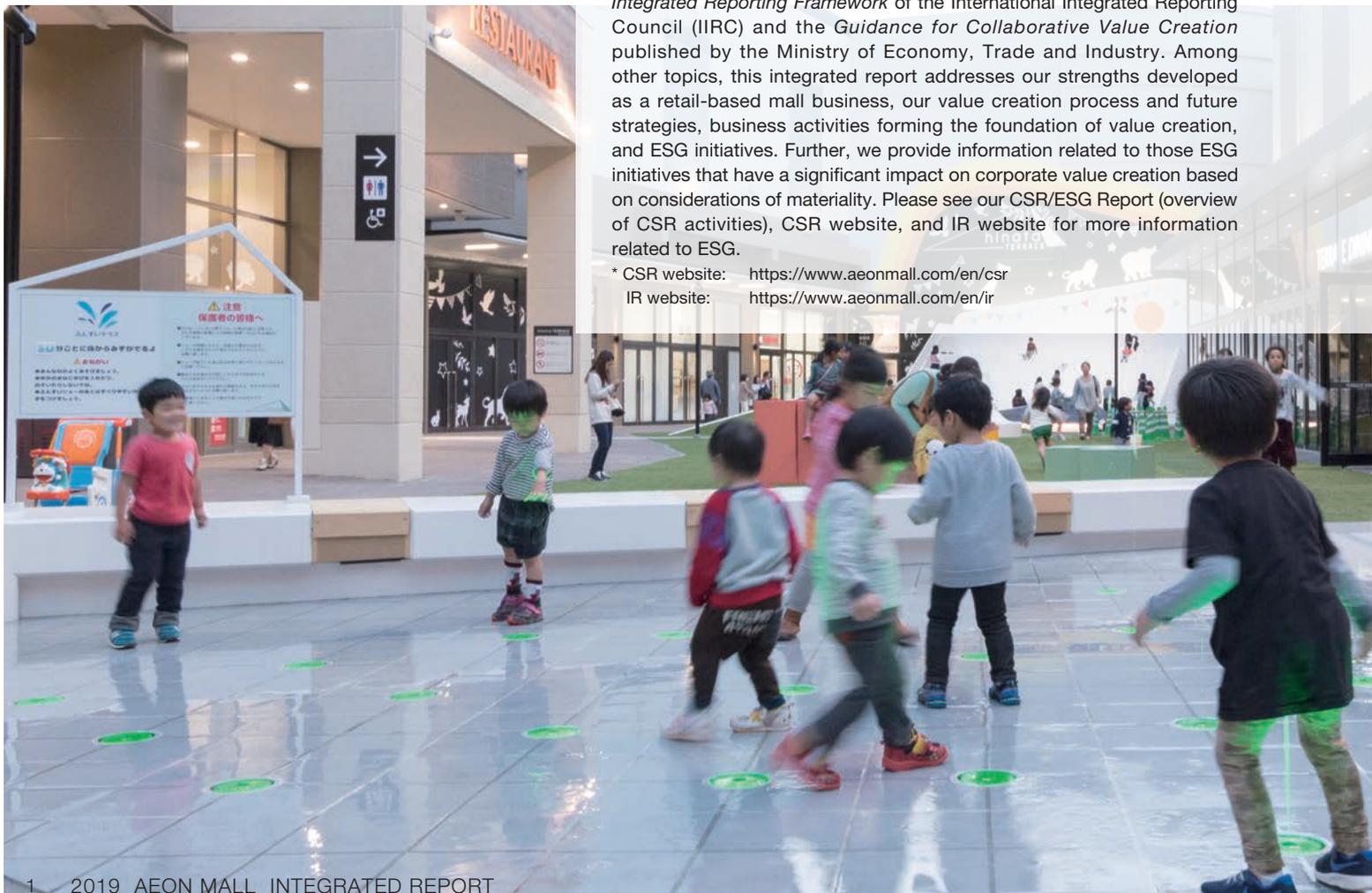


AEON MALL Integrated Report 2019 Editorial Policies

The AEON MALL Group is a *Life Design Developer*, creating the future of community living. Under this management philosophy, we aim to be a company that touches the hearts of the 5 billion people throughout Asia. Accordingly, this fiscal year we have published an integrated report for our shareholders, investors, and other stakeholders to encourage a better understanding of our initiatives toward corporate value creation over the medium and long term.

In editing this integrated report, we have provided information we deemed important from the standpoint of medium- and long-term corporate value creation. Our efforts referenced the *International Integrated Reporting Framework* of the International Integrated Reporting Council (IIRC) and the *Guidance for Collaborative Value Creation* published by the Ministry of Economy, Trade and Industry. Among other topics, this integrated report addresses our strengths developed as a retail-based mall business, our value creation process and future strategies, business activities forming the foundation of value creation, and ESG initiatives. Further, we provide information related to those ESG initiatives that have a significant impact on corporate value creation based on considerations of materiality. Please see our CSR/ESG Report (overview of CSR activities), CSR website, and IR website for more information related to ESG.

* CSR website: <https://www.aeonmall.com/en/csr>
IR website: <https://www.aeonmall.com/en/ir>





• **Period:**

March 1, 2018 to February 28, 2019

Information from outside this period is noted where necessary.

• **Organization:**

AEON MALL Co., Ltd., group companies belonging to AEON MALL Co., Ltd., and facilities managed by these entities. Environmental indicators exclude 70 malls contracted for operations by AEON Retail Co., Ltd., mozo wondercity, Kobe Harbor Island umie, Qualite Prix, AEON Senrito Senmonkan, and OPA Co., Ltd. commercial facilities.

• **Information Disclosure**

Financial Information

Non-Financial Information

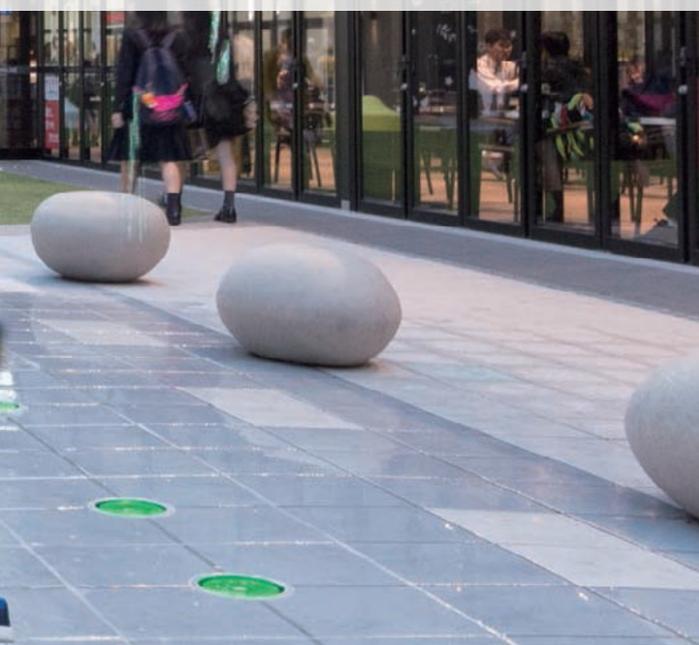
AEON MALL Website

▶ <https://www.aeonmall.com/en>

Integrated Report 2019

- Shareholder and Investor Information
 - Management Policies
 - Financial/Earnings Information
 - IR Library
 - Stock Information

- Company Information
- Business Overview
- CSR and Environmental Activities
- CSR/ESG Report (PDF)



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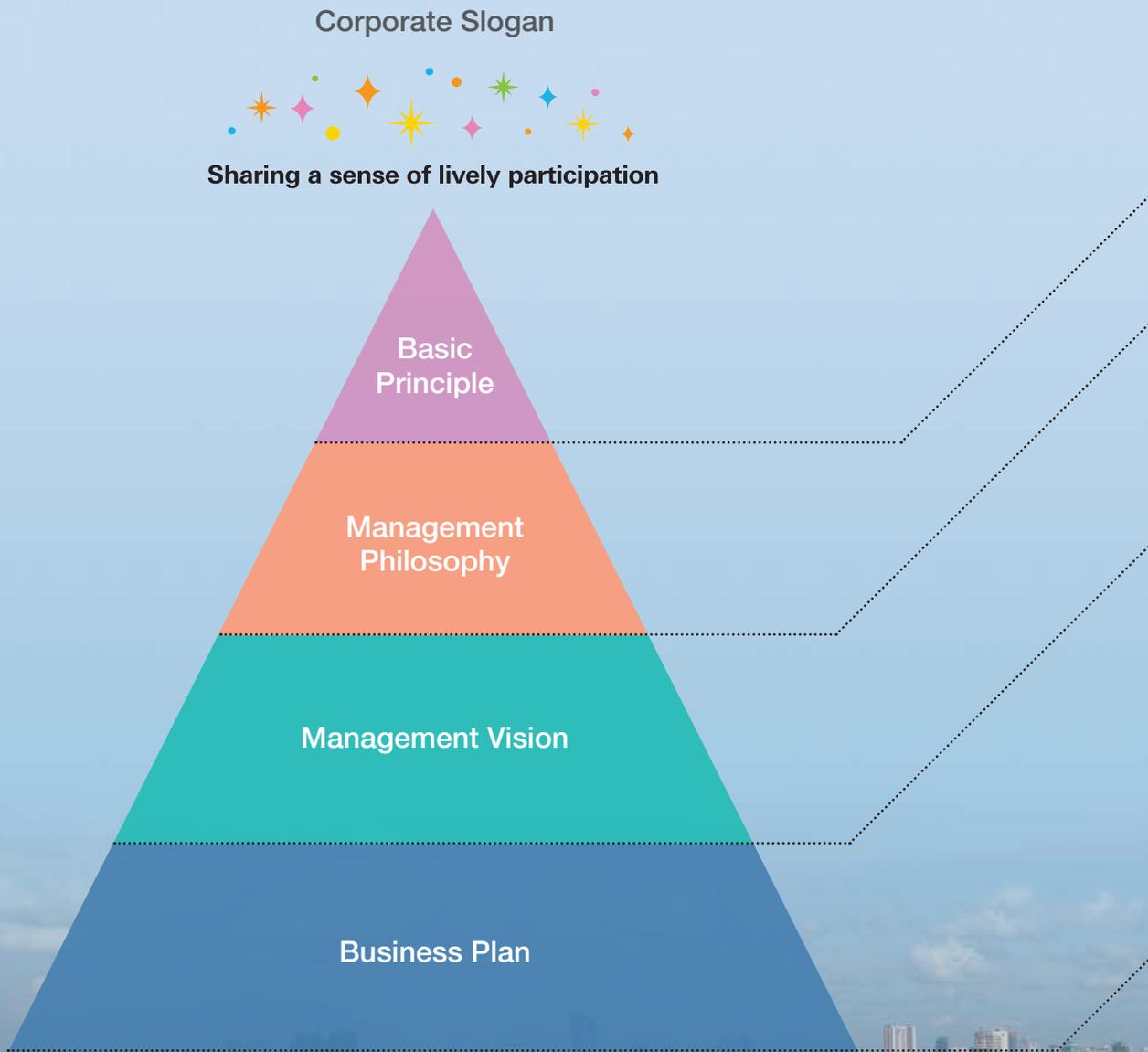
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Our Philosophy



Basic Principle

The Customer Comes First

Management Philosophy

AEON MALL is a Life Design Developer*,
creating the future of community living.

* *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.

Management Vision

Becoming a company that will touch the hearts of 5 billion visitors throughout Asia

- Ultimately, our challenge is to be consistent in localization to enhance the attractive aspects of various regions by working in tandem with partners.
- As Life Design Producers, we will go beyond working in a conventional commercial context and keep our company growing by opening up business opportunities to produce future ways of living.
- We will solidify and strengthen our financial and business foundations by taking full advantage of our company's assets, including our worldwide malls and capabilities, to continue our growth.
- We are a company of professionals that continue to innovate.
- We see and consider life from customers' perspectives so that we can share the best, most memorable moments of life with those customers.

Business Plan

Medium-Term Management Plan (FY2017-FY2019)

Produce net profits and launch a stable growth trajectory in our Overseas Business
Become the dominant mall in each region of Japan, mainly through existing mall revitalization activities

Earnings Targets

Consolidated Operating Revenue: ¥326 billion
Consolidated Operating Income: ¥62 billion

Vision for 2025

- (1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
- (2) Make AEON MALL a leading global commercial developer with consolidated operating income of ¥100 billion.
- (3) Conduct floor space expansions and renovations in Japan to become the dominant mall in each area.
- (4) Target overseas operating income of ¥35.0 billion (operating margin 20%) across 70 malls, operating at the same level of efficiency and scale as our domestic operations.

Our History of Value Creation

AEON MALL continues to evolve in response to changing lifestyles.

As ever, we remain committed to growing and developing, both in Japan and overseas.

1992

The rise of motorization

Innovating customer shopping experiences through malls in suburbs across Japan

The first AEON MALL location, AEON MALL Tsugaru Kashiwa (Aomori Prefecture), opened in 1992 amid growing domestic motorization. A mall with a large parking lot and diverse tenants offering a wide variety of merchandise in a suburban area proved successful from the aspect of town planning in attracting customers who drove to the store in their own cars. It was the harbinger of an era in which lifestyles shifted from urban areas and train stations to the suburbs.

Large-Scale Retail Stores Law

Audits required for large store openings for store area, closing time, number of days closed, etc. In 1994, restrictions on store size, application procedures, closing times, and closing days were eased.

2000

Ongoing need to revitalize communities

A community-based space offering a wide range of lifestyle services

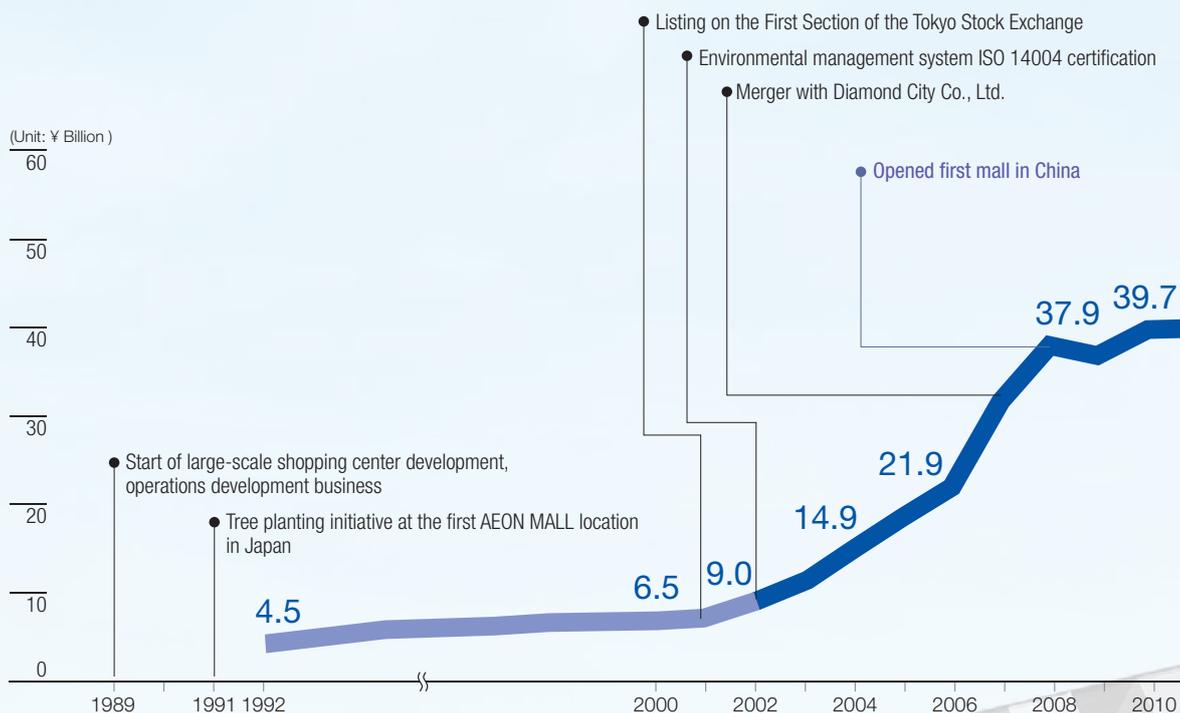
AEON MALL began serving as infrastructure for local communities, offering entertainment, public administrative and community functions, and disaster relief support. We played a role in reactivating communities by responding to calls for opening AEON MALL shopping centers.

Three Laws Related to Town Development

Deregulation resulted in examining large-scale stores according to social vectors, including the impact on the economy and living environment. Authority shifted from the national to the local level.

* The Three Laws related to town development are defined as the (1) City Planning Act which governs zoning (land use regulations), (2) the Large-scale Retail Location Law, which sets up systems to coordinate with local communities, and (3) the City Center Revitalization Act, which supports the revitalization of city centers.

Operating Income



AEON MALL Iwaki Onahama (Fukushima Prefecture)

2011

A growing community presence in Japan and overseas

Unique malls tailored to the characteristics of each region and country

Shopping centers throughout Japan became more homogenized and subject to even more competition. AEON MALL developed unique malls that focused on localization, pursuing a strategy of opening in growth areas of Asia seeing an expansion of the middle class. We are increasing our presence in local communities both in Japan and overseas.

2017

A growing middle class in Asia

Becoming the dominant commercial developer in Asia, striving to resolve local issues in Japan and overseas

In China and the ASEAN, AEON MALL serves as a partner urban and regional development. We build malls that respond to strong consumer markets. In Japan, AEON is confronting the challenge of weakened connections within communities due to declining birth rates and an aging population. Here, we pursue value by working with local governments as a leader in regional revitalization.

Revised City Planning Act

With no sign of ending in the decline of city centers, the development permitting system under the City Planning Act was revised in 2007. Regulations were tightened for the opening of stores having a total floor space of 10,000m² or more.

Medium-term management plan 2011-2013

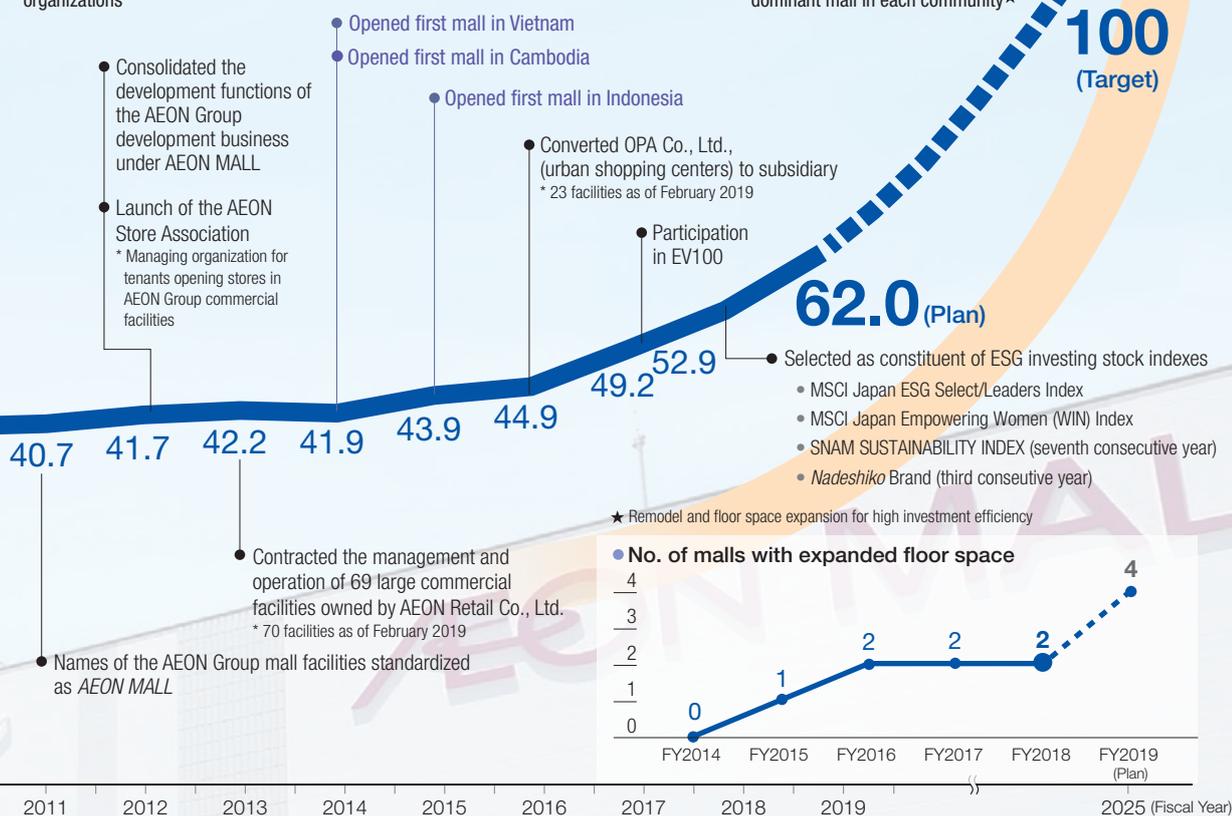
A period for building a foundation supporting new growth, for integrating the functions of our developer business, and for strengthening our overseas organizations

Medium-term management plan 2014-2016

Preparing for takeoff by developing new concepts for malls in Japan, while accelerating store openings in China and ASEAN

Medium-term management plan 2017-2019

Generating profit and setting a path for stable growth in our overseas businesses, while revitalizing our operations in Japan to make AEON MALL the overwhelmingly dominant mall in each community*



The Strengths of AEON MALL

AEON MALL has cultivated six strengths as we continue to grow along with the communities we serve. We will endeavor to further deepen the foundations of our business by improving on these strengths.

Strength 1

Ability to generate and procure funds for growth

We generate cash flows through managing and operating shopping malls. This allows us to maintain a consistently sound financial position and leverage borrowing capacity (net debt-equity ratio of about 1:1) to procure funds. We generate growth funds through the sale of mall land and buildings to real estate investment trusts and the use of development leases. These vehicles allow us access to flexible investments in growth, while accelerating the speed of return on investment and improving asset efficiency.

- EBITDA: **¥101.7 billion** (Overseas: ¥14.7 billion)
- Equity ratio: **31.9%**
- Net D/E ratio: **1.1 times**

Strength 2

Overwhelming scale of

AEON MALL manages and operates over 150 malls in Japan, serving nearly 1.2 billion customer visits annually. We leverage the retail-based development

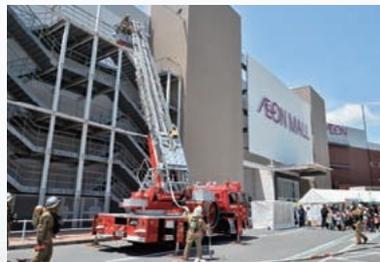
- No. of malls:
Japan: 153 Overseas: 27
- No. of urban shopping centers:
Japan: 23
- Gross leasable area (GLA) :
9,982,000m²
Japan: 8,154,000m²
Overseas: 1,828,000m²

Strength 4

Sustainable malls that coexistent with local communities

We use the expertise gained through operating more than 200 locations worldwide to develop and operate comfortable, safe, and secure malls that meet the needs of a wide spectrum of customers. We focus intently on the unique characteristics and needs of each community. Our Happiness Malls community initiatives and public functions coordinated with local government provide sustainable malls that become the first choice of both customers and tenants.

- Happiness Mall Events Held in All malls
- No. of malls signing disaster prevention agreements with local authorities: **150**
- No. of malls serving as disaster prevention sites: **37**



Disaster prevention event, *Asaminami Bosai FES!* 2018 (AEON MALL Hiroshima Gion (Hiroshima Prefecture))

Strength 5

Robust network

AEON MALL has built a nationwide network in Japan together with our tenants. Through these close strategic partnerships, we advance initiatives designed to meet local needs. We use a customer

- No. of specialty store operators:
Approx. 8,000 companies
- No. of participants in the AEON Store Association Customer Service Role-Playing Contest* (Japan):
Approx. 8,000 companies and 30,000 employees

* Events where tenant specialty store employees compete, displaying their customer service skills. In addition to Japan, these events are held in China, Cambodia, Vietnam, and Indonesia.

AEON MALL Yantai Jinshatan (China)

operations and ability to attract customers

expertise cultivated in Japan with localized operations to expand in China, ASEAN, and other countries overseas.



AEON MALL Sen Sok City (Cambodia)

responding to local needs

service role playing contest to build a stronger awareness of customer service and help staff share best practices and expertise that transcend any one particular line of business. These contests lead to higher levels of service quality throughout the AEON MALL organization.



AEON Store Association Customer Service Role-Playing Contest

Strength

3

Diversity of staff driving growth

We strive to create an environment in which a diversity of human resources can maximize their abilities regardless of gender, age, or nationality. Along with giving our Japanese employees the opportunity to obtain business experience overseas, we strive to promote overseas local staff to senior management positions. Our growth is linked directly this interaction among AEON people.

- Percentage of women in managerial positions: **15.1%**
- No. of local staff overseas: **1,227 employees**



AEON MALL BSD CITY Office (Indonesia)

Strength

6

Environmental preservation

AEON MALL has introduced technologies to reduce our environmental impact, including LED lighting, solar power generation, EV (electric vehicle) charging stations, and trash recycling systems. We are working to save energy, reduce CO₂ emissions, and decrease waste emissions. We also act as community centers in the areas we serve, conducting environmental communication activities for our customers, educational visits for elementary school students, and more. At the same time, we foster stronger environmental management through acquiring ISO 14001 certification and other initiatives.

- Use of LED lighting: **100%** (mall common areas)
- No. of EV charging stations:
Japan: 1,829 stations (146 malls)
China: 503 stations (12 malls)



EV charging station (AEON MALL Zama (Kanagawa Prefecture))



Our Value Creation Model

AEON MALL creates value through three approaches to business development, strengthening our foundation of value creation as we work toward our 2025 long-term vision. We leverage the comprehensive advantages we have built as a commercial developer with experience in everything from shopping mall development to mall management and operations.

Input
(management resources serving as strengths)

Business activities (businesses and services)

- Ability to generate and procure funds for growth
- Overwhelming scale of operations and ability to attract customers
- Diversity of staff driving growth
- Sustainable malls that coexistent with local communities
- Robust network responding to local needs
- Environmental preservation

Developing Community and Social Infrastructure
▶ P.61

Building Bridges to Local Communities
▶ P.63



Accountability in Business
▶ P.66

Vision for 2025

Social issues

AEON MALL Phnom Penh (Cambodia)



that contribute to the lives of local customers)

Outcomes
(value provided to companies and stakeholders)

The Environment

▶ P.64



Development

Construction

Overseas
Business

▶ P.59

Sustainable
development
that responds to
local changes

Leasing

Diversity and Work-Style Reform

▶ P.65



(long-term vision)

Business environment/megatrends

Customers

Providing day-to-day abundance, enjoyment, safety, and security

- Customer purchases: +1.6% year on year
- Customers participating in Happiness Mall events: Approx. 4 million

Local Communities

Contributing to local communities by revitalizing local economies and expanding public functions

- Malls engaging in hyper-localization*: All malls
 - * Initiatives for creating the future of community living together with local citizens. These events highlight the appeal of the local community with the support of local governments, educational institutes, businesses, and the community at large.
- Expansion of public functions: Branch offices for government services, polling places, post offices, venues for events, libraries

Partner Companies

Providing opportunities for growth through partnerships

- No. of participants in the AEON Store Association Customer Service Role-Playing Contest*:
 - Japan: Approx. 10,000
 - Overseas: China: Approx. 4,000 ASEAN: Approx. 800
 - * Contest in which tenant specialty store staff display customer service techniques, raising awareness of and improving customer service skills.

Employees

Create lively and stimulating workplaces

- No. of in-mall childcare facilities: 18 (total no. of children: 535)
 - * 25 in AEON Group facilities

Shareholders and Investors

Stable shareholder returns

- Rate of profit growth: 11.3%
(FY2017-2019 Avg. growth rate from FY2017 to FY2019)
- Payout ratio: 25.8%

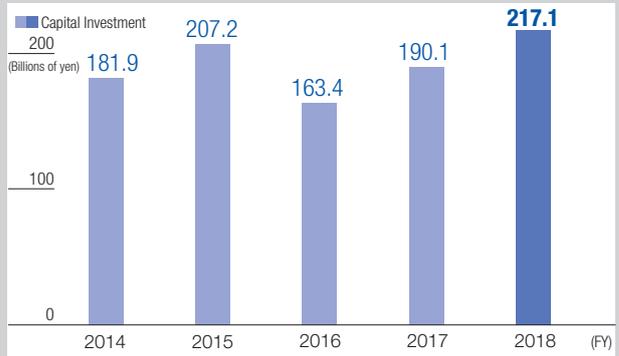
Financial and Non-Financial Highlights

Financial Highlights

Operating Revenue/Operating Income/Operating Margin



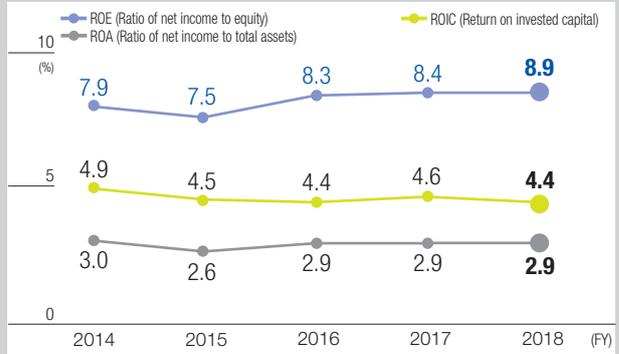
Capital Investment



Net Assets/Equity Ratio



ROE/ROA/ROIC



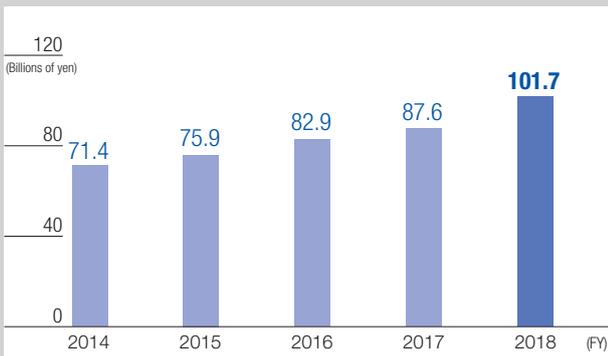
Interest-Bearing Debt/D/E Ratio



PER (Price earnings ratio)/PBR (Price book-value ratio)



EBITDA



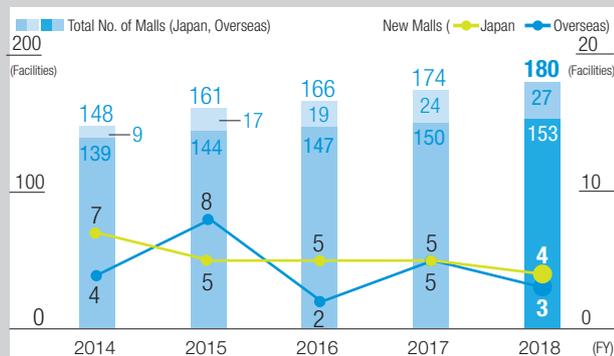
Dividend per Share/Payout Ratio



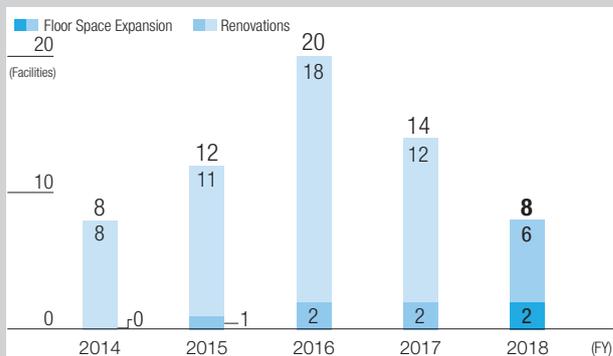
Consolidated fiscal years beginning March 1 and ending the last day of February

■ Non-Financial Highlights

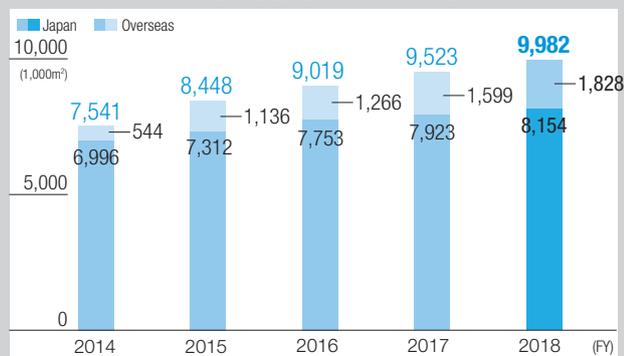
Total No. of Malls (Japan, Overseas)/New Malls (Japan, Overseas)



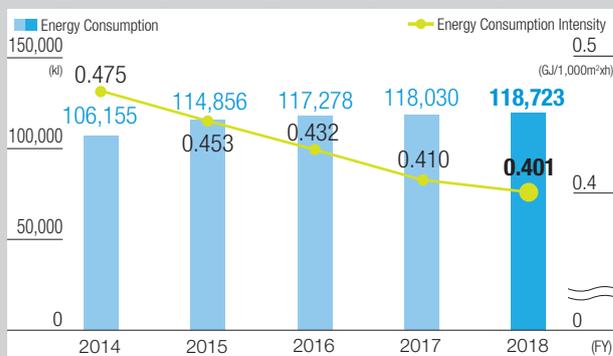
No. of Reactivated Malls (Floor Space Expansion/Renovations)*



Gross Leasable Area (GLA) (Japan / Overseas)

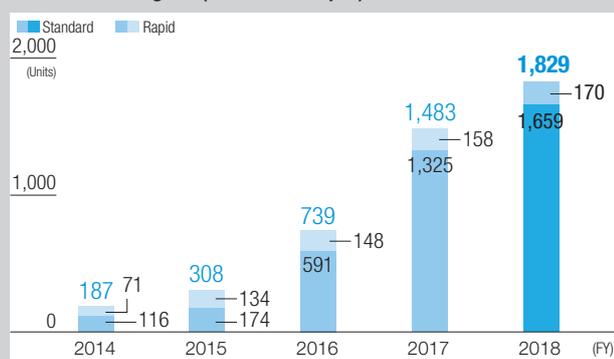


Energy Consumption/Energy Consumption Intensity



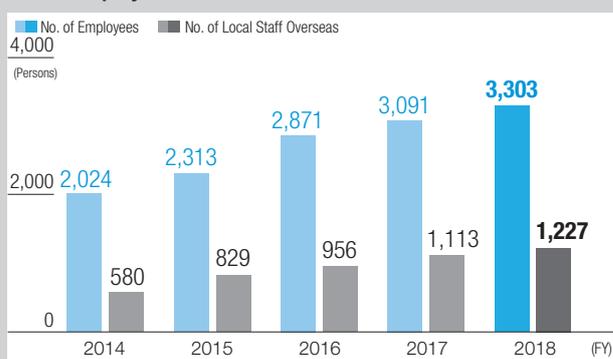
Energy consumption intensity see P.67

No. of EV Chargers (Standard/Rapid)*

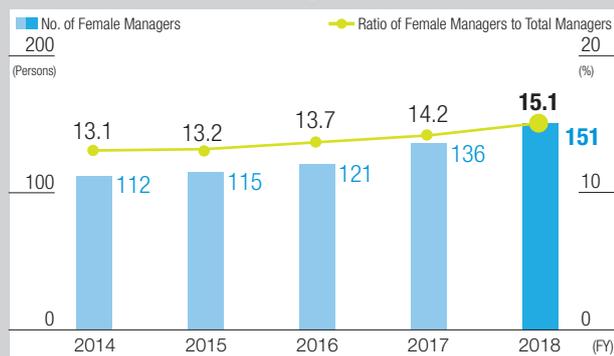


2,332 chargers installed worldwide as of February 2019

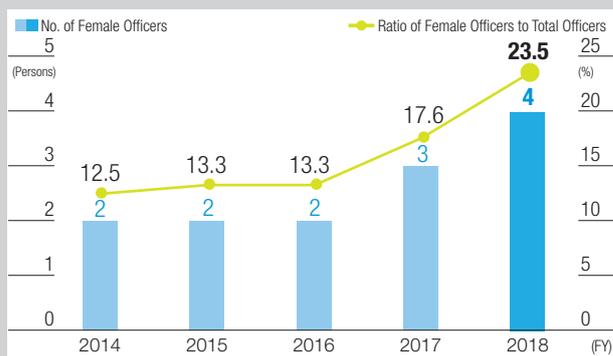
No. of Employees/No. of Local Staff Overseas



No. and Ratio of Female Managers*



No. and Ratio of Female Officers*



* Non-consolidated

Message from the President and CEO



Q In what important ways does the AEON MALL management philosophy reflect corporate value?

AEON MALL is a *Life Design Developer*, creating the future of community living. This is our management philosophy. We began as a developer specializing in shopping mall development, management, and operations. We incorporate community design into the development of our shopping malls, and we have continued to grow by creating new residential areas in outlying suburbs, contributing to regional reactivation. Over the years, declining birth rates, aging demographics, e-commerce, and more have changed the social environment. In response, we have shifted to incorporate the idea of Life Design in helping customers create their own lifestyles. We have evolved with the times. Although our Basic Principle that the *Customer Comes First* will never change, the concept of helping our customers discover new lifestyles has become another part of our philosophy.

AEON MALL engages in business from the perspective of a retailer, which means we listen to customer feedback to learn about their lives. Beyond that, we want to provide other suggestions and insights about living. We want to be a consultative company that creates spaces attractive to customers. This concept is always at the forefront of my thinking.

This approach of proposing new ideas is particularly important overseas, where we compete against home-grown companies. As emerging countries ride a wave of economic development to catch up to the advanced nations, we must create shopping malls tailored to the local community, while offering all the benefits of the Japanese-style shopping experience. We must create facilities that are attractive to the people of these nations. We want to create value by incorporating our unique character and expertise.

Reaching toward higher levels of corporate value.

Akio Yoshida
President and CEO

Q Tell us more about the story of your management vision to be *a company that touches the hearts of the 5 billion people throughout Asia.*

Managing and operating more than 150 malls in Japan at this point, we have accumulated a wealth of expertise in shopping mall management. We hope to leverage this expertise in China and the various ASEAN countries, which are expected to see growth of the type that Japan experienced in the past. In Vietnam, for example, we see the same trends developing that we saw when we began opening malls in suburban Japan. We see the rise of young families, the accompanying needs for motorization, and growing demand for family entertainment. The Vietnam of today is seeking facilities that offer safety, security, cleanliness, and space for everyday enjoyment. Our strategy to leverage our track record in Japan in our overseas business is a tremendous strength here.

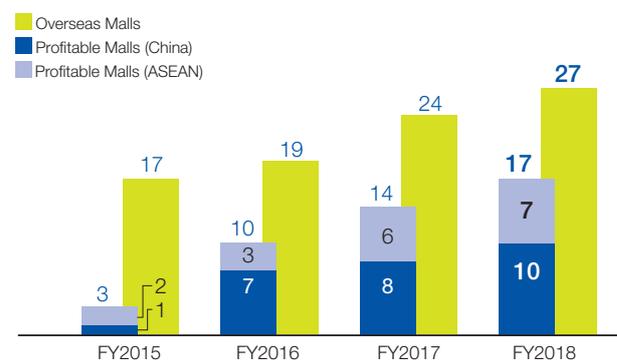
Now is the perfect time to entrench deeply in the markets of Asia. It will be too late to wait until after the markets mature. However, the speed of change in Asia is incredibly fast, which means instead of adopting the Japanese model as-is, we must always look one step ahead. We need to use our successes from Japan as a base upon which we add new concepts for these markets.

In Cambodia, many consumers want to purchase physical goods. However, our second mall in Cambodia, AEON MALL Sen Sok City, opened in 2018, offers many intangibles beyond merchandise. More specifically, the facility is home to a water park, an indoor amusement park, a TV studio and broadcast center, and many other amusement and entertainment options. This was the first time that the local community had seen such a facility. Perhaps this leading-edge concept was slightly ahead of its time for the region, but this is our key to beating the competition. At the same time, we are adapting knowledge learned from challenges overseas to use in our new malls in Japan. Integrating our overseas business and domestic

business is sure to become a significant strength for AEON MALL.

However, it takes several years for malls overseas to become profitable. We must exercise patience as we wait for returns on our advance investments. Once we train local staff and foster local talent to become mall general managers, then we will have created a completely localized structure for mall management. Having exercised patience in seeing a return on our investments in development and training, we were proud to announce that our overseas business as a whole reported profit for fiscal 2018. I believe we can expect steady profit growth from here on out.

● Overseas Malls/Profitable Malls



Message from the President and CEO



Q What is AEON MALL doing to instill its management philosophy, management vision, and values throughout your company?

If we are to instill our management philosophy throughout the company, each employee must develop an attitude of ownership. For example, when we think about localization, we must create a mechanism by which local staff take ownership in planning and communicating with the local community. Further, to engage in ESG-based management, we must undertake initiatives to teach each employee exactly what this means. At present, we announce policies, hold regular morning meetings, and sponsor conferences to this end. Employees participate in activities that contribute to the environment, which include tree planting, afforestation, and cleaning activities. Through these activities, employees take ownership of the *E* aspect of ESG.

A company must also define concrete targets based on philosophies and visions, using quantifiable numbers to measure progress toward goals. As departments conduct their business in the pursuit of their own goals, these departments must also consider specific ways to achieve profits and our management philosophy.

Basic Principle

The Customer Comes First

Management Philosophy

AEON MALL is a Life Design Developer, creating the future of community living

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.

Management Vision

Become a company that touches the hearts of the 5 billion people throughout Asia

Q What measures are you taking in your medium-term management plan to achieve your Vision for 2025?

Our *Vision for 2025* is a long-term vision consisting of four major goals. Our medium-term management plan is a three-year plan we developed through backcasting to achieve our long-term vision. It's important to focus on the job in front of you. At the same time, however, we must manage our business looking ahead to medium- and long-term targets, rather than just short-term ones.

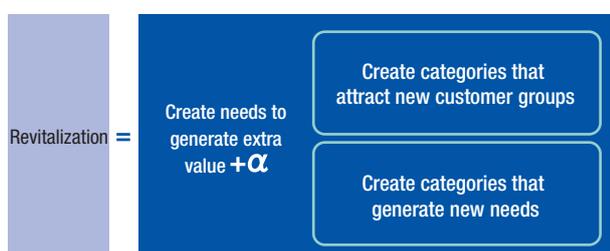
The first step in our long-term vision is to build a

portfolio of multiple business models. This means that we respond to the risk of market contraction in Japan due to the declining and aging population via a multiple number of business models. First, we must secure our format overseas, rather than placing all our weight on the back foot in Japan. And in Japan, we think we can build a third pillar by establishing a new urban-style format in addition to our suburban business.

Second, we have set a goal to generate consolidated operating income of ¥100 billion. This goal will put us among the top class of global commercial developers. Overseas, major companies in America generate profits in this range.

Third, we will strengthen our shopping mall business at home. We intend to become the overwhelmingly dominant mall in each area in Japan. This means opening new malls and renovating and expanding existing malls to generate greater activity and excitement. The declining and aging population, as well as the advance of e-commerce, have produced challenges to our business and increased competition within our areas of operations. We believe that, in the future, people will gather together in spaces that offer the most outstanding services and the most outstanding content. This is why we continue to expand and renovate existing malls to outclass any other competitor, even for our malls that are already the most popular in their market area. Of course, our malls will offer shopping. But, beyond that, we are creating facilities that offer entertainment, dining options, health clinics, rest areas, and other services that meet the needs of our customers. Please don't misinterpret what I say to mean that we are expanding blindly. We understand how important it is to deliver content that matches the characteristics of a local community. We also understand how important it is to respond to the changing times with flexibility and speed, which is why we continuously review and revise the makeup of our tenants within our malls.

● Approach to Revitalization



Fourth, we have set a goal for overseas operating income of ¥35 billion. At this level, our overseas business will be operating at the same level of efficiency and scale as our business in Japan. Our regional focus is on Asia. At present, we operate malls overseas in Vietnam, Cambodia, and Indonesia. We are conducting feasibility studies^{*1} as we look into new markets as well.

The AEON MALL three-year plan for accomplishing our long-term vision consists of five main pillars: (1) Capture growth opportunities in Asia; (2) Develop latent sources of domestic demand; (3) Become the overwhelmingly dominant mall in each region; (4) Capture urban growth opportunities; and (5) Implement an optimal financing mix and build organizational structures that support growth.

Among these pillars, our top priority is on investment overseas. Timing is important when investing in rapidly growing markets. Once a market matures, land prices begin to rise, as do construction costs. More competitors enter the picture as well. We believe we must exercise foresight and make the first preemptive move.

Fiscal 2019 is the final year of our current medium-term plan and an extremely important year for us to achieve our intermediate goals on the way to our long-term targets in the year 2025.

^{*1} An examination conducted when planning a new business to determine the likelihood of success.

Vision for 2025

- (1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
- (2) Make AEON MALL a leading global commercial developer with consolidated operating income of ¥100 billion.
- (3) Conduct floor space expansions and renovations in Japan to become the dominant mall in each area.
- (4) Target overseas operating income of ¥35 billion (operating margin 20%) across 70 malls, operating at the same level of efficiency and scale as our domestic operations.

Message from the President and CEO

How does the AEON MALL business model address social value creation?

I think you can say our business model is social infrastructure. Our *Happiness Mall* initiatives are built first on the principle of *Health*. Next is *Wellness*, followed by *Community*, and then *Opportunity*. These are all principles deeply desired in Japanese society. Even in today's information society, people want physical and mental health. They want easy access to the arts and culture. They want more opportunities to interact with others. Our Happiness Malls provide spaces that satisfy these wants. We offer safe indoor AEON MALL Walking available regardless of weather, yoga classes, Opera de AEON MALL, and so much more. AEON MALL facilities create social value for customers through spaces that fulfill their desires and contribute solutions to many other issues.

Last year, Japan experienced a number of natural disasters. In times of earthquake, typhoons, heavy rains, landslides, intense heat, or other extreme conditions, communities and local citizens want somewhere to find relief. For example, western Japan experienced disastrous heavy rains in July 2018. Although we had closed our malls in the area, we opened up the rooftop parking area and let in nearly 2,300 cars, allowing people to spend the night. At present, we have signed general cooperative agreements and disaster response agreements with most local governments where AEON MALLs are located. This is true overseas, as well. During the heavy rains in Vietnam, 200 people or so evacuated to the local AEON MALL. Serving as a refuge in times of disaster like this is another important role we provide as social infrastructure. Providing infrastructure in the format of a shopping mall is something that fulfills the needs of society and is something that we want to do to an even greater degree.

What are the strengths that make AEON MALL the preferred choice of customers?

The sheer scale of the 150 malls we manage and operate throughout Japan serves as an enormous foundation. Beyond that, we engage in business activities at our locations that are rooted in the local communities. We also develop friendly, cooperative relationships with local governments and organizations. These local relationships are another significant strength.

Another strength is our ability to attract customers. On an annual basis, we welcome 1.2 billion customers to our nearly 150 locations across Japan. A business environment allowing a company to interact with 1.2 billion customers throughout the year is extremely rare. So, how does one make the most of this strength? We develop numerous ideas tailored for the changing times. Designing mechanisms to communicate with 1.2 billion people and encourage them to remain loyal customers is another factor that leads directly to greater strengths. Another strength of ours is the business relationships we have established with the 30,000 tenants—representing nearly 8,000 companies—in our malls.

Our people represent another important strength. We make diversity work for us. Our employee distribution shows a significant number of younger employees, as well as many female and non-Japanese employees. We intend to focus even more on the effective use of human resources and diversity as we increase our global presence.

What challenges do you see on the way to achieving your long-term vision?

As we grow, one challenge will be how to foster the next generation of leaders capable of guiding this expanding entity. The larger a company becomes, the greater the risk associated with the time required to respond to changes in the external environment. We must develop an organizational structure capable of responding to changes in the environment.

Another issue for the company such as ours, which has done business in the “real” world historically, is how we integrate digital technologies. E-commerce and cashless systems are becoming more prevalent. We must adapt



and develop business models tailored to this era to offer customers the most convenient mix of online and offline shopping. We are also thinking of ways to create a stress-free environment in our malls through the use of digital technology. One example is developing AI-embedded information boards that provide instant access to real-time information about the mall. We also believe that work-style reform in both front-line and back office functions can be accomplished through digital technology.

Q How would you score your progress toward your medium-term management plan?

We are progressing generally in line with plan. Although many seem to be concerned about the impact of slowing in the Chinese economy, we haven't suffered any damage to date. Our mall renovations and other projects we conduct on three-year cycles have been successful so far. In Japan, activities to establish ourselves as the overwhelmingly dominant mall in each region secured customer traffic at the same level as the prior fiscal year. Further, our Happiness Mall initiatives have been well-received in all corners.

Q What measures are you taking toward ESGs and the Sustainable Development Goals of the United Nations (SDGs)?

More recently, the social spotlight has focused on ESG, but these are really matters that the AEON Group has exercised as part of our corporate culture for a long time. AEON MALL has established policies for corporate activities related to society, the environment, and ethics. The AEON MALL Corporate Social Responsibility Council meets on a monthly basis to manage the implementation of these policies and make timely decisions in managing the progress of, and solving issues related to, our CSR activities. For example, we are installing charging stations for electric vehicles at our malls and we were the first Japanese company to declare participation in EV100². These are just a few instances of how we embody the *E* in ESG. In fact, we have installed 2,332 electric vehicle chargers across 158 malls in and outside of Japan. We were recognized for the fourth consecutive year as a Green Star company under the GRESB³ real estate benchmark.

For many years, the AEON Group has fostered the *S* of ESG (Social) deep in the roots of our organization. Our business features both aspects of BtoC and BtoBtoC. BtoC is where customers come to our malls. BtoBtoC is the point at which we interact with customers through our tenants.

Without communities and a customer-first approach, we wouldn't be in business at all. It's only natural that we value our communities. For example, we have signed disaster prevention agreements with many local governments. For the 2018 House of Representatives

Message from the President and CEO

election, we provided 31 polling stations across Japan for early voting. In the April 2019 nationwide local elections, we similarly provided 44 polling stations.

We have opened 25 AEON Yume-Mirai Nursery Schools at malls throughout Japan, available to both AEON employees and employees of our tenants. For the third consecutive year, we were selected as a *Nadeshiko Brand*, an honor which recognizes publicly traded companies that encourage the participation of women in the workplace. We are the only company in the real estate sector to be so honored in three consecutive years.

As much as possible, we rely on our local operations to provide employee training, which helps instill a value for customer first and an appreciation for the community. Training extends beyond classroom learning. We try to let our young employees take responsibility for projects as much as possible. As they meet and overcome obstacles, they build a portfolio of success, which helps them develop as professionals.

Finally, we practice corporate ethics that emphasize the importance of governance and compliance in our work—the G of ESG—from the standpoint of a retail business. We continue to strengthen our other group governance functions, including our overseas subsidiaries. More specifically, we are building up our audit and management division functions to collect information from local operations with greater speed.

Engaging in serious ESG management leads naturally to the SDGs. ESG will be an integral part of our entire business, as long as senior management promotes policies and consistently practices every aspect. At the same time, it is crucial that we clearly prioritize our ESG initiatives.

*2 An international business initiative for corporate promotion of electric vehicles and environmental improvement.

*3 An international benchmark measuring the performance of real estate portfolios and infrastructure assets in terms of environmental, social, and governance considerations.

Q What can you tell us about the AEON MALL fiscal 2019 policies and the outlook for future growth beyond fiscal 2019?

Fiscal 2019 will be a very important year for us. Profit growth slowed during our fiscal 2011 to 2013 and fiscal 2014 to 2016 medium-term plans. However, profit growth ratios are rising under our current three-year plan (launched in fiscal 2017) as compared to the two fiscal years prior, periods in which we incurred advance costs toward future growth. This next fiscal year will be a crucial concluding chapter of this installment. Our overseas business has turned a profit, and now we are entering a stage in which we will recover our investment. And, fiscal 2019 should bring a significant increase in profits. This is a year in which we are focused on executing our plan toward

● Social Functions of AEON MALLs

1. Sales activities	2. Job creation	3. Public functions	4. Regional development	5. Coexistence with the environment
· Post offices · Clinics · Libraries · Government office branches · Polling for early voting · Event halls · Tax filing				
Expand Public Functions				
	Centrai x Tokoname City Free Shuttle Bus	Disaster Prevention Caravan	Proof-of-Concept Testing	
Work With Local Government Agencies				
			Self-Driving Vehicles	Bicycle Sharing
Facilities Relied on as an Essential Part of the Community				



greater growth in the future. Just now, our second growth engine—our overseas business—has begun to run on all cylinders and start keeping pace with Japan. This is what we look forward to in fiscal 2019.

AEON MALL conducts business with an eye toward the medium and long term. At the same time, we will see short-term factors during fiscal 2019, including a new imperial era and revised consumption taxes in Japan. We will do everything in our power to identify signs of change in the external environment and in customer behavior, responding with agility and expending every effort to grow AEON MALL profits.

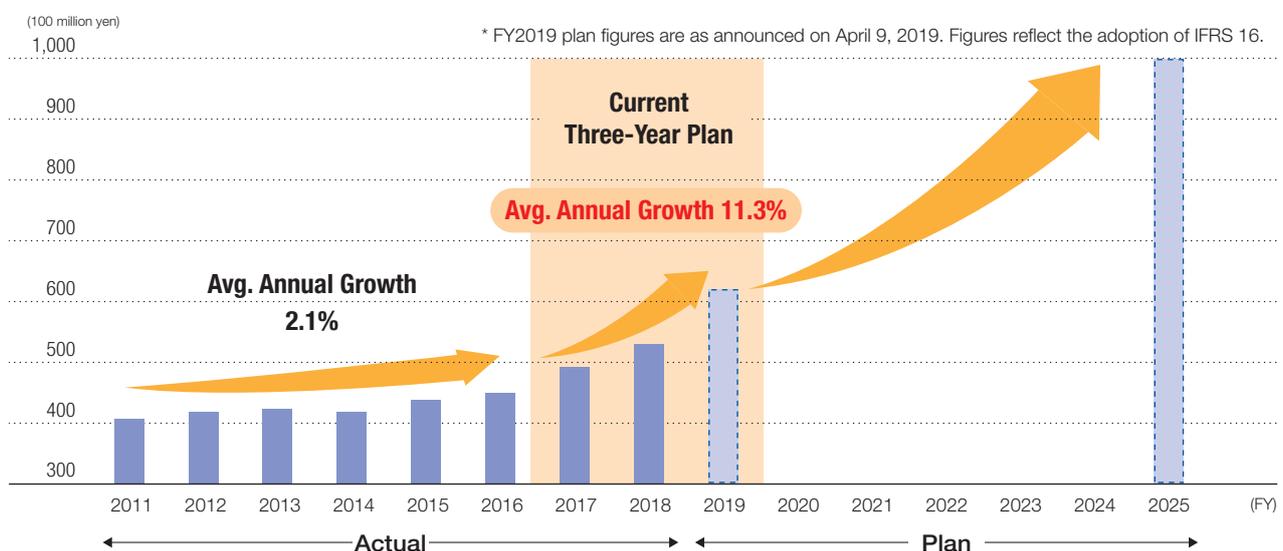
Q Last, do you have a special message for AEON MALL stakeholders?

I want our investors to know that we will meet the results to which we have committed. We will deliver profits and provide returns via dividends that reflect our growth.

I want the communities we serve to know that we will meet their expectations, accomplishing our role in providing social infrastructure. AEON MALL will respond quickly to changes in the environment, hedging risks and continuing to provide value for society as we strive to lift our corporate value to greater heights.

I ask all stakeholders for their continued support and patronage of AEON MALL.

● Operating Income



Special
Feature

Creating Social Value Through Our Business

In fiscal 2017, AEON MALL began widescale Happiness Mall activities striving to offer spaces for community happiness.

Happiness Malls Embody the Utmost Attraction Offered by Physical Locations

The AEON MALL Group has been strengthening Health and Wellness initiatives that contribute to rich and varied lifestyles for customers through physical and mental health.

Each mall aims to be a Happiness Mall through programs offering value that can only be created in real-world facilities.

ハピネスモール

AEON MALL
strives to offer Happiness Malls.

The goal of AEON MALL is to provide spaces where customers find happiness.

We want members of the community to live in happiness and joy. In addition to daily shopping, we strive to create Happiness Malls that encourage joy through fun, engaging programs.

Four Components of the Happiness Mall

Every AEON MALL facility is engaged in initiatives supporting the four pillars of HEALTH, WELLNESS, COMMUNITY, and OPPORTUNITY.



Happiness Malls Respond to Market Demand in Japan

Changing customer lifestyles have given rise to demand for the convenience of e-commerce. At the same time, customers still want a real-world community space to experience, sense, and gather together.

Approach to Rolling Out Happiness Mall Promotions

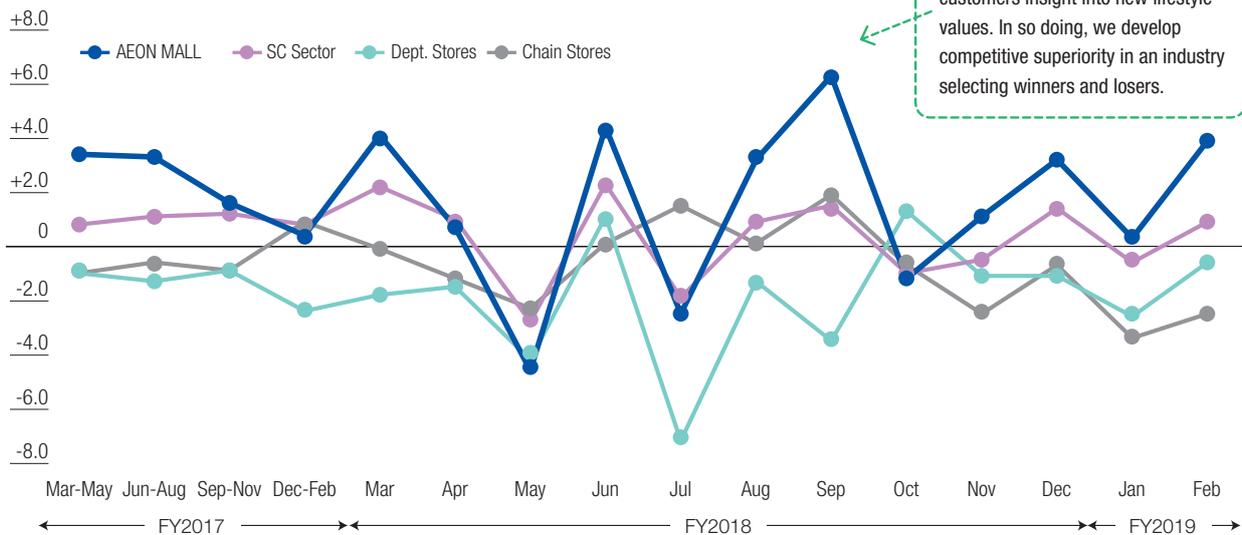
The consumer environment in Japan is transforming in major ways, affected by changing demographics, family structures, consumer behavior, and the information environment. While shopping centers are struggling in a clear survival-of-the-fittest

scenario in this retail distribution environment, we see these changes as an opportunity to build a firmer foundation for our business.



YoY Sales Comparisons: AEON MALL, SC Sector, Dept. Stores, Chain Stores

* FY2017 three-month averages for SCs, department stores, and chain stores, uses simple monthly averages.
* YoY Comparisons for AEON MALL are before calendar adjustments.
* Department store sales exclude the impact from overseas tourists visiting Japan.



Source: Japan Council of Shopping Centers, Japan Department Store Association, Japan Chain Stores Association

HEALTH

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WELLNESS

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COMMUNITY

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OPPORTUNITY

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Happiness Mall Initiative

HEALTH Making Physical and Mental Wellness Fun

AEON MALL Supports Daily Exercise and Healthy Bodies

AEON MALL Walking x FUN+WALK PROJECT

AEON MALL sponsors the AEON MALL Walking program, installing walking courses within our malls to contribute to community health. Customers can enjoy exercise while they shop, regardless of season, weather, or time.

We support the public-private FUN+WALK PROJECT of the Japan Sports Agency to make walking more enjoyable and make enjoyable activities healthier. This project is one more way in which we encourage customers to use our malls throughout Japan for exercise.

The September 2018 press conference was attended by Daichi Suzuki, commissioner of the Japan Sports Agency, Happiness Mall ambassador Kaya Kiyohara, and Akio Yoshida, AEON MALL president and CEO. At the press conference, Commissioner Suzuki said, “Customers can exercise easily as they shop, walking in comfort without worries of weather and regardless of whether they live in hot or cold regions. I hope everyone in Japan learns about AEON MALL Walking and how to get started close to home.”



Radio Calisthenics With 1,000 People!

On August 25, 2018, AEON MALL Higashikurume (Tokyo) hosted an 8:00 AM group radio calisthenics event in the mall parking lot. The event was attended by nearly 1,300 people from the local community. The event was an extension of similar events held by the Higashikurume City Radio Calisthenics Club, celebrating 2018 as the 90th year of radio calisthenics in Japan. Both the governor of Tokyo and the mayor of Higashikurume City attended the early-morning event. Under clear skies, participants—from young children to senior citizens—took advantage of the opportunity to work up a gentle sweat while interacting with each other. (Sponsor: Iki-Iki Kizuna no Kai)



Happiness Mall Initiative

WELLNESS Inspiration and Healing in an Expansive Space

Offering Healing and Inspiration Through Uplifting Culture and Arts

Opera de AEON MALL

Since 2017, AEON MALL has worked cooperatively with the Japan Opera Foundation to sponsor *Opera de AEON MALL* events, the goal of which is to make traditional opera more accessible to the people of Japan. AEON MALL held events at 21 malls throughout Japan during fiscal 2018, attended by more than 7,000 customers in total. These events contributed to spreading an awareness of art and culture in Japan, with nearly half of all attendees mentioning that this was their first-ever experience with opera.



Iyashi Aquarium -Dance of a Hundred Flowers

AEON MALL sponsored a mobile aquarium, *Iyashi Aquarium -Dance of a Hundred Flowers-*, at AEON MALL Kurashiki (Okayama Pref.), AEON MALL Kobe Kita (Hyogo Pref.), and AEON MALL Kobe Minami (Hyogo Pref.). Numerous customers took advantage of the aquarium to spend a calming time in a fantastical atmosphere, experiencing the healing effects of watching gently floating jellyfish, a myriad of brightly colored fish, and more in an artistic underwater display.



AEON MALL Rakugo

In 2013, we began sponsoring AEON MALL *Rakugo* performances (traditional comedic storytelling) aiming to provide more people with the experience of enjoying this cultural art. During fiscal 2018, we sponsored performances at 38 malls throughout Japan, attended by more than 4,500 customers. Performances included Kansai style rakugo by the Katsura Fukudanji (master) school and rakugo with sign language by the Katsura Fukudanji school. Sign language performances ensured that even hearing-impaired customers could enjoy the show.



Happiness Mall Initiative

COMMUNITY An Abundance of Smiling Faces From the Local Community

Serving as an Essential Lifestyle Home Base, Gathering People and Fostering Relationships

Omuta *Karuta* Festival at AEON MALL Omuta

AEON MALL Omuta hosted the Omuta *Karuta* (traditional Japanese card game) Festival on December 8 and 9, 2018. The festival featured a jumbo-sized card tournament, a special version of the traditional card and poem game, a *karuta* quiz rally, and more fun activities. The festival also included an exhibit of original art work from the comic series *Chihayafuru*.

Omuta is known as the birthplace of *karuta*, and AEON MALL made the most of the opportunity to attract community citizens while spreading the excitement and interest of one of Japan's most traditional games.



AEON Contributed to the *Shogi no Machi* Commemorative Project, Helping the Community Set a Guinness World Record

Tendo City in Yamagata Prefecture is known as the largest producer of *shogi* (Japanese chess) pieces in Japan. Opened in 2014, the AEON MALL Tendo has been a promoter of the game of *shogi*, hosting the AEON-sponsored Tendo Cup Battle National *Shogi* Championship Match. Recognized for our contribution to the local culture, AEON MALL Tendo was

selected as the site to host the world-record attempt commemorating the 60th anniversary of Tendo City. In all, nearly 4,700 people participated in the event, dubbed *2,000-Match Shogi Conference 2018*. *Shogi* matches started promptly at 10:00 AM, setting a new Guinness World Record of 2,362 simultaneous matches.



Happiness Mall Initiative

OPPORTUNITY Experiencing Product and Services for More Abundant Living

Offering Opportunities and Insights for a More Abundant Lifestyle

8th Annual AEON Store Association Customer Service Role-Playing Contest

AEON MALL sponsors a customer service role-playing contest to encourage the type of customer service skills and mindset that have customers wanting to come back. The contest is an opportunity for representatives from the 30,000-member AEON Store Association to display their skills and learn from other outstanding customer service professionals.



VP Contest

Visual Presentation, or VP, is the process of coordinating and/or displaying products for better appeal to the customer after analyzing sales in terms of customer numbers and unit price per customer to understand a store's strengths and issues. The AEON VP Contest accepts more than 5,500 entries from around Japan, sharing best practices among the members of the AEON Store Association.



Attracting Specialty Retailers From Overseas

AEON MALL is active in recruiting specialty retailers from overseas to deliver new experiences and discoveries to our customers. In November 2018, AEON MALL welcomed first-ever Japanese location of Hotel Chocolat to the AEON Lake Town mall. Hotel Chocolat is the No.1 chocolate brand in London, known as the largest area for chocolate consumption in the world. Besides Hotel Chocolat, AEON MALL has successfully attracted several other popular overseas retailers from China and ASEAN, leveraging our network overseas to bring Japanese customers new and interesting experiences.



KOI Thé
KOI Thé is the overseas brand of 50 Lan, a popular tea-based beverage café chain in Taiwan. The café has 397 locations across 12 countries in China, ASEAN, and other regions (as of May 2019).

Corporate Strategy to Achieve Our Long-Term

Key Indicators and Growth Policies

AEON MALL aims to become a world-class global commercial developer, raising overseas revenues to 35 percent of total sales and achieving ¥100 billion in operating income by the year 2025.

Long-Term Vision/Medium-Term Management Plan

Vision for 2025

- (1) Build a portfolio of multiple business models, rather than rely on domestic malls as a single source of profit generation.
- (2) Become a leading global commercial developer with consolidated operating income of ¥100.0 billion.
- (3) Conduct floor space expansions and renovations in Japan to become the dominant mall in each area.
- (4) Target overseas operating income of ¥35.0 billion (operating margin 20%) across 70 malls, operating at the same level of efficiency and scale as our domestic operations.

Numerical Targets

- Operating Revenue: **¥500 billion**
- Operating Income: **¥100 billion**

Operating Revenue

FY2016: ¥269.7 billion
FY2025 [Plan]: ¥500.0 billion

Operating Income

FY2016: ¥44.9 billion
FY2025 [Plan]: ¥100.0 billion

Medium-Term Management Plan (FY2017 to FY2019)

Numerical Targets

- Operating Revenue: **¥326 billion**
- Operating Income: **¥62 billion**

Priority Measures

- (1) Capture Growth Opportunities in Asia
- (2) Develop Latent Sources of Domestic Demand
- (3) Become the Overwhelmingly Dominant Mall in Each Region
- (4) Capture Urban Growth Opportunities
- (5) Implement Optimal Financing Mix and Build Organizational Structures That Support Growth

Operating Income Component Ratio

FY2016: ¥44.9 billion
FY2019: ¥62.0 billion
FY2025: ¥100.0 billion

Avg. Annual Growth Rate +11.3% (FY2016-19)
Avg. Annual Growth Rate +8.3% (FY2019-25)

Operating Income Component Ratio	FY2016	FY2019 (Plan)	FY2025 (Plan)
Urban Shopping Centers	2.7%	0.8%	5.0%
Japanese Malls	105.8%	87.1%	60.0%
Overseas Business	-8.5%	12.1%	35.0%

Performance Indicator

		FY2016	FY2019 (Plan)	FY2025 (Plan)
Efficiency	ROIC	4.4%	4.5%	6% or higher
Safety	Net Debt-Equity Ratio	1.0 times	1.2 times	Around 1.0 times

* Management indicators do not include an additional 115.0 billion in lease obligations as a result of applying IFRS No.16.

Vision

Medium-Term Management Plan Growth Policies

● Growth Policies

(1) Capture Growth Opportunities in Asia	<ul style="list-style-type: none"> I. Reap benefits of rising brand penetration (via area-dominant strategy) II. Develop and manage superior malls III. Implement measures to increase operating revenues IV. Promote local management
(2) Develop Latent Sources of Domestic Demand	<ul style="list-style-type: none"> I. Happiness Mall Project II. Promote localization
(3) Become the Overwhelmingly Dominant Mall in Each Region	<ul style="list-style-type: none"> I. Conduct floor expansions and implement effective revitalization measures II. Propose new discoveries III. Open new malls in untapped territory IV. Develop new formats V. Improve employee satisfaction for tenants
(4) Capture Urban Growth Opportunities	<ul style="list-style-type: none"> I. Establish branding for new OPA <ul style="list-style-type: none"> •Renovate existing stores and engage in strategic S&B/refining •Develop new format in urban locations •Open new stores in urban area
(5) Implement Optimal Financing Mix and Build Organizational Structures That Support Growth	<ul style="list-style-type: none"> I. Secure financing to support growth business models II. Promote management diversity III. Engage in ESG initiatives

● Business Environment and AEON MALL Initiatives

	Business Environment	AEON MALL Initiatives (Business Opportunities)
Chinese Business	<ul style="list-style-type: none"> •Slowdown in economic growth rate 	<ul style="list-style-type: none"> ▶ New tenants in areas with promising mall business growth; sustained growth by leveraging activation expertise developed in Japan to raise value of existing malls
ASEAN Business	<ul style="list-style-type: none"> •Response to rapidly developing markets 	<ul style="list-style-type: none"> ▶ Capture overwhelming market share through leading-edge malls designed for market needs of the future
Overseas Business	<ul style="list-style-type: none"> •Changes in competitive environment overseas 	<ul style="list-style-type: none"> ▶ Leverage mall management and operations expertise acquired in Japan to develop competitive malls
Japanese Malls	<ul style="list-style-type: none"> •Growth of e-commerce (brick-and-mortar vs online) •Changes in demographics due to population decline 	<ul style="list-style-type: none"> ▶ Impact of e-commerce is limited in light of the range of functions and daily needs goods offered by brick-and-mortar ▶ Expand floor space to secure area dominance among competing brick-and-mortar businesses
Urban Shopping Centers	<ul style="list-style-type: none"> •Weakness in fashion-store building format due to apparel sales slump 	<ul style="list-style-type: none"> ▶ Conduct complete renovations existing stores to improve earnings capacity

* For more about our medium-term management plan for FY2017 through FY2019, see https://www.aeonmall.com/en/ir/pdf/manegemant_plan.pdf.

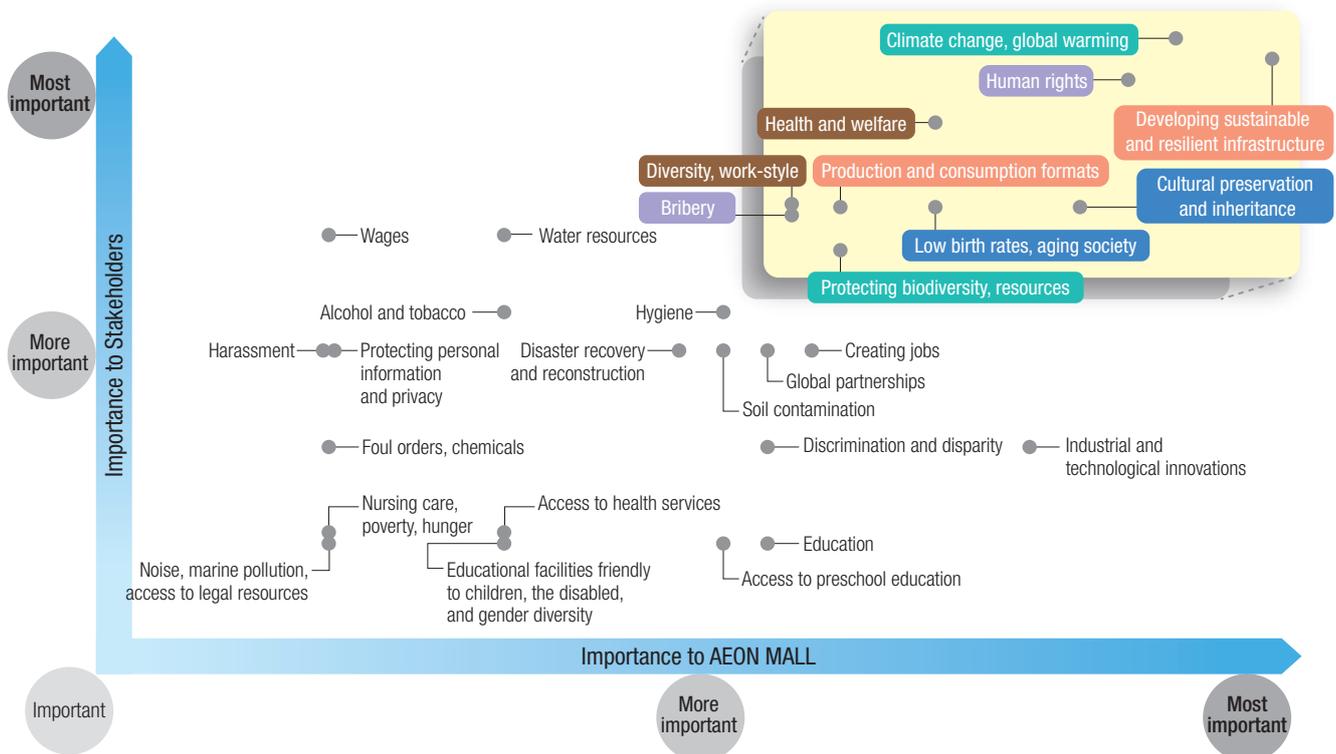
Corporate Strategy to Achieve Our Long-Term Vision

Materiality

AEON MALL uses materiality analysis to identify factors that have a significant influence on value creation over the medium and long term.

We intend to design strategies and policies to address these factors and set key performance indicators to measure execution in the future.

Materiality Matrix



The Materiality Analysis Process

Step 1 Identify Topics

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

*1 Sustainability stock index selected by S&P Down Jones Indices (U.S.) and RobecoSAM (Switzerland)

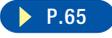
*2 Based in London, the FTSE calculates and manages stock indices.

Step 2 Importance to Stakeholders

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

* U.S.-based Sustainability Accounting Standards Board

Measures Addressing Materiality

Materiality	Related SDGs	Medium-Term Management Plan Growth Policies	Related Pages
Developing Community and Social Infrastructure <ul style="list-style-type: none"> Developing sustainable and resilient infrastructure Production and consumption formats 	 	Safe, secure, and pleasant facilities Malls that reflect the unique character of a community Town planning for disaster prevention Expansion of public functions Encouraging acceptance and use of electric vehicles (EV) Encouraging the use of public transportation	
Building Bridges to Local Communities <ul style="list-style-type: none"> Cultural preservation and inheritance Low birth rates, aging society 	 	Happiness Mall initiatives Hyper-Localization to boost local appeal AEON Yume-Mirai Nursery School	
The Environment <ul style="list-style-type: none"> Climate change, global warming Protecting biodiversity, resources 	    	Responding to climate change and global warming AEON Hometown Forest Project (biodiversity) Recycling waste products	
Diversity and Work-Style Reform <ul style="list-style-type: none"> Health and welfare Diversity, work-style 	  	Globalization of Human Resources Nadeshiko Brand Improving Employee Satisfaction for Tenant Employees	
Accountability in Business <ul style="list-style-type: none"> Human rights Bribery 	 	Human Rights Policies, Systems, and Training Initiatives to Prevent Corruption	

Step 3 Importance to AEON MALL

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

Step 4 Confirm Relevance

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

* AEON MALL engages in business localized to the communities we serve, and we believe solving community social issues is part of our mission as a business. The AEON MALL CSR Council, chaired by the president of our company, meets monthly to ensure we make progress toward our ideal of Creating Shared Value (CSV), conducting business integrated with the principles of CSR. The council discusses details and progress related to four materialities, represented by *E* (environment), *S* (social), *G* (governance), and *C* (communication).

Our Profit Model

To achieve the AEON MALL medium- to long-term business plan, we plan to grow our earnings capacity and increase corporate value, while improving investment efficiency and maximizing cash flow. We work to build a sound and strong financial foundation to support our growth strategy.

Mall Operations Profit Structure

Most of AEON MALL's operating revenue is derived from the rental income paid by our mall tenants. Real estate rental income consists of a fixed rental income and a commission rental income, which fluctuates according to the retail sales of tenant specialty stores. With commission rental income, AEON MALL operating income also increases as the retail sales of tenant specialty stores increases.

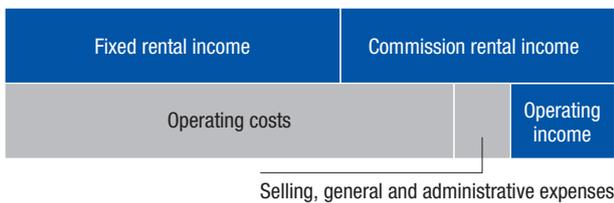
In many cases, minimum guaranteed retail sales are set on a monthly or yearly basis for commission rent. This way, minimum rent is guaranteed, even if the tenant is temporarily unable to exceed a certain level of retail sales.

Operating costs, which are the expenses directly related to mall management and operations, include personnel expenses for full-time mall employees, facilities maintenance

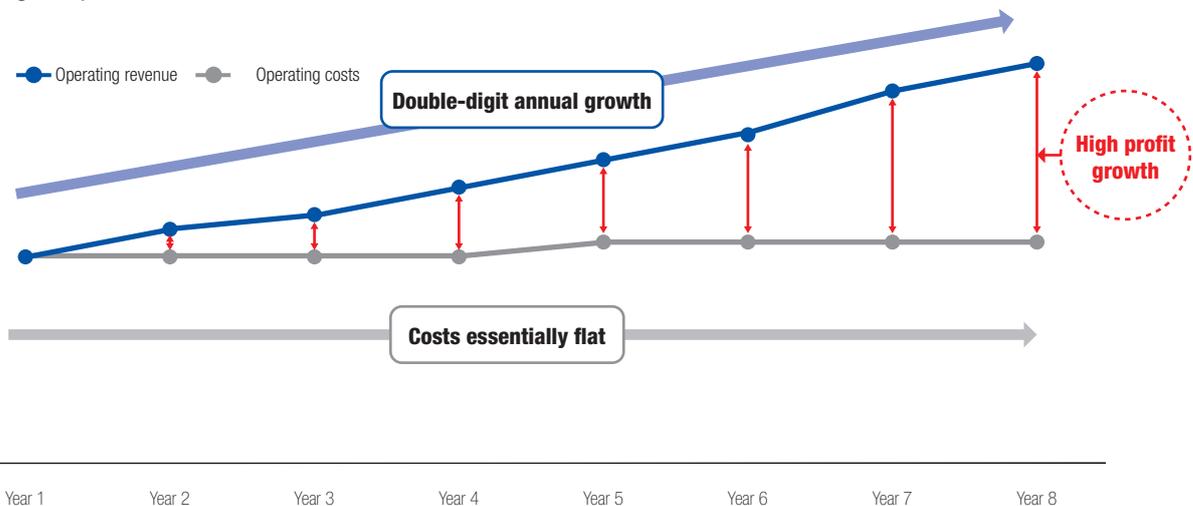
expenses and utilities for mall facilities, rent paid to the owners of the mall land and buildings, and depreciation and amortization expenses for facilities. The expenses that make up the highest proportion relative to operating income are rent and depreciation and amortization expenses.

In China, on the other hand, government-affiliated developers handle the development of roads and towns as a whole. AEON MALL serves as a master lessee recruiting tenants for our commercial facilities. While we receive rental income from tenants, the burden of operating costs is significant. Typically, malls take several years to become profitable. However, since the greatest portion of operating costs consists of real estate costs, expenses do not increase significantly. Operating revenue will grow for several years stemming from commission rental income and revisions in rent fees tied to increases in sales.

Japanese operating revenue and expense structure



Overseas gross profits



Looking at future economic growth, we are constructing spacious facilities with large parking lots on par with those in Japan. At present, real estate costs are high, leading to low profit levels. However, these facilities enjoy high growth rates and growing operating revenues. Costs consist largely of real estate costs that remain flat over time, resulting in high profit growth.

Financial Strategy for Stronger Profit Structure

In recent years, construction costs have remained high in Japan, making it difficult to improve the efficiency of new stores. Given these circumstances, AEON MALL reduced the number of new mall openings to one in FY2019. If construction costs continue to remain high, we will limit new location openings to around two or three per year.

Meanwhile, we have studied properties that lend themselves to expansion of floor space. We are conducting floor space expansions at a rate of three or four malls per year. AEON MALL facilities feature flat parking lots, zoned at the time of construction to accommodate future mall expansion. In Japan, a process of elimination for malls has begun. Mall-opening strategies for specialty store operators is shifting from growth via numbers to a priority on efficiency. AEON MALL has a track record of creating malls that are the overwhelmingly dominant malls in their regions. Specialty store operators know that AEON MALL facilities attract customers and that we can increase retail floor area and remodel malls, while also generating sales growth through synergistic effects derived from attracting other tenants.

Overseas, our plans call for 70 malls by 2025. We will focus on area-dominant store openings in four areas: Beijing/Tianjin/Shandong; Jiangsu/Zhejiang; Hubei; and Guangdong. In ASEAN, we will focus on Vietnam, Indonesia, and

Cambodia. We recorded net operating income in our Overseas business for the first time in FY2018. We are now at a stage where increasing profits here will be the driver of growth for the company. At the same time, the weight of our overseas assets will continue to increase. In China, our basic approach will be to lease assets. In ASEAN, as well, we will create leasing schemes similar to those we use in China.

In support of this strategy, the AEON MALL three-year plan for FY2017-2019 calls for ¥575 billion in capital investment. A total ¥445 billion of this spending will be in Japan (¥275 billion for new malls, ¥150 billion for existing malls, ¥20 billion for OPA). We will invest ¥130 billion overseas (¥30 billion in China and ¥100 billion in ASEAN).

We intend to procure ¥270 billion of these funds from our operating cash flow, with another ¥15 billion from funds on hand for a total of ¥285 billion. The remainder will be covered with debt and REITs. The company will maintain a net debt-equity ratio of approximately one times.

For AEON MALL, a one times net debt-equity ratio is an important indicator of our discipline. Although we recorded a negative free cash flow this year, our overseas operations will begin generating a cash flow in FY2019. Accordingly, we anticipate free cash flow will turn positive during the course of our next medium-term management plan (FY2020 to FY2022).

Use of WACC at AEON MALL

We consider internal rate of return to be the equivalent of net present value. Accordingly, we deem any investment in which internal rate of return exceeds the cost of capital to be a proper investment. When investing overseas, we use the weighted average cost of capital (WACC) and an overseas risk premium to make investment decisions, balanced by country

risk considerations.

We calculate WACC according to the weighted average of borrowing cost and cost of shareholders' equity. Shareholders' equity cost is the anticipated yield required by investors when issuing shares. We use the Capital Asset Pricing Model to calculate the investor's anticipated yield for the market price as of the closing date of our fiscal year.

Building on Our Strengths

Several AEON MALL Group directors shared their views on the strengths of their divisions and the supporting AEON Group strategies.

Maximizing Potential as a Developer

Kaoru Iwamoto

Vice President, Development Officer



One of our greatest strengths as a retail business that integrates general financing and services is our ability to develop properties leveraging the AEON Group brand, infrastructure, and assets. Further, we can adopt the best practices from China and ASEAN into our Japanese businesses, while at the same time extending our expertise in Japan to those regions. This integration of overseas and Japanese expertise is a major advantage. In 2018, we combined our overseas planning functions into the Development Division, generating greater synergies through closer coordination between Japan and overseas. Another competitive strength is our ability to create new businesses completely in-house, as we tend to avoid outsourcing.

The mission of the Development Division is location selection. Our area strategy calls for tailoring our content to specific communities. To achieve this strategy, we will train our staff with greater skills to produce new ideas from the planning

stages to completion. To improve training requires a more stable system that uses manuals and other standard practices. Human resources strategy will be a key for brick-and-mortar businesses to win in this digital era. We also intend to improve our decision-making practices to reflect the type of speed required by landowners, governments, and others in the community. And, in terms of the environment and society, we will continue to obtain environmental certifications and create spaces that foster community-building in response to lower birthrates and aging demographics.

Our key policies over the medium and long term consist of leveraging the urban assets of the AEON Group. We see multi-use commercial complexes as a key growth area. Here, office workers will become repeat, steady customers for shopping, dining, and entertainment in the same facilities. We intend to recruit talent from outside the company as one means to achieve this goal.

Attracting Customers Through Economies of Scale From 153 Malls Across Japan

Akio Mishima

Managing Director, General Manager of Sales Division



Our mission is to maximize revenues and profits through more customer traffic. And, our greatest advantage here is the 153 malls we own and operate throughout Japan. This is a strength unique among developers in our space. Another advantage is how AEON MALL strives to localize our malls to the needs and preferences of the local community. This creates an advantage in our ability to combine goods and services organically in a fun space via a BtoBtoC business model. Specific instances of this localization include our Happiness Mall initiatives, carefully planned special customer events, points programs, and more. The Sales Division consists of more than 1,500 employees. We divide this large organization into smaller areas overseen by a division general manager. I believe this size and structure offer another advantage to AEON MALL over the competition.

In the future, we intend to raise our presence as part of the community infrastructure, using AEON MALL spaces for

disaster-relief, early voting, and other public benefits. In times of disaster, AEON MALL can be a location to safely evacuate, offering confidence and safety. We can offer nursery school and other support to facilitate work-style improvement among employees of our tenants.

We can foster deeper ties to our communities by proving ourselves an indispensable part of the local infrastructure, integrating brick-and-mortar with e-commerce and other digital technologies to create a hybrid virtual-real space. AEON MALL plans to offer even faster support to our tenants, rolling out QR code-based cashless payment systems and planning sales promotion activities that correspond to major developments such as consumption tax increases.

Cultural Integration and an Overwhelming Sense of Scale

Mitsuhiro Fujiki

Managing Director, General Manager of Leasing Division



One important mission of the Leasing Division is to find outstanding tenants. We strive to find new business partners and create stronger communities with our tenants as part of our responsibility for the real estate operations of a shopping mall development company. At the same time, another important part of our job is to go out and gain a sense for what is happening “now” in society. Leasing Division staff must go out and talk with people, observe behavior, and get a personal sense of the community. Staff in charge of restaurants must go out and eat. Staff in charge of fashion must read voraciously, go window shopping, and research the latest trends. We have to be sensitive to the newest developments and information out in the world. And, perhaps most of all, we must challenge ourselves always to try something new. This is the type of organization to which the Leasing Division aspires.

Our relationship with the nearly 8,000 tenants of the AEON Group is our strength. This major asset represents an

overwhelming scale only dreamed of by our competitors. Our advantage is the sheer number of malls located in areas from Hokkaido in the north to Okinawa in the south. AEON MALL is home to people with a wide variety of backgrounds. This diversity and variety helps us expand our perceptions.

Presently, our target is the second-generation baby boomers and their families, a wider cross-section of the population pyramid. Today, the most fashion-conscious age group is the group in their 50s, just entering our target zone. We hope to exploit this trend for further growth. At the same time, we plan to strengthen our strategy to raise added value and create a smoother cycle between the consumption of goods and the consumption of services. Here, we aim to capture a larger volume area of the market for seniors.

Using Digital Technology for Outstanding Brick-and-Mortar Experiences

Akiko Nakarai

Director, General Manager of Digital Promotion Management Department



We promote digital advancements along three vectors: (1) Developing an omnichannel approach to commerce; (2) Raising customer satisfaction through stress-free environments; and (3) Improving labor productivity. As Japan’s online business begins to reach a saturation point, we are working with platform providers to combine digital technologies with real-world AEON MALL assets. Meanwhile, we are making progress in our online business overseas in various ASEAN countries. One strength of digital promotion at AEON MALL is our access to 1.2 billion records of consumer transaction data in Japan, which we can use to create future business opportunities. Another strength is our access to partnerships, leveraging assets and relationships throughout the AEON Group.

Malls of the future must offer systems and digital-based conveniences, including maps, cashless transactions, highly

visible electronic signage, and stress-free cash register transactions. We are already conducting proof-of-concept tests for QR code-based cashless transactions, other digital infrastructure, and personal mobility.

Other important future topics include creating a digital network across the AEON Group for easy access by and convenience to customers. We plan to utilize our storehouse of data to identify the most appropriate services in this respect. As of the end of 2018, nearly every AEON MALL has been outfitted with Wi-Fi equipment, allowing online access throughout Japan. Looking ahead to 2020, we intend to welcome the opportunities offered by inbound tourist traffic to provide stress-free online environments for customers from overseas, adding to the excitement and enjoyment of their experience in ways unique to AEON MALL.

Round Table Discussion With Outside Directors and Outside Corporate Auditors



Masao Kawabata

Outside Director (Independent)*

Mami Taira

Outside Director (Independent)*

Maki Watanabe

Outside Member of the Audit and Supervisory Board (Full-Time)

Yumiko Ichige

Outside Member of the Audit and Supervisory Board (Independent)*

Takao Muramatsu

Outside Member of the Audit and Supervisory Board (Independent)*

* Outside independent director or member of the Audit and Supervisory Board who, according to the regulations of the Tokyo Stock Exchange, has no conflicts of interest or potential conflicts of interest with minority shareholders.

Meeting AEON MALL Challenges and Generating Future Growth Through the Prism of ESG

AEON MALL is pleased to have two outside directors and three outside members of the Audit and Supervisory Board as part of the company's oversight team. These individuals make significant contributions to corporate value growth at AEON MALL by lending their objectivity and expertise to our business. This year marks the fourth round table for our outside officers, who shared their insights related to ESG-based management, a topic of interest expressed by many long-term investors.

* Discussion held on March 8, 2019.

Sustainable Growth and Social Value Creation: The Social Significance of AEON MALL

Watanabe AEON MALL defined a long-term vision in *Vision for 2025*, aiming to implement our management philosophy more precisely and drive greater growth in the face of rapid changes in our business environment. At present, we are executing on the third year of a three-year business plan based on this long-term vision. Our outside officers provide their input about this plan and related policies at the company's Policy Meeting.

In today's round table discussion, we will address ESG-based management topics as they relate to the AEON MALL medium- and long-term strategies. I want to start with everyone's thoughts on the social significance of AEON MALL from the standpoints of sustainable growth and social value creation.

Taira One of our best-known initiatives is our Happiness Mall events and services that build on the important ties to the local community. We are creating community-based malls that serve as a center for encouraging interactions among people in the local community. People say that neighborhood relationships have become weaker in this age of the internet. Our initiatives to create stronger bonds within the community are perfectly in line with our business concept of building malls that grow together with the community.



AEON MALL sponsors events that provide an opportunity and space for the community to come together in love and support. In this way, we help the people of our communities live happier lives. Many of our tenants say that they want to participate, too. These events create more value around the AEON brand, which leads to more profits and so on in a virtuous cycle. Isn't this what we want when we talk about creating sustainable social value growth?

As one measure toward diversity, we offer AEON Yume-Mirai (Dreams for the Future) Nursery Schools. At present, the AEON Group operates 25 nursery schools, 18 of which are in AEON MALL facilities. The nursery school isn't just for working mothers. They are every bit as necessary for working fathers and every person who works in the mall, which is a wonderful support mechanism. The schools are open during mall hours, which lets employees work without worrying about the time. Not many other nursery schools can provide this benefit. In the future, I hope to see people from the local community taking advantage of our nursery schools as well.

Kawabata I want to address three topics related to the environment. First, I want to stress that AEON MALL makes good on our promises about the environment. The AEON Group business cards are printed with the slogan, "Planting



Round Table Discussion With Outside Directors and Outside Corporate Auditors

Seeds of Growth.” This refers to our extensive tree planting activities. We have even declared that we manage our company based on principles of sustainability.

Prior to opening a new mall, we work with families in the community to plant trees in and around the area. This AEON Hometown Forestry Program has been a policy at AEON MALL for many years. In June 2018, nearly 700 people came to plant 7,000 trees at the AEON MALL Iwaki Onahama complex. More recently, we planted cherry trees in Vietnam, supporting the *Hanoi City 1 Million Tree Plan*. Japanese cherry trees don’t thrive in the Vietnamese climate, so we have planted a special variety for three years running. When these trees finally blossom, I think people will recognize the wonderful contribution we have made to the city and the country.

Second, we have launched several energy initiatives to prevent global warming. AEON MALL has set numerical goals for CO₂ emission reductions, aiming to halve our energy usage by 2020 as compared to 2010 levels. One specific tactic is the use of LED lights in the common areas of our malls. We have also noted the global growth of electric vehicles. Here, we have installed 1,829 electric vehicle chargers across 146 malls in Japan. In China, where EV is growing rapidly, we have already installed 503 chargers across 12 malls. I can say clearly that we are promoting environmental preservation within and through our business activities.

Third, we offer our communities an enjoyable, comfortable environment. Rather than environment per se, I should say that we are starting a revolution in hygienic environments. We are known in Asia, in particular, as having clean, easy-to-use bathrooms in our malls. When I visited Cambodia in January of this year, I was deeply impressed to hear the locals use the term “pre-AEON/post-AEON.” We aren’t just famous for our bathrooms, either. AEON MALL Sen Sok City, our second mall in Cambodia, features a brilliant combination of sports and entertainment facilities. Local citizens have never seen the likes of the

lifestyles encouraged by this advanced shopping complex. After opening our first location in Phnom Penh in 2014, more than ten other modern commercial facilities have been constructed. The local media is saying the city has gone through a complete change. The opening of an AEON MALL has raised the bar for hygiene and lifestyles in the local community. I have come to understand the important role AEON MALL’s business plays in the social infrastructure.

Watanabe I visited Cambodia in 2014, but the city was completely different when I went again last year. I truly experienced the meaning of pre-AEON/post-AEON. I gained a new appreciation for how important our contributions can be in a developing economy.



Ichige I want to talk about how the AEON MALL business model itself contributes to society. In the ASEAN countries, recent conflicts have meant that many in the working-age generation have lost their lives. Today, the average age in Vietnam is 30 years, while the average age in Cambodia is around 25. The populations of these countries skew very young. We expect the economies of these countries to develop in the future. At the same time, these countries have a deep desire for peace. They want happiness. They want to smile.

Our role in delivering value is as a Life Design

Developer creating the future of community living. I think there is no better place than these countries for us to do so. In Japan and overseas, we raise the quality of life for local communities, setting a higher standard for happiness. I believe our initiatives in pursuit of this vision line up perfectly with ESG-based management.

After becoming president, Mr. Yoshida invited a variety of opinions before announcing our Vision for 2025. I think it is excellent that we have attached numerical targets to each step along the path toward practical achievement of this vision. Of course, we are not simply forging ahead to achieve numbers. When we perform a rolling update to our medium-term plan, we must look back on the relationships to our philosophy and core values, focusing on what we can do as a Life Design Developer to reach our long-term vision.

Muramatsu Looking back over the past 10 years in Japan, we see that more companies are trying to figure out how to highlight their CSR activities. More companies are incorporating CSR into the mainstream of their corporate activities. Looking at AEON MALL CSR activities from this perspective, as Director Kawabata said, we have already been engaged in socially significant initiatives for quite some time. I think highlighting these activities will lead to improved recognition and approval of our brand.

I have experience working in several outlying regions in Japan, and I have felt personally the importance of AEON MALL to these communities. AEON MALL is more than just a shopping center. AEON MALL represents part of the surrounding social infrastructure, playing a role just as crucial as the public roads. Even more, AEON MALL serves as a focus for public activities, including blood drives, early voting, tax return filings, and more. Of particular note is the number of post offices located at AEON MALL facilities. These types of public services could be a key to our future growth.

Watanabe The company policy when I joined Jusco, the precursor to AEON Co., Ltd., was to *serve local*



communities through commerce. I think this fits with the S component of ESG. The AEON Group reinvented itself over a short span of time by responding to changes in society and always focusing on the customer first.

In fact, the AEON MALL basic philosophy now is *The Customer Comes First*. We have a mission to use the stage of our malls to share the best, most unforgettable experiences with our customers by working together with our tenants, who are members of AEON Store Association group. Our reward is the smiling faces and sincere words of gratitude from our customers.

I think respect for our customers, our partners, our vendors, our employees, and other stakeholders is the S in ESG; our contribution to society. Our mall business, with deep roots in retail, must always be a human- and peace-centric industry.

Next, I want to guide the discussion toward governance, which warrants a growth policy that capitalizes on the strengths of our business model. In that light, let's take a look back on fiscal 2018 and our assessment of the board of directors, areas of improvement, major discussions, and significant issues. Can you talk about contribution and controls related to the evaluations of the effectiveness of the board of directors last year? Also, please touch on the proceedings of the Management Council from the perspective of attending meetings as outside directors.

Round Table Discussion With Outside Directors and Outside Corporate Auditors

A Governance Structure Ensuring Growth Policy That Leverages the Strengths of the AEON MALL Business Model

Ichige When we talk about G [Governance], we usually talk about complying with Japan's Corporate Governance Code. However, I wonder whether we are missing the point of governance in the first place. Some say governance is to prevent the all-too-frequent occurrences of corporate fraud and scandal. The preamble to the code says to "boost corporate profitability through aggressive governance." I think these are two sides of the same coin. We shouldn't forget that governance is to secure the effectiveness of corporate policies and growth strategy, while strengthening defenses at the same time.

Our Management Vision and Management Philosophy, serve as a foundation for growth strategy. From there, we must address how to implement board of director oversight and board member diversity with respect to our strategy. We must talk about what skills, experience, and character are required for the job. We established a Nomination and Compensation Committee in fiscal 2018. Here as well, it is important that we discuss the type of people needed to support growth, assuming our existing corporate growth strategies. Another issue with the Nomination and Compensation Committee is evaluating the performance

of those in charge of running the business. Our managers should be evaluated not only on current issues, but also on how well they perform their assigned mission in the context of growth and business strategies. Decisions about compensation and nomination (for board members) should be based on this evaluation.

President Yoshida was correct to outline our growth strategy as his first matter of business. The next step after growth strategy is to put together a governance structure ensuring the execution of this strategy. I think we are in this phase now.

At the same time, new areas of business and new business models entail risk. We must raise our level of internal controls and risk management to deal with these risks. I think the greatest legal risks when entering markets overseas are risks related to corruption and bribery. Last year we established a basic policy for preventing bribery. Now, we are conducting training based on this policy. Outsiders have commended us on our very detailed risk management structure and comprehensive rules. The next important item on our agenda is creating a mechanism for the board of directors to monitor our business.



Muramatsu In June 2018, the Tokyo Stock Exchange published its Revised Japan's Corporate Governance Code. The same month, the Financial Services Agency issued and enacted Guidelines for Investor and Company Engagement. These new rules gained considerable attention for the use of the phrase "cost of capital." AEON MALL is a business in which many investors and financial institutions entrust their capital, which we invest in significant amounts. Naturally, our minimum terms of investment require returns that exceed the cost of capital.

In Japan, soaring construction material costs have meant rising levels of investment per mall. While our businesses in Japan have been working to reduce mall operations costs, greater care in detailed profit and loss management at individual malls is necessary in an era where we can no longer expect rapidly rising growth rates.

At the same time, we are working in developing economies and countries with very strict government control over business. Here, one key to success is making investments that keep pace with the nation-building policies of the local government. Some business practices still reflect pre-modern customs, which can lead to corruption. If a fraudulent act is uncovered, it may not only affect a company's reputation, but also cause significant losses in a worst-case scenario. As we expand our presence overseas, the actions of our employees worldwide affect more than just their own personal lives. We must emphasize in the strongest terms, time and again, that the actions of employees can threaten the very existence of their employer.

Watanabe I see various on-site issues and problems when I go out and visit our operations. I understand it takes extra energy for employees overseas to hold to the Japanese sense of morals. Here, the company must provide proper support, rather than leaving such things to the individual alone. I think this point is reflected in President Yoshida's remark about emphasizing communication due to the distances involved.



Taira In addition to board of director meetings, I also attend the Management Council as part of my duties. I'm a bit concerned about how much time is spent in these meetings discussing operations. I think we should set more time aside to discuss important management issues and goals.

Our Corporate Governance Report includes a section titled, "Policy on Measures to Protect Minority Shareholders in Conducting Transactions With a Controlling Shareholder." This policy states, "[The Company] makes our own independent management decisions related to daily business operations...embracing a mutual respect for self-reliance and independence as we collectively strive for sustainable growth, development, and improved earnings. We believe that cooperating with group companies and maximizing synergies...will yield benefits to minority shareholder interests." In the discussion of the practices related to publicly traded subsidiaries, I think we should also address how to preserve unique identities while pursuing growth.

Today, four women serve as officers in AEON MALL. I was the first and only female officer for some time. We have certainly made progress in raising the number of female officers, but I still think there's room for more. Our Vision for 2025 defines a goal to bring our overseas business up to the same scale as our directly managed mall business in Japan. To achieve this goal, we have to consider adding more diversity to our board of directors, which means

Round Table Discussion With Outside Directors and Outside Corporate Auditors

including non-Japanese members.

Kawabata I think creating the Nomination and Compensation Committee is one of the best things we have done for governance. Fiscal 2018 marked the second year we have conducted a survey of board effectiveness. Setting up a Nomination and Compensation Committee was the top priority discussed in the Corporate Governance Code.

Together with Ms. Taira, I also participate in the Management Council. In addition to the discussions there, we observe operations in Japan and overseas, as well as attend the Policy Meeting. These activities provide wonderful opportunities to meet with many outstanding members of our group. Seeing these energetic leaders gives me great hope about the individuals who will carry AEON MALL forward. The Nomination and Compensation Committee provides more clarity about fostering successors and training board members, and I am more committed than ever to fulfilling my role as an outside director.

We mentioned the composition of the board of

directors. I think the ideal situation will be when we no longer send Japanese to manage overseas operations, but rather foster talented local leaders who go on to become presidents and board members of our overseas entities. I have high expectations that the Nomination and Compensation Committee will function to make this happen.

Watanabe As a full-time outside member of the Audit and Supervisory Board, I attend meetings of the CSR Committee, the Risk Management Committee, and the Compliance Committee. The CSR Committee is chaired by President Yoshida. This committee was launched to promote ESG-based management and to discuss matters related to environmental preservation, social contribution, and internal audits. I feel that we should continue this monthly meeting for our managers to gather and talk about CSR and ESG in our business.

Last, I want to invite any comments about improving the effectiveness of the board of directors or any points to emphasize for future improvement.

Measures for Improving Board of Director Effectiveness

Taira When I had discussions with the coordinating office personnel, we talked about how well AEON MALL puts plans into action due to our background as a developer with deep roots in the retail industry. I think AEON MALL is skilled at responding flexibly to change. I would like us to continue analyzing what is required of our company and of our board of directors, responding to change head-on and without fear.

Kawabata What is important for the board of directors is to narrow the focus of our agenda and encourage more frank discussions. Mr. Muramatsu talked about the cost of capital earlier. AEON MALL invests in 20- and 30-billion yen projects on a frequent basis. I believe we should have in-depth discussions about investment returns from the

stance of capital efficiency.

Take overseas development projects, for example. We should not only discuss profit plans and investment returns, but also financing mechanisms, financial plans for local entities as a whole, changes in the environment, risks, and other matters. To date, we have secured financing from Japan. But, I believe we should look out over a longer span of time and engage in deeper discussions about how to finance our projects. After all, once we build a mall, we need to operate it effectively for 30 or 40 years.

Looking ahead to the year 2025, and even beyond, our overseas operations are going to grow and become an even larger part of our overall business. As this happens, I am sure we will have to reconsider our control structure, including the makeup and operating rules of the board of



directors. The Ministry of Economy, Trade and Industry is drawing up a policy for stronger corporate control over publicly listed subsidiaries. Apparently, the ministry is discussing a rule requiring one-third—or even a majority—of board directors to be outside members with no ties to the parent company. I think we at AEON MALL are already at a crossroads where we should consider the makeup and role of our board.

Ichige We need to move away from traditional business schemes, raising the value of our malls through digital technologies. To accomplish this will require decisive investment at some point. We cannot make this transition without committing people and capital. Historically, we have invested mainly in real estate, but I believe future discussions will have to include changes to our business model.

On March 1, 2019, President Yoshida was called to serve concurrently as an executive vice president for AEON Co., Ltd. Directors and members of the Audit and Supervisory Board must be even more aware of the views of AEON MALL shareholders in fulfilling our duties of external accountability. Some situations may seem a conflict of interest at first. However, I believe we can forge paths leading everyone in the same direction if we change our vector and make sufficient adjustments to reflect the opinions of those outside our organization. I want AEON MALL to take the lead in introducing best practices for the governance of publicly traded subsidiaries. I expect our efforts will be appreciated by our investors as well.

Muramatsu Of course, we must be aware of the cost of capital in the future. At the same time, we should do more research into ways of incorporating the cost of capital into our day-to-day management decisions. In Japan, we need to increase added value through our P/L as it relates to the cost of capital. To do this, our front lines must become more familiar with management accounting principles. We shoulder a heavier responsibility as our overseas business becomes a larger part of the company. We become more responsible for employees and tenants. Supply chain procurement risks become more complicated. We must exercise greater care to prevent human rights violations and the related negative impact.

Watanabe I have only been a full-time member of the Audit and Supervisory board for a little less than a year. But, during my time, I have come to feel that AEON MALL is a completely different company than the other members of the AEON Group. I mean this in a good way. Even if we all subscribe to the same basic principles, our management structure is different. We have grown through mergers, meaning our employees have developed different identities while also creating new synergies.

We must understand this about our company each year as we audit the process that takes us closer to our Vision for 2025. I hope to work closely with our outside directors to monitor AEON MALL through a corporate PDCA cycle that ensures effectiveness among our board in executing our medium-term management plan. In this way, I am convinced we will inspire greater confidence among our stakeholders.

Corporate Governance

We continue to strengthen our corporate governance functions and build systems to facilitate rapid decision-making for consistent, long-term corporate value growth.

Basic Approach

AEON MALL is a *Life Design Developer*, creating the future of community living as we pursue our basic principle that *the customer comes first*.

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

AEON MALL builds upon our strengths as a retail business developer, at the same time striving to localize our malls to the characteristics of each community we serve. In this way, we contribute to better lifestyles and community growth in terms of economy and culture. We recognize the importance of corporate governance in accomplishing this vision and we work continually improve our corporate governance structure.

• Corporate Governance Structure Guidelines

1	We provide a consistent and fair environment to support shareholder rights and the execution of said rights. We work in cooperation with shareholders toward the goal of sustainable growth.
2	Our board of directors and senior management exercise proper leadership in fostering a corporate culture that respects the rights and perspectives of customers and stakeholders, conducts business activities ethically, and engages in a positive approach to ESG and CSR activities.
3	We have created a Disclosure Policy and Rules for Managing Information Disclosure to address disclosure of financial and nonfinancial information. Guided by these policies, we ensure transparency and fairness through appropriate and clear information disclosure.
4	Our board of directors consists of individuals well-versed in the retail business, helping AEON MALL capitalize on our background as a retail developer. We appoint independent outside directors to strengthen our supervisory function and conduct highly transparent business. Our board of directors determines important strategies and measures to achieve our long-term vision and medium- and long-term plans.
5	We incorporate feedback and input received through constructive dialogue with shareholders to improve our corporate value.

Adopting the Corporate Governance Code

At AEON MALL, we strive for higher levels of corporate governance to improve management efficiency, practice sound business management, and grow our corporate value. Specifically, we achieve greater effectiveness in corporate governance through efforts to improve our organization and systems, as well as initiatives to encourage our employees. We

implement the principles of Japan’s Corporate Governance Code, and we will continue to reach for higher levels of corporate governance.

See the AEON MALL corporate website for more about our Corporate Governance Report and progress to date.

▶ https://www.aeonmall.com/en/ir/c_governance.html

Internal Controls System

The AEON MALL board of directors, other decision-making bodies, managers, and employees support and engage with our system of internal controls. Internal controls guide our efforts to perform consistent compliance management and establish suitable business operations, while we pursue greater efficiencies and effectiveness toward accomplishing earnings goals and other key performance indicators. Internal controls also help ensure proper information disclosure practices.

The internal audit division determines whether the

company and subsidiaries are managed appropriately. The division conducts audits based on Rules for Internal Auditing, presenting the results to the CEO and full-time members of the Audit and Supervisory Board according to the Report on Internal Auditing. At the same time, the internal audit division coordinates internal audit details with the Audit and Supervisory Board on a timely basis, working closely with members to ensure efficient audits conducted by the members of the Audit and Supervisory Board.

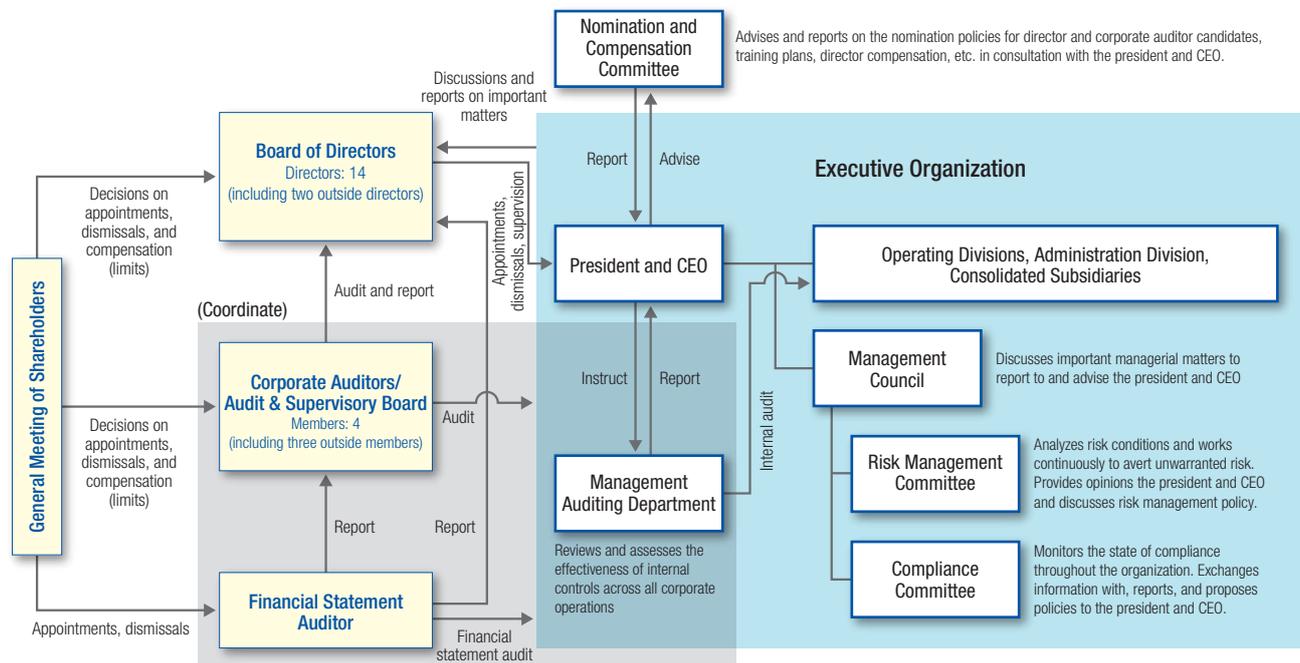
Corporate Governance Structure

AEON MALL established the Management Council to serve as an advisory body for the president and CEO. This council consists mainly of managing directors and higher, full-time members of the Audit and Supervisory Board, and individuals appointed by the president and CEO. The purpose of this council is to strengthen business strategy functions and ensure a more efficient decision-making process. We bolster management and supervisory functions by holding at least one meeting of the board of directors per month, chaired by the president and CEO.

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

other managers below the rank of representative director. The purpose of these committees is to ensure efficient business activities. AEON MALL has adopted a corporate auditor system led by outside members of the Audit and Supervisory Board. The board works in coordination with outside financial statement auditors and the Management Auditing Department as part of a structure ensuring a sufficient audit function. Each member of the Audit and Supervisory Board attends board of director meetings, while full-time members of the Audit and Supervisory Board are always present at meetings of the Management Council.

• Corporate Governance Organization Chart (as of May 23, 2019)



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*.

Corporate Governance

Criteria for Appointing and Dismissing Officers

The president and CEO proposes director candidates according to the following criteria. The Nomination and Compensation Committee, which consists mainly of outside directors, discusses nominations, which are then presented to the board of directors as agenda items for the general meeting of shareholders. The board makes the necessary resolutions which are submitted to the general meeting of shareholders for approval.

(Policies for the nomination of director candidates)

- Internal directors must have the ability, knowledge, experience, and achievements required for their field of specialization. These individuals must also have a sense of balance and judgment that enables them to understand and act across all aspects of business operations.
- Outside directors must have abundant experience and insight in professional specialization. These individuals must have sufficient time to carry out their duties as company directors and possess qualities to provide independent advice and recommendations on the appropriateness of decision-making by the board of directors.

(Policies for the nomination of Audit and Supervisory Board candidates)

- Candidates must be aware of business issues based on experience in general business management
- Candidates must have no interests or business relationships that may affect their execution of duties as a member of the Audit and Supervisory Board
- Candidates must have considerable knowledge of finance and accounting, or skills, expertise, and experience in a specialized field

The board of directors elects a CEO who will contribute to effective corporate governance and sustainable growth in medium- and long-term corporate value. The appointment and dismissal of the CEO is decided by a resolution of the board of directors.

A candidate for CEO must have an appropriate breadth of experience, insight, and advanced expertise. The CEO must also have managerial ability and leadership skills sufficient to achieve continuous growth in the company's business.

Independence Standards

AEON MALL complies with the independence standards established by the Tokyo Stock Exchange for the appointment of independent outside directors. We have designated four outside directors (two directors and two members of the Audit and Supervisory Board) as independent officers, filing our designations with the Tokyo Stock Exchange.

Independence Standards for Outside Directors

1. Candidates must not have served as an executive officer of any of the company's group companies in the 10 years prior to appointment as an outside director.
2. Candidates having served as a director, accounting specialist, or as an Audit and Supervisory Board member of AEON MALL and/or subsidiaries at any time in the 10 years prior to appointment (excluding those who have served as AEON MALL Group Executives) must not have served as an executive officer of AEON MALL and/or subsidiaries for a period of 10 years prior to appointment as director, accounting specialist, and/or Audit and Supervisory Board member.
3. Candidates must not fall under any of the following conditions:
 - (1) Directors of AEON MALL's parent company or parent company subsidiaries (excluding AEON MALL or AEON

MALL subsidiaries), etc.

- (2) Individuals who are spouses or relatives within the second degree of kinship of an AEON MALL Group executive
4. Candidates must not fall under any of the following conditions:
 - (1) An individual regarded as a major customer or executive officer of a major customer of AEON MALL or subsidiaries (a customer representing one percent or more of the AEON MALL's consolidated sales for the most recent fiscal year)
 - (2) A major customer or executive officer of a major customer of AEON MALL or subsidiaries
 - (3) A consultant, accounting expert, or legal expert receiving from AEON MALL or subsidiaries a sum, other than corporate officer remuneration, of ¥10 million or more in monetary or other property
5. Candidates must not fall under any of the following conditions for three years prior to appointment:
 - (1) Any conditions provided under 4.(1) to (3)
 - (2) Executives or non-executive directors of the AEON MALL parent company
 - (3) Executives of a subsidiary of the AEON MALL parent company (excluding AEON MALL or AEON MALL subsidiaries)
6. Spouse or relative within the second degree of kinship of an individual falling under any of the following conditions:

- (1) Any conditions provided under 5.(1) to (3)
 (2) AEON MALL Group executives
 (3) Executives or non-executive directors of the AEON MALL parent company
 (4) Executives of a subsidiary of the AEON MALL parent company (excluding AEON MALL or AEON MALL subsidiaries)
 (5) Individual who has served as an AEON MALL Group executive with in three years prior to his or her appointment

● **Outside directors and members of the Audit and Supervisory Board serving in concurrent posts; reasons for election, etc.**
 (as of May 23, 2019)

	Name	Organization	Position	Relationship With AEON MALL	Reasons for Election
Outside Members of the Board of Directors	Mami Taira	Taira Tax & Accounting Consulting Group	Partner	No business relationship	Ms. Taira contributes advice and oversight based on her expert opinion as a certified public accountant and tax accountant, as well as her experience as a director and member of the Audit and Supervisory Board at other companies. She continues to be involved in AEON MALL management, offering practical advice on a variety of issues, including company diversity. We believe Ms. Taira qualifies as an independent officer having no relationships that may result in a conflict of interest. She is not a shareholder of AEON MALL, nor does she have any personal relationships with major AEON MALL transaction partners.
		Iseki & Co., Ltd.	Outside Member of the Audit & Supervisory Board		
		Suzuden Co., Ltd.	Outside Member of the Board of Directors		
Outside Members of the Board of Directors	Masao Kawabata	Brainwoods Corporation, Ltd.	Advisor	No business relationship	Mr. Kawabata contributes advice and oversight stemming from his background in public relations, investor relations, and risk management capacities, as well as his international perspective and wealth of experience through management positions across several countries. He continues to be involved in AEON MALL management, offering appropriate advice on a variety of issues. We believe Mr. Kawabata qualifies as an independent officer having no relationships that may result in a conflict of interest. He is not a shareholder of AEON MALL, nor does he have any personal relationships with major AEON MALL transaction partners.
		English Speaking Union of Japan	Director		
		International Christian University	Controller		
Outside Members of the Audit & Supervisory Board	Maki Watanabe	—	—	No business relationship	Ms. Watanabe has extensive experience in accounting at AEON Co. and has served as an Audit and Supervisory Board member at various Aeon Group companies. We believe she will continue to contribute her expertise and experience to AEON MALL management.
	Takao Muramatsu	MURAMATSU TAX ACCOUNTANT OFFICE	Director	No business relationship	Mr. Muramatsu contributes advice and oversight based on his extensive knowledge in tax matters stemming from his experience at the Regional Taxation Bureau, as well as his experience as a director and member of the Audit and Supervisory Board at other companies. He will continue to contribute his expertise and experience to AEON MALL management. We believe Mr. Muramatsu qualifies as an independent officer having no relationships that may result in a conflict of interest. He is not a shareholder of AEON MALL, nor does he have any personal relationships with major AEON MALL transaction partners.
		BESTERRA CO., LTD	Outside Member of the Audit & Supervisory Board		
		Serendip Consulting Co., Ltd.	Outside members of the Audit & Supervisory Board		
Outside Members of the Audit & Supervisory Board	Emi Torii	GLOBERIDE, Inc.	outside members of the Audit & Supervisory Board (Auditors, etc.)	No business relationship	Ms. Torii is an attorney having specialized knowledge of corporate legal affairs. We have appointed Ms. Torii believing she will contribute here viewpoint as a legal expert for the benefit of AEON MALL. We believe Ms. Torii qualifies as an independent officer having no relationships that may result in a conflict of interest. She is not a shareholder of AEON MALL, nor does she have any personal relationships with major AEON MALL transaction partners.
		Nozomi Sogo Attorneys at Law	Partner		
		Ministry of Health, Labor and Welfare Kanto, Shin-etsu Local Pension Record Correction Council	Member		

* Ms. Emi Torii will assume her duties on May 23, 2019.

● **Activities of outside directors and members of the Audit & Supervisory Board (FY 2018)**

Classification	Name	No. of Meetings Attended		Activities
		Board of Directors	Audit & Supervisory Board	
Outside Members of the Board of Directors	Mami Taira	13/14	—	Ms. Taira possesses specialized knowledge of accounting and experience stemming from work as director and corporate auditor at other companies. She contributes this expertise and experience, providing insights other necessary remarks related to growth strategies and management issues in Japan and overseas from the standpoint of fairness and transparency.
	Masao Kawabata	14/14	—	Mr. Kawabata possesses a wealth of experience as a manager in posts overseas and in Japan. He contributes this experience, providing advice and other necessary remarks related to medium- and long-term business growth, employee training, and performance indicators of corporate value growth from the standpoint of the environment.
Outside Members of the Audit & Supervisory Board	Maki Watanabe	14/14	15/15	Ms. Watanabe possesses a wealth of knowledge in accounting. She contributes this knowledge, providing insights and other necessary remarks related to proper internal controls from the standpoint of sound and appropriate corporate practices in corporate finance and accounting.
	Yumiko Ichige	14/14	15/15	Ms. Ichige possesses legal expertise as an attorney and experience as a director and corporate auditor at other companies. She contributes this expertise and experience, providing insights and other necessary remarks related to medium-term management plan strategy from the standpoint of ESG.
	Takao Muramatsu	13/14	13/15	Mr. Muramatsu possesses a wealth of expertise in tax law and experience as a director and corporate auditor at other companies. He contributes this expertise and experience, providing insights and other necessary remarks related to the cost of capital, the validity of investment profitability plans, and improving the soundness of governance from the view point of corporate value growth.

* Ms. Yumiko Ichige will resign on May 23, 2019.

Corporate Governance

Board Member Training Policies, Outside Director Support System

AEON MALL provides senior manager training and other opportunities for directors and members of the Audit and Supervisory Board to cultivate stronger leadership skills and strategic business thinking, as well as to gain a stronger understanding of compliance and governance. These trainings include seminars for newly appointed officers and top company management.

Newly appointed outside directors and outside members of the Audit and Supervisory Board are provided with mall tours and training to develop an understanding of the industry, history, businesses, financial situation, strategies, and organization of the AEON MALL Group and the AEON Co., Ltd. Group. We provide overseas tours of business operations

at least once per year to outside directors and outside members of the Audit and Supervisory Board. The purpose of these tours is to deepen an 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 two staff members responsible for assisting members of the Audit and Supervisory Board (including outside members). To ensure effective discussions within the limited time of board of director meetings, we provide directors with agenda materials and explanations prior to meetings, as well as other appropriate information when deemed necessary.

Succession Plan

We have established Nomination and Compensation Committee, consisting mainly of outside directors, to investigate training and other programs addressing standards, career paths, and training necessary for individuals with

management responsibility (including candidates). Combined with board of director meeting deliberations, the system is designed to ensure highly transparent and fair procedures.

Evaluating Board of Director Effectiveness

AEON MALL evaluates the effectiveness of the board of directors through self-assessments based on questionnaires. A third-party organization conducts an analysis of questionnaire answers, while outside directors and others provide further

opinions and feedback. The results of this investigation and analysis are examined and discussed at a meeting of the company's board of directors.

The following is an overview of our evaluation results:

● Evaluation results for the fiscal year ended February 2018

Evaluation

- 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 board recognized improvements in monitoring the company's medium- and long-term vision and in providing regular opportunities for outside directors and managers to exchange opinions.

Issues

- Ensure more objectivity and transparency in the nomination and compensation process for officers and other candidates.
- Improve risk management to support appropriate risk taking in connection with greater globalization.

Officer Compensation

Director compensation consists of a base component and a performance-linked component, the maximum amounts of which are determined via resolution at the general meeting of shareholders. Payments are made within the scope approved and in consideration of job responsibilities, earnings performance, and other factors. The Nomination and Compensation Committee focuses mainly on outside

directors and reviews the adequacy of director evaluations, compensation rates and levels, and specific compensation amounts. Compensation for members of the Audit and Supervisory Board is made within the scope approved at the general meeting of shareholders, subsequent to negotiations with said members.

• Compensation for Directors and Audit & Supervisory Board Members (FY 2018)

Category	No. of Officers	Amount of Compensation (thousands of yen)
Directors (No. of outside directors)	14 (2)	286,423 (13,200)
Audit & Supervisory Board Members (No. of outside members)	4 (4)	23,220 (23,220)
Total (No. of outside directors)	18 (6)	309,643 (36,420)

(Note)

- Data to the left does not include one director and one member of the Audit and Supervisory Board.
- Resolutions of the General Meeting of Shareholders

Directors	Maximum monetary compensation	¥600 million per year
	Maximum stock-linked compensation	¥100 million per year
(Resolutions of the General Meeting of Shareholders held May 17, 2007)		
Corporate auditors	Maximum compensation	¥50 million per annum
(Resolutions of the General Meeting of Shareholders held May 8, 2002)		
- Total compensation shown to the left includes the following:
 - The projected bonus amount for directors is ¥67,800,000 (for 10 directors who were current as of February 28, 2019; one director without pay and two outside directors not included)
 - Stock option compensation: ¥ 33,842,000 (for 9 directors as of May 10, 2018, one director without pay and two outside directors are not included)

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.

We review individual cross-shareholdings on an annual basis, considering the purpose for holding shares, whether share dividend income exceeds the cost of capital, risks involved in holding shares, and transactions with the issuing party. These factors are part of determining the overall benefits

of holding shares for the long term. This annual review is conducted by the board of directors, the final determination of which we disclose publicly.

When exercising voting rights of cross-held shares, we verify whether each proposal contributes to the medium- and long-term improvement in AEON MALL corporate value and whether said proposal holds the potential to damage our corporate value. As necessary, we hold discussions with the issuing company as part of our overall decision-making process.

Policy on Measures to Protect Minority Shareholders in Conducting Transactions with the Controlling Shareholder

AEON MALL belongs to a corporate group consisting of AEON Co., Ltd. (pure holding company) and AEON Co., Ltd. consolidated subsidiaries and equity-method affiliates. The AEON Group provides comprehensive financial, development, services, and other businesses focusing on retail in the GMS sector. AEON MALL is a core group company responsible for the development business. AEON Co., Ltd. is responsible for developing group strategy, allocating group management resources optimally, overseeing and instilling group management philosophies and basic principles, and providing shared group services to maximize group synergies. At the same time, AEON MALL and other group companies strive to become more skilled in our respective specialties and engage community-focused business to reach new levels of customer satisfaction. AEON MALL leverages the more than ¥8 trillion

in group revenues to increase customer drawing power, using the AEON Group infrastructure, including the AEON Card and the WAON electronic money service, to conduct marketing promotions.

AEON MALL makes independent management decisions related to daily business operations. We confer with or report to AEON Co., Ltd. concerning key management issues. AEON MALL maintains a close and cooperative relationship with AEON Co., Ltd. and other group companies, embracing a mutual respect for self-reliance and independence as we collectively strive for sustainable growth, development, and improved earnings. We believe that cooperating with group companies and maximizing synergies in this way will yield benefits to minority shareholder interests.

Corporate Governance

Related-Party Transactions

AEON MALL has established a system to ensure transactions with officers or major shareholders (related-party transactions) do not infringe on the interests of the company or our shareholders.

We carefully investigate in board of director deliberations whether competitive transactions by directors and transactions involving conflicts of interest with directors and AEON MALL infringe on the interests of AEON MALL or our shareholders. Our investigations include consulting with experts regarding the reasonable nature of the transactions in question. We ensure fairness in this process through a number of means, including recusing directors having special interests in transactions with AEON MALL from voting in the resolution.

When we enter into transactions with related parties,

we clarify the identity of such parties in our Related Party List according to the provisions of our Rules for Managing Related-Party Transactions. We ensure objectivity in transaction terms through rules that include providing comparison tables in period-end financial reports that show examples of transactions with non-related parties. According to the importance and nature of the transaction in question, we comply with our Authority Rules in soliciting opinions from outside directors and members of the Audit and Supervisory Board during board of director meetings regarding the rationality (business purpose) and reasonable nature of the transaction terms. On an annual basis, we investigate the rationality and reasonableness of transactions, issuing a report on the annual increase or decrease in transactions with related-party companies.

Compliance Promotion System

We emphasize compliance and respect for the AEON Code of Conduct, fostering improving relations with local communities and meeting our social responsibilities.

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

In addition, we have introduced the Helpline *AEON MALL HR 110 Hotline* (our labor union has launched a separate *Union 110 Hotline*). We will install similar helpline systems at our subsidiaries in the future. We ensure that users of this helpline are not subject to reprisal. In the event a report is filed via this hotline, we carefully investigate the details reported. Where unacceptable behavior is proven, we take disciplinary action according to internal rules. We (or the department in question) also draft measures to prevent recurrence, shared for company-wide implementation. The Compliance Committee also receives a report of the measures.

Initiatives to Prevent Corruption

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

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

Group executives and employees must not damage our corporate culture by furnishing benefits, paying expenses, making donations, or providing aid for improper purposes. Executives and employees must also refrain from improper behavior that could impede the healthy advancement of any particular country or region. Finally, executives and employees

recognize that any such behavior will have an adverse effect the group's approach to compliance.

Group officers and employees affirm their strong commitment and dedication to high ideals, approaching anti-corruption in a serious and sincere manner.

Toward the implementation of these principles, AEON MALL has established the Basic Rules for the Prevention of Bribery. Officers and employees of the group comply with and follow these rules as a code of conduct.

To instill and enshrine corporate ethics in our company, we provide training to directors and employees at every level of our organization. We also incorporate corporate ethics into the behavior evaluation sections of our goal management system.

Risk Management Promotion Structure

AEON MALL designates our president and CEO as the executive director 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 AEON MALL Group has created Risk Management Rules to prevent crises or minimize damages in the event of a crisis, striving to reduce risk and mitigate any damages. We have established teams to address risk management by category, and we strive to prevent damage to our brand value and improve overall corporate value by managing risks of loss for the group as a whole. When an emergency presents the risk of significant loss, we engage in appropriate information sharing and decision-making according to our Rules for Risk Management, taking proper steps to minimize damages.

Our group has established the Risk Management

Committee, chaired by the general manager of the Administration Division. This organization is charged with managing risk for the group and is responsible for identifying issues related to risk management at the group level, engaging in discussions for potential solutions. Reports of committee proceedings are provided to the Management Council, which is an advisory body to the CEO consisting of directors above the rank of executive managing director, full-time members of the Audit and Supervisory Board, and individuals appointed by the CEO. In addition, important issues are also reported to the board of directors and presented in our annual report. The department in charge of internal auditing drafts an annual audit plan based on the Internal Audit Rules and conducts internal audits to enhance the effectiveness of risk management. The department is also responsible for submitting the annual audit report to the board of directors.

Communications with Shareholders and Investors

■ Disclosure policy publication

AEON MALL has created a disclosure policy (IR Information Disclosure Policy) publishing our basic policy, information disclosure criteria, information disclosure method, and investor relations quiet periods.

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

■ Regular information meetings for individual investors

We conduct information meetings for individual investors.

■ Regular information meetings for analysts and institutional investors

We conduct information meetings on a quarterly basis.

These meetings are presided over by the CEO and director in charge of investor relations.

■ Regular information meetings for overseas investors

In addition to preparing an English version of our integrated report, we also publish an English version of our investor relations website and make various materials available in English simultaneously with Japanese. We conduct quarterly conference calls for overseas investors and participate in investor conferences held in Japan for investors from overseas.

■ Investor Relations website

AEON MALL publishes financial data, timely disclosure documents, securities reports, quarterly financial results, communications to shareholders, and audio broadcasts of financial results briefings via our corporate website.

■ Investor relations department and manager

The AEON MALL IR Group is positioned under the Management Planning Department, responsible for company disclosures.

Tel. +81-43-212-6733

■ Other

AEON MALL conducts individual meetings with domestic and overseas investors and securities analysts. In addition, we offer AEON MALL tours when arranged in advance.

Directors and Audit & Supervisory Board Members (as of May 23, 2019)

Director



Akio Yoshida

President and CEO

April 1983: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 September 2005: General Manager of Tohoku Development Department, AEON CO., LTD.
 September 2009: General Manager of Kanto Development Department, AEON Retail Co., Ltd.
 February 2011: General Manager of Management Department and International Planning Department, the Company
 March 2011: Director, AEON (CHINA) CO., LTD.
 March 2011: General Manager of China Development Management Department, China Division, the Company
 March 2012: General Manager of China Division, the Company
 April 2014: General Manager of Sales Division and Chief China Business Officer, the Company
 May 2014: Managing Director, General Manager of Sales Division, and Chief China Business Officer, the Company
 February 2015: President and CEO and Chief China Business Officer, the Company
 April 2015: President and CEO, the Company (to present)
 March 2016: Executive Officer, Senior Chief Officer of Shopping Center Development Business, AEON CO., LTD.
 March 2019: Representative Executive Officer, Vice President and Senior Chief Officer of Shopping Center Development Business and Digital Business, AEON CO., LTD. (to present)



Mitsuhiro Fujiki

Managing Director

April 1985: Joined the Company
 April 2011: General Manager of AEON MALL Niihama, the Company
 November 2012: General Manager of AEON MALL Miyazaki, the Company
 April 2013: General Manager of West Japan Business Department, Sales Division, the Company
 September 2014: General Manager of Chushikoku Business Department, Sales Division, the Company
 April 2015: General Manager of Sales Division, the Company
 May 2015: Director, General Manager of Sales Division, the Company
 April 2017: Director, General Manager of Leasing Division, the Company
 May 2018: Managing Director, General Manager of Leasing Division, the Company (to present)



Kaoru Iwamoto

Vice President

April 1977: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 April 2001: General Manager of Kinki Development Department, SC Development Division, JUSCO Co., Ltd.
 March 2005: General Manager of West Japan Development Department, Development Division, AEON CO., LTD.
 April 2008: Supervisor of Development Division, the Company
 May 2008: Director, Deputy General Manager of Development Division, the Company
 May 2009: General Manager of Development Division, the Company
 May 2010: Managing Director, General Manager of Development Division, the Company
 May 2012: Senior Managing Director, General Manager of Development Division, the Company
 April 2019: Director, Vice President, Development Officer, the Company (to present)



Mitsugu Tamai

Managing Director

July 1999: Joined AEON Credit Service Co., Ltd.
 May 2006: Director, General Manager of Finance & Accounting Management Department, AEON Credit Service Co., Ltd.
 April 2007: Director, General Manager of Finance & Accounting Division, AEON Credit Service Co., Ltd.
 March 2010: Director, General Manager of Affiliate Management Division, AEON Credit Service Co., Ltd.
 May 2011: Executive Officer, General Manager of Administration Department, Affiliate Management Division, AEON Credit Service Co., Ltd.
 March 2012: Aide to the Group Control and Accounting Officer, AEON CO., LTD.
 May 2012: Audit & Supervisory Board Member, AEON Kyushu Co., Ltd.
 May 2012: Audit & Supervisory Board Member, AEON Delight Co., Ltd.
 August 2012: General Manager of Administration Division, the Company
 April 2013: General Manager of ASEAN Division, the Company
 May 2013: Director and General Manager of ASEAN Division, the Company
 May 2019: Managing Director, General Manager of ASEAN Division, and General Manager of Digital Promotion Department, the Company (to present)



Seiichi Chiba

Vice President

April 1978: Joined The Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)
 September 1993: Assistant Manager of New York Branch, The Dai-ichi Kangyo Bank, Ltd.
 April 2002: Deputy Manager of Credit Department No. 3, Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
 October 2002: General Manager of Corporate Department No. 4, Mizuho Corporate Bank, Ltd.
 May 2003: General Manager of Global Corporate Department No. 2, Mizuho Corporate Bank, Ltd.
 April 2005: Executive Officer, General Manager of Corporate Restructuring Division No. 1, Mizuho Corporate Bank, Ltd.
 April 2007: Managing Executive Officer, Mizuho Corporate Bank, Ltd.
 May 2010: Vice President, AEON CO., LTD.
 May 2010: Vice President Chief Financial Officer and Manager in charge of Finance, AEON Group
 May 2010: Audit & Supervisory Board Member, the Company
 March 2011: Vice President CFO, AEON Group
 May 2013: Senior Managing Director, General Manager of Finance & Accounting Division/Chief Financial Officer, the Company
 April 2015: Senior Managing Director, General Manager of Finance & Accounting Division/Chief Financial Officer, and Chief ASEAN Business Officer, the Company
 April 2019: Director, Vice President, Finance & Accounting Officer and Overseas Business Officer, the Company (to present)



Hisayuki Sato

Managing Director

March 1981: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 March 1990: General Manager of Tohoku Development Department, JUSCO Co., Ltd.
 October 2008: General Manager of Development Department, Beijing AEON Co., Ltd.
 March 2011: General Manager of AEON MALL Beijing and Tianjin Development Department, China Division, the Company
 September 2012: General Manager of China Development Management Department, China Division, the Company
 April 2014: Chief Executive Officer, AEON MALL (GUANGDONG) BUSINESS MANAGEMENT CO., LTD.
 March 2016: General Manager of Development Management Department, AEON MALL (CHINA) CO., LTD.
 April 2016: General Manager of China Division, the Company
 April 2016: Chief Executive Officer, AEON MALL (CHINA) CO., LTD. (to present)
 May 2016: Director, General Manager of China Division, the Company
 April 2019: Managing Director, General Manager of China Division, the Company (to present)



Akio Mishima

Managing Director

April 2000: Joined the Company
 July 2006: General Manager of Existing Store Management Department, Leasing Division, the Company
 July 2007: General Manager, AEON MALL Kisogawa, the Company
 May 2009: General Manager of Kanto & Tohoku Leasing Department, Leasing Management Department, Sales Division, the Company
 April 2011: General Manager of Leasing Management Department, Sales Division, the Company
 May 2012: Director, General Manager of Leasing Division, the Company
 April 2013: Director, General Manager of Leasing Management Department, Sales Division, the Company
 April 2015: Director, General Manager of Leasing Division, the Company
 May 2016: Managing Director, General Manager of Leasing Division, the Company
 April 2017: Managing Director, General Manager of Sales Division, the Company (to present)



Motoya Okada

Director and Advisor

March 1979: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 May 1990: Director, JUSCO Co., Ltd.
 February 1992: Managing Director, JUSCO Co., Ltd.
 May 1995: Senior Managing Director, JUSCO Co., Ltd.
 June 1997: President, JUSCO Co., Ltd.
 May 1998: Director, the Company
 May 2002: Director and Advisor, the Company (to present)
 May 2003: Director, President and Representative Executive Officer, AEON CO., LTD.
 March 2012: Director, President and Representative Executive Officer, and Group CEO, AEON CO., LTD. (to present)
 February 2015: Director and Advisor, AEON Retail Co., Ltd. (to present)

**Masahiko Okamoto**

Director

March 1981: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 March 1997: General Manager of Personnel & General Affairs Department, Megamart Division, JUSCO Co., Ltd.
 March 2000: General Manager of Personnel & Education Department, Kinki Business Division, JUSCO Co., Ltd.
 March 2001: General Manager of Administration Center, Headquarters, JUSCO Co., Ltd.
 September 2008: General Manager of Personnel Training Department, Kanto Company Division, AEON Co., Ltd.
 February 2015: General Manager of General Affairs Department, Administration Division, the Company
 April 2018: General Manager of Administration Division, the Company
 May 2018: Director, General Manager of Administration Division, the Company (to present)

**Yasutsugu Iwamura**

Director

August 2005: Joined the Company
 August 2007: General Manager of Planning Development First Group, Planning Development Department, the Company
 May 2009: General Manager of Kanto and Tohoku Development Department, Development Division, the Company
 April 2013: General Manager of Development Management Department, Development Division, the Company
 May 2016: General Director of AEON MALL VIETNAM CO., LTD (to present)

**Hiroshi Yokoyama**

Director

April 1987: Joined The Chuo Trust & Banking Co., Ltd. (now Sumitomo Mitsui Trust Bank, Limited)
 October 2000: Section Manager of Real Estate Investment Development Department, The Chuo Mitsui Trust and Banking Company, Limited (now Sumitomo Mitsui Trust Bank, Limited)
 April 2004: Joined the Company
 April 2004: Manager of Finance Group, Finance & Accounting Group, Administration Division, the Company
 August 2007: General Manager of Finance & Accounting Department, Administration Division, the Company
 May 2013: General Manager of Finance & Accounting Management Department, Finance & Accounting Division, the Company
 April 2017: General Manager of Development Planning Management Department, Development Division, the Company
 May 2017: Director, General Manager of Development Planning Management Department, Development Division, the Company (to present)

**Mami Taira**

Outside Director (Independent)*

October 1987: Joined Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC)
 October 1990: Joined Yoshio Hayakawa Tax Accountant Office
 September 1991: Registered as a certified public accountant
 April 1992: Registered as a certified tax accountant
 October 2002: Partner, Taira Tax & Accounting Consulting Group (to present)
 May 2011: Outside Audit & Supervisory Board Member, the Company
 May 2014: Outside Director, the Company (to present)
 June 2014: Outside Audit & Supervisory Board Member, Suzuden Corporation
 March 2016: Outside Corporate Auditor, ISEKI & CO., LTD. (to present)
 June 2016: Outside Director, Suzuden Corporation (to present)

**Akiko Nakarai**

Director

December 2003: Joined the Company
 April 2011: General Manager of AEON MALL Miyakonojo Ekimae, the Company
 April 2013: General Manager of AEON MALL Fukutsu, the Company
 July 2016: Representative Duties Enforcer, AEONMALL KIDS DREAM, LLC (to present)
 March 2018: General Manager of Digital Promotion Management Department, Sales Division, the Company
 May 2018: Director, General Manager of Digital Promotion Management Department, Sales Division, the Company (to present)

**Masao Kawabata**

Outside Director (Independent)*

April 1971: Joined Pioneer Corporation
 November 1996: President, Pioneer GB Ltd.
 June 2004: Senior Executive Officer in charge of PR/IR and risk management, Pioneer Corporation
 April 2008: Chairman and CEO, Pioneer North America, Inc.
 June 2009: Advisor, Pioneer Corporation
 July 2010: Secretary-General, Foundation for the Advancement of Music Appreciation
 July 2012: Advisor, Eken Foundation of Japan
 September 2014: Advisor, Brainwoods Corporation, Ltd. (to present)
 May 2015: Outside Director, the Company (to present)
 June 2015: Director, English-Speaking Union of Japan (to present)
 June 2018: Auditor, ICU International Christian University (to present)

Audit & Supervisory Board Member**Maki Watanabe**

Full-time Audit & Supervisory Board Member (Outside)

April 1988: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 July 1992: Served in Hyogo Accounting Section, JUSCO Co., Ltd.
 November 1993: Served in Budget Section of Accounting Department, JUSCO Co., Ltd.
 March 2010: General Manager of Accounting Department, JUSCO Co., Ltd.
 August 2013: General Manager of Consolidated Accounting Department, AEON CO., LTD.
 May 2017: Audit & Supervisory Board Member, the Company
 May 2018: Outside Audit & Supervisory Board Member, the Company (to present)

**Emi Torii**

Outside Member of the Audit and Supervisory Board (Independent)*

November 2005: Passed the National Bar Examination
 April 2006: Legal apprentice
 September 2007: Joined Nozomi Sogo Attorneys at Law
 April 2015: Kanto-Shinetsu Regional Pension Records Correction Council Committee Member, Ministry of Health, Labour and Welfare (to present)
 April 2019: Partner, Nozomi Sogo Attorneys at Law (to present)

**Takao Muramatsu**

Outside Member of the Audit and Supervisory Board (Independent)*

April 1979: Joined Tokyo Regional Taxation Bureau
 April 1988: Chief Investigator of Special Investigation Department, Tokyo District Public Prosecutors Office
 July 1991: Investigator of Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
 July 1998: Senior Investigator of Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
 July 2003: Deputy Director-General, Shibuya Tax Office
 July 2005: Chief Investigator of Criminal Investigation Department, Tokyo Regional Taxation Bureau
 July 2009: Chief Internal Inspector, Osaka Regional Taxation Bureau
 July 2010: Chief Internal Inspector, National Tax Agency
 July 2012: Assistant Regional Commissioner of Management and Co-ordination Department, Nagoya Regional Taxation Bureau
 June 2013: Director-General, Takamatsu Regional Taxation Bureau
 October 2014: Registered as a certified tax accountant, MURAMATSU TAX ACCOUNTANT OFFICE (to present)
 April 2015: Outside Audit & Supervisory Board Member, BESTERRA CO., LTD (to present)
 April 2016: Outside Audit & Supervisory Board Member, Serendip Consulting Co., Ltd. (to present)
 May 2016: Outside Audit & Supervisory Board Member, the Company (to present)
 June 2016: Outside Audit & Supervisory Board Member, GLOBERIDE, Inc. (audit and supervisory committee member) (to present)

**Hideki Hayami**

Audit & Supervisory Board Member

April 1996: Joined JUSCO Co., Ltd. (now AEON CO., LTD.)
 September 1997: Served in Control Department, JUSCO Co., Ltd.
 May 2008: Served in Group Control Department, AEON CO., LTD.
 April 2009: Served in Business Management Department, AEON CO., LTD.
 May 2010: Audit & Supervisory Board Member, PETCITY CO., LTD. (now AEON PET CO., LTD.)
 May 2012: Director, General Manager of Corporate Management Department, COX CO., LTD.
 February 2016: Director, in charge of Administration, COX CO., LTD.
 February 2017: General Manager of Administration Division and General Manager of Business Promotion Division, COX CO., LTD.
 March 2017: General Manager of Business Management Department, AEON CO., LTD. (to present)
 May 2018: Audit & Supervisory Board Member, the Company (to present)

* Outside directors and outside Audit & Supervisory Board members that pose no risk of a conflict of interest with minority shareholders in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

Special Feature

Stronger Global Governance for Long-Term Value Creation

AEON MALL continues to enhance corporate global governance to steadily capture growth opportunities in Asia as we pursue our management vision to become a company that touches the hearts of the 5 billion people throughout Asia.

The Role of Asia in the AEON MALL Business Strategy

The AEON MALL Group has identified expansion in the markets of Asia as a growth driver for sustainable growth over the medium and long term.

We have been active in opening new locations in China and ASEAN in particular, where the middle-class segment continues to spread. To date, we have opened 27 malls in this region of the world. Through malls that meet active consumer demand and as a partner supporting community building and development, we work with local governments and businesses in the pursuit of value, serving as a flag-bearer for regional

activation and raising our profile in the communities we serve.

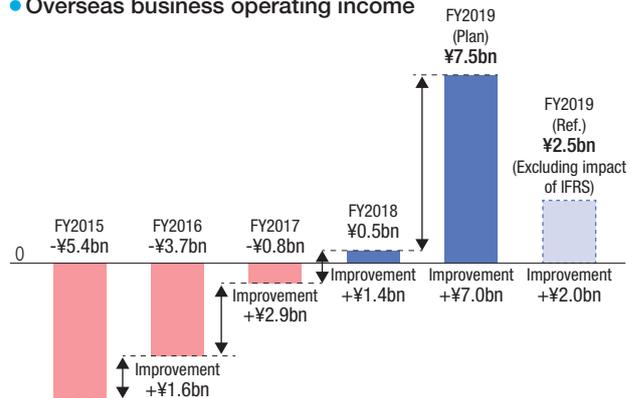
In FY2018, we generated further branding advantages through area-dominant store openings, while our Overseas business achieved net positive operating income.

Our Overseas business is poised to enter a new stage of profit expansion as a growth driver for the company, in response to new store openings, renovations for new tenants in existing malls, and initiatives to improve our level of operations.

● New store openings overseas

	FY2017	FY2018	FY2019 (Plan)	Total
Overseas	5	3	4	12
China	4	2	2	8
ASEAN	1	1	2	4

● Overseas business operating income



Capture Growth Opportunities in Asia	<ul style="list-style-type: none"> ● Reap the benefits of rising brand penetration (via area-dominant strategy) ● Develop and manage superior malls 	<ul style="list-style-type: none"> ● Implement measures to increase operating revenues ● Promote local management
Identified Growth Targets in Asia	<ul style="list-style-type: none"> ● Areas with likely economic growth and mall business viability. ● Areas of expanding middle-class segment ● Areas with growing motorization 	<ul style="list-style-type: none"> ● Areas of community-building in suburbs ● Areas lacking competing retail facilities

Overseas Business Investment Strategies

Two major factors that contribute to our success in Asia are the high regard for Japanese-style malls and the impact of area branding through our strategy to dominate selected regions. We are beginning to see the results of our efforts. These successes reflect our securing expansive land for facilities, building enormous parking lots, and creating the largest malls in selected areas that offer more than 200 stores in one location. At the same time, we have been rewarded for

taking risks in making up-front investments for malls in high-growth markets.

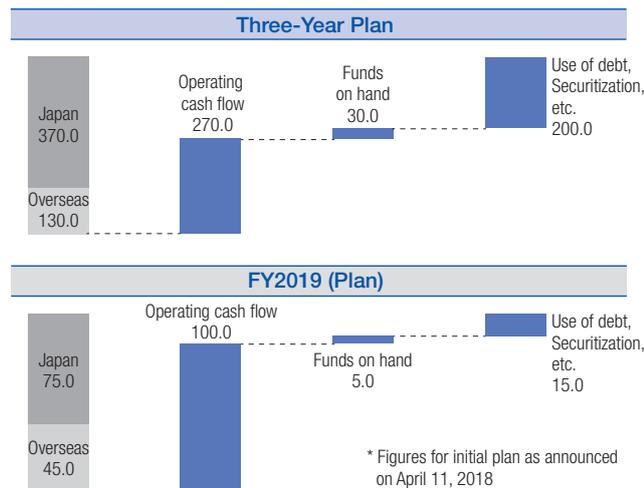
At present, we operate mainly through master lease arrangements in China, which requires limited initial investment. In ASEAN, we have a growing number of self-managed malls. However, we intend to use external capital and vary our mall formats to reduce the burden of investments required.

Our three-year plan covering FY2017 through FY2019

calls for a total of ¥575.0 billion in capital investment. We plan to provide a total of ¥285.0 billion via ¥270.0 billion through operating cash flows and ¥15.0 billion through cash on hand. We intend to finance the remaining ¥290.0 billion through the use of debt and REITs. Our goal through this financing plan is to maintain a net debt-equity ratio of 1.0 times.

● Financing plan (¥ billion)

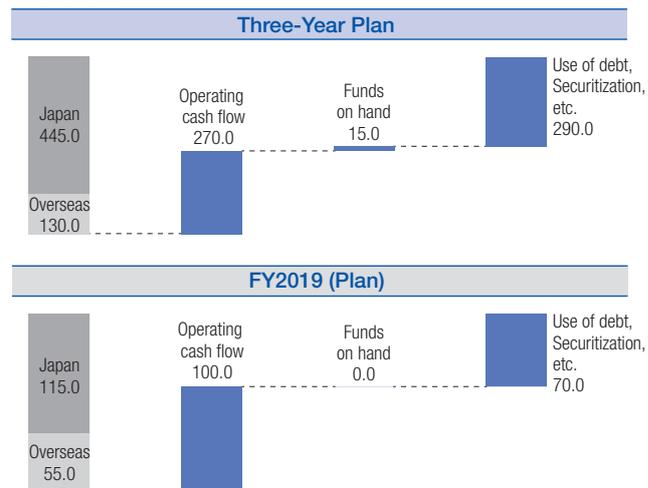
Initial Plan



● Overseas business capital investment (¥ billion)

	FY2017	FY2018	FY2019 (Plan)
Overseas	35.0	40.0	55.0
China	15.0	10.0	5.0
ASEAN	20.0	30.0	50.0

Revised Plan



Encouraging Localized Management

AEON MALL employs a number of local attorneys to reduce risk related to laws and government administrations overseas.

Further, our basic policy is to engage in management tied to local communities by hiring local staff overseas who have a deep understanding of the AEON MALL philosophy. We promote individuals who generate results to management positions, regardless of nationality. In China today, locally hired individuals serve as general managers at seven malls. As well, we are making progress in ASEAN to promote local staff to senior management positions. Moving forward, we will take further steps toward local management, including selecting

locally hired individuals to serve as presidents of local entities responsible for area management.

● No. of Local Staff Overseas

	FY2016	FY2017	FY2018
Overseas	956	1,113	1,227
China	564	655	737
ASEAN	392	458	490

Building a Stronger Global Management Structure

The AEON MALL Group strives toward stronger global governance in our business. In China during FY2018, we adopted a system of internal controls on par with our system in Japan and established a Risk Management Committee and a Compliance Department. The Management Auditing Department in China works with our Japanese Management Auditing Department to strengthen this internal control system. In FY2018, we began conducting risk evaluations in ASEAN through a Risk Management Committee. During FY2019, we

plan to begin structuring an internal controls system for the region. Further, we conduct overseas visits for our outside directors once or twice annually. This provides an opportunity for directors to observe and offer advice across a wide range of topics, including the state of employee training, overseas governance, and rule-making.

To these and other initiatives, we strive to strengthen our stance toward respect for human rights and compliance.

Special
FeatureStronger Global Governance for
Long-Term Value Creation

■ Chinese Business

Bridging Current and Future
Lifestyles for Local Communities

Hisayuki Sato

Managing Director, General Manager of China Division

**Chinese Business as the Leading Driver of Growth**

Our first-ever mall in China was the 2008 opening of AEON MALL Beijing International Mall. Since that time, we have pursued a strategy of area-dominant store openings for community building, expanding to our present operations in the four regions of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei, and Guangdong. To thrive in a new region with a different culture, language, and environment requires an attitude of acceptance and willingness to learn. Establishing friendly relationships with local authorities is also very important. Over the past several years in China, we have raised the value of the AEON MALL brand, winning greater recognition among customers and tenants. I feel we have made progress in establishing systems to achieve our Vision for 2025 (long-term vision).

Anticipating the Expectations of Chinese Society Through ESG

One of our greatest strengths in China is our support of motorization via large-scale parking facilities. The size of a parking lot has a significant influence on customer traffic in the Chinese suburbs, where we see greater progress in community building. In addition, we conduct market research into future trends and incorporate the customer traffic generation expertise developed in Japan to create malls that anticipate constantly changing customer needs. Our efforts here have led directly to increased tenant revenues. In particular, the Chinese shift in consumer behavior from goods toward services has been even faster than in Japan. We are responding by combining our knowledge and experience from Japan with merchandising tailored to local markets. As an example, we are bolstering our entertainment functions, including expanded dining and food sales zones, the most feature-rich kids zones in the area, and sports zones. Further, large-scale spaces bigger than those in Japan allow us to offer amusement facilities and other features unique to brick-and-mortar malls in a market where e-commerce is even more popular than Japan.

In this increasingly strict time of environmental regulations, we are setting environmental standards even higher than Japan for our mall development activities. In addition to our response to environmental regulations, we

established stronger risk management and compliance systems during FY2018. We also launched localized education activities in cooperation with AEON Group headquarters to encourage a greater acceptance of our corporate philosophy. Another new program we introduced for employees was a promotion test system to encourage staff training. As we pursue fair and highly transparent hiring and promotion systems, we also offer incentives for staff reassignments, making it easier for personnel to move to different areas. These and other new systems designed to shore up our organization have led to increased retention of talented local employees. As result of our efforts to date, seven of our 19 malls across China are headed by locally hired general managers.

Governance will play an even bigger role in ensuring policies that support future growth. For example, the viewpoints of local staff are invaluable in conducting risk assessment. This is one other reason why we must transition to more localized management.

The Advantages of Japan Quality in Building Deeper Community Infrastructure

Our customers in China sincerely appreciate Japanese quality in terms of cleanliness, service, safety, confidence, and high-quality goods and services. I believe this is a persistent competitive advantage we have in China. We must understand that the presence of an AEON MALL itself is part of a community's infrastructure and that we are a leader in community building. I am convinced that this mindset ties directly to creating malls that contribute to improved lifestyle quality for local citizens. And in return, we receive the support of our local customers. We will continue to introduce measures leading to greater advancements in Japanese quality in the future.

Despite concerns of slowing economic growth, one must remember that even at a slower growth rate, the GDP of Guangdong is equal to that of Canada. Compared to most of the rest of the world, the Chinese market is orders of magnitude larger. We intend to seize on the opportunities presented by accelerating urbanization in China, positioning our business as a principal driver of AEON MALL growth in the future.

■ ASEAN Business

Japanese-Style Malls Contribute to the Development of Three ASEAN Countries

Mitsugu Tamai

Managing Director, General Manager of ASEAN Division



Opening Malls in Vietnam, Cambodia, and Indonesia

Our ASEAN business began in 2014 with the openings of our first and second malls in Vietnam and one mall in Cambodia. Our Japanese-style mall caused quite a stir in Cambodia, where first-year customer traffic outpaced the entire 15-million-person population of the country. Local media have come to use the term “pre-AEON/post-AEON,” reflecting the impact we have had on the country. We opened our first mall in Indonesia in 2015, selecting the suburbs of Jakarta for our location. AEON has enjoyed high name recognition, differentiating ourselves from other facilities by creating attractive malls that highlight our strengths as a developer with a background in retail.

At present, we have eight malls across three countries in ASEAN. We aim to grow in ASEAN by offering not only goods and services, but also vital social infrastructure functions.

Localized Business Models and Governance

Each country in ASEAN has its own language, culture, political system, economic situation, and market environment. Accordingly, needs vary country to country. In Vietnam, where the history of national development mirrors that of Japan, we have incorporated our Japanese-style expertise without reservation. In Cambodia, we have chosen to focus on metropolitan areas, rather than our Japanese strategy of expansion in the suburbs. Here, we are growing in popularity among the wealthy class by offering products in Phnom Penh that were only available in Thailand or Singapore in the past. Zones housing on-site passport centers, driver license renewal offices, financial institutions, and other public functions are being used by customers as an alternative to government offices. As in the pre-AEON/post-AEON turn of phrase I just mentioned, AEON MALLs in Cambodia are viewed as national projects, receiving the strong support of local governments.

We are shifting toward greater delegation of authority to local management, while at the same time building a governance structure sensitive to the unique risks among ASEAN countries. Our governance structure includes adopting the minimum required in internal controls at our ASEAN head office.

Adopting Japanese Best Practices in ASEAN

We expect ASEAN economic growth to continue for the time being. In particular, the region is still developing in terms of retail and shopping malls. Here, we are adopting the business model we developed in Japan to grow together with our tenants in win-win relationships. This is a strength we have as a developer with roots in retail that doesn't exist among other property developers.

One program we sponsor together with tenants is our customer service role-playing contests. Staff from tenant stores representing a wide range of goods and services bring their customer-service skills to the competition. The shared experiences and expertise help raise the level of all stores within the mall. Prior to AEON MALL, Cambodia had no real concept of customer service. Accordingly, we introduced customer-service contests in 2016 to encourage a better understanding and practice of customer service among local employees. As result, customer service is now becoming a more integrated part of the social norm. We rolled this contest out in Vietnam and Indonesia in 2018.

In addition to these soft skills, we also introduced best practices from Japan in terms of hard skills. One example is our clean, easy-to-use bathrooms and powder rooms. The average age in ASEAN is comparatively young, and these countries have many families with small children that make frequent use of public bathrooms and powder rooms. Through social media and other word of mouth, AEON MALLs have become known widely for having clean, accessible bathrooms and powder rooms. As more local customers become familiar with and appreciative of Japanese-style malls, our intermediate goal is to grow our mall business into an integral part of local society.

Reports by Business Segment (Japan)

AEON MALL continues to renovate and open new malls in Japan, tailored purposefully to the character of each local community.

Overview of FY2018

We are increasing the number of malls that are dominant in their respective regions of Japan. This high level of customer support creates a stronger competitive advantage throughout the Japanese shopping mall market.

Our medium-term management plan (FY2017–FY2019) calls for expanding floor space at eight malls, renovating 32 malls, and opening 10 new malls. In FY2017, we expanded two malls, renovated 12 malls, and opened five new malls. In FY2018, we expanded two malls, renovated six malls, and opened four new malls.

In March 2018, we reopened the AEON MALL Miyazaki (Miyazaki Pref.) after an expansion and remodel. The mall features a new wing built on the south side of the mall, which had formerly been a parking lot. A total of 63 specialty stores opened in the new wing. Major renovations to the existing wing of the mall covered a total of 92 stores. As a result, the mall now has a total rentable area of 84,000m² (an increase of 14,000m²) and room for 250 tenants (increase of 70 stores) total.

AEON MALL Kumamoto (Kumamoto Pref.) reopened in stages following the Kumamoto earthquakes of April 2016. The earthquake-damaged anchor tenant zone on the west side of the mall was enlarged significantly and opened as an expanded wing in July 2018. As a result, the mall now has a total rentable area of 84,000m² (an increase of 11,000m²), with space for 200 tenants (an increase of 45 stores). To prevent damage from disasters like large-scale earthquakes, we reassessed the materials and construction methods for facilities within the mall to improve safety and strengthen earthquake resistance in our buildings.

Expanded floor space at each of the two malls mentioned above has secured an overwhelmingly strong position as the dominant mall in their respective regions, building upon already sizable market shares. Our tenants enjoyed solid sales performance in the 22 existing malls where we expanded

floor space or conducted renovations in FY2017 and FY2018. Specialty store sales grew a strong 8.0% compared to the same period in the prior fiscal year.

We opened four new malls in FY2018: AEON MALL Zama (Kanagawa Pref.) in March, THE OUTLETS HIROSHIMA (Hiroshima Pref.) in April, AEON MALL Iwaki Onahama (Fukushima Pref.) in June, and AEON MALL Tsu-Minami (Mie Pref.) in November.

For AEON MALL Zama, we used part of the grounds of Nissan Motor Co., Ltd.'s Zama Operation Center, which allowed us to reduce the mall's impact on the environment. Solar panels on the building roof and walls generate up to one megawatt of electricity, enough to power 300 ordinary households for a year. Using LED lights throughout the mall has reduced the use of electricity by 40% compared to lighting in a conventional mall.

THE OUTLETS HIROSHIMA will draw customers from a wide area as it targets not only customers in Hiroshima Prefecture, but also tourists from other parts of Japan and overseas. Features include an amusement facility developed in collaboration with a local professional baseball team and a zone offering a variety of regional foods and specialties. These features and others combine to provide visitors an opportunity to experience the local flavor of Hiroshima.

One major feature of AEON MALL Iwaki Onahama is its function as a disaster-ready mall. In the event of an earthquake or other disaster, the mall's inside walkways, halls, and rooftop can be opened to house evacuees temporarily, even after business hours. The most important sections of the facility are built above the level of the highest anticipated waves in the case of tsunami flooding. In addition to disaster-preparedness, the mall sponsors localization initiatives in partnership with a nearby aquarium and other tourist facilities, with local businesses, and with educational institutions. These events are effective in promoting the attractiveness of the surrounding community.

AEON MALL Tsu-Minami was rebuilt on the site of the former AEON Tsu-Minami Shopping Center SUNVALLEY, which first opened in 1978. The mall was closed in 2016 for the expansion project and grand reopening. The mall's event space offers the latest in digital content, with a large 270-inch LED display. Nearly 60 digital signs are located throughout the building, providing visitors with the latest in digital content.



AEON MALL Miyazaki (Miyazaki Pref.)



AEON MALL Kumamoto (Kumamoto Pref.)

In addition to floor space expansions, renovations, and new mall openings, we are taking measures to increase customer drawing power. These measures include Happiness

Mall initiatives to attract new customer segments and sales promotions to make the mall a more familiar part of the community.



AEON MALL Zama (Kanagawa Pref.)



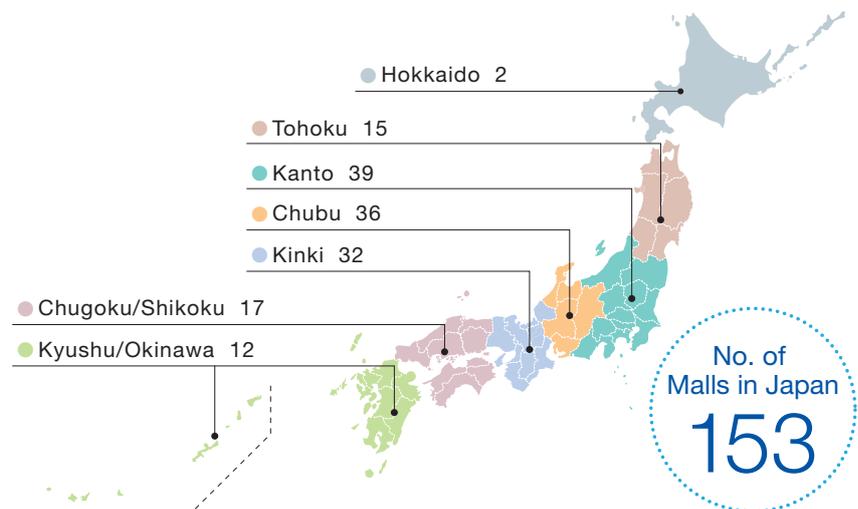
THE OUTLETS HIROSHIMA (Hiroshima Pref.)



AEON MALL Iwaki Onahama (Fukushima Pref.)



AEON MALL Tsu-Minami (Mie Pref.)



AEON MALL Shopping Centers Awarded ABINC Certification

THE OUTLETS HIROSHIMA and AEON MALL Zama have both earned ABINC Certification. ABINC certification is given in recognition for initiatives such as the creation of biodiversity-friendly green areas. The Association for Business Innovation in Harmony with Nature and the Community (ABINC) oversees third-party evaluations and certifications of such efforts based on the Guidelines for Sustainable Business Sites, which was created and registered by the Japan Business Initiative for Biodiversity (JBIB). The two new certifications give the company a total of nine certified facilities.



Domestic Business Road Map

	Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019					
	2014	2015	2016	2017	2018	2019 (Plan)	2020	...	2025
New Openings	7	5	5	5	4	1			
No. of Malls	139	144	147	150	153	154	Become the Overwhelmingly Dominant Mall in Each Region		
Operating Revenue (JPY, bn)	196.8	214.0	244.0	255.4	268.3	326.0			
Operating Income (JPY, bn)	46.3	49.3	48.7	50.0	52.4	62.0			

Reports by Business Segment (Overseas)

The AEON MALL overseas business reported net profits for the year, leveraging brand power and area-dominant store openings in China and ASEAN.

Overview of FY2018

Our overseas business has become a growth driver, poised for future profit growth in response to new store openings, renovations timed to tenant changes in existing malls, planned expansions, and initiatives to improve our level of operations.

Although economic growth has slowed in China, we continue working to keep our malls feeling updated. We are taking advantage of the managing and operating expertise developed in Japan to bolster customer drawing power through sales promotions and events designed to encourage purchases. At the same time, we ensure that our Chinese malls are as clean, safe, and comfortable as those in Japan. Further, we have timed mall renovations to extensive, strategic turnover in mall tenants. Thanks to these efforts, specialty store sales at our 17 existing malls have grown in the double digits.

Our current medium-term management plan (FY2017–FY2019) calls for opening eight new malls in China. We opened four malls in FY2017. In FY2018, we opened two more malls: AEON MALL Yantai Jinshatan in May (Yantai City, Shandong), our first mall in Shandong Province, and AEON MALL Guangzhou Jinsha in November (Guangzhou City, Guangdong), our third mall in Guangdong Province and second in Guangzhou City.

The ASEAN nations are expected to experience a



AEON MALL Sen Sok City (Cambodia)

growing middle-income class and a rising population of new families. We are anticipating future market needs in the region, offering not only physical merchandise, but also the latest in amusement facilities, services, and regional infrastructure functions.

Our current medium-term management plan calls for opening four new malls in ASEAN. We opened one mall in Indonesia in FY2017. In May of FY2018, we opened AEON MALL Sen Sok City (Phnom Penh City), our second mall in Cambodia.

In Vietnam, we began construction on AEON MALL Ha Dong in Hanoi City (fifth mall in Vietnam; scheduled to open in FY2019) and AEON MALL Hai Phong Le Chan in Hai Phong City (sixth mall in Vietnam; scheduled to open in FY2020). In addition, AEON MALL Tan Phu Celadon (Ho Chi Minh City), our very first mall in Vietnam, is scheduled to reopen in the first half of FY2019 after an expansion and renovation. The mall will offer a total 70,000m² of total rentable area (an increase of 35,000m²), with room for 210 tenants (increase of 90 stores).

In Indonesia, we are currently constructing AEON MALL Sentul City (West Java), which is scheduled to open in FY2019. This will be our third mall in Indonesia. We have now secured tenants for AEON MALL Tanjung Barat (southern Jakarta district; scheduled for an FY2020 opening), our fourth mall in Indonesia.



AEON MALL Yantai Jinshatan (China)



AEON MALL Guangzhou Jinsha (China)

Promoting and Developing Local Talent

As our overseas business expands, the AEON MALL Group is doing more to hire local staff and facilitate interaction among Japanese and overseas staff.

We have established a fair and highly transparent system

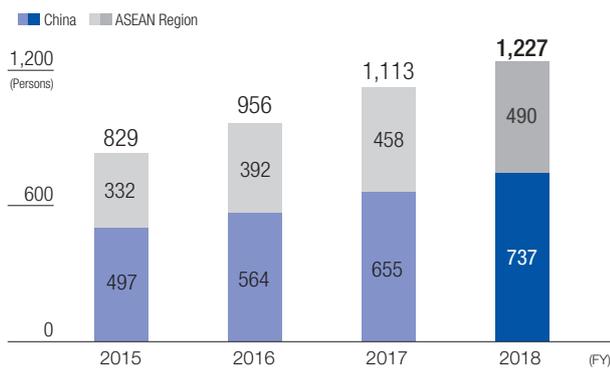
to hire and promote employees without regard to nationality or gender. This system guides our effort to secure and develop excellent talent to help our group grow.

Under one of our development programs, we send staff from Japan to China or ASEAN as trainees on year-long assignments. Designed primarily for younger staff, the

aim of the program is to develop leadership in culturally and historically varied settings, helping trainees acquire knowledge and skills needed to work effectively at overseas locations. As a result of these initiatives, we have expanded the number of local staff at overseas subsidiaries to more than 1,000 in China and the ASEAN region combined.

● No. of Local Staff Overseas

(China/ASEAN Region)



● China Business Road Map

	Medium-Term Management Plan 2011–2013			Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019			2020	...	2025
	2011	2012	2013	2014	2015	2016	2017	2018	2019 (Plan)			
New Openings	0	1	1	2	6	1	4	2	2			
No. of Malls	2	3	4	6	12	13	17	19	21	Existing Mall Renovations Mall Openings in New Regions		
Operating Revenue (JPY, bn)	1.0	1.7	3.0	6.0	11.5	18.9	23.8	33.3	—			
Operating Income (JPY, bn)	-0.8	-1.4	-2.3	-3.5	-4.4	-3.4	-1.1	-0.4	—			

● ASEAN Business Road Map

	Medium-Term Management Plan 2014–2016			Medium-Term Management Plan 2017–2019			2020	...	2025
	2014	2015	2016	2017	2018	2019 (Plan)			
New Openings	3	2	1	1	1	2			
No. of Malls	3	5	6	7	8	10	Existing Mall Renovations Mall Openings in New Regions		
Operating Revenue (JPY, bn)	1.1	4.2	6.7	8.7	11.2	—			
Operating Income (JPY, bn)	-0.9	-1.0	-0.3	0.2	0.9	—			

Materialities

AEON MALL has identified **Five Materialities** in the context of business strategy for achieving our long-term vision

▶ P.29

Developing Community and Social Infrastructure



Safe, secure, and pleasant facilities

In 2005, AEON introduced universal design in the development of malls in Japan to ensure all customers enjoy safe and pleasant shopping experiences. Subsequently, we have conducted regular customer surveys soliciting customer

opinions, making ongoing improvements in both tangible and intangible aspects of mall design.

Overseas, we were among the first to develop malls with large parking facilities in response to rising motorization.



AEON MALL Zama (Kanagawa Prefecture)

In 2018, AEON MALL Zama received the *Barrier-Free Town Planning Award* from Kanagawa Prefecture. This award recognized the mall for innovative design accommodating all shoppers, including guests with disabilities and seniors.

Malls that reflect the unique character of a community

AEON designs malls to reflect the particular community to be served and local market characteristics. To the greatest extent possible, we create design concepts that incorporate what makes an area unique and attractive. We will continue to produce uniquely appealing facilities by embodying these concepts in exterior and interior designs, leasing, and daily events.

We also create concept zones in each of our malls that encourage visitors to rediscover the attraction of their community's culture, industry, tourism resources, and more. By reflecting the unique features of the region in the design of each facility, AEON MALL instills a sense of community pride that results in residents taking personal ownership of the mall.



THE OUTLETS HIROSHIMA (Hiroshima Prefecture)

The first "THE OUTLETS" concept mall is a regional innovative commercial facility completely different from conventional malls. The facility features an outlet zone with nearly 120 brand shops, along with entertainment facilities that include Wonder Rink, the only year-round ice-skating rink in Hiroshima Prefecture. With the support of local community and Hiroshima City, this mall offers shops and information resources that communicate the attractions of the surrounding region.

Town planning for disaster prevention

Most of our malls in Japan have signed agreements with local governments for disaster relief and other activities for the safety of local citizens. We coordinate closely with local communities

to improve disaster preparedness by holding regularly scheduled disaster prevention response exercises with tenant specialty store employees.



AEON MALL Iwaki Onahama (Fukushima Prefecture)

A major feature of this mall is its status as a disaster-ready mall. Important mall equipment is installed at a height above the highest expected tsunami level. The mall also has emergency power equipment and portable toilets. In the event of an earthquake, AEON MALL Iwaki Onahama is ready to accept evacuees, even after regular business hours.

Expansion of public functions

AEON MALL is adding more public functions for customer convenience, including post offices, administrative services

branch offices, libraries, and polling stations for early voting. Other public facilities include health clinics and financial services.

We also work with the Japan Red Cross to promote blood donation drives. Our malls throughout Japan provide blood donation centers, and we raise awareness of the need for blood donations from people of all ages, particularly younger donors.



Japan Student Christmas Blood Donation Campaign

In December 2018, student blood drive volunteers led the Japan Student Christmas Blood Donation Campaign at 40 malls across Japan.

Encouraging acceptance and use of electric vehicles (EV)

AEON MALL is installing EV charging stations at our malls to encourage the use of low-CO₂ electric vehicles and plug-in hybrids. In 2017, AEON was the first company in Japan to pledge participation in EV100. We currently have a total 2,332 EV charging stations at our malls in Japan and overseas.



Encouraging the use of public transportation

AEON MALL supports the construction of public transportation services that our customers can use to visit our malls. At certain malls within walking distance of train stations, we

partner with railroad companies and transportation authorities to offer special perks to customers who take the train when they shop at our facilities.

Materialities

Building Bridges to Local Communities



Happiness Mall initiatives

The AEON Group has been conducting more *Health and Wellness* initiatives to contribute to rich and varied lifestyles for customers through physical and mental health. Our goal is to make AEON MALL a place that offers happiness

for our customers. Each mall engages in Happiness Mall initiatives based on the four pillars of HEALTH, WELLNESS, COMMUNITY, and OPPORTUNITY.



AEON MALL Walking

To support healthier lifestyles for our customers, AEON MALL facilities provide walking paths, open for all to use. AEON MALL Miyazaki (Miyazaki Prefecture) offers a mall walking program overseen by the Center for Preventive Medical Sciences at Chiba University. This program was incorporated into the mall after a floor space expansion in March, creating a space and opportunity to promote greater health awareness. We participate in the Fun + Walk Project with the Japan Sports Agency in a public-private partnership. No matter what the weather outdoors, customers can always enjoy walking inside their local mall.

Hyper-Localization to boost local appeal

AEON MALL builds shopping malls that provide many community functions, serving as local community centers. One such example is our work supporting the Nationwide Disaster

Prevention Caravan in cooperation with the Scout Association of Japan.

AEON Yume-Mirai Nursery School

We continue to build on-site AEON MALL Yume-Mirai Nursery Schools to support work-life balance for our employees who are raising children. These facilities are open to everyone

working in our malls, including the employees of the AEON Group and tenants. This initiative helps people who must balance work with child rearing. At the same time these schools reduce the number of children on waiting lists for childcare centers.

The admission rate for AEON MALL nursery schools is 84 percent*¹, which exceeds the national average for company-sponsored child-care facilities of 61 percent*².

*¹ As of November 1, 2018

*² As of March 31, 2018



A total of 18 nursery schools have been installed in AEON MALL facilities to date (as of February 28, 2019; 25 facilities across all AEON Group properties).

The Environment



Responding to climate change and global warming

In March 2018, the AEON Group announced AEON Decarbonization Vision 2050. The goal of this initiative is to achieve a decarbonized society by the year 2050 by promoting energy conservation, the use of renewable energy, and other measures.

To date, 11 facilities in the AEON Group, 10 of which are operated by AEON MALL, have become environmentally friendly model facilities. We are currently developing the Next-Generation Smart AEON program, a further evolution in our decarbonization. As an example, AEON MALL Zama

(Kanagawa Prefecture) has achieved a 30 percent reduction in CO₂ emissions compared to standard AEON stores.

In FY2018, AEON MALL was awarded a score of B by the Carbon Disclosure Project (CDP)*1 in recognition of our response to climate change and our disclosure of carbon emissions data. This score places AEON MALL at the third position in an eight-level scale, the highest we have ever achieved.

*1 The Carbon Disclosure Project is an international NGO that promotes climate change disclosures on behalf of over 800 institutional investors representing holdings of \$100 trillion. The CDP conducts annual surveys of companies around the world. In FY2018, over 6,800 companies responded to the survey.



AEON MALL Sen Sok City (Cambodia)

This mall features a nearly 1MW solar power system and high-efficiency chillers, targeting a goal of reducing CO₂ emissions by approximately 1,564 tons per year. The AEON MALL Sen Sok City solar power system and high-efficiency chillers qualified the mall for selection as a Joint Crediting Mechanism (JCM) assistance project*2 for FY2016 by the Japan Ministry of the Environment.

*2 The Joint Crediting Mechanism (JCM) is a program organized by the Japanese government. This program contributes to the global spread of advanced Japanese low-carbon technologies and initiatives to reduce greenhouse gases and encourage sustainable development among emerging economies. These efforts are assessed according to the quantitative volume of emissions reductions, helping Japan accomplish its greenhouse gas reduction targets.

AEON Hometown Forest Project (biodiversity)

The AEON Hometown Forest Project is a forestry initiative that embodies the AEON Group's basic philosophy. The project has been ongoing since 1991. AEON works with customers to plant trees on land considered most appropriate for the local natural environment. As of February 28, 2019, the AEON

Group has planted a cumulative total of nearly 11.9 million trees. In FY2018, AEON MALL held tree-planting festivals at seven newly-opened malls in Japan and overseas. A total of approximately 124,000 trees were planted at these events.

Recycling waste products



To foster a recycling oriented society, AEON MALL launched a zero emissions program to recycle all waste generated by our malls.

AEON MALL Okayama (Okayama Prefecture)

AEON MALL Okayama operates a program in which waste is collected from each tenant, weighed with measuring instruments, correctly sorted, and recycled under the guidance of a specialist. This initiative was honored by receiving the Okayama City Waste Reduction and Resource Development for Business Award.

Materialities

Diversity and Work-Style Reform



Globalization of Human Resources

Our basic policy for overseas human resources is to hire local staff who have a deep understanding of AEON MALL principles and who can engage in business rooted deeply in the local community. We promote people who produce results to senior management positions without regard to national origin. In China, seven AEON MALL facilities are overseen by general managers who were hired locally. In ASEAN as well, we are active in promoting local staff to senior positions.

Meanwhile, we create opportunities for our Japanese employees to gain experience overseas. We believe that the experience of working with local staff gives Japanese employees the chance to grow and develop in their own careers.



Japanese Employees Working Overseas With Local Staff Members

Nadeshiko Brand

Aiming to increase the ratio of female managers in our company, AEON MALL is building systems that allow employees to balance work with family and child care responsibilities. We are also generating a visual representation of work hours to reduce overtime work. Further, we are developing indicators designed to enhance work efficiency, making AEON MALL a company at which women can enjoy long-term careers. AEON MALL has been recognized as a Nadeshiko Brand for three consecutive years. This status recognizes publicly traded companies that actively encourage female participation.



Iku Navi is an internal guidebook for employees who wish to return to work while maintaining a healthy balance between child-rearing and work.

Improving Employee Satisfaction for Tenant Employees

Labor shortages have become a social issue in Japan. As developers, we believe we have a responsibility to create workplace environments that support the long-term careers of tenant employees. We also believe sponsoring initiatives for



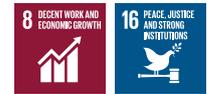
employee satisfaction is part of our responsibilities.

With these goals in mind, we present awards for best practices at our malls, recognizing efforts in employee break room renovations and employee-only menu options, for example. We catalog these best practices and roll them out throughout the rest of our organization.

AEON MALL Fukutsu (Fukuoka Prefecture)

In response to interviews with employees, AEON MALL Fukutsu is enhancing employee privacy by increasing the number of private carrels, providing more electrical outlets to recharge electronic devices, and improving the quality of powder rooms. Employees appreciate these improvements, with 88 percent reporting that facilities are easier to use than before.

Accountability in Business



Human Rights Policies, Systems, and Training

The unwavering principle of AEON is pursuing peace, respecting humanity, and contributing to local communities, always from the customer's point of view. To honor these principles we will comply with all relevant laws and regulations, while dealing with all people honestly and sincerely through proper behavior. The AEON Code of Conduct was enacted in April 2003 on the basis of these values. In September 2014, AEON codified a philosophy of human rights and the workplace producing AEON's Basic Human Rights Policies in support of the AEON Code of Conduct.

AEON MALL follows this philosophy and these policies

in respect for human rights. The company aspires to create an organization that allows all people, regardless of their gender or nationality, to participate in the development of the company. We strive to create workplaces that enable all employees to perform to the highest level of their abilities.

All employees of the company attend an annual human rights training. Moreover, all employees are provided with a handbook that lists both internal and external help desks. This handbook provides clear information about respect for human rights, the prevention of discrimination, and other matters in the context of the AEON MALL employment rules.

AEON Code of Conduct—Our Commitment

1. AEON people are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.
2. AEON people value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
3. AEON people actively seek out ways to exceed customer expectations.
4. AEON people continually challenge themselves to find new ways to accomplish the AEON ideals.
5. AEON people support local community growth, acting as good corporate citizens in serving society.

AEON Human Rights Policy

In accordance with this policy, all of AEON's executives and employees (AEON People) will further their understanding of human rights and help realize a society that respects these rights.

We will adopt this policy for all AEON People and share it with all business partners.

1. Our Approach to Human Rights

For everyone affected by our business activities, we will comply with domestic laws on human rights and labor, the International Bill of Human Rights, and the rules on human rights set forth in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work in accordance with the AEON Basic Principles, the AEON Code of Conduct, and the United Nations Global Compact, which we joined in 2004. Further, we will support and follow the United Nations Guiding Principles on Business and Human Rights.

2. Respect for Human Rights in Business Activities

We will respect the privacy of individuals as well as their diverse values and personalities and never discriminate against anyone for any reasons, including discriminatory treatment based on race, nationality, ethnicity, gender, age, place of birth, religion, educational background, physical or mental disability, sexual orientation, or gender identity. Further, we will remain mindful of the positions of others and respect them as our equals.

- We will treat all customers in a fair and impartial manner and provide them with safe, reliable products and services as well as related information.
- We will actively communicate with local community members to ensure that we are respecting their human rights.
- We will comply with sound corporate ethics and workplace environment-related laws, regulations, and international standards in our business activities by dealing with business partners fairly. Moreover, we will continually improve our performance in this regard.
- We will listen to our coworkers, respect each coworker's human rights, and create workplace environments that are harassment free, safe, and employee friendly. At the same time, we will train and educate all AEON People to further their knowledge and understanding of human rights.

3. Implementation of Human Rights Due Diligence

Regarding the impact of our business activities on human rights, we will contribute to the realization of a society in which human rights are respected through the implementation of human rights due diligence.

Revised October 2018

Initiatives to Prevent Corruption

See Corporate Governance (P.49) for more about our initiatives to prevent corruption.

11-Year Financial and Non-Financial Highlights

Consolidated fiscal years beginning March 1 and ending the last day of February

	2008	2009	2010	2011	2012
Consolidated Fiscal Year					
Operating revenue	130,813	138,942	145,117	150,886	161,427
Operating income	37,870	37,201	39,651	40,656	41,743
Operating margin (%)	28.9	26.8	27.3	26.9	25.9
EBITDA	52,455	55,670	59,373	61,395	63,365
Segment profit					
China	—	—	—	—	—
ASEAN	—	—	—	—	—
Japan	—	—	—	—	—
Net income attributable to owners of parent	21,390	21,809	22,379	20,355	21,865
Capital Expenditure	71,378	73,507	54,762	73,044	53,536
Depreciation and amortization	14,585	18,469	19,721	20,739	21,621
Cash flows from operating activities	26,655	72,001	53,007	23,248	63,226
Cash flows from financing activities	38,180	37,687	(27,315)	25,889	35,493
Free cash flow	(37,253)	(3,876)	17,100	(45,075)	(6,525)
Cash and cash equivalents	4,092	37,898	27,631	8,440	39,292
Per-Share Data					
Net income	118.09	120.41	123.55	112.37	120.70
Net assets	772.90	873.45	976.65	1,069.25	1,187.14
Dividends	20.00	20.00	20.00	21.00	22.00
Consolidated Fiscal Year-End					
Total assets	466,718	503,546	517,218	543,761	630,887
Net assets	140,503	158,816	177,617	194,474	217,776
Equity	139,987	158,202	176,896	193,683	215,046
Interest-bearing debt	126,060	167,376	143,691	179,911	220,146
Financial Indicators					
Equity ratio (%)	30.0	31.4	34.2	35.6	34.1
ROE (Ratio of net income to equity) (%)	16.3	14.6	13.4	11.0	10.7
ROA (Ratio of net income to total assets) (%)	5.1	4.5	4.4	3.8	3.7
ROIC (Return on invested capital) (%)	—	—	—	—	—
D/E ratio (times)	0.9	1.1	0.8	0.9	1.0
Net D/E ratio (times)	0.8	0.8	0.6	0.8	0.8
PER (Price earnings ratio) (times)	10.1	13.3	17.8	16.4	19.0
PBR (Price book-value ratio) (times)	1.5	1.8	2.2	1.7	1.9
Non-Financial Indicators					
Total no. of malls (Japan/Overseas)	51(50/1)	53(52/1)	56(54/2)	59(57/2)	64(61/3)
New malls (Japan/Overseas)	5(4/1)	2(2/0)	4(3/1)	3(3/0)	3(2/1)
No. of reactivated malls (floor space expansion/renovation)	6(3/3)	6(0/6)	12(1/11)	9(1/8)	5(1/4)
No. of urban SC	—	—	—	—	—
Total leasing area (m ²) Japan	3,000,100	3,123,800	3,319,500	3,434,400	3,498,400
Overseas	53,000	53,000	108,000	108,000	170,000
Total	3,053,100	3,176,800	3,427,500	3,542,400	3,668,400
Disaster-relief malls owned/operated (malls)	—	—	—	—	—
Energy consumption (crude oil equivalent kl)	—	116,741	126,338	100,683	96,083
Energy consumption intensity (denominator: floor space/mall operating hours) (GJ/1,000m ² × h)	—	0.774	0.779	0.585	0.539
Energy consumption intensity YoY (%)	—	—	100.55	75.14	92.21
Mass of waste output (t)	—	—	53,194	53,391	56,183
Waste recycling volume (t)	—	—	44,723	44,106	46,603
Waste recycling rate (%)	—	—	84.1%	82.6%	82.9%
Water consumption (m ³)	3,083,469	3,250,520	3,406,449	3,218,670	3,183,332
Water consumption rate (m ³ /1,000m ² × h)	—	0.56	0.54	0.48	0.46
Trees planted (Japan, Overseas)	2,520,000	2,603,000	2,634,000	2,654,000	2,695,000
No. of malls with EV charging stations (Japan, China)	1	1	2	8	25
No. of EV chargers (Japan, China)	1	1	2	13	60
No. of employees (consolidated)	560	646	685	804	1,042
No. of female managers	42	48	56	65	79
Ratio of female managers to total managers (%)	—	—	—	—	—
No. of female officers	—	—	—	—	—
Ratio of female officers to total officers (%)	—	—	—	—	—
No. of local staff overseas	—	—	—	—	—

Note: Amounts in U.S. dollars are for convenience only, calculated at an exchange rate of ¥110.91 to US\$1 on February 28, 2019

* AEON MALL issued 23.5 million and 2.5 million in new shares on June 19, 2013 and July 12, 2013, respectively.

AEON MALL conducted a 1.1 for 1 split for common shares on August 1, 2013.

Accordingly, fiscal 2012 net-income per share has been calculated assuming this stock split occurred as of the first day of fiscal 2012.

* Due to a change in fiscal year, fiscal 2012 consists of the 12-month-eight-day period from February 21, 2012 to February 28, 2013.

* Figures for energy, waste, and water do not include PM contracted malls. Rates provided use multipliers including floor space of common areas and back areas.

* Energy consumption, energy consumption intensity, and energy usage reduction figures prior to FY2017 are fiscal April through fiscal March figures in conformance with the regular reporting requirements of the Act on the Rational Use of Energy. Calculations of FY2018 figures are based on results from March through February.

2013	2014	2015	2016	2017	2018	2018
					Unit: ¥ millions	Unit: US\$ thousands (Note)
176,931	203,902	229,754	269,793	288,111	312,976	2,821,897
42,227	41,872	43,870	44,935	49,211	52,987	477,749
23.9	20.5	19.1	16.7	17.1	16.9	0.169
66,173	71,447	75,959	82,993	87,654	101,732	917,248
—	(3,529)	(4,448)	(3,451)	(1,132)	(453)	(4,087)
—	(944)	(1,013)	(348)	248	999	9,016
—	46,346	49,322	48,716	50,074	52,415	472,592
23,430	24,513	24,639	28,527	30,542	33,538	302,396
114,859	181,953	207,215	163,407	190,100	217,101	1,957,453
23,945	29,574	32,088	38,058	38,443	42,640	384,463
44,382	76,152	61,785	73,646	80,616	90,600	816,880
17,232	54,994	73,446	8,312	44,841	91,199	822,283
(2,761)	(51,353)	(84,547)	10,072	(61,393)	(85,589)	(771,701)
59,096	67,222	53,652	69,593	54,223	55,414	499,635
					Unit: ¥	Unit: US\$ (Note)
106.96	107.58	108.43	125.45	134.29	147.45	1.32
1,295.30	1,438.25	1,481.77	1,539.36	1,642.59	1,685.46	15.19
22.00	22.00	22.00	27.00	35.00	38.00	0.34
					Unit: ¥ millions	Unit: US\$ thousand (Note)
759,245	900,957	974,970	1,012,758	1,123,781	1,203,211	10,848,537
298,526	332,536	339,849	356,203	385,561	394,059	3,552,965
295,124	327,708	333,547	350,073	373,572	383,393	3,456,798
190,366	253,798	334,406	360,292	405,749	506,975	4,571,051
38.9	36.4	34.2	34.6	33.2	31.9	
9.2	7.9	7.5	8.3	8.4	8.9	
3.4	3.0	2.6	2.9	2.9	2.9	
—	4.9	4.5	4.4	4.6	4.4	
0.6	0.8	1.0	1.0	1.1	1.3	
0.5	0.6	0.8	0.9	0.9	1.1	
26.3	21.5	14.8	13.8	16.7	12.3	
2.2	1.6	1.1	1.1	1.4	1.1	
138(133/5)	148(139/9)	161(144/17)	166(147/19)	174(150/24)	180(153/27)	
7(5/2)	11(7/4)	13(5/8)	7(5/2)	10(5/5)	7(4/3)	
11(0/11)	8(0/8)	12(1/11)	20(2/18)	14(2/12)	8(2/6)	
—	—	—	20	21	23	
6,615,900	6,996,700	7,312,900	7,753,950	7,923,800	8,154,700	
283,300	544,300	1,136,000	1,266,000	1,599,700	1,828,000	
6,899,200	7,541,000	8,448,900	9,019,950	9,523,500	9,982,700	
4	14	18	23	28	37	
100,598	106,155	114,856	117,278	118,030	118,723	
0.510	0.475	0.453	0.432	0.410	0.401	
94.62	93.01	95.45	95.33	94.88	97.86	
58,227	64,505	69,598	72,326	76,342	79,364	
48,467	54,348	60,271	62,805	65,748	68,977	
83.2%	84.3	86.6	86.8	86.1	86.9	
3,328,665	3,175,143	3,354,719	3,592,795	3,612,049	3,629,433	
0.44	0.37	0.34	0.34	0.32	0.32	
2,788,000	3,046,000	3,190,000	3,275,000	3,344,000	3,467,000	
35	73	128	136	149	158	
103	187	516	1,045	1,944	2,332	
1,689	2,024	2,313	2,871	3,091	3,303	
99	112	115	121	136	151	
12.5	13.1	13.2	13.7	14.2	15.1	
—	2	2	2	3	4	
—	12.5	13.3	13.3	17.6	23.5	
392	580	829	956	1,113	1,227	

* Mass of waste output, waste recycling volume, and waste recycling rate are totals for common areas, tenant spaces, and AEON MALL offices combined.

* Water consumption and water consumption rate are totals for common areas and AEON MALL offices.

* Trees planted include totals for locations of PM contracted malls.

* Ratio of female managers to total managers not shown for years 2012 or earlier due to an increase in employees stemming from mall operating contracts signed with AEON Retail Co., Ltd. in 2013.

* Disclosure of number of local staff working at overseas subsidiaries represent figures beginning in FY2013, when the company began accelerating overseas openings.

Financial Performance

FY2018 Highlights

AEON MALL achieved record-high revenues and profits for the consolidated fiscal year. Operating revenue amounted to ¥312,976 million (+8.6% year on year), while business expansion resulted in operating costs of ¥232,831 million (+9.8%). Despite higher operating costs, gross profit amounted to ¥80,144 million (+5.4%). Selling, general and administrative expenses amounted to ¥27,157 million (+1.1%), while

operating income rose to ¥52,987 million (+7.7%).

Net income attributable to owners of parent reached ¥33,538 million (+9.8%), due in part to a lower effective tax rate stemming from corporate tax deductions under the tax system to promote expansion of household incomes. EBITDA rose 20.2% to ¥101,732 million.

Operating Revenue



Operating Income/Operating Margin



Performance by Segment

Our Domestic Business recorded operating revenue of ¥268,358 million (+5.0% year on year) and operating income of ¥52,415 million (+4.7%). Our mall business expanded sales floor space in two existing malls and renovated six malls during the period. Along with floor space expansions and renovations of existing malls, we took measures to increase customer drawing power. These measures included Happiness Mall initiatives and sales policies promoting localization. In addition, AEON MALL opened four malls as new business locations.

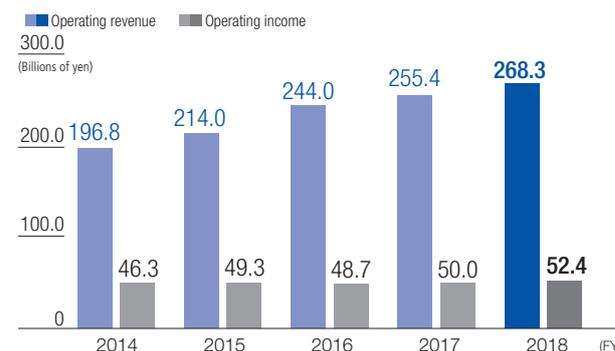
Our malls throughout Japan held AEON MALL Black Friday events for three days in November 2018. This promotion increased visitor traffic by 2.7% and sales by 6.6% over the same period a year earlier.

Our Overseas Business recorded net profits for the first time, benefitting from the branding advantages derived from area-dominant store openings in China and ASEAN. Overseas operating revenue reached ¥44,617 million (+36.8% year on year), while operating income amounted to

¥546 million (compared to an operating loss of ¥884 million in the previous year). This result was an improvement of ¥1,430 million in operating income year on year.

Our China business saw operating revenue of ¥33,369 million (+39.6%), with an operating loss of ¥453 million (compared to an operating loss of ¥1,132 million the previous year). Ten of our 17 malls in China were profitable,

Domestic Business



and our operations in China improved operating income by ¥679 million.

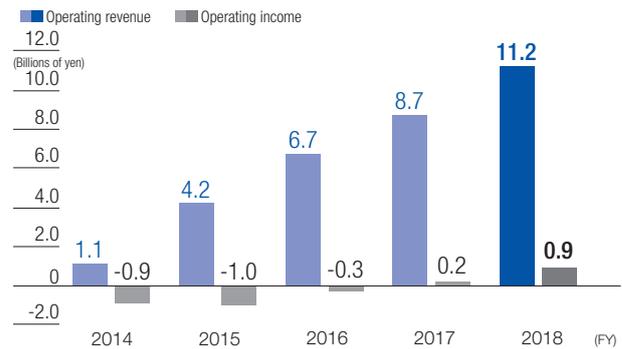
ASEAN business operating revenue was ¥11,248 million (+29.1% year on year) and operating income was

● China Business



¥999 million (+302.4% year on year). All seven ASEAN malls were profitable, while operating income rose ¥751 million compared to the previous year.

● ASEAN Business



■ Assets, Liabilities, and Net Assets

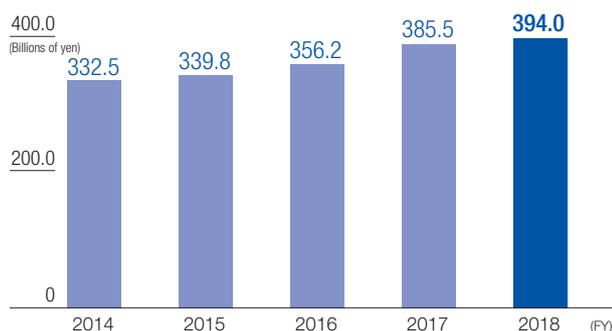
Total assets stood at ¥1,203,211 million, up ¥79,430 million compared to the end of the prior consolidated fiscal year. This result is partly explained by the openings of new malls and advance acquisitions of land for future development, including acquisitions of property, plant and equipment in the amount of ¥157,521 million. This increase was partly offset by depreciation and amortization of fixed assets in the amount of ¥42,640 million and sales of property, plant and equipment of ¥31,680 million.

Total liabilities stood at ¥809,151 million, up ¥70,932 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to an increase of ¥80,000 million in bonds (including the current portion of bonds), a ¥26,225 million increase in long-term debt (including the current portion of long-term debt), an increase

of ¥4,076 million in lease deposits from lessees, and an increase of ¥3,317 million in deposits received from specialty stores. These amounts were partly offset by a ¥5,000 million net decrease in commercial paper, a ¥38,929 million decrease in accounts payable-other on facilities (new mall openings, etc.), and a ¥798 million decrease in income taxes payable.

Net assets totaled ¥394,059 million, up ¥8,498 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in retained earnings as a result of ¥33,538 million in net income attributable to owners of parent, partly offset by dividend payments of ¥8,642 million and a decrease of ¥14,974 million in foreign currency translation adjustments.

● Net Assets



● Equity Ratio



Financial Performance

■ Cash Flows

Cash and cash equivalents (“cash”) as of the end of the consolidated fiscal year amounted to ¥55,414 million, an increase of ¥1,191 million compared to the end of the prior consolidated fiscal year. Cash flows in the period under review were as follows.

Net cash provided by operating activities amounted to ¥90,600 million, compared to ¥80,616 million for the prior year. This result was mainly due to income before income taxes and other adjustments of ¥47,683 million (compared to ¥45,061 million in the prior year), depreciation and amortization of ¥42,640 million (compared to ¥38,443 million), and an increase in deposits received from specialty stores of ¥3,597 million (compared to ¥3,045 million). At the same time, income taxes paid amounted to ¥17,194 million (compared to ¥15,956 million).

Net cash used in investing activities resulted amounted to ¥176,189 million (compared to ¥142,009 million for the prior year). This result was mainly due to payments for facilities at malls opened during the prior fiscal year (AEON MALL Tokushima in Tokushima Pref., AEON MALL Matsumoto in Nagano Pref.) and malls opened during the current fiscal year (AEON MALL Zama in Kanagawa Pref., THE OUTLETS HIROSHIMA in Hiroshima Pref., AEON MALL Iwaki Onahama in Fukushima Pref., and AEON MALL Tsu-Minami in Mie

Pref.), as well as cash outlays for the acquisition of property, plant and equipment from such expenses as acquiring land for development, coming to ¥207,522 million (compared to ¥186,525 million in the prior year). These outlays were somewhat offset by proceeds from sales of property, plant and equipment in the amount of ¥36,287 million (compared to ¥40,293 million in the prior year) and proceeds from lease deposits from lessees in the amount of ¥14,914 million (compared to ¥13,975 million in the prior year).

Net cash provided by financing activities amounted to ¥91,199 million (compared to ¥44,841 million in the prior year). This result was mainly due to proceeds from issuance of bonds in the amount of ¥80,000 million (compared to ¥50,000 million in the prior year) and proceeds from long-term debt of ¥61,159 million (compared to ¥48,290 million in the prior year). This was partly offset by cash outlays for repayment of long-term debt of ¥35,759 million (compared to ¥52,563 million in the prior year), cash outlays for repayments of short-term debt and commercial paper of ¥5,000 million (compared to ¥11,000 million in proceeds from debt during the prior year), and dividends paid in the amount of ¥8,642 million (compared to ¥6,708 million in the prior year).

Outlook for FY2019

Our Domestic Business plans to open one new mall. We will continue activity in mall expansions and renovations, with four existing malls slated for floor space expansion and 10 for renovation.

The government of Japan is planning to raise the consumption tax in October 2019. In response, we will work to secure sales with measures designed to motivate consumers to make purchases. We will also make greater use of digital technologies, partly to answer the government’s push for cashless payments. Further, AEON MALL plans to take advantage of demand associated with inbound tourism growth in Japan.

At the same time, we will promote our Happiness Mall program and greater localization through bargain sales and events capitalizing on local characteristics. This is one way in which we will create a stronger drawing power in our malls and

drive greater sales growth. The company will build earnings through improved operating efficiencies that take advantage of the economies of scale of our more than 150 malls in Japan. We also plan to implement measures for low-cost operations, including reduction of electricity consumption with the introduction of energy-saving equipment.

In our Overseas Business, we plan to open two new malls in China, one in Vietnam, and one in Indonesia. We are entering the stage where our overseas business is becoming a growth driver that will expand profits. In addition to new mall openings, we will step up the pace of renovations timed to tenant turnover in existing malls, planned expansions, and initiatives to improve our level of operations.

Given the preceding, our FY2019 earnings forecast calls for operating revenue of ¥326,000 million, operating income of ¥62,000 million, and net income attributable to owners of

parent of ¥33,700 million.

Our FY2019 earnings forecast reflects the currently anticipated impact of applying IFRS 16 *Leases*, which will

apply to overseas consolidated subsidiaries beginning with our FY2019 consolidated financial statements.

Policy on Dividends

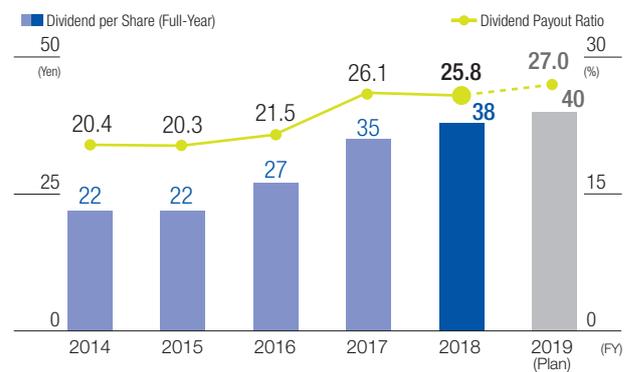
Returning profits to our shareholders as our earning capacity rises is an important management policy for AEON MALL. Our basic policy for shareholder returns is to emphasize stable and ongoing dividends, balanced by investment of internal reserves in growth businesses, in new businesses, and in management infrastructure. We aim for a consolidated payout ratio of 25% or higher.

Our policy is to pay dividends twice every business year, consisting of an interim dividend and a year-end dividend. Under the AEON MALL articles of incorporation, our board of directors determines the amount of dividends to be paid from reserves in accordance with Article 459, Paragraph 1 of the Companies Act of Japan.

At a meeting held April 9, 2019, our board of directors resolved to pay a year-end dividend for the consolidated fiscal year of ¥19 per share in line with our initial forecast. Combined with the interim dividend of ¥19 per share, the company paid annual dividends of ¥38 per share, an increase of ¥3 per share year on year. Our FY2018 consolidated payout ratio was 25.8%.

For FY2019, we plan to raise the annual dividend per share to ¥40 (¥2 higher than FY2018), projecting a consolidated payout ratio of 27.0%.

Dividend per Share (Full-Year) and Dividend Payout Ratio



Corporate Profile

(as of February 28, 2019)

Company Name:	AEON MALL Co., Ltd. (Stock Code: 8905)
Date Established:	November 1911
Representative:	Akio Yoshida, President
Common stock:	¥42,313 million
Headquarters:	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8539, Japan
No. of Shopping Malls:	180 (Domestic 153/Overseas 27)
	<small>* Includes OPA Co., Ltd. (urban shopping center business converted to subsidiary in March 2016) and other affiliates.</small>
Business Activities:	Development of large-scale shopping malls, tenant leasing, and operations/management Real estate, leasing, agency services (Lic.No.7682 issued by the Minister of Land, Infrastructure and Transportation (3))
No. of Employees:	3,303

Offices

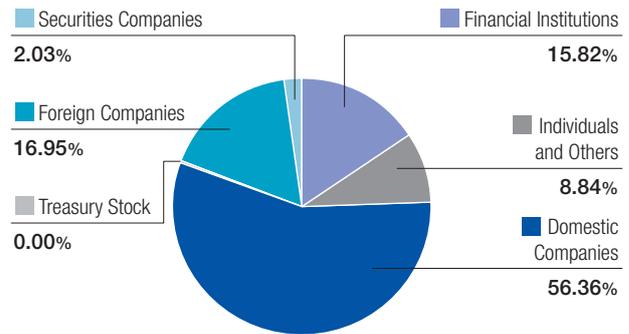
Office Name	Location
Sendai Office	Mitsumaru Building 2F, 3-3-3 Chuo, Aoba-ku, Sendai-shi, Miyagi 980-8442, Japan
Tokyo Office	Fuundo Honkan Building 5F, 1-2 Kandaogawamachi, Chiyoda-ku, Tokyo101-0052, Japan
Chiba Division business establishment	AEON MALL MAKUHARISHINTOSHIN FAMILY MALL, 1-1 Toyosuna, Mihama-ku, Chiba-shi, Chiba 261-8535, Japan
Nagoya Office	Aizo building 4F, 5-25-1 Meieki, Nakamura-ku, Nagoya-shi Aichi 450-0002, Japan
Osaka Office	Kurabo Annex Building 12F, 2-4-11 Kyutaromachi, Chuo-ku, Osaka-shi, Osaka 541-0056, Japan
Kobe Office	2-1-1 Nakanoshima, Hyogo-ku, Kobe-shi, Hyogo 652-0844, Japan
Hiroshima Office	1-3-52 Danbara-minami, Minami-ku, Hiroshima-shi, Hiroshima 732-0814, Japan
Fukuoka Office	Sankyo Fukuoka Building 5F, 2-9-11 Hakataekiminami, Hakata-ku, Fukuoka-shi, Fukuoka 812-0016, Japan
Shanghai Resident Office	Room 1204, An-Tai Building, 107 Zunyi Road, Changning District, Shanghai, China 200051
Qingdao Resident Office	Room 1903, Floor 19, Cosco Building B, No.61 Hongkong Middle Road, QingDao, China 266071
Ho Chi Minh City Resident Office	Room 3102.B, 31F, Lim Tower, No9-11 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

Stock Information (as of February 28, 2019)

General Stock Information

Authorized No. of Shares:	320,000,000 shares
No. of Shares Issued:	227,472,789 shares
No. of Shareholders:	79,355

Distribution of Shareholders



Major Shareholders (Top 10)

Name/Company Name	Equity in AEON MALL	
	Number of Shares Owned (1,000 shares)	Percentage (%)
AEON Co., Ltd.	125,885	55.34
Japan Trustee Services Bank, Ltd. (Trust Account)	7,504	3.29
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	5,373	2.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,768	2.09
BNYMSANV As Agent/Clients Lux Ucits Non Treaty Account	2,935	1.29
JP Morgan Chase Bank 385174	2,476	1.08
State Street Bank West Client - Treaty 505234	2,300	1.01
Japan Trustee Services Bank, Ltd. (Trust Account No. 5)	1,950	0.85
JP Morgan Chase Bank 385151	1,827	0.80
JP Morgan Securities Japan Co., Ltd.	1,780	0.78

Notes:

- Shareholdings are rounded down to the nearest 1,000 shares.
- Ownership ratios rounded to the nearest hundredth.

Fiscal Year End: February 28 (or 29)

Record date: Record Date for Annual General Meeting of Shareholders
February 28 (or 29)
Record Date for Year-End Dividend February 28 (or 29)
Record Date for Interim Dividend August 31

Annual General Shareholders' Meeting: Held annually by the end of May
Minimum Trading Unit: 100 shares
Stock Listing: Mizuho Trust & Banking Co., Ltd.
1-2-1 Yaesu, Chuo-ku, Tokyo,
Japan

Credit Rating (as of April 25, 2019)

Rating Agency	Long-Term Rating	Short-Term Rating
Japan Credit Rating Agency, Ltd. (JCR)	A	-
S&P Global Ratings	BBB	-
Rating and Investment Information, Inc. (R&I)	A-	a-1



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