

Notice of the 96th Ordinary General Meeting of Shareholders

(from March 1, 2020 to February 28, 2021)

[We Recommend That You Attend the Meeting Virtually Instead of Attending in Person]

This year, we will be holding a General Meeting of Shareholders for which you will be able to virtually attend the meeting, exercise your voting rights and submit questions via the internet. We highly recommend you choose this option. In view of the prevention of the spread of novel coronavirus (COVID-19) infections, we request that you refrain from attending the meeting in person. Please exercise your voting rights beforehand. Unlike regular years, various different procedures are in place for the meeting. For example, in order to attend the meeting, you must register in advance. For details on how to register, and for other operational details on the holding of the meeting, please visit the Company's website using the link below.

<https://www.aeon.info/ir/stock/meeting/>

AEON CO., LTD.

Stock code: 8267

This year, to provide many more shareholders with the opportunity to attend the meeting, you will be able to attend the meeting virtually via the internet.

This year, we will be holding a General Meeting of Shareholders for which you will be able to virtually attend the meeting via the internet, exercise your voting rights and submit questions without physically attending the meeting. We highly recommend that you choose this option, which is highly convenient for shareholders who would need to travel from afar to attend in person and for shareholders wishing to refrain from outings during the COVID-19 pandemic.

Please note that in order to attend the meeting, either in person or virtually via the internet, we require you to register in advance. Please note that shareholders who do not register in advance will be unable to attend the meeting. For details on how to register, and for other operational details on the holding of the meeting, please visit the Company's website using the link below.

<https://www.aeon.info/ir/stock/meeting/>

We Are Offering a Splendid Present to All Shareholders Who Exercise Their Voting Rights!

Voting rights are an important right of shareholders to participate in the Company's management. Exercising your voting rights, enables you to have your say as a shareholder reflected. In addition, you can exercise your voting rights beforehand either by postal mail or electromagnetic means (via the internet, etc.). We are preparing a splendid present for shareholders who exercise their voting rights. By all means, please exercise your voting rights beforehand.

Greetings

We would like to express our sincere gratitude to you, our shareholders, for your continued support. Also, we would like to express our deepest condolences to those who have passed away from the COVID-19 outbreak, and our hearts go out to those who have suffered from COVID-19 and to their families.

In 2020, daily life and corporate activities were significantly affected in addition to the spread of COVID-19, as well as changes in international political conditions, environmental issues and abnormal weather.

In order to protect local communities, the Company has continued its business with a focus on infection prevention measures under the basic principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view at its core.” This is the product of the tireless work of employees who have put in continuous effort, especially in the stores.

For infection prevention measures, based on the idea of working with our customers to protect our local areas, we established the AEON COVID-19 Protocol for Infectious Disease Control based on scientific evidence, and worked to create a store environment that can be used with peace of mind by prioritizing the safety of customers and employees.

Moreover, in order to support the lives of the local community, we have continued to stably procure necessary products and provide them at reasonable prices, and the entire Group has responded to customers’ needs by enhancing new services such as online supermarkets and contactless payment services.

The impact of COVID-19 is expected to be long term, but by working on both continual infection prevention measures and proactive business development, we will overcome this unprecedented crisis.

Furthermore, to address these environmental changes, and connect our efforts to our sustainable growth, we formulated the Aeon Group Medium-term Management Plan aimed at FY2025.

We will accelerate the “four shifts (Regional, Digital, Asian, and Investment that supports said shifts),” and promote the further increase of corporate value by calling for the collective effort of the Group for the “five transformations,” which is a common Group strategy.

To our shareholders, we ask for your continued support and understanding going forward.



April 2021
Akio Yoshida

Director, President and Representative Executive Officer

Stock code: 8267

April 28, 2021

AEON CO., LTD.

1-5-1 Nakase, Mihama-ku

Chiba-shi, Chiba

Director, President and Representative Executive Officer: Akio Yoshida

To the Shareholders of AEON CO., LTD.:

Notice of the 96th Ordinary General Meeting of Shareholders

You are cordially notified of the 96th Ordinary General Meeting of Shareholders of AEON CO., LTD., which will be held as described below.

The meeting will be held differently from regular years in consideration of preventing the spread of COVID-19. For example, you have a new option of attending the meeting via the Internet. Also, in order to attend the meeting this year, you must register in advance as a maximum capacity will be set to decrease the risk of infection as low as possible. If you wish to attend, please register in advance. Please understand that if the number of registrants exceeds the maximum capacity, a selection by lottery will be conducted. You can exercise your voting rights beforehand by mail or on the Internet. Please cast your vote by 6:00 p.m. on Tuesday, May 25, 2021 after reviewing the enclosed Reference Documents for the General Meeting of Shareholders.

[For those voting by mail]

Those voting in writing should indicate “for” or “against” for each agenda item and return the completed Form for Exercising Voting Rights by postal mail to reach us by 6:00 p.m. on Tuesday, May 25, 2021.

[For those voting on the Internet]

Please access the online voting site and follow the on-screen instructions. The deadline for online voting is 6:00 p.m. on Tuesday, May 25, 2021.

[For those attending the meeting (You need to register in advance)]

1) If you wish to attend in person (maximum capacity of 50 people)

Please register in advance.

Please submit the enclosed Form for Exercising Voting Rights at the reception on the day.

Please bring this document as well, as it contains the agenda for the meeting.

2) If you wish to attend virtually (via the Internet)

Please register in advance. The procedures for virtual attendance differ slightly from those for attending the meeting in person.

* For either of the cases of 1) and 2) above, please register in advance by 5:00 p.m. on Wednesday, May 12, 2021.

● **Regarding voting beforehand**

- If you have exercised your voting rights both by mail and via the Internet, etc., those exercised via the Internet, etc. will be considered as valid.
- If you have exercised your voting rights multiple times on the Internet, etc., the final vote via the Internet, etc. will be considered as valid.
- If a vote for or against is not indicated for any proposal when exercising voting rights by mail, we will treat it as an indication of approval of the proposal.
- We are preparing a splendid present for shareholders who exercise their voting rights.

● **Regarding voting on the day**

- If you have exercised your voting rights beforehand and you attend the meeting on the day, the vote cast while attending the meeting on the day will be considered valid.
- If you have exercised your voting rights beforehand and you attend the meeting virtually, the vote cast beforehand will remain valid. However, in cases where you newly exercise your voting rights up until the timing that the proposals are put forward for approval on the day, in that case only, your vote cast beforehand shall be considered as revoked.

* **We are preparing a splendid present for shareholders who exercise their voting rights. (Please refer to the enclosed documents for details of the plan for the present.)**

* **You must register in advance in order to attend. Shareholders who have not registered will be unable to attend the meeting. (The seating capacity at the venue is 50 people. If the number of registrants exceeds the maximum capacity, a selection by lottery will be conducted.)**

96th Ordinary General Meeting of Shareholders

1. Date and Time: 10:00 a.m., Wednesday, May 26, 2021

2. Place: AEON Tower Ancillary Building
1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba

3. Objectives of Meeting

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements for the 96th business year (from March 1, 2020 to February 28, 2021)
 2. Reports of the Independent Auditors and Audit Committee on audit results for the Consolidated Financial Statements

Matters to be resolved:

- Agenda Item 1: Election of seven (7) members of the Board of Directors
- Agenda Item 2: Approval of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)

Notes:

1. *This English version is a translation of points summarized from an original notice written in Japanese. When discrepancies in interpretation arise, the content of the Japanese notice shall take precedence.*
2. *The financial statements shown in this English-language notice are summaries of financial statements that are prepared in Japanese.*
3. *The Company's financial statements are prepared on the basis of generally accepted accounting principles in Japan.*
4. *Please note that Internet voting is not available to such persons as those who are not residents of Japan and who have appointed a custodian in Japan for handling of their shares according to the Rules for the Handling of Shares of the Company.*
5. *AEON CO., LTD.'s ordinary share issue* *Local code: 8267*
SEDOL# 6480048 JP
ISIN# JP 3388200002

(Translation for reference purposes only)

[Electronic Voting Platform for Institutional Investors]

Institutional shareholders, including standing proxies such as master trust banks, who have applied in advance to the ICJ Proxy e-Voting Platform Service (the Platform Service) offered by ICJ Inc., a joint venture established by Tokyo Stock Exchange, Inc., Japan Securities Dealers Association and Broadridge Financial Solutions, Inc., are entitled to use the Platform Service to exercise their votes, in addition to the above-described means of voting on the Internet.

Reference Documents for the General Meeting of Shareholders

Agenda and Reference Items

Agenda Item 1: Election of seven (7) members of the Board of Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, management submits the following nominees for the election of seven (7) Directors based on a resolution of the Nomination Committee. Of the seven (7) nominees, four (4) of them, constituting a majority, are candidates for the post of outside director. All candidates for outside director satisfy the conditions for independent director as stipulated by the Tokyo Stock Exchange. Furthermore, the Company stipulates the following items as conditions of eligibility for director. All candidates for director fulfill these conditions.

[Nomination criteria for candidates for inside directors]

1. The inside director shall have the personality and insight appropriate for being a director.
2. The inside director shall have sufficient experience and knowledge in the Company's business as well as in the Group's business and outstanding ability for business judgment and execution.
3. The inside director shall be an executive officer of the Company, or chairman or president of one or more subsidiaries, who is able to take responsibility for the basic policy, strategic planning, and business execution of the Company and Group, and fulfill accountability for the Board of Directors; provided however, that this shall not be applied when electing inside directors who do not concurrently serve as an executive officer.

[Nomination criteria for candidates for outside directors]

1. The outside director shall have the personality and insight appropriate for being a director.
2. The outside director shall subscribe to the Company's basic principles, code of conduct, etc.
3. The outside director shall have extensive experience as a chief executive officer or other corporate executive, or shall have comparable experience, knowledge and insight.
4. The outside director shall have rich insight and extensive experience that can guide and oversee the promotion of management strategies, strengthening of corporate governance, legal compliance management, etc. for the Company's management.

* In relation to outside directors, in addition to the above items, they must fulfill the independence criteria mentioned below.

[Independence criteria for outside directors]

The Company's outside director shall satisfy the conditions stated below to maintain his or her independence.

1. The outside director does not presently serve, or has not served for the past ten (10) years as executive director, executive officer, manager, employee (hereafter referred to as "Executing Person") of the Company or its subsidiaries.
2. The subject person is someone to whom the conditions stated below are not presently applicable, or have not been applicable for the past three (3) years:
 - (1) Major shareholder of the Company (those who directly or indirectly hold 10% or more of voting rights), or its Executing Person.
 - (2) Partner of the independent auditors of the Company or employees who conduct the Company's audit.
 - (3) Executing Person of the Company's principal creditors (creditors who have lent to the Aeon Group an amount that exceeds 2% of the Aeon Group's consolidated total assets).
 - (4) Executing Person of the Company's major vendors (vendors where the amount of Aeon Group transaction exceeds 2% of their annual consolidated sales in the most recent business year of the said vendors).
 - (5) Attorney at law, certified public accountant, certified public tax accountant or other consultant who receives remuneration in the amount exceeding 10 million yen annually from the Aeon Group other than the director's remuneration.
 - (6) Executing Person of a nonprofit organization where donation from the Aeon Group exceeds 10 million yen and where the amount of such donation exceeds 2% of the organization's total revenue or ordinary profit.
 - (7) Spouse or a relative within the second degree of kinship of 1. and (1) through (6) above.

* Provided, however, if any of the items (1) through (7) above is applicable, and if it is judged that the said person is substantially independent in view of personality, insight etc., then the Company may propose him or her as a candidate for outside director on the condition that explanation is publicly made.

(Translation for reference purposes only)

■ Candidates for Director

Candidate no.	Name	Positions and areas of responsibility in the Company (*)		Attendance at Board of Directors meeting during 96 th business year
1	Motoya Okada	Director; Chairman of the Board; Nomination Committee member; Compensation Committee member; Chairman and Representative Executive Officer	<u>Reelection</u>	7/7
2	Akio Yoshida	Director; President and Representative Executive Officer	<u>Reelection</u>	6/6
3	Akinori Yamashita	Director; Executive Vice President and Representative Executive Officer, CFO, Business Management	<u>Reelection</u>	7/7
4	Takashi Tsukamoto	Director; Chairman of the Compensation Committee; Audit Committee member	<u>Reelection</u> <u>Outside</u> <u>Independent</u>	7/7
5	Kotaro Ohno	Director; Chairman of the Audit Committee; Chairman of the Nomination Committee	<u>Reelection</u> <u>Outside</u> <u>Independent</u>	7/7
6	Peter Child	Director; Nomination Committee member; Compensation Committee member	<u>Reelection</u> <u>Outside</u> <u>Independent</u>	7/7
7	Carrie Yu	Director; Audit Committee member	<u>Reelection</u> <u>Outside</u> <u>Independent</u>	6/6

*1 Positions and areas of responsibilities of candidates for director are at the time of the resolution at the Board of Directors meeting held in relation to the convocation of this shareholders' meeting (as of April 9, 2021).

*2 The attendances shown for Akio Yoshida and Carrie Yu are their attendances after they assumed offices as director on May 22, 2020.

Outside

Candidates for outside director

Independent

Independent director to be notified to the Tokyo Stock Exchange

1. Motoya Okada

Reelection



Current positions and areas of responsibility in the Company

Director, Chairman of the Board,
Nomination Committee member,
Compensation Committee member,
Chairman and Representative Executive
Officer

Attendance at Board/committee meetings

Board of Directors:	100% (7/7)
Nomination Committee:	100% (3/3)
Compensation Committee:	100% (3/3)

Number of the Company's shares owned

2,532,496 shares

Date of birth

Jun. 17, 1951

Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Mar. 1979	Joined the Company
May 1990	Appointed Director of the Company
Jun. 1997	Appointed President and Representative Director of the Company
May 2003	Appointed Director, President and Representative Executive Officer of the Company
Mar. 2012	Appointed Director, President and Representative Executive Officer, and Group CEO of the Company
Mar. 2020	Appointed Director, Chairman and Representative Executive Officer of the Company (current position)

(Significant concurrent positions outside the Company)

Director and Advisor of Aeon Mall Co., Ltd.

Director and Advisor of Aeon Retail Co., Ltd.

Director and Advisor of Daiei, Inc.

Director and Advisor of United Super Markets Holdings Inc.

Director of Welcia Holdings Co., Ltd.

Outside Director and Advisor of TSURUHA HOLDINGS INC.

Outside Director of KUSURI NO AOKI HOLDINGS CO., LTD.

<Conflicts of interest>

No conflict of interest exists between the Company and Motoya Okada.

2. Akio Yoshida

Reelection



Current positions and areas of responsibility in the Company

Director
President and Representative Executive Officer

Attendance at Board/committee meetings

Board of Directors: 100% (6/6)

Number of the Company's shares owned

10,000 shares

Date of birth

May 26, 1960

Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Apr. 1983 Joined the Company
Mar. 2011 Appointed General Manager of China Development Management Department, China Division of Aeon Mall Co., Ltd.
May 2014 Appointed Managing Director, General Manager of Sales Division, and Chief China Business Officer of Aeon Mall Co., Ltd.
Feb. 2015 Appointed President and CEO of Aeon Mall Co., Ltd.
Mar. 2016 Appointed Executive Officer, Shopping Center Development Business of the Company
Mar. 2019 Appointed Executive Vice President and Representative Executive Officer, Shopping Center Development Business and Digital Business of the Company
Mar. 2020 Appointed President and Representative Executive Officer of the Company
May 2020 Appointed Director, President and Representative Executive Officer of the Company (current position)

(Significant concurrent positions outside the Company)

Director of AEON Hokkaido Corporation
Director of AEON KYUSHU CO., LTD.
Director of Aeon Retail Co., Ltd.

<Conflicts of interest>

No conflict of interest exists between the Company and Akio Yoshida.

3. Akinori Yamashita

Reelection



Current positions and areas of responsibility in the Company

Director
Executive Vice President and Representative Executive Officer, CFO, Business Management

Attendance at Board/committee meetings

Board of Directors: 100% (7/7)

Number of the Company's shares owned

20,630 shares

Date of birth

Jan. 1, 1954

Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Apr. 1977 Joined the Company
May 2004 Appointed Executive Officer of the Company
May 2005 Appointed Managing Executive Officer, CFO, Affiliated Companies of the Company
May 2007 Appointed Managing Director of Daiei, Inc.
Sep. 2013 Appointed Executive Officer, Chief Officer of Finance of the Company
Mar. 2014 Appointed Senior Managing Executive Officer, CEO of Financial Services Business and Chief Officer of E-money Business of the Company
Jun. 2014 Appointed President and Representative Director of Aeon Financial Service Co., Ltd.
Mar. 2016 Appointed Executive Vice President and Executive Officer, CFO of the Company
Mar. 2016 Appointed Chairman and Representative Director of Aeon Retail Co., Ltd.
May 2016 Appointed Director, Executive Vice President and Executive Officer, CFO of the Company
Mar. 2017 Appointed Director, Executive Vice President and Executive Officer, CFO, Business Management of the Company
Mar. 2020 Appointed Director, Executive Vice President and Representative Executive Officer, CFO, Business Management of the Company (current position)

(Significant concurrent positions outside the Company)

Audit & Supervisory Board Member of Aeon Retail Co., Ltd.
Director of AEON Stores (Hong Kong) Co., Limited

<Conflicts of interest>

No conflict of interest exists between the Company and Akinori Yamashita.

4. Takashi Tsukamoto

Reelection

Candidate for outside director

Candidate for independent director



Current positions and areas of responsibility in the Company

Director
Chairman of the Compensation Committee, Audit Committee member

Attendance at Board/committee meetings

Board of Directors: 100% (7/7)
Audit Committee: 100% (9/9)
Compensation Committee: 100% (3/3)

Number of years served as outside director

4 years

Number of the Company's shares owned

0 shares

Date of birth

Aug. 2, 1950

Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Apr. 1974 Joined The Dai-Ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)
Apr. 2002 Appointed Executive Officer of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
Mar. 2003 Appointed Managing Executive Officer of Mizuho Financial Group, Inc.
Apr. 2004 Appointed Managing Executive Officer of Mizuho Corporate Bank, Ltd.
Mar. 2006 Appointed Executive Managing Director of Mizuho Corporate Bank, Ltd.
Apr. 2007 Appointed Deputy President of Mizuho Corporate Bank, Ltd.
Apr. 2008 Appointed Deputy President & Executive Officer of Mizuho Financial Group, Inc.
Jun. 2008 Appointed Deputy President of Mizuho Financial Group, Inc.
Apr. 2009 Appointed President of Mizuho Financial Group, Inc.
Jun. 2011 Appointed Chairman of Mizuho Financial Group, Inc.; President & CEO of Mizuho Bank, Ltd.
Jul. 2013 Appointed Chairman of Mizuho Bank, Ltd.
Apr. 2014 Appointed Senior Advisor of Mizuho Financial Group
Jun. 2016 Appointed Chairman of The Japan-British Society (current position)
Jul. 2016 Appointed Outside Director of Asahi Mutual Life Insurance Company (current position)
Apr. 2017 Appointed Honorary Advisor of Mizuho Financial Group (current position)
May 2017 Appointed Outside Director of the Company (current position)
Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. (current position)
Jun. 2017 Appointed Outside Director of Internet Initiative Japan Inc. (current position)
(Significant concurrent positions outside the Company)
Honorary Advisor of Mizuho Financial Group
Outside Director of Asahi Mutual Life Insurance Company
Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd.
Outside Director of Internet Initiative Japan Inc.
Chairman of The Japan-British Society

<Reason for nomination as a candidate for outside director and expected roles>

Takashi Tsukamoto has served as a corporate manager at major financial institutions, has been internationally active in the financial field, and has rich insights and extensive experience related to overall management. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in order to maintain and enhance the transparency and soundness of overall management, and to enhance corporate governance. After his election, it is planned that he will carry out activities as chairperson of the Remuneration Committee, and as Audit Committee member.

<Conflicts of interest>

No conflict of interest exists between the Company and Takashi Tsukamoto.

5. Kotaro Ohno

Reelection

Candidate for outside director

Candidate for independent director



Current positions and areas of responsibility in the Company

Director
Chairman of the Audit Committee,
Chairman of the Nomination Committee

Attendance at Board/committee meetings

Board of Directors: 100% (7/7)
Audit Committee: 100% (9/9)
Nomination Committee: 100% (3/3)

Number of years served as outside director

4 years

Number of the Company's shares owned

0 shares

Date of birth

Apr. 1, 1952

Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Apr. 1976 Appointed Public Prosecutor of Tokyo District Public Prosecutors Office
Dec. 2001 Appointed Deputy Secretary-General of Cabinet's Task Force on Judicial Reform
Aug. 2005 Appointed Director-General of the General Affairs Department of Supreme Public Prosecutors Office
Jul. 2007 Appointed Director-General of the Criminal Affairs Bureau of Ministry of Justice
Jul. 2009 Appointed Vice-Minister of Justice
Aug. 2011 Appointed Superintending Prosecutor of Sendai High Public Prosecutors Office
Jul. 2012 Appointed Superintending Prosecutor of Tokyo High Public Prosecutors Office
Jul. 2014 Appointed Prosecutor-General
Sep. 2016 Retired as Prosecutor-General
Nov. 2016 Appointed Special Counsel of Mori Hamada & Matsumoto (current position)
May 2017 Appointed Outside Director of the Company (current position)
Jun. 2017 Appointed President of International Civil and Commercial Law Centre Foundation (current position)
Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Komatsu Ltd. (current position)
Jun. 2017 Appointed Outside Audit & Supervisory Board Member of ITOCHU Corporation (current position)
(Significant concurrent positions outside the Company)
Special Counsel of Mori Hamada & Matsumoto
Outside Audit & Supervisory Board Member of Komatsu Ltd.
Outside Audit & Supervisory Board Member of ITOCHU Corporation
President of International Civil and Commercial Law Centre Foundation

<Reason for nomination as a candidate for outside director and expected roles>

Kotaro Ohno is an attorney at law who has successively filled posts of Vice-Minister of Justice, Superintending Prosecutor and Prosecutor-General. Therefore, he has rich experience and insights in legislation and legal compliance. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in the area of promoting legal compliance management. After his election, it is planned that he will carry out activities as chairperson of the Audit Committee and chairperson of the Nomination Committee.

<Conflicts of interest>

No conflict of interest exists between the Company and Kotaro Ohno.

6. Peter Child

Reelection

Candidate for outside director

Candidate for independent director



Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Sep. 1976 Joined United Kingdom Atomic Energy Authority
Jun. 1980 Joined Michelin Tyre Company
Jan. 1984 Joined McKinsey & Co., London
Aug. 1987 Appointed Manager of McKinsey & Co., Los Angeles
Aug. 1988 Appointed Partner of McKinsey & Co., London
Aug. 1990 Appointed Senior Partner of McKinsey & Co., Paris
Apr. 2007 Appointed Senior Partner of McKinsey & Co., London
Mar. 2015 Appointed Senior Partner of McKinsey & Co., Hong Kong
May 2018 Appointed Outside Director of the Company (current position)
Mar. 2020 Appointed Independent Director and Chairman of the Board of Directors of Maisons du Monde (current position)

(Significant concurrent positions outside the Company)

Independent Director and Chairman of the Board of Directors of Maisons du Monde

Current positions and areas of responsibility in the Company

Director
Nomination Committee member,
Compensation Committee member

Attendance at Board/committee meetings

Board of Directors: 100% (7/7)
Nomination Committee: 100% (3/3)
Compensation Committee: 100% (3/3)

Number of years served as outside director

3 years

Number of the Company's shares owned

0 shares

Date of birth

Mar. 25, 1958

<Reason for nomination as a candidate for outside director and expected roles>

Peter Child has expertise in the retail sector gained primarily from serving as a leader of consumer goods and retail group at McKinsey & Co. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in the area of promoting global management of the Company. After his election, it is planned that he will carry out activities as a member of the Nomination Committee, and as member of the Remuneration Committee

<Conflicts of interest>

No conflict of interest exists between the Company and Peter Child.

7. Carrie Yu

Reelection	Candidate for outside director	Candidate for independent director
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Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company

Jul. 1982	Joined Levy Gee, Chartered Accountants, London
Jan. 1987	Joined Coopers & Lybrand (now PricewaterhouseCoopers (PwC)), Hong Kong
Sep. 1991	Appointed Manager of PwC Vancouver
Nov. 1996	Appointed Partner of PwC Hong Kong
Dec. 1996	Appointed Graduate Recruitment Partner of PwC Hong Kong
Jul. 2002	Appointed Retail & Consumer Leader of PwC China & Hong Kong
Jul. 2004	Appointed "We Care" Program Lead Ambassador of PwC China & Hong Kong
Jan. 2006	Appointed Retail & Consumer Leader of PwC Global
Mar. 2008	Appointed Board Member of PwC Global Governance Board
Jul. 2009	Appointed Retail & Consumer Leader of PwC China & Asia Pacific
Jul. 2019	Appointed Senior Advisor of PwC Hong Kong (current position)
May 2020	Appointed Outside Director of the Company (current position)

Current positions and areas of responsibility in the Company

Director
Audit Committee member

Attendance at Board/committee meetings

Board of Directors: 100% (6/6)
Audit Committee: 100% (6/6)

Number of years served as outside director

1 year

Number of the Company's shares owned

0 shares

Date of birth

Sep. 30, 1958

(Significant concurrent positions outside the Company)
Senior Advisor of PwC Hong Kong

<Reason for nomination as a candidate for outside director and expected roles>

Carrie Yu belongs to professional accounting bodies in the UK, Canada and Hong Kong. She has international expertise in accounting and the retail sector gained primarily from serving as a leader of retail and consumer group in Asia Pacific region at PricewaterhouseCoopers (PwC). We are recommending her election as outside director to benefit from the guidance that she would be able to provide in the area of promoting global management of the Company. After her election, it is planned that she will carry out activities as Audit Committee member.

<Conflicts of interest>

No conflict of interest exists between the Company and Carrie Yu.

- (Note 1) *Number of years served as outside director is the number of years as of the end of this General Meeting of Shareholders.*
- (Note 2) *As stated in page 7, the Company sets forth nomination criteria for candidates for inside directors. As shown by the details listed in the career summaries, etc., Motoya Okada, Akio Yoshida, and Akinori Yamashita each possess suitable experience and knowledge of the Group's business operations and fulfill all the requirements of the said criteria, and accordingly, the Company has nominated them as candidates.*
- (Note 3) *Although Takashi Tsukamoto successively held the posts of Executive Officer, Executive Managing Director, and President & CEO at Mizuho Bank, Ltd. from 2002 to 2013, more than seven years have passed since he retired from the said bank in 2013, and currently he is not involved in the business execution of Mizuho Bank, Ltd. Also, Mizuho Bank, Ltd. is one of the primary lenders to the Company, but it is not a business connection that has a significant effect on the Company's decision making. The balance of borrowings of the Company from Mizuho Bank, Ltd. as of the end of the most recent business year is less than 2% of the consolidated total assets.*
- (Note 4) *The Company is registered as a corporate member of International Civil and Commercial Law Centre Foundation of which Kotaro Ohno is President. In addition, the Company has transactions with Mori Hamada & Matsumoto of which Kotaro Ohno is Special Counsel. The monies paid to International Civil and Commercial Law Centre Foundation or Mori Hamada & Matsumoto represent less than 0.1% of the Company's total consolidated SG&A expenses.*
- (Note 5) *Peter Child has served as Senior Partner at multiple branch offices of McKinsey & Co., and the Company has transactions with the said company. The monies paid to McKinsey & Co. represent less than 0.1% of the Company's total consolidated SG&A expenses.*
- (Note 6) *Carrie Yu's legal name is "Carrie Ip."*
- (Note 7) *With respect to the responsibilities stipulated under Article 423, paragraph 1 of the Companies Act, the Company has entered into agreements with each of its outside directors, Takashi Tsukamoto, Kotaro Ohno, Peter Child and Carrie Yu which limit the liability of these directors for damage to the Company. These agreements state that, when outside directors carry out their duties in good faith and with no serious negligence, their liability to compensate the Company is limited to 15,000,000 yen or to an amount stipulated by applicable laws and regulations, whichever is higher, and that they are exempt from an outside director's obligation to compensate the Company for any amounts that exceed these limits. The Company also plans to enter into the agreements with each of the elected outside directors upon the approval of this proposal.*
- (Note 8) *The Company has entered into a directors and officers liability insurance contract ("D&O insurance policy") with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. In addition to the Company-borne costs for compensation for securities related damages, litigation costs, costs for internal investigation when incidents of inappropriate conduct arise, the D&O insurance policy covers, costs for compensation for damages and litigation costs incurred by the insured persons arising from claims for compensation of damages arising from actions (including negligence) carried out pursuant to the company position of the relevant director or officer. Furthermore, of the full amount of insurance premiums borne by the Company, an amount equivalent to portions of claims pertaining to special clauses for security collateral related to shareholders' derivative suits shall be borne by the insured persons, and the D&O insurance policy has an established excess amount, whereby damages within that excess are not covered by the policy. In the event that this proposal is approved, all elected directors will be included as insured persons under the D&O insurance policy. Furthermore, the Company plans to renew the D&O insurance policy with roughly the same details when the policy is next due for renewal.*

Agenda Item 2: Approval of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)

At the 93rd Ordinary General Meeting of Shareholders held on May 23, 2018, the Company received shareholder approval for and introduced the “Policy Concerning Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)” (the “existing takeover defense measures”). The specified effective period of the existing takeover defense measures shall end upon the conclusion of the Company's Ordinary General Meeting of Shareholders scheduled to be held on May 26, 2021 (“this Ordinary General Meeting of Shareholders”). Accordingly, while considering the effects of changes in management policy on the local community, changes in social and economic conditions, and the various discussions over takeover defense measures, the Company has continued to examine the existing takeover defense measures including the advisability of their existence. As a result, at a meeting of the Company's board of directors (the “Board of Directors”) held on April 9, 2021, the Company resolved to continue the existing takeover defense measures (the policy as it would exist after continuance is henceforth referred to as “this Policy”) subject to shareholder approval at this Ordinary General Meeting of Shareholders.

All seven (7) Directors, including the four (4) outside directors, attended the aforesaid meeting of the Board of Directors and unanimously determined the contents of this Policy and its proposal at this Ordinary General Meeting of Shareholders. At the present time, there are no large-scale share acquirers (defined below) for the Company.

This Policy, to be propositioned at this Ordinary General Meeting of Shareholders, is a policy for responding to purchases of the Company's shares and other securities³ aiming at 20% or more of the Company's voting rights² by a group of shareholders (*tokutei-kabunushi group*)¹, or purchases of the Company's shares and other securities that would result in a group of shareholders (*tokutei-kabunushi group*) holding 20% or more of the Company's voting rights (in both cases, with the exception of purchases agreed to in advance by the Board of Directors, and regardless of the specific purchasing method, whether by market transactions or tender offers or other means. Such purchases are referred to hereinafter as “Large-Scale Share Acquisitions” and a party carrying out or attempting a Large-Scale Share Acquisition is referred to as a “Large-Scale Share Acquirer”). The Company believes the right to make decisions on whether to accept or reject proposals to acquire a large number of the Company's shares rests with its shareholders. It also believes that the extremely important significance of this Policy is that it enables the shareholders to make a decision with sufficient time based on adequate and accurate information when purchase proposals are made, and serves as a countermeasure against Large-Scale Share Acquisitions that the Company believes would clearly harm the interests of shareholders in general.

We sincerely request our shareholders to, by all means, understand the content of this Policy, its purpose and its importance, and to continue to support this Policy going forward.

This Policy is detailed on the following pages.

(Note 1) *A group of shareholders (tokutei-kabunushi group) is:*

- (i) *A holder, including a holder deemed as a holder pursuant to Article 27-23(3) of the Financial Instruments and Exchange Act (the same shall apply hereinafter), and a joint holder (a joint holder prescribed in Article 27-23(5) of the same Act, including a party deemed as a joint holder pursuant to paragraph 6 of the same Article; the same shall apply hereinafter) of the Company's shares, etc. (share certificates, etc. prescribed in Article 27-23(1) of the same Act), or*
- (ii) *A party that performs purchase, etc. (as prescribed in Article 27-2(1) of the same Act, including those made on a financial instruments exchange market) of the Company's shares, etc. (share certificates, etc. as prescribed in Article 27-2(1) of the same Act), and a party in special relationship with the party conducting such purchase, etc. (a party in special relationship as prescribed in Article 27-2(7) of the same Act.)*

(Note 2) *The percentage of voting rights is:*

- (i) *In cases where the group of shareholders (tokutei-kabunushi group) is as described in Note 1(i), the holding ratio of shares, etc. (holding ratio of share certificates, etc. prescribed in Article 27-23(4) of the Financial Instruments and Exchange Act; in this case the number of shares, etc. held by the joint shareholder (number of share certificates, etc. prescribed in the same paragraph), shall be added) of the shareholder; or*
- (ii) *In cases where the group of shareholders (tokutei-kabunushi group) is as described in Note 1(ii), the total of holding ratio of shares, etc. (holding ratio of share certificates, etc. prescribed in Article 27-2(8) of the same Act) of the Large-Scale Share Acquirer and the party in special relationship. In calculating each holding ratio of shares, etc., the total number of voting rights (as prescribed in Article 27-2(8) of the same Act) and the total number of shares issued (as prescribed in Article 27-23(4) of the same Act) may be found in the most recent issue of the Annual Securities Report, Semiannual Securities Report, Quarterly Securities Report, or the Share Buyback Report.*

(Note 3) *Share certificates, etc., prescribed in Article 27-23(1) of the Financial Instruments and Exchange Act. The same shall apply hereinafter.*

1. Basic policy regarding control of the Company

(1) Basic policy and actions for its realization


AEON CO., LTD., and its Group companies (hereinafter in this section 1(1), “AEON”), while adhering to the unchanging ideals of pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core, has succeeded in increasing corporate value by practicing its “Customer-First” philosophy.

The retail industry, which is the primary domain of the Group’s operations, is an industry of peace and an industry of people, which are only possible through peace. Our stores are visited by numerous customers every day, and we conduct our business operations in connection with various people, such as our employees who greet these customers and all of the numerous companies we trade with. Furthermore, the retail industry has functions as an infrastructure that support people’s daily life. It is also an industry of local community, which is rooted in people’s lives and is only possible through the support of everyone in the local community, particularly our customers.

The global pandemic of COVID-19 has changed daily living throughout the world at a fundamental level. Accordingly, the mindset and lifestyles of individuals have changed significantly. While people’s awareness toward their health has grown, the widespread adoption of telework has led to the movement of people from urban areas to the country regions, which is increasing the value for consumers and local communities more and more. On top of this, concern over various issues related to the global environment, such as the recent effects from climate change, is weighing heavier on more and more people. In order to respond to the rising expectation that customers and local society is placing on companies and the rising importance of the responsibility that companies should fulfill, the Company is required, more than ever before, to contribute toward realizing affluence and a sense of well-

AEON Basic Principles

Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.



“Peace”	Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
“People”	Aeon is a corporate group that respects human dignity and values personal relationships.
“Community”	Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the Aeon Basic Principles, Aeon practices its **“Customer-First” philosophy** with its **everlasting innovative spirit**.

being for society as a whole, from a long-term and sustainable perspective, instead of merely pursuing profit.

At AEON, even while companies' activities regarding social and environmental contribution in Japan were still not in full swing, we were keenly attentive to the changing times in society, and established the Aeon 1% Club Foundation, which uses profits received from our customers for the development of local communities, in 1989 and the Aeon Environmental Foundation, which conducts environmental activities including tree planting activities in Japan and overseas to protect the global environment, in 1990. Through these initiatives, we have been engaged in social contribution activities together with our customers.

Furthermore, AEON cooperates with prefectural and municipal governments, and it currently has signed agreements for comprehensive collaboration with 125 prefectural and municipal governments (44 prefectures and 81 municipalities) for providing wider markets for locally produced products; for promoting disaster prevention, health, welfare, and environmental protection; and for contributing to the economic vibrancy of commercial trade and tourism using AEON's infrastructure. AEON has additionally signed cooperation agreements on disaster prevention with 700 prefectural and municipal governments across Japan to ensure that AEON fulfils its function as daily-life infrastructure in local communities of each region in the event that a disaster occurs there.

While forging a close relationship, centered on the retail sector, with local communities, AEON is posting operating revenue in excess of 8 trillion yen, placing it at No. 1 in the Japanese retail sector, and has 780,000 shareholders. AEON has grown into a group of 315 companies, including 19 publicly listed subsidiaries, in Japan and overseas. The Group operations, encompassing numerous businesses operating through approximately 20,000 stores in fourteen countries, mainly in Asia, include retail businesses, banking business that provides flexible and innovative services only possible with our retail expertise, a developer that specializes in retailing, and various other services.

This management philosophy, which takes a long-term perspective and coexists with regions and societies, and this broad and complex business operation contribute to increasing the entire Group's corporate value. At the same time, a substantial change in the management policy would have a significant impact on the Group while causing concern regarding the effect on local communities. This calls for the situation to be handled with care. The Company therefore believes that the people composing the management of the Group must not only be able to maintain the Group's financial capital and the relationships built up with numerous stakeholders, but also sufficiently understand the value of the Group in terms of its human capital, its social relationship capital and its nature related capital, which are also important resources for the management that have taken years to build up.

Therefore, individuals who control decisions about the Company's financial and business policies should fully understand the Company's finances and business operations as well as the sources of the Company's corporate value, and make it possible to maintain and increase corporate value and, in turn, the common interests of its shareholders.

At the present time, the Financial Instruments and Exchange Act includes certain restrictions on abusive purchases, but it's possible that these restrictions will not be effective enough for ensuring that shareholders are provided adequate information and time for consideration, etc. As such, the Company believes that the policy described above should continue to be implemented as a necessary and reasonable means to prevent large-scale acquisitions that are in pursuit of short-term gains and those that are capable of damaging corporate value.

1) The kind of corporation AEON strives to be

AEON, with its unchanging basic principles and as a "corporate group with its ever-lasting innovative spirit," has repeatedly implemented self-reform, rising to the challenges without fear of risk. At a time when AEON's business scale and business domains are expanding and the number of countries and regions in which AEON does business is increasing, to conduct management grounded in a long-term perspective based on the AEON Basic Principles and DNA of innovation, AEON has adhered to the following Basic Stance on Corporate Governance, worked to implement its "Customer-First" philosophy, and is pursuing the maximization of corporate value.

Basic Stance on Corporate Governance

i. Value Creation through Customer Orientation and Frontline Focus

At AEON, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, which is our point of contact with customers, and by always thinking with customers as the starting point.

ii. Respect for People, Our Most Important Management Resource

By respecting employees, placing importance on diversity, and actively providing education opportunities in keeping with the conviction that people are the most important management resource, AEON aspires to be a company made up of employees who strive for self-growth, are linked by strong bonds, and find their greatest pleasure in contributing to customers.

iii. A Posture of Developing Together with Local Communities

As a member of local communities and a caring corporate citizen, AEON seeks to develop together with our fellow community members, namely our customers, employees,

shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.

iv. Sustained Growth Based on a Long-Term Perspective and Ceaseless Innovation

To continue to meet the expectations of customers and local communities, AEON strives for sustained growth accompanied by value creation based on a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.

v. Pursuit of Transparent, Disciplined Management

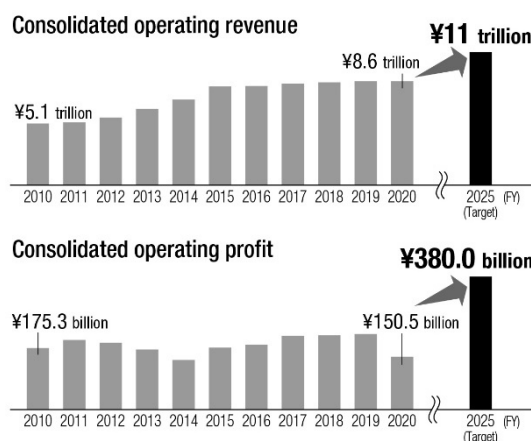
AEON strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.

2) Growth Strategy

AEON, while continuing to build a value chain in various parts of Asia, has grown into top-class Asian super regional retailer. Under the Aeon Group Medium-term Management Plan, which is designed to prepare for FY2025, AEON will strive to radically change the business structure of the Group and transform into a corporate group that achieves high profitability by working on the “five transformations” (Acceleration and evolution of the shift to Digital Markets; Creating unique value with the supply chain concept; Evolution of Health & Wellness for a new era; Create AEON living zones; and Further accelerate the shift to Asian markets) as common strategic goals for the entire Group in order to build a business foundation that enables sustainable growth.

At the same time, AEON aims to become a group of companies that lead in their respective regions and businesses by organically linking each business with a focus on the retail sector, which includes general merchandise stores and supermarkets.

Performance Target in FY2025



3) Sustainable Management

In order to fulfill its social responsibilities as a corporate citizen and sustain an increase in corporate value, Aeon is promoting sustainable management that simultaneously supports the realization of a sustainable society and the growth of the Group. Under the “Aeon Sustainability Principle,” the following are set as priority issues: the environmental issues of “Realization of a decarbonized society,” “Conservation of biodiversity,” and “Better use of resources”; and the social issues of “Creating products and stores that meet society’s expectations,” “Implementing fair business practices based on respect for human rights,” and “Collaborating with communities.” With these priority issues in mind, Aeon is moving forward with initiatives that include conservation and creation of energy and reduction of waste at stores, the Tree Planting and Bring Your Own Shopping Bag Campaign undertaken together with customers, sustainable procurement across the supply chain, and Tohoku Restoration. Aeon also undertakes environmental and social contribution activities in various fields including education of the next generation and friendship and goodwill projects with a number of countries through the Aeon 1% Club Foundation, and Tree Planting and environmental activity assistance programs through the Aeon Environmental Foundation.

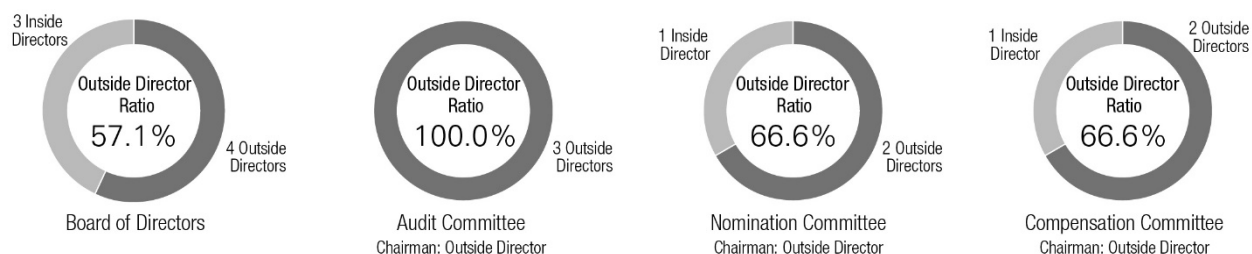
4) Corporate Governance System

In response to the revision of the Commercial Code in 2003, the Company, aiming to realize a world standard class of open management, became an early adopter among Japanese corporations to transition to a Company with a Nomination Committee and Other Committees. In doing so, the Company established a governance system in which operational supervision and operational execution functions are explicitly divided and allocated to directors and executive officers, respectively. A number of outside directors from a range of fields were invited to join the Board of Directors, which works to further maintain and improve the transparency and fairness of governance and to increase returns to shareholders by ensuring that a majority, four out of seven, of the members of the Board of Directors are outside directors, and by having outside directors serve as the chairpersons of the Nomination Committee, Compensation Committee, and Audit Committee. Also, the Company is working to build a foundation for the continued enhancement of corporate value, which has included, as part of the Group management reforms, becoming a pure holding company in 2008 to move forward with building a new growth model for the Group, rebuilding the business structure, and further strengthening Centralization and Decentralization. In 2016, the Company established the “Basic Policy on Corporate Governance.” Based on the AEON Basic Principles and DNA of innovation, the Company

(Translation for reference purposes only)

has been implementing a style of management with a long-term outlook that transcends the current times.

Composition of the Board of Directors & the 3 Committees



* All four outside directors meet the requirements for independent directors as stipulated by the Tokyo Stock Exchange and the Company has accordingly registered them as independent directors with the exchange.

Corporate governance highlights

	2000–	2001–	2003–	2007–	2008–	2009–	2013–	2016–	2017–	2018–	2019–	2020–	
Trade name	JUSCO Co., Ltd.	Aeon Co., Ltd. (since Aug. 2001)											
Organization form	Operating holding company				Pure holding company (since Aug. 2008)								
Corporate governance system	Company with a Board of Directors		Company with a Nomination Committee and Other Committees (since May 2003)										
Committees	–		Nomination Committee (Chairman: outside director)										
			Compensation Committee (Chairman: outside director)										
			Audit Committee (Chairman: outside director)										
Number of Directors	23		8	7	7	9					8	7	
(Of which, outside directors)	– (Note)		4 (half of directors)	3	3	5 (more than half of directors)					4 (more than half of directors)		
(Of which, female directors)							1						
(Of which, foreign nationals)										1		2	
Operations of the Board of Directors, etc.								Assessment of the effectiveness of the Board of Directors					
								Outside Directors' Meeting					
Policies and code of conduct	Aeon Basic Principles (1989–)												
			Established Aeon Code of Conduct										
								Established Basic Policy on Corporate Governance					

(Note) The outside director system was introduced with the revision of the Commercial Code in 2003. Aeon had already invited outside officers prior to this.

(2) Policy for responding to Large-Scale Share Acquisitions and rules to be observed with respect to Large-Scale Share Acquisitions

We believe that when proposals are made to purchase the Company's shares, the final decision as to whether or not to accept the proposals rests with the shareholders of the Company. We suppose that there may be also cases, however, where it is difficult for the shareholders to make an accurate and suitable decision about the impact on the shareholder value of the purchase within the time set forth by laws, etc. The Board of Directors will therefore compose the following rules (the "Rules") regarding the provision of information by a Large-Scale Share Acquirer and the triggering of countermeasures, in order to secure sufficient information and time necessary for the shareholders of the Company to make a decision about the purchase proposal.

2. Details of the Rules

The Rules established by the Board of Directors 1) require a Large-Scale Share Acquirer to provide the Board of Directors with necessary and sufficient information prior to a Large-Scale Share Acquisition and 2) allow a Large-Scale Share Acquirer to commence a Large-Scale Share Acquisition only after the passage of a designated evaluation period required for the Board of Directors to examine said information.

(1) Submission of a declaration of intent

When a Large-Scale Share Acquirer intends to make a Large-Scale Share Acquisition, it shall submit to the Company beforehand a declaration of intent, written in Japanese and indicating that the Acquisition will be in accordance with the Rules⁴. This declaration of intent shall include the name, address, laws with which the incorporation is in compliance, representatives' names, and Japanese contact address⁵ of the Large-Scale Share Acquirer, and an overview of the Large-Scale Share Acquisition to be proposed (including the number of shares currently held and the number of shares targeted for acquisition by the Large-Scale Share Acquirer).

(2) Request to provide information

In order to receive necessary and sufficient information for the shareholders to make their decision and the Board of Directors to form an opinion (the "Required Information") from the Large-Scale Share Acquirer, the Board of Directors shall, within five business days following the date of receipt of the declaration of intent stipulated in (1) above, deliver to the Large-Scale Share Acquirer an initial list of information to be provided, with a deadline stipulated. The specific content of this Required Information will vary depending on the

attribute of the Large-Scale Share Acquirer or the details of the Large-Scale Share Acquisition, but the following items shall be included, in principle:

- 1) Detailed information about the Large-Scale Share Acquirer (including capital makeup constituted by all the members; financial status; businesses; directors and other officers' names, summaries of personal histories and other concurrent directorships at other companies; experience in the Company's and similar business fields; and marketing, management and labor policies implemented when management rights or businesses in other companies were acquired)
- 2) Background to decide the Large-Scale Share Acquisition
- 3) Purpose and details of the Large-Scale Share Acquisition (including the amount and type of consideration for acquisition, structure of related transactions and legality of the acquisition method)
- 4) Basis for calculation of the amount of consideration for acquisition of the Company's shares (including facts and hypotheses underlying the calculation, the amount of anticipated synergies and basis for that calculation thereof)

(Note 4) *The Company lists its shares on financial instruments exchange markets in Japan and, therefore, has an obligation for timely disclosure to Japanese shareholders and investors. The official versions of lists delivered by the Company, documents containing the Required Information prepared by the Large-Scale Share Acquirer, and the Company's opinions regarding that information and requests for submitting additional materials should consequently be the written Japanese versions. Written documents include documents transmitted by e-mail or facsimile as well as those printed on paper. The written documents must use A4 or A3 size paper and be printed in characters of at least 10 points (as per JIS Z 8305) in size. The written documents must be prepared in Japanese by the party preparing them in its name, and the Company shall bear no responsibility for translating any written documents into any foreign language. Any characters and symbols not printed on paper for logical reasons, including being cut off on the facsimile paper or failing to appear due to the use of characters or symbols not registered in our system when received by the Company shall be deemed not to have been written. The same shall apply hereinafter.*

(Note 5) *The contact address in Japan shown on this document shall be that of the sender of written documents that are sent pursuant to the relevant Rules of the Company.*

- 5) Detailed explanation of funds to acquire the Company's shares (including fund procurement method, structure of related transactions, and names of parties directly or indirectly providing funds or expected to do so)
- 6) Policies or plans that the Large-Scale Share Acquirer expects the Company and Group companies or plans by themselves after the Large-Scale Share Acquisition, such as management policy (including its position with respect to AEON's principles), corporate governance, management strategies, business plans, financial plans, capital policies, dividend policy, measures to use assets, and policies on CSR activities ("Post-Acquisition Management Policies, etc.")
- 7) Policy toward the Company's and Group companies' customers, vendors, employees, local communities and other stakeholders
- 8) Other information deemed rationally necessary for the Board of Directors and the Independent Committee to examine and evaluate the appropriateness, legality and the like of the Large-Scale Share Acquisition

The Board of Directors shall closely examine the information initially provided, and if it is found insufficient, shall request additional information to be submitted by a specified time limit within the extent reasonable. (However, even when necessary and sufficient information has not been submitted, the time limit for the final reply shall be a maximum of 60 days beginning from the date the declaration of intent is received.) The Board of Directors shall promptly disclose the fact that a Large-Scale Share Acquisition has been proposed. In addition, in cases where the Board of Directors finds necessary for the decision-making of shareholders of the Company, it shall disclose all or part of the submitted Required Information when it is considered appropriate.

In order for the Rules to be carried out transparently and fairly, the Board of Directors shall establish the Independent Committee immediately upon receipt of the declaration of intent stipulated in (1) above.

The Independent Committee shall comprise 1) all of the Company's outside directors (who shall elect a chairperson of the committee from among their members), and 2) at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) recommended by the outside directors, in principle within ten business days following the day the declaration of intent is received, and appointed by the Board of Directors. The Independent Committee shall, however, commence its activities even prior to the appointment of the specialist committee members.

The primary mission of the Independent Committee prior to the commencement of the Board of Directors' Evaluation Period stipulated in the following section (3), is to present to

the Board of Directors their opinions and reasoning for 1) whether the materials received from the Large-Scale Share Acquirer is sufficient to serve as Required Information, 2) whether there is any additional material to be requested to the Large-Scale Share Acquirer, and if so, items to be requested and a time limit for submission, 3) whether the “Large-Scale Share Acquirer has failed to comply with the Rules” for reasons including the submission of insufficient materials, the contents of countermeasures to be implemented, including the allotment of stock acquisition rights without contribution, and whether the countermeasures are necessary or should be suspended, and 4) other items for which the Board of Directors requested their opinion.

The Board of Directors shall fully evaluate and examine the status of the submission of these materials and other matters on its own as well, while also carefully formulating an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee, and make a decision. In formulating this opinion, the Board of Directors may also seek advice from outside specialists including attorneys at law and certified public accountants. If it is found necessary for the shareholders of the Company to make their decision, moreover, the Board of Directors shall disclose all or part of the interim developments and the details of and reasons for the decisions when it is considered appropriate.

(3) Period of examination by the Board of Directors

After a Large-Scale Share Acquirer has completed the submission of the Required Information to the Board of Directors as per the preceding section (2), the Large-Scale Share Acquisition may not commence for 90 days following the submission, if any of the following apply to the proposed acquisition, and for 60 days in other cases (the “Board Evaluation Period”).

- 1) The consideration for the Large-Scale Share Acquisition includes stock or other non-monetary items.
- 2) The consideration for the Large-Scale Share Acquisition is to be paid in money other than in Japanese yen.
- 3) The Large-Scale Share Acquirer’s planned management policy for after the acquisition includes major changes in the constitution of Group companies or businesses.

During the Board Evaluation Period, the Board of Directors shall first seek an evaluation of the Large-Scale Share Acquisition from the Independent Committee. Upon receiving the Required Information, the Independent Committee shall present to the Board of Directors their comprehensive evaluation and decision, with opinions and reasoning based on the Required Information and other materials, for 1) whether the Large-Scale Share Acquisition

would damage the interests of all shareholders of the Company, 2) whether there is any additional information to be submitted from the Large-Scale Share Acquirer, and if so, items to be requested and a time limit for submission, 3) the contents of countermeasures to be implemented, including the allotment of stock acquisition rights without contribution, and whether the countermeasures are necessary or should be suspended, and 4) other items for which the Board of Directors requested their opinion.

The Board of Directors shall fully evaluate and examine the submitted Required Information on its own as well, while also carefully formulating an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee, and announce its opinion. In formulating this opinion, the Board of Directors shall also seek advice from outside specialists, including attorneys at law and certified public accountants. As necessary, the Board of Directors shall also negotiate with the Large-Scale Share Acquirer to improve the conditions of the Large-Scale Share Acquisition, and present alternative proposals to the shareholders of the Company. While the Board of Directors shall promptly disclose the commencement of the Board Evaluation Period, in cases where it finds necessary for the decision-making of shareholders of the Company, the Board of Directors shall disclose all or part of the interim developments and the details of and reasons for the decisions when it is considered appropriate.

3. Policy for responding to a Large-Scale Share Acquisition

(1) If the Large-Scale Share Acquirer complies with the Rules

If the Large-Scale Share Acquirer is in compliance with the Rules, there shall, in principle, be no countermeasures implemented with respect to the Large-Scale Share Acquisition. As noted in section 2 (3) above, the Board of Directors shall fully evaluate and examine the submitted Required Information, carefully formulate an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee with regard to the evaluation of the purchase proposal and existence or nonexistence, contents, etc. of alternative proposals, and announce its opinion. In such cases, the shareholders of the Company shall consider the purchase proposal as well as the opinion and alternative proposals presented by the Company, and decide whether to accept the Large-Scale Share Acquirer's purchase proposal.

If the Board of Directors' opinion is that the Large-Scale Share Acquisition would cause significant damage to the interests of all shareholders of the Company⁶, however, or if the Independent Committee's opinion is that the Large-Scale Share Acquisition would cause substantial damage to the interests of all shareholders of the Company, the Board of Directors, giving maximum consideration to that opinion and as per its members' due care

and diligence as directors, may adopt measures deemed appropriate to protect the interests of the shareholders of the Company⁷.

In this case, the contents and procedures of the countermeasures shall conform to those prescribed in (2) below.

(2) If the Large-Scale Share Acquirer does not comply with the Rules

If the Large-Scale Share Acquirer is not in compliance with the Rules, regardless of the specific purchase method, the Board of Directors may oppose the Large-Scale Share Acquisition by issuing stock acquisition rights or taking other countermeasures permitted under the Companies Act and other laws, as well as the Company's Articles of Incorporation, for the purpose of protecting the interests of the Company and its all shareholders. The specific steps taken shall be those deemed most appropriate by the Board of Directors at the time. The specific countermeasure expected at the moment would, in principle, be an issue of stock acquisition rights without contribution allotted to shareholders as per Attachment 3 only if it is deemed appropriate, but possible countermeasures are not limited to this. If such stock acquisition rights were actually to be issued, exercise conditions, including making exercise conditional on not being a party belonging to a group of shareholders (*tokutei-kabunushi group*) with more than a designated percentage of voting rights, and an exercise period may be set to make the issue an effective countermeasure. Furthermore, in order to make flexible issuance of stock acquisition rights possible, the Company shall continue shelf registration of stock acquisition rights.

(Note 6) *Such determination is expected to be made if there is an objective and rational basis for determining that the Large-Scale Share Acquirer would be inappropriate as the Company's controlling shareholder from the standpoint of public order and morals, specifically in cases where 1) a Large-Scale Share Acquirer purchases the Company's shares simply to force parties affiliated with the Company to buy them back at a higher price, for example, although those concerned do not intend to actually participate in the Company's management, 2) the Large-Scale Share Acquirer purchases the Company's shares for purposes of so-called "scorched-earth" management, by temporarily taking control of the Company in order to gain intellectual assets, experience, confidential corporate information, vendors, or customers essential to the Company's management, 3) the Large-Scale Share Acquirer purchases the Company's shares with the intention of using the Company's assets as collateral for or source of repayment of its own liabilities after taking control of management, 4) the Large-Scale Share Acquirer purchases the Company's shares to gain temporary control of management and sell high-value assets or the like such as real estate and securities not immediately related to the Company's business, in order to use the profit from the sale to pay a high dividend temporarily, or to use a temporary high dividend as a device to sharply raise the share price and sell its shares at a profit, 5) the purchase method proposed by the Large-Scale Share Acquirer is a two-tiered structure with second-tier purchase conditions that are less favorable than the first-tier conditions, or it is determined that there is a concern that the opportunity and freedom of shareholders to make decisions is restricted, or that they may virtually be forced to sell the Company's shares to their disadvantage, 6) the handling scheme and stock acquisition methods regarding the purchase of the Company's shares proposed by the Large-Scale Share Acquirer are extremely unreasonable from the standpoint of the common interests of shareholders, such as the price being very disadvantageous to shareholders or option rights carrying high risk, or 7) it is determined that any person of the management or major shareholders of the Large-Scale Share Acquirer has a relationship with antisocial elements, including organized crime groups or their*

members, as defined in Article 2 of the Act on Prevention of Unjust Acts by Organized Crime Group Members.

- (Note 7) Regardless of whether this Policy is adopted, in cases where a Large-Scale Share Acquisition as described in the preceding Note 6 would cause significant damage to the interests of all shareholders, the Board of Directors, in accordance with its members' due care and diligence as directors, may implement emergency measures similar to measures taken to avoid clear and present danger to protect the interests of all shareholders of the Company. In order to guarantee objectivity and rationality in such a decision, the Large-Scale Share Acquirer and the specific details of the Large-Scale Share Acquisition (purpose, method, scope, type and amount of consideration for acquisition, etc.), and impact of the Large-Scale Share Acquisition on the interests of all shareholders of the Company shall be examined based on the Required Information, including the Post-Acquisition Management Policies, etc., submitted by the Large-Scale Share Acquirer. This shall be done with the advice of outside specialists or the like, including attorneys at law and certified public accountants, and with consideration given to the opinion of the Independent Committee.*

Next, if there is deemed to be significant concern of possible harm to the common interests of shareholders, and stock acquisition rights with differentiated exercise conditions that restrict the Large-Scale Share Acquirer's exercising of rights are issued, the stock acquisition rights shall have clauses allowing for their acquisition by the Company. When stock acquisition rights that do not have clauses allowing for their acquisition by the Company attached are exercised, the shareholders of those stock acquisition rights shall follow procedures including the payment of the exercise amount, and this would be a great inconvenience for the approximately 780,000 shareholders (as of February 28, 2021). In order to avoid this inconvenient procedure, therefore, the Company shall have, by the resolution at a meeting of the Board of Directors, the right to acquire the stock acquisition rights of shareholders except the Large-Scale Share Acquirer, and deliver new shares to those shareholders in exchange therefor.

Because the details and adoption or rejection of such measures are considered an item to be determined by the Board of Directors in accordance with its members' due care and diligence as directors, this decision shall, in principle, be made and implemented by the Board of Directors. If the Board of Directors determines that a decision by the shareholders should be made in view of the content, effect, etc. of the measure, however, the Board of Directors may exceptionally bring up the adoption of such measures as an agenda item for approval at a General Meeting of Shareholders of the Company. This would still be considered an item that is fundamentally a responsibility of the Board of Directors, so the Board of Directors would provide a full explanation at the General Meeting of Shareholders.

(3) Cancellation or the like after resolution of allocation of stock acquisition rights without contribution

If the Board of Directors subsequently determines that the triggering of the countermeasure would not be appropriate in the event that the Large-Scale Share Acquirer withdraws or changes the Large-Scale Share Acquisition after the Board of Directors has passed a resolution for the allotment of stock acquisition rights without contribution, or in the similar event, the Board of Directors may cancel the allotment of stock acquisition rights without contribution. In principle, however, the allotment without contribution of these stock acquisition rights shall not be cancelled on or after the third business day (assuming the current third day settlement of the exchange, should this be changed, the date will change accordingly; the same shall apply hereinafter) prior to the "Record Date" (see definition in section 5 (2) below) for the allotment without contribution. If the Board of Directors determines that events requiring the cancellation of the countermeasure have emerged on or after the third business day prior to the "Record Date," the Company shall, in principle, have the right to acquire the stock acquisition rights held by all shareholders, including the Large-

Scale Share Acquirer, in exchange for shares of the Company, which would effectively have the same effect as a cancellation⁸. The Board of Directors may also cancel or review other countermeasures in a similar manner as appropriate.

4. Measures to secure transparency and fairness

The following measures are being taken to secure transparency and fairness in the Rules.

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- (Note 8) *On and after the day after the third business day prior to the Record Date for allotment of stock acquisition rights, financial instruments markets assume that the rights will be removed (shares subsequently traded will not have stock acquisition rights attached), and the theoretical share price in anticipation of the conversion of stock acquisition rights to shares is therefore expected to fall to, for example, approximately 50%-60% of the immediately preceding price. Nevertheless, if the Company subsequently cancels the triggering of the takeover defense measures in its entirety by acquiring the stock acquisition rights without contribution, the number of shares will return to that of the ex-rights date, and the temporarily depressed stock price will theoretically return to the immediately preceding price. Since this could possibly disrupt the market, the shares shall, in principle, be allotted for the stock acquisition rights after the ex-rights date.*
- (Note 9) *The Aeon 1% Club Foundation mentioned on page 20 is the present name of the foundation. Its name when founded was the Aeon Group 1% Club. Also, the Aeon Environmental Foundation is the present name and its name when founded was the Aeon Group Environmental Foundation.*
- (Note 10) *Share and major shareholder information (as of February 28, 2021) is provided later in the Business Report on page 62.*

(1) Satisfying the requirements of guidelines released by the Corporate Value Study Group, etc. in relation to takeover defense measures

This Policy satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. (The three principles, as set out in the Guidelines, are 1) the principle of protecting and enhancing corporate value and shareholders' common interests, 2) the principle of prior disclosure and shareholders' will, and 3) the principle of ensuring the necessity and reasonableness.)

This Policy also takes into consideration the report "Takeover Defense Measures in Light of Recent Environmental Changes" released by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry on June 30, 2008 and other discussions and the like concerning takeover defense measures.

Furthermore, this Policy is in accordance with the purposes of principles, etc. concerning takeover defense measures established by the Tokyo Stock Exchange.

(2) Respect for shareholders' will

Approval by the shareholders at this Ordinary General Meeting of Shareholders shall be required for the Rules to become effective. After this approval, moreover, subsequent changes that would have a substantive impact on the shareholders of the Company, apart from pro-forma changes necessitated by revisions of laws and regulations, etc., shall also be proposed as an agenda item for approval of the shareholders at a General Meeting of Shareholders. Even in the event that no changes are made, the period for which the Rules will remain in effect shall be restricted to three years. The Rules are structured so that their revision or abolition as well as continuation will fully reflect the intent of shareholders.

(3) Introduction to secure and enhance the Company's corporate value and the common interests of shareholders

As noted in the preceding sections 1 and 2 (3), the purpose of the introduction of the Rules is to secure and enhance the Company's corporate value and the common interests of shareholders in the event of a purchase proposal for the Company's shares, by securing sufficient information and time required for the shareholders to make a decision on whether to accept the proposal and by securing conditions, including information and a period of time sufficient for the Board of Directors to present alternative proposals. The Rules shall not be used for any other purpose than those stated above, namely, purposes such as the self-protection of the Company's management.

(4) Emphasis on the judgment of highly independent outside persons and information disclosure

The Company has selected a “company with a nomination committee and other committees” as the corporate governance system, and it strives constantly to secure management transparency and fairness. In addition, the Company shall establish an Independent Committee to avoid arbitrary decisions by the Board of Directors as to whether the materials submitted by a Large-Scale Share Acquirer is sufficient, and whether to trigger countermeasures against a Large-Scale Share Acquisition, etc., and to secure objectivity and rationality in the Board of Directors’ decision-making and responses. The Independent Committee shall be independent of the management that executes the Company’s operations, and shall comprise all the Company’s outside directors and at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) appointed each time by the Board of Directors based on recommendations from the outside directors. When formulating its opinion, the Independent Committee may also seek the opinions of other suitable outside specialists at the Company’s expense.

The Board of Directors shall also seek the advice of additional outside specialists, including attorneys at law and certified public accountants, when formulating its opinion.

The Company shall strive to disclose information quickly, except for information that would be misleading for the shareholders in their efforts to reach a decision. In addition, when the opinion of the Board of Directors is announced, the Board of Directors shall endeavor to provide as specific an explanation as possible, including the reasoning behind its decision.

These measures are designed to ensure that the Rules are carried out transparently, so that decisions by the Board of Directors will contribute to corporate value of the Company and the common interests of the shareholders thereof.

(5) Not causing unforeseen harm to shareholders and investors other than the Large-Scale Share Acquirer

The stock acquisition rights to be issued as a countermeasure when the Rules have not been followed are, in principle, seen as having differentiated exercise conditions so as to restrict only the Large-Scale Share Acquirer’s ability to exercise rights. Even in the event that any other countermeasure is adopted, a countermeasure that will not cause unforeseen harm to shareholders and investors other than the Large-Scale Share Acquirer shall be selected.

These stock acquisition rights shall also contain clauses allowing for their acquisition by the Company, so as to cause as little inconvenience as possible to shareholders other than the Large-Scale Share Acquirer.

In addition, no special restrictions have been established regarding the cancellation of this Policy, and this Policy does not, therefore, constitute a defense measure that does not allow the triggering from being halted, even if a majority of the members of the Board of Directors have been replaced. Since the term of office of all the directors is one year, moreover, this Policy also does not constitute a takeover defense measure that requires time for the triggering to be halted because the members of the Board of Directors cannot be replaced at the same time.

5. Impact etc. on shareholders and investors

(1) Impact etc. of the Rules on shareholders and investors

The Rules are intended to disclose the information required for the shareholders of the Company to decide whether to accept a Large-Scale Share Acquisition, and the opinions of the Board of Directors currently responsible for managing the Company, to the shareholders of the Company, as well as to secure opportunities for the shareholders of the Company to receive presentation of alternative proposals. We believe this will make it possible for the shareholders of the Company to make an appropriate decision as to whether or not to accept a Large-Scale Share Acquisition, based on appropriate information, thereby preserving the interests of all shareholders of the Company.

As noted in section 3 above, the Company's policy for responding to a Large-Scale Share Acquisition will differ depending on whether the Large-Scale Share Acquirer complies with the Rules. We therefore ask that the shareholders of the Company and investors pay careful attention to the actions and positions taken by the Large-Scale Share Acquirer.

(2) Impact etc. on shareholders and investors when countermeasures are triggered

The Board of Directors may implement countermeasures permitted under the Companies Act and other laws, as well as the Company's Articles of Incorporation, for the purpose of protecting the Company and the interests of all shareholders of the Company, in the event that a Large-Scale Share Acquirer fails to comply with the Rules. The structure of such countermeasures is not expected to cause any particular harm to the shareholders of the Company (with the exception of the Large-Scale Share Acquirer that failed to comply with the Rules) economically or in terms of legal rights. In the event that the Board of Directors decides to implement a specific countermeasure, it will disclose that fact in a timely and appropriate manner according to applicable laws and regulations and securities exchange regulations.

With regard to the issuing of stock acquisition rights, one of the countermeasures envisioned, stock acquisition rights would, in principle, contain a clause attached to the stock acquisition rights that allow for their acquisition by the Company. In order to be able

to proceed without the inconvenient procedure of paying the exercise amount necessary for exercising stock acquisition rights that do not contain clauses allowing for their acquisition by the Company, this clause shall make it possible for the Board of Directors, by its resolution, to acquire the stock acquisition rights of the shareholders, and to deliver new shares to the shareholders as consideration. The details of this procedure shall be announced separately, based on the relevant laws and regulations, when stock acquisition rights are actually issued. In such cases, in order to acquire the stock acquisition rights, it will be necessary for holders of book-entry stocks to have their common shares recorded in an account with a securities company, etc. on the date separately determined and announced by the Board of Directors on which the shareholders eligible to receive stock acquisition rights are to be fixed (the “Record Date”). This action will be taken to ensure that the holders of book-entry stocks will be included as the shareholders of record in the Company’s final shareholder registry. It will also be necessary to complete emergency measures for unregistered shares in special accounts.

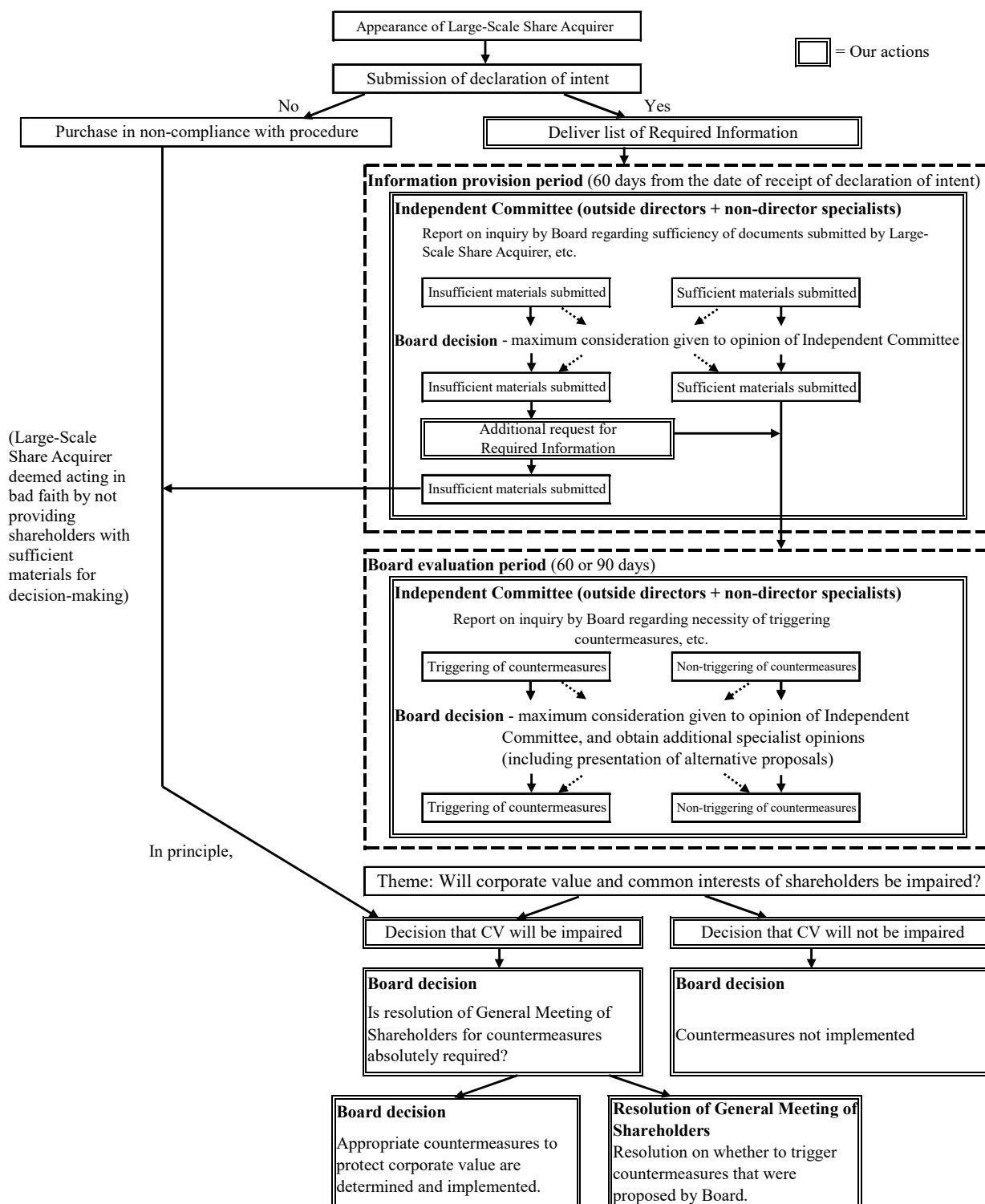
6. Commencement of application of the Rules and the effective period thereof

In order to review the response policy regularly, this Policy shall be effective for a period of three years (until the conclusion of the Ordinary General Meeting of Shareholders for the final business year ending within three years of March 1, 2021).

Going forward, based on trends in relevant laws and regulations, including the Companies Act, and judicial rulings in the years ahead, the development of listing regulations stipulated by the Tokyo Stock Exchange and other developments, if any pro forma change to this response policy above is necessitated following revisions of laws and regulations or the like, this Policy shall be reviewed by the Board of Directors as necessary, with a prompt announcement of the details thereof. In the event the Board of Directors deems abolishing this Policy reasonable, the Company shall abolish this Policy by resolution of the Board of Directors, and the abolishing of this Policy and the reasons for doing so shall be disclosed. Changes in this Policy that have a substantive effect on the shareholders of the Company shall, however, be proposed as an agenda item for approval of the shareholders at a General Meeting of Shareholders. The Company’s directors serve terms of one year and are elected or reelected each year at the Ordinary General Meeting of Shareholders.

The existing takeover defense measures shall be abolished as of an affirmative vote on this proposal to approve this Policy at this Ordinary General Meeting of Shareholders. However, if a Large-Scale Share Acquirer has appeared and procedures including the submission of a declaration of intent or the provision of information under the existing takeover defense measures have begun as of that time, then following the approval of this Policy, the procedures shall be continued as per this Policy.

(Reference)

Procedures and Decision-Making Flow of This Policy

(Note 1) In principle, both parties' materials and opinions will be disclosed as soon as possible.

(Note 2) If countermeasures are triggered, in principle, stock acquisition rights with differentiated exercise conditions will be issued only if the execution is deemed appropriate.

Overview of the Independent Committee and Committee Candidates

1. Overview of the Independent Committee

(1) Establishment

The Independent Committee shall be established and disbanded by the Board of Directors.

(2) Composition

- 1) The Independent Committee shall have at least three members.
- 2) The Independent Committee members shall comprise all the Company's outside directors and at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) recommended by the outside directors, in principle within ten business days following the day the declaration of intent is received (not including actual day of receipt), and appointed by the Board of Directors. The Independent Committee shall, however, commence its activities even prior to the appointment of the specialist committee members, and the number and composition of committee members who are not outside directors may be changed by resolution of the Board of Directors based on a unanimous opinion of the outside directors.
- 3) The appointment of the committee members who are not outside directors of the Company shall be made with their expertise in corporate management, the Companies Act, and financial instruments exchange markets of exchanges, their opinions with regard to the Company's principles, and their business experience, among others, taken comprehensively into consideration, in light of the role of the Independent Committee.
- 4) The committee members who are not outside directors of the Company shall conclude a contract of mandate with the Company that designates their duties, including due care and diligence with respect to the Company.

(3) Chairperson

The chairperson of the Independent Committee shall be elected from among outside directors of the Company.

(4) Term of office

- 1) The term of office of Independent Committee members shall be from the time the Board of Directors establishes the Committee until the Committee is disbanded by the Board of Directors.
- 2) Notwithstanding the provision of the preceding paragraph, if all or any number of the outside directors of the Company should retire because of the expiration of their term of office during the aforementioned period, the terms of office of the members who are not outside directors of the Company shall expire at the same time. In such cases, the newly (re)elected outside directors of the Company shall recommend committee members who are not outside directors without delay and seek their appointment by the Board of Directors. This shall not preclude reappointment.

(5) Mission

The Independent Committee shall receive the Required Information submitted to the Board of Directors by a Large-Scale Share Acquirer, evaluate, examine and deliberate, in principle with regard to the following items, and based on the questions of the Board of Directors, and present the details and results of those activities to the Board of Directors:

- (a) Opinion as to whether the materials received from the Large-Scale Share Acquirer are sufficient as Required Information
- (b) Whether or not the Large-Scale Share Acquirer must provide additional information and, if so, the items to be requested and the time limit for submission
- (c) Opinion as to whether or not the case falls under the category of “The Large-Scale Share Acquirer does not comply with the Rules” due to the reasons such as the insufficiency of the materials provided by the Large-Scale Share Acquirer, and on the necessity and contents of countermeasures, including an allotment of stock acquisition rights without contribution, or on the necessity of canceling countermeasures already implemented
- (d) Evaluation and examination of whether the Large-Scale Share Acquisition will damage the interests of all shareholders of the Company and whether or not to request additional information from the Large-Scale Share Acquirer and, if so, the items to be requested and the time limit for submission
- (e) Pros and cons of gratis allotment of stock acquisition rights with differentiated exercise conditions, of cancellation thereof, and of their acquisition for elimination thereof, and other items related to stock acquisition rights and other countermeasures

- (f) Other items of inquiries from the Board of Directors concerning this Policy, or stock acquisition rights and other countermeasures

(6) Determining the contents of the evaluation, etc.

- 1) The contents of the evaluation and the like submitted to the Board of Directors by the Independent Committee shall, in principle, be approved by a majority vote of the Independent Committee at a meeting at which all the committee members are in attendance. If all the members agree by written or electromagnetic means as particular urgency is required, however, the quorum may be reduced to attendance by a majority of committee members.
- 2) When submitting the evaluation and the like pursuant to the preceding paragraph, the Independent Committee shall also present its reasons for arriving at that evaluation and the like.

(7) Administrative office, etc.

- 1) An administrative office shall be established within the Company for activities including the submission of materials that the Independent Committee must examine.
- 2) The Independent Committee may seek advice from outside specialists and the like, including attorneys at law and certified public accountants, at the Company's expense.

2. Candidates for Independent Committee members

The Independent Committee shall be established on a temporary basis, and some members shall be appointed when the Committee is established.

Considering all outside directors shall become Independent Committee members, the outside directors who would become Independent Committee members subject to the approval of Agenda Item 1 are listed on pages 12 to 15 of the Reference Documents for this General Meeting of Shareholders.

Overview of Stock Acquisition Rights

1. Eligible shareholders to receive stock acquisition rights and issuing conditions therefor

One stock acquisition right shall be allocated per share of common stock of the Company (excluding common stock of the Company held by the Company) held by shareholders recorded in the final shareholder registry as of the record date determined by the Board of Directors.

2. Class and number of shares underlying the stock acquisition rights

A maximum total of no more than 1,200 million shares of common stock of the Company shall be delivered upon exercise of stock acquisition rights. The Board of Directors shall separately determine the number of shares that shall be delivered upon exercise of one stock acquisition right (“number of target shares”). If the Company carries out a stock split, a consolidation of shares or the like, however, this number shall be adjusted as necessary.

3. Total number of stock acquisition rights to be issued

The total number of stock acquisition rights to be allocated shall be determined separately by the Board of Directors.

4. Issuing price of stock acquisition rights

Without contribution

5. Type and amount of properties to be contributed upon exercise of each stock acquisition right

The type and amount of properties to be contributed upon exercise of each stock acquisition right shall be a monetary amount of at least one yen to be determined by the Board of Directors.

6. Restrictions on assignment of stock acquisition rights

Any assignment of stock acquisition rights shall be subject to the approval of the Board of Directors.

7. Conditions for exercising stock acquisition rights

Conditions such as a provision barring any party belonging to a group of shareholders (*tokutei-kabunushi group*) that would hold at least 20% of the voting rights (“Large-Scale Share Acquirer”) from exercising the stock acquisition rights may be established. Details shall be determined separately by the Board of Directors.

8. Acquisition of stock acquisition rights by the Company

- (1) On an acquisition date to be determined separately by the Board of Directors, the Company may acquire all the stock acquisition rights, except those of the Large-Scale Share Acquirer, that have not been exercised as of the business day prior to said acquisition date, and deliver the number of target shares of the Company for each stock acquisition right in exchange.
- (2) In the event that the Company deems it appropriate to cancel a countermeasure based on this Policy, the Company may cancel the allotment of stock acquisition rights for that purpose by resolution at a meeting of the Board of Directors up to four business days prior to the Record Date (assuming the current third day settlement of the exchange, should this be changed, the date will change accordingly; the same shall apply hereinafter).
- (3) In the event that the Board of Directors determines that events necessitate a cancellation of a countermeasure on or after the third business day prior to the Record Date for the allotment of these stock acquisition rights, in order to substantively have the same effect as a cancellation, the Company may, on an acquisition date determined separately by the Board of Directors, acquire all stock acquisition rights, including those of the Large-Scale Share Acquirer, that have not been exercised as of the business day prior to said acquisition date, and deliver the number of target shares of the Company for each stock acquisition right in exchange.
- (4) Further details regarding cases in which the Company may acquire stock acquisition rights, and the conditions thereof, shall be determined separately by the Board of Directors.

9. Non-issuance of stock acquisition right certificates

No certificates of stock acquisition rights shall be issued.

10. Exercise period for stock acquisition rights

The period for exercising stock acquisition rights shall be determined separately by the Board of Directors.

11. Reasons for extinguishment of stock acquisition rights, etc.

Reasons for the extinguishment of stock acquisition rights and other necessary items shall be determined separately by the Board of Directors.

ATTACHED DOCUMENTS

Business Report for Fiscal 2020

(March 1, 2020 – February 28, 2021)

1. Consolidated Business Review

AEON CO., LTD. (“AEON” or the “Company”) and its 287 consolidated subsidiaries posted consolidated operating revenue of 8,603.9 billion yen, operating profit of 150.5 billion yen, ordinary profit of 138.8 billion yen, and loss attributable to owners of parent of 71.0 billion yen.

The global spread of the novel coronavirus disease (COVID-19) has fundamentally changed our daily lives while it has also caused economic activities to be constrained and stagnate, creating extremely challenging conditions in the business environment in which the Company operates. Given this situation, AEON views these critical changes as opportunities to fulfill its mission as a lifeline that supports the livelihood of customers and is focused on both infection prevention measures and business continuity. The Company has faced a large impact, especially in the first quarter when the activities were restricted due to a state of emergency declaration in Japan and also in overseas. However, the Company continued to work on initiatives to address these changes and respond to demand newly arising from the COVID-19 pandemic, and such initiatives have led to strong performance for the SM (Supermarket) Business and the Health & Wellness Business, which handle daily necessities.

Measures for COVID-19

To provide safe and secure shopping and workplace environments, the Company established the AEON COVID-19 Protocol for Infectious Disease Control in June 2020 that specifies the standards for epidemic prevention measures based on scientific evidence. In addition, in response to increased use of online shopping, the Company expanded its online supermarket delivery capability and diversified the ways customers can take delivery of orders. Furthermore, the Company focused on capturing the surging demand under the COVID-19 pandemic and enhancing services, including establishing a help center to meet the demand for non-contact and non-face-to-face services using digital technology, promoting payment by smartphone and cashless payment and promoting the development of sales floors in response to the “new normal.”

Group-wide structural reforms

During the fiscal year under review, the Company accelerated the group-wide structural reforms to achieve new growth, and in March 2020, AEON Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. integrated their managements in Hokkaido, Maxvalu Tohoku Co., Ltd. and Aeon Retail Co., Ltd. Tohoku Company integrated their managements of their food businesses in the Tohoku

region, and Daiei, Inc. and Kohyo Co., Ltd. integrated their managements in the Kinki region. In the Kyushu region, management of AEON KYUSHU CO., LTD., Maxvalu Kyushu Co., Ltd., and Aeon Store Kyushu Co., Ltd. was integrated in September 2020. As a result, together with the management integration of Marunaka Co., Ltd. and Sanyo Marunaka Co., Ltd. with Maxvalu Nishinohon Co., Ltd. and the management integration of Maxvalu Chubu Co., Ltd. with Maxvalu Tokai Co., Ltd. in the previous fiscal year, the reorganizations in all of the regions were completed. The integrated companies in each region will aim to become the companies that contribute the most to their local communities by responding to the following issues: diversification of food preferences, such as preferences for local food, low-priced food, and healthy food; even greater consciousness of safety and security; and competition in the food market with e-commerce companies, convenience stores, and other providers.

In addition, Big-A Co., Ltd. and A·Colle Co., LTD., companies involved in the Discount Store Business, carried out a management integration in March 2021. The Company aims to accelerate the dominance of the business in the Greater Tokyo Area and build a new growth strategy with an eye on the emerging “new normal” and changing work styles spurred by the COVID-19 pandemic, and on the increasing numbers of budget-minded consumers. Furthermore, during the fiscal year under review, the Company proceeded with the strategic liquidation and consolidation of Group companies by selling its entire shareholdings in ZWEI CO., LTD. and Aeon Forest Co., Ltd. and terminating the businesses operated by Talbots Japan Co., Ltd. and Claire’s Nippon Co., Ltd.

(Translation for reference purposes only)

Financial highlights

Years ended February 28 (2018, 2019 and 2021) and February 29 (2020)	2018	2019	2020	2021
Operating revenue (Millions of yen)	8,390,012	8,518,215	8,604,207	8,603,910
Operating profit (Millions of yen)	210,273	212,256	215,530	150,586
Ordinary profit (Millions of yen)	213,772	215,117	205,828	138,801
Profit (loss) attributable to owners of parent (Millions of yen)	24,522	23,637	26,838	(71,024)
Earnings (loss) per share (Yen)	29.23	28.11	31.88	(84.06)
Total assets (Millions of yen)	9,452,756	10,045,380	11,062,685	11,481,268
Net assets (Millions of yen)	1,916,737	1,875,364	1,849,278	1,755,776
Net assets per share (Yen)	1,371.60	1,299.32	1,264.63	1,147.56

(Note) AEON has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from 2020. This accounting standard has been retroactively applied to the figure in total assets for 2019.

Business segment information

Business segment	Operating revenue (Millions of yen)	YOY (%)	Operating profit (Millions of yen)	YOY (%)
GMS Business	3,069,510	100.0	(15,689)	—
SM Business	3,265,669	101.3	50,687	235.7
Health & Wellness Business	956,596	108.9	41,532	116.6
Financial Services Business	487,572	100.6	42,648	60.5
Shopping Center Development Business	327,017	87.9	35,738	56.5
Services & Specialty Store Business	642,323	86.3	(17,690)	—
International Business	414,413	94.4	6,068	56.3
Reportable Segments Total	9,163,104	99.5	143,296	67.1
Other Operations	54,333	102.1	2,357	151.3
Total	9,217,438	99.5	145,653	67.8
Adjustment	(613,528)	—	4,932	873.3
Consolidated	8,603,910	100.0	150,586	69.9

(Note) The main activities in each business segment are as follows:

GMS Business

General merchandise stores (GMS), specialty stores selling packaged lunches and household dishes

SM Business

Supermarkets, discount stores, convenience stores, small-scale supermarkets

Health & Wellness Business

Drugstores, pharmacies, etc.

Financial Services Business

Credit card business, fee business, banking business, insurance business

Shopping Center Development Business

Development and leasing of shopping centers

Services & Specialty Store Business

Comprehensive facility management services, amusement services, food services, specialty stores selling family casual apparel, women's apparel, footwear, etc.

(Translation for reference purposes only)

International Business

Retail stores in the ASEAN region and China

Other Operations

Mobile marketing business, digital business, etc.

(1) Review of Operations

Retailing and Services

- In the GMS Business, online supermarket demand is experiencing a sharp increase amid the COVID-19 pandemic, and Aeon Retail Co., Ltd. (“Aeon Retail”) has proceeded with diversification of ways customers can take delivery of orders by increasing the number of stores that offer a service for customers to pick up online purchases at dedicated counters, lockers, or parking lots to approximately 200 stores. In addition, in response to the growing desire of consumers to protect their wellbeing amid the impact of the COVID-19 pandemic, Aeon Retail worked to offer daily necessities at affordable prices. It also focused on initiatives that contribute to encouraging consumption and increasing demand. For example, this year’s Black Friday Sale, which marked the fifth time we have held such sales, was extended to a 10-day period in order to avoid attracting large concentrated crowds, while there were also reservation-only sale events and an e-commerce sale held in advance. In addition, Aeon Retail strengthened measures to improve operational efficiency, such as controlling expenses and reducing inventories.
- The SM Business posted strong sales in response to increased demand for at-home meals, etc. due to the COVID-19 pandemic. Maxvalu Tokai Co., Ltd., which completed its regional reorganization during the previous fiscal year, carried out sales promotions that leveraged the expansion in scale resulting from management integration and further promoted local consumption of local products and other community-rooted management initiatives. In addition, United Super Markets Holdings Group worked to strengthen its measures to prevent COVID-19 infection in stores, expanded the use of Scan & Go Ignica, a payment service that facilitates smooth shopping by allowing customers to use their own smartphones without waiting in line at cash registers, introduced full-self-checkout registers and semi-self-checkout registers, which worked to enhance productivity, and made progress on revising the allocation of personnel at the headquarters and stores, along with other initiatives.
- In the Health & Wellness Business, Welcia Holdings Co., Ltd. and its consolidated subsidiaries experienced an impact from the decline in demand for cosmetics products due to people working from home and refraining from going out. However, merchandise sales were strong because of higher demand for items such as food and products to prevent infection. Prescription drug sales were strong at existing stores due to promotion of the Welcia Model, including initiatives such as increasing the number of stores offering prescription drugs, although there was the impact of drug price revision and other negative impacts such as a decline in the number of prescriptions due to a lower number of medical consultations and a rise in prescription unit prices due to an increase in long-term prescriptions.

- In the Services & Specialty Store Business, Aeon Delight Co., Ltd. (“Aeon Delight”) has been continuously providing Aeon Group stores with sanitary materials that include industrial-grade masks, alcohol disinfectant, and acrylic partitions, upon having taken early action in launching a COVID-19 response headquarters covering Japan, China, and the ASEAN region. Meanwhile, Aeon Delight has otherwise been lending its support to creating stores that are aligned with life in the age of COVID-19, which in part has involved embarking on efforts to provide New Standard Cleaning services incorporating epidemic prevention measures. In addition, Cox Co., Ltd. has been actively tapping escalating demand for masks, in part by selling masks that seek to be fashionable as well as functional.

Financial Services

- In the Financial Services Business, AEON has been accelerating efforts to transform its business model with its sights set on achieving digitalization, increasing business efficiency, and creating new profit opportunities, which has involved leveraging the Aeon Group’s retail business, e-commerce channels, and customer base. Aeon Bank Ltd. increased the number of installed video teller machines and expanded the online reservation system and financial consultation services as initiatives to facilitate non-face-to-face and contact-free services, as well as to minimize the time customers need to spend in branches. In addition, this year marks Aeon Card’s 20th anniversary, and we launched an Aeon Card 20th anniversary campaign focused on expanding the customer base and increasing shopping transaction volume. As for credit card shopping, transaction volume increased, particularly among home improvement stores and large consumer electronics retailers, in addition to entities such as supermarkets and drugstores.

Shopping Center Development

- In the Shopping Center Development Business, in response to the state of emergency declared in April 2020, Aeon Mall Co., Ltd. (“Aeon Mall”) temporarily closed all 164 facilities nationwide. Subsequently, Aeon Mall resumed operations at all of its facilities by the end of May 2020. In reopening, Aeon Mall implemented measures to prevent the spread of infection and ensure safety and peace of mind, such as installing AI-based temperature screening equipment at entrances and creating better air circulation inside mall buildings by bringing in more outside air. In addition, in the realm of entertainment aligned with the “new normal,” Aeon Mall has been arranging drive-in movies using outdoor parking lots and has completely overhauled the Aeon Mall app for use as a new digital tool for life in the age of COVID-19. It has also been conducting sales campaigns based on geographic area, and has been providing services utilizing both offline and online channels suited to changes in customer behaviors, such that involves providing information that helps customers avoid peak store visit times along with information about quiet times of the day for restaurants.

International

- In Malaysia, AEON has been implementing new initiatives, such as a drive-through pick-up service for customers to pick up products ordered online in store parking lots, a service where personal shoppers buy products on behalf of customers, and a motorbike delivery service for seniors. In Vietnam, AEON has been continuously strengthening its response to social events, and has otherwise been focusing on initiatives to stimulate consumption, which involved holding a large-scale sales promotion event subsequent to the onset of the COVID-19 pandemic.
- In China, AEON achieved a successful outcome with respect to its sales promotions timed to coincide with the peak in demand during the Lunar New Year holiday, the time of year when sales are highest. After Lunar New Year, amid a scenario where business was substantially affected by the COVID-19 pandemic, AEON promoted initiatives to address changes in shopping behavior particularly involving a further shift to online shopping and rapid expansion of bulk-buying. Having furthermore introduced its Aeon app service to all of its stores, AEON has otherwise been endeavoring to upgrade its approach to offering information and services drawing on strengths inherent in its brick-and-mortar stores.

(2) Environmental and Social Initiatives

AEON works to resolve various issues surrounding society through its business activities by implementing sustainable management, which reconciles the realization of a sustainable society and Group growth.

Based on the Aeon Sustainability Principle, we have set the four medium- to long-term and global standard environmental targets, and are working to accomplish them by cooperating with various stakeholders.

Aeon Sustainability Principle
<p>AEON aims to realize a sustainable society and Group growth based on our basic principle of “pursuing peace, respecting humanity and contributing to local communities, always with the customer’s point of view at its core.”</p> <p>From the dual perspectives of “environment” and “society,” we will think globally and advance projects locally as we actively pursue initiatives alongside stakeholders.</p>

Four medium- to long-term environmental targets

Decarbonization Vision	Sustainable Procurement Policy and Goals	Food Waste Reduction Targets	Policy and Targets Regarding Use of Plastics
<ul style="list-style-type: none"> Reduce the total volume of CO₂ and other greenhouse gases generated by our stores and businesses to zero by 2050 As an interim target, reduce CO₂ emissions by 35% over 2010 levels by 2030 	<p>Promote procurement of agricultural, livestock and fishery products, and paper, pulp, timber, and palm oil produced in line with global standards, using sustainable approaches</p>	<ul style="list-style-type: none"> Reduce food waste per generation intensity by 50% over 2015 levels by 2025 Build food resource recycling models at 10 locations or more nationwide, and at least 1,000 stores 	<p>By 2030,</p> <ul style="list-style-type: none"> Halve volume of disposable plastic use (relative to 2018) Use environmentally and socially sound materials in all <i>TOPVALU</i> products

Major activities during FY2020

Realization of a decarbonized society

AEON is working to reduce CO₂ emissions by stipulating specific numerical targets from 2008, as we believe that reducing the energy used in business activities will contribute to the prevention of global warming. AEON is currently promoting energy-saving initiatives and a shift to renewable energy in order to achieve the Aeon Decarbonization Vision 2050 formulated in 2018. In FY2019, we reduced CO₂ emissions volume by around 10%, introducing various methods to achieve steady reductions.

In our energy-saving initiatives during FY2020, at AEON Soyora Ebie, we began verification testing of an “air conditioning energy-saving system using human movement data and AI,” which was the world’s first use at a supermarket. In our expanded procurement of renewable energy, we introduced a PPA model to accelerate the introduction of solar power generation and promoted a service to purchase from customers graduated FIT power. Furthermore, some AEON stores have been operating exclusively using renewable energy, which is a first for AEON.

Initiatives such as these have met with a positive response, resulting in AEON being selected as a “climate change A List,” the highest level of assessment, for the second consecutive year by non-profit organization CDP, which deals with global environmental surveys and information disclosure. Of the more than 5,800 global companies surveyed, 270 companies were selected for the “A List” (including 53 Japanese companies).

Reducing single-use plastics

We have continued working to make better use of resources, such as by implementing a “Bring Your Own Shopping Bag Campaign” for customers from 1991. Currently, based on “AEON’s Policy Regarding Use of Plastics,” AEON is promoting the establishment of new decarbonized and resource-recycling lifestyles with stakeholders through initiatives to use sustainable plastics, including reducing single-use plastics and changing over to environmentally friendly materials.

As a new initiative, in February 2021, AEON in partnership with the Marubeni Group embarked on the “Bottle to Bottle Project” which produces recycled products using used plastic bottles collected from customer at our stores.

AEON Forest Programs

We perceive environmental issues as being issues that threaten peace, and we have continued tree planting activities since 1991 based on the idea of working to resolve environmental issues through tree planting. The tree planting activities, which were undertaken together with our clients in Japan and various parts of the world, have succeeded in planting more than 12.23 million trees.

As a new initiative in 2021, AEON and the AEON Environmental Foundation are embarking on “Aeon Satoyama,” with the goal of the community and nature living in harmony. Working together, local residents and Aeon People aim to create new forests.

Proving food support to children during the COVID-19 pandemic

In April 2020, AEON carried out its Fundraising for Children Affected by COVID-19 initiative with the aim of extending support to children and households with children who have been enduring substantial hardships due to the COVID-19 pandemic. As a result, AEON was able to contribute approximately 48 million yen to three support organizations, upon combining such funds with contributions from the AEON 1% Club Foundation. In December 2020, AEON launched the AEON Children’s Cafeteria Support Team with the aim of consistently providing dietary support to children. Through the initiative AEON provided contributions amounting to approximately 45 million yen, in conjunction with customer donations and contributions from the AEON 1% Club Foundation. Including activities to create awareness at our stores, through these activities, we are working to build a local community in which people support one another and are connected through the bond of mutual assistance.

Initiatives to facilitate community revival one decade after the Great East Japan Earthquake

AEON has reached the one-decade milestone with respect to its initiatives to help bring about recovery and revitalization of areas that incurred severe damage as a consequence of the Great East Japan Earthquake.

Established in March 2012, Project Aeon Joining Hands was initiated with the goals of planting 300,000 trees across coastal areas of the Tohoku region and enlisting the participation of 300,000 employees in volunteer activities over ten years, and those targets have now been achieved. Meanwhile, since FY2016 AEON has also started an action through the Aeon Future Co-creation Program with the aim of providing support in seeking solutions to local challenges through regional exchanges in disaster-stricken areas. We have worked to deepen mutual understanding through the exchange of opinions with local communities, workshops, etc., and also to cooperate by supporting the commercialization and sale of local products, holding local events, etc.

In March 2021, AEON and the AEON 1% Club Foundation donated 100 million yen for the recovery and revitalization of Fukushima prefecture, which still faces serious problems. Fukushima prefecture plans to use the donations for initiatives to promote understanding of the safety and appeal of products made in Fukushima.

Together with everyone from the region, we will continue to provide support that leads to the realization of a new stage of recovery in the Tohoku region, mobilizing the entire Group to contribute to the recovery and revitalization of the region as soon as possible.

AEON's Four Policies for Recreating Tohoku

1. Revitalization of local industries through business
2. Creation of employment and creation of an environment that is easy to work in
3. Environmental and social contribution activities that “co-create” the future of the region
4. Development of towns where people can live with safety and peace of mind

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
		First Stage: “recovery and reconstruction”			Second Stage: “social exchanges and creation”			Third Stage: “solutions to local challenges”			
Ongoing living support	2011 Donation to disaster-stricken areas Over ¥5,000 million	2012 Donation to children’s support groups by “Aeon Happy Yellow Receipt Campaign” ¥120 million	Initiatives continuing since 2013 Supporting the lives and learning of children in disaster-stricken areas Donation to scholarship funds for children in Iwate, Miyagi, and Fukushima Prefectures (Tohoku support “Aeon Happy Yellow Receipt Campaign,” Tohoku Reconstruction Support WAON, etc.) Cumulative support amount ¥880 million								
Social exchanges in local communities and support for reconstruction	Aeon Tohoku Reconstruction Hometown Forests Program: Cumulative total of 316,523 trees										
	Employee volunteer activities: cumulative total of 398,571 volunteers										
	Aeon Future Co-creation Program: 11 areas										

(as of February 28, 2021)

Promoting diversity

We view promoting diversity not only as a response to social issues, but also as a management strategy. The Company's basic approach is to eliminate discrimination on the basis of nationality, gender, age, physical or mental disability, sexual orientation, gender identity, etc., and to make decisions pertaining to personnel based on ability and performance. We aim to fully utilize the capabilities of diverse human resources, respond boldly to dramatic changes in the environment and create an organization that continues to innovate and always responds flexibly to the needs of our customers. The Company believes that the promotion of diversity can bring satisfaction for three parties: employees and their families, customers, and the Company itself. We call this idea “daimanzoku” (which means “very satisfied” in Japanese), and we are working on various activities throughout the Group. Good examples of Group companies being rooted in local communities and promoting diversity utilizing the business characteristics are shared. In addition, the Company conducts level specific training for women and conducts the Daimanzoku College

training online under the themes of promoting roles for people with disabilities, LGBT, etc., making it easy to participate from locations throughout the country. By accumulating diverse knowledge and enabling participants to have contacts with role models through cross-Group connections, we are able to leverage the strengths of the Group. These efforts have been recognized with as our selection as a Nadeshiko Brand company in March 2021 for a fourth consecutive year for our concerted effort as a TSE-listed enterprise that is outstanding in terms of encouraging the empowerment of women in the workplace.

Initiatives promoting health management

AEON conducts health management as a group, based on the belief that promotion of employee health is essential for corporate activities. Also, we believe healthy employees are, in turn, better able to provide services that bring customers health and happiness. In FY2020 we sought to reduce the number of smokers among our employees by 25% and began to phase in measures such as a smoking ban during work hours and a smoking ban on site at 115 Group companies. We also promoted influenza inoculation as an initiative spurred by the COVID-19 pandemic. These efforts have been recognized with our designation as a “Health and Productivity Management Organization 2021 (White 500)” in March 2021.

(3) Corporate Governance

Corporate governance system

AEON pursues management based on a Basic Principle that incorporates a group-wide perspective, management that is transparent, sustainable, and stable and ceaseless innovation with customers as the core. To put these into practice, AEON has adopted a “company with a nomination committee and other committees system” as the optimal corporate governance system.

Under such system, the Company segregates management oversight and business execution and has instituted a governance system that realizes expeditious management decision-making through delegation of significant authority to executive officers while having established the Nomination Committee, Audit Committee, and Compensation Committee, each consisting of a majority of outside directors, to ensure management transparency and objectivity.

Main Roles and Meeting Status of Corporate Bodies

	Meeting status	Principal roles
Board of Directors	Met 7 times	- Supervision of the performance of duties by directors and executive officers - Decisions on matters that require resolution by the Board of Directors under the provisions of Article 416 of the Companies Act and that cannot be delegated to executive officers
Audit Committee	Met 9 times	- Auditing of the performance of duties by directors and executive officers - Decisions pertaining to the content of motions to be introduced at shareholders' meetings concerning the appointment, dismissal or non-reappointment of independent auditors
Nomination Committee	Met 3 times	- Decisions pertaining to the content of motions to be introduced at shareholders' meetings concerning the appointment or dismissal of directors
Compensation Committee	Met 3 times	- Decisions concerning the content of financial remuneration received by directors and executive officers

* In addition to the number of meetings held shown above, there was also one resolution made in writing that was deemed to be a resolution of the Board of Directors in accordance with the Article 370 of the Companies Act and the Articles of Incorporation.

* During the fiscal year under review, in addition to the activities of the Board of Directors and Committees described above, the Company also held outside directors' meetings and policy deliberation meetings, etc.

Activity report of the Board of Directors

The Board of Directors conducts lively discussion at each meeting from a long-term perspective aiming for sustainable growth and improvement of corporate value. In FY2020, the Board held many discussions of considerable length regarding the formulation of a medium-term management plan through to FY2025. In consideration of the significant environmental changes for the Company by taking into account the changes, such as climate change and demographics, occurring

up until now and factoring in the impact from COVID-19, the Board gave ample discussion and evaluation of the Group's portfolio strategy. Based on this, the Board formulated a comprehensive plan that reflects management issues that have been discussed to date such as further acceleration of the Shift to Digital Markets, investment plans, and free cash flow levels.

In addition, this year several discussions were held with the participation of only the independent outside directors to enable a frank exchange of opinions regarding the best form of Group governance and improvement of the effectiveness of the Board of Directors. These opinions were reported to the executive directors at the Board of Directors meeting. This activity was carried out based on the idea that the independent outside directors should be driving improvement of the Company's medium- to long-term corporate value and its governance. The Company believes that this shows that the supervision function of the independent outside directors is being exercised. In addition, interviews were separately conducted between the independent outside directors and three inside directors, where active exchanges of opinions and discussions were conducted based on extensive experience, wide-ranging insight and expertise. The directors were interviewed about medium- to long-term issues to be addressed and the measures for those issues. The interviews were extremely beneficial for promoting mutual understanding between directors.

As seen in these measures, it has been confirmed that the Board of Directors as well as directors have useful discussions with the aim of increasing the corporate value of the Group overall, and that the supervisory function, which stimulates the sustainable growth of the Company, is functioning effectively. Going forward, they will work to further strengthen its corporate governance.

2. Prospective Challenges for the Aeon Group

In 2020, the spread of COVID-19 brought significant changes to customer behavior, awareness and values.

Furthermore, the speed of social changes that have progressed to date, such as changes in population trends, changes in customer behavior associated with climate change, the rapid spread in the use of digital technology in all areas of life, increasing awareness of the environment and health, along with structural changes in the competition landscape, is accelerating further, and significantly impacting the management environment surrounding the Company. Looking at the next 10 years from a medium- to long-term perspective, we recognize that we are facing an environmental change of different changes that we have experienced in the past. The Group views these environmental changes as an excellent opportunity for the Group to achieve dramatic growth. Eyeing a transition to sustainable growth towards 2030, we formulated the Aeon Group Medium-term Management Plan (FY2021-FY2025) (hereinafter, the “new medium-term management plan”).

Common Group strategies under the new medium-term management plan

Under the new medium-term management plan, we will further accelerate the four shifts: Shift to Regional Markets, Shift to Digital Markets, Shift to Asian Markets and the Investment Shift that supports said shifts that we have been undertaking to date. At the same time, we have now defined “five transformations” as a common Group strategy towards building a business foundation that realizes sustainable growth from 2025 onward. We will innovate the existing business models of the Group’s businesses and establish new growth models, while enhancing earning capability and concentrating investment of generated management resources into new growth areas. In this way, we will capture new growth opportunities as a united Group.

The important aspects of the common Group strategies for capturing new growth opportunities are set forth below.

1) Acceleration and evolution of the Shift to Digital Markets

The digitalization of society and of our lives is accelerating, with the penetration of IoT and AI into society and acceleration of cashless economy and so forth. The pursuit of convenience through the fusion of the real and the digital, and a further increase in the importance of data are expected.

By working to effectively fuse digital technology with our strengths, namely, multiformat store network, products, customer data, settlement technology, and infrastructure, we will provide customers with a highly convenient and satisfying experience. In January 2020, we established a new company (Aeon Smart Technology) to share our member platform throughout the

Group, to develop smartphone apps, and to develop systems to promote DX. Furthermore, we will promote the provision of digital services to the various companies in the Group who will further expand to various Asian countries through the development of the cutting-edge system by Aeon Digital Management Center in China, and the transfer of expertise. In doing so, we will seek to provide new customer experiences and improve operational productivity using digital technology and developing personnel with digital expertise.

To strengthen our digital business, we have started initiatives with our investee and alliance partners, U.S. company Boxed, German company SIGNA Sports United GmbH, and Ocado Group PCL of the U.K. We will accelerate the speed of business growth in both the B2C and B2B domains, aiming to develop these as new pillars of growth for the Group.

2) Creating unique value with the supply chain concept

In addition to competition across formats in the real-world domain, we also face growing borderless competition from internet companies, and from trends in Direct to Consumer (D2C) business in which manufacturers and producers sell directly. In this environment, we recognize that providing unique product and services is the source of a company's competitive advantage.

We aim to develop the Group's universal private brand, *TOPVALU*, as well as other highly specialized private brand products developed by the Group's specialist formats, and local private brand products, such as fresh food and delicatessen food produced by local food-based operating companies. To this end, we aim to develop a model for total management and streamlining of the supply chain from upstream to downstream, and we will actively provide unique value that is differentiated from that of other companies.

Local operating companies demonstrate the maximization of their strengths in close ties with the community, and we will accelerate demand concentration using Group scale merits for global procurement and national brand products. In addition, we will start establishing a next generation processing center model to realize the provision of value equal to eating out.

3) Evolution of Health & Wellness for a new era

Customer needs related to healthcare have expanded from disease prevention and treatment to new fields such as pre-symptomatic diseases through an increased awareness of health and immunity.

We will make proposals that satisfy not only the need to sell products, but also the needs of customers from various angles in order to respond to rising health awareness, such as prevention, treatment, and pre-symptomatic disease, and will become a leader in opening new Health & Welfare markets.

4) Create AEON living zones

As the next step of the “Shift to Regional Markets,” that we have been promoting, we will fuse our strengths in multiformat store network and businesses with digital technology to build AEON living zones that have strong ties to their respective communities.

Taking a perspective closer to that of community residents, we will respond to customers’ needs for greater convenience and enrichment in their lives by bringing together all manner of businesses to offer seamlessly not only products and services, but also a base that will form the central hub of the living zone. Through our business activities, we aim to contribute constantly to our customers, being consumers and community residents, and to local communities, and to become the leading corporate group in each community.

5) Accelerate the Shift to Asian Markets

We recognize that the middle-income segment will continue to increase in Asia, and that including new customer segments is essential for the Group’s growth. The Group has been improving the speed and area of its store openings to press ahead with the idea of its “Shift to Asian Markets.” In the Asian retail market, the growth of digital formats has equaled or exceeded that of real formats, and in Asia the Group will therefore accelerate its business growth by promoting both real and digital formats in parallel.

By treating all of Asia as a single market and clarifying where the Group will invest its management resources, the Group will focus its total power on accelerating the “Shift to Asian Markets” and capture growth markets there, which are expected to continue expanding.

(Translation for reference purposes only)

3. Overview of AEON and the Aeon Group (as of February 28, 2021)

(1) Main Business

The Aeon Group comprises the Company (a pure holding company), 287 consolidated subsidiaries and 27 equity-method affiliates. The Group is engaged in various business operations, including the Group's core retail store operations together with businesses such as Financial Services, Shopping Center Development and Services.

(2) Number of Stores of Aeon Group Businesses

1) Head Office

1-5-1, Nakase, Mihama-ku, Chiba-shi, Chiba

2) Number of stores by format

Format	Number of stores	Format	Number of stores	Format	Number of stores
Mall-type SC	252	Home centers	118	Other retail	1,252
General merchandise stores	613	Department stores	1	Financial services	636
Supermarkets	2,288	Convenience stores	5,300	Other services	1,938
Supercenters	25	Specialty stores	3,519	Total	19,140
Discount stores	599	Drugstores	2,599		

(3) Financing and Investment by the Aeon Group

Focused on the Shopping Center Development Business, which continues to demonstrate growth, the Aeon Group directed capital spending to investment in new stores in growth markets in Asia and on the refurbishment of existing domestic retail stores, as well as on the digital field including e-commerce. Total capital spending on such projects as stores and digital initiatives amounted to 301.2 billion yen, which was financed by internal cash flows and new borrowings.

(Translation for reference purposes only)

(4) Share-related Information

- 1) Number of shares authorized: 2,400,000,000 shares
- 2) Number of shares issued: 871,924,572 shares
(including treasury shares)
- 3) Minimum share-trading unit: 100 shares
- 4) Number of shareholders at year-end: 780,295
- 5) Ten largest shareholders:

Name	Number of shares held (Thousands of shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	71,764	8.44
Custody Bank of Japan, Ltd. (Trust Account)	39,374	4.63
Mizuho Bank, Ltd.	33,292	3.92
AEON Environmental Foundation	21,781	2.56
The Cultural Foundation of Okada	21,292	2.50
The Norinchukin Bank	18,133	2.13
Custody Bank of Japan, Ltd. (Trust Account #7)	15,830	1.86
Custody Bank of Japan, Ltd. (Trust Account #5)	12,030	1.42
Employees' stockholding association	11,981	1.41
Aeon Mutual Benefit Society (Nomura Securities account)	11,921	1.40

(Note 1) Calculations of ratio of shares held exclude treasury shares (21,900,603 shares) and have been rounded. The number of treasury shares does not include the Company's shares held by Employee Stock Ownership Plan Trust (4,388,100 shares).

(Note 2) The number of shares held by Mizuho Bank, Ltd. includes its contribution of 9,378 thousand shares to the retirement benefit trust (the holder of said shares, as listed in the shareholder registry, is "Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.").

(Translation for reference purposes only)

(5) Directors and Executive Officers of the Company

1) Directors and executive officers

Board of Directors

Name	Area of responsibility	Significant concurrent positions outside the Company
Motoya Okada	Chairman of the Board; Nomination Committee member; Compensation Committee member	
Akio Yoshida		
Akinori Yamashita		
Takashi Tsukamoto	Chairman of the Compensation Committee; Audit Committee member	Honorary Advisor, Mizuho Financial Group Outside Director, Asahi Mutual Life Insurance Company Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Director, Internet Initiative Japan Inc. Chairman, The Japan-British Society
Kotaro Ohno	Chairman of the Audit Committee; Chairman of the Nomination Committee	Special Counsel, Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member, Komatsu Ltd. Outside Audit & Supervisory Board Member, ITOCHU Corporation President, International Civil and Commercial Law Centre Foundation
Peter Child	Nomination Committee member; Compensation Committee member	Independent Director and Chairman of the Board of Directors, Maisons du Monde
Carrie Yu	Audit Committee member	Senior Advisor, PwC Hong Kong

Executive officers

Position	Name	Area of responsibility and significant concurrent positions outside the Company
Chairman and Representative Executive Officer	Motoya Okada	Director and Advisor, Aeon Mall Co., Ltd. Director and Advisor, Aeon Retail Co., Ltd. Director and Advisor, Daiei, Inc. Director and Advisor, United Super Markets Holdings Inc. Director, Welcia Holdings Co., Ltd. Outside Director and Advisor, TSURUHA HOLDINGS INC. Outside Director, KUSURI NO AOKI HOLDINGS CO., LTD.
President and Representative Executive Officer	Akio Yoshida	Director, AEON Hokkaido Corporation Director, AEON KYUSHU CO., LTD. Director, Aeon Retail Co., Ltd.
Executive Vice President and Representative Executive Officer	Akinori Yamashita	CFO Chief Officer of Business Management Audit & Supervisory Board Member, Aeon Retail Co., Ltd. Director, AEON Stores (Hong Kong) Co., Limited
Executive Vice President and Representative Executive Officer	Motohiro Fujita	Chief Officer of SM, Merchandising & Logistics President and Representative Director, United Super Markets Holdings Inc.
Executive Vice President and Executive Officer	Yuki Habu	Chief Officer of Digital & China President and Representative Director, AEON (CHINA) CO., LTD. (Aeon Group China Headquarters)
Executive Officer	Soichi Okazaki	Chief Officer of ASEAN Director, AEON CO. (M) BHD.
Executive Officer	Eiji Shibata	Chief Officer of Logistics
Executive Officer	Kahori Miyake	Chief Officer of CSR & Communication
Executive Officer	Hiroyuki Watanabe	Chief Human Resources Officer, Administration & Risk Management Director, Aeon Financial Service Co., Ltd.

(Note 1) In addition to their positions as directors, Motoya Okada, Akio Yoshida and Akinori Yamashita concurrently hold positions as executive officers. Area of responsibility and significant concurrent positions are stated under the Executive Officer summary.

(Note 2) Takashi Tsukamoto, Kotaro Ohno, Peter Child and Carrie Yu are all outside directors as stipulated under the Companies Act. In accordance with the rules of the Tokyo Stock Exchange, the Company has registered the names of all its outside directors as independent directors.

(Note 3) All Audit Committee members are to be independent outside directors (part-time) in the Company in order to maintain full independence of the Audit Committee and conduct highly transparent audit. Furthermore, the Group Management Audit Office has been set up independent from the business execution department. The Office ensures the effectiveness of the audit by gathering information through attendance of important meetings or interviews with executive officers while also assisting the duties of the Audit Committee by cooperating with the internal audit of the Group management and independent auditors.

(Note 4) The following personnel changes occurred during the year ended February 28, 2021:

- May 22, 2020: Hiroshi Yokoo, Yukako Uchinaga and Toru Nagashima retired from the positions of Director upon the completion of their terms.

(Translation for reference purposes only)

(Note 5) As a result of a restructuring effective March 1, 2021, the organizational responsibilities for executive officers are now as follows.

Position	Name	Area of responsibility
Chairman and Representative Executive Officer	Motoya Okada	
President and Representative Executive Officer	Akio Yoshida	
Executive Vice President and Representative Executive Officer	Akinori Yamashita	CFO, Business Management
Executive Vice President and Representative Executive Officer	Motohiro Fujita	SM
Executive Vice President and Executive Officer	Yuki Habu	Digital
Executive Officer	Soichi Okazaki	ASEAN
Executive Officer	Hiroyuki Watanabe	Human Resources, Administration & Risk Management
Executive Officer	Manabu Oike	DS
Executive Officer	Yasuo Nishitohge	Merchandising

2) Items related to outside directors

a. Significant concurrent positions held at other organizations and the relationships between these organizations and the Company

- The organizations in which outside directors hold significant concurrent positions are as shown on page 63.
- Takashi Tsukamoto held the position of President & CEO of Mizuho Bank, Ltd., a group company of Mizuho Financial Group, Inc. at which he now concurrently serves as Honorary Advisor. However, more than seven years have passed since his retirement from Mizuho Bank, Ltd. in 2013, and he currently has no involvement with the execution of business at the said bank. Even though the said bank is one of several principal lenders of the Company, it is not a business partner which has a significant impact on the Company's decision making. The Company's borrowings from the said bank at the end of the most recent fiscal year were below 2% of the consolidated total assets of the Company.
- The Company is registered as a corporate member of International Civil and Commercial Law Centre Foundation of which Kotaro Ohno is President. The Company has transactions with Mori Hamada & Matsumoto of which Kotaro Ohno is Special Counsel. However, the monies paid to each of the said companies represent less than 0.1% of the Company's total consolidated SG&A expenses.
- Peter Child has served as Senior Partner at multiple branch offices of McKinsey & Co., and the Company has transactions with the said company. The monies paid to

McKinsey & Co. represent less than 0.1% of the Company's total consolidated SG&A expenses.

- The Company has no special relationship with other organizations in which its outside directors hold concurrent positions.
- b. Attendance at Board/committee meetings (attendances/meetings) during the year under review

	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee
Takashi Tsukamoto	7/7	9/9	–	3/3
Kotaro Ohno	7/7	9/9	3/3	–
Peter Child	7/7	–	3/3	3/3
Carrie Yu	6/6	6/6	–	–

(Note) The attendance shown for Carrie Yu is her attendance after she assumed office as director on May 22, 2020.

- c. Major activities during the year under review
- Takashi Tsukamoto has ample experience and deep insight as a manager of a major financial institution, and actively participates in discussions relating to maintenance and improvement of transparency and soundness throughout management as a whole, and improvement of corporate governance. Furthermore, as Chairman of the Compensation Committee, he led deliberation on individual remunerations, etc.
 - Kotaro Ohno has ample experience and insight with regard to law and compliance, and actively participates in discussions relating to the promotion of compliance management, etc. Furthermore, as Chairman of the Audit Committee he led deliberation on agendas for resolutions at the Committee, including monitoring the Company's internal control systems and auditing the Company's financial statements. In addition, as Chairman of the Nomination Committee, he led necessary deliberation on the details of the proposal for the election of directors to be resolved at the general meeting of shareholders.
 - Peter Child has expertise in the retail sector gained primarily from serving as a leader of consumer goods and retail group at a major consulting firm, and actively participates in discussions relating to matters such as promotion of global management.
 - Carrie Yu belongs to professional accounting bodies in the UK, Canada and Hong Kong. She has international expertise in accounting and the retail sector gained primarily from serving as a leader of retail and consumer group in Asia Pacific

region at a large professional services firm. In addition to monitoring internal control systems and auditing financial statements, she actively participates in discussions relating to improvement of corporate governance.

3) Summary of agreements limiting liability

- To ensure an ability to attract persons capable of contributing as outside directors, the Company has entered into agreements which limit the liability of each outside director. For damages as set forth in Article 423, paragraph 1 of the Companies Act, these agreements state that, when outside directors carry out their duties in good faith and with no serious negligence, their liability to compensate the Company is limited to 15 million yen or to an amount stipulated by laws and regulations, whichever is higher; and that they are exempt from an outside director's obligation to compensate the Company for any amounts that exceed these limits.

4) Policies on personal remuneration for directors and executive officers

The basic policy of the remuneration system and the details of remuneration for officers of the Company shall be determined by the Compensation Committee where outside directors hold the majority and one serves as chairman for the purpose of high transparency and objectivity.

a. Remuneration policy

- Based on the basic philosophy, with its ever-lasting innovative spirit, the Company's directors and executive officers will contribute to the sustainable growth of the Group, boldly rising to the challenges.
- The Company's directors and executive officers receive remuneration based on their roles as directors and executive officers and degree of achievement of the management target.

Remuneration structure basic policy

- i. The remuneration structure shall be highly fair so that it will be understood and endorsed by customers, employees, and shareholders, and shall be decided using transparent, appropriate criteria.
- ii. The structure shall link remuneration with the medium- to long-term management strategy and performance of the Group which will create strong incentives toward the execution of the management strategy.
- iii. Remuneration shall be at a level that leads to security and maintenance of the human resources responsible for the Group's management.
- iv. The remuneration structure and levels shall be revised appropriately as needed based on economic and social conditions and the Group's management environment and performance.

b. Remuneration to directors

- i. Basic remuneration shall be paid to directors.
- ii. Remuneration to directors shall not be paid for directors who concurrently perform executive duties.

c. Remuneration to executive officers

i. Basic remuneration

It shall be determined in accordance with their individual evaluation within the standard amounts set for each position.

ii. Performance-based remuneration

The percentage weight of the performance-based remuneration of executive officers to the total monetary remuneration (basic remuneration + performance-based remuneration) shall be to the extent from 30% to 50%.

iii. Share compensation-type stock options

Share compensation-type stock options shall be granted in the form of subscription rights to shares for the purpose of enhancing the moral and motivation to continuously improve performance and increase corporate value. Such shall be done by strengthening the linkage between the stock price and performance with the remuneration.

The number of subscription rights to shares granted shall be determined according to the standard number for each position.

iv. Composition of performance-linked remuneration

Performance-based remuneration and the share compensation-type stock options shall be composed of corporate performance-based remuneration and personal performance-based remuneration, where corporate performance-based remuneration is 50% and personal performance-based remuneration is 50%. For Chairman and Representative Executive Officer, and President and Representative Executive Officer, however, such remuneration will be corporate performance-based remuneration only.

a. Corporate performance-based remuneration

It shall be determined by calculating from the multiple based on the degree of achievement in AEON's consolidated performance to the standard amounts set and the number of stock options allocated for each position in consideration of the overall performance.

b. Personal performance-based remuneration

It shall be determined by calculating from the multiple based on the performance of each department and the evaluation of the individual performance based on the degree of achievement of the management target to the standard amounts set and the number of stock options allocated for each position.

v. Indicators for performance-linked remuneration

The main indicator for the payment of performance-based remuneration and share compensation-type stock options shall be the degree of achievement with regard to consolidated ordinary profit, as an overall pointer to profitability. The payment ratio that is applied to the performance-linked remuneration shall be 100% of the standard amount if the targets set at the beginning of the business year are achieved. This payment ratio is adjusted based on business performance and individual evaluation in the relevant fiscal year.

5) Actual performance-linked remuneration

Based on the consolidated performance for FY2020 and the results of the performance evaluation of each executive officer during the year under review by the Chairman and Representative Executive Officer, the remuneration is proposed to the Compensation Committee, which deliberates on and determines the remuneration.

Despite the unique situation in the fiscal year under review, the payment ratio for corporate performance-based remuneration was 0% based on the result of deliberations by the Compensation Committee.

(Translation for reference purposes only)

6) Total remunerations paid to the Company's directors and executive officers

Directors

(Unit: Millions of yen, rounded down)

	Basic remuneration based on Compensation Committee resolutions	Of which, outside directors
Number of persons paid	7	6
Amount paid	76 million yen	65 million yen

Executive officers

(Unit: Millions of yen, rounded down)

Position	Number of persons	Basic remuneration based on Compensation Committee resolutions	Performance-based remuneration based on Compensation Committee resolutions	Remuneration through share compensation-type stock options	Total
Chairman and Representative Executive Officer Motoya Okada	1	40 million yen	0 million yen	0 million yen	40 million yen
President and Representative Executive Officer Akio Yoshida	1	40 million yen	0 million yen	0 million yen	40 million yen
Executive Vice President and Executive Officers (includes Representative Executive Officers)	2	65 million yen	19 million yen	13 million yen	98 million yen
Executive officers	4	104 million yen	25 million yen	19 million yen	149 million yen
Total	8	252 million yen	44 million yen	32 million yen	329 million yen

(Note) Remuneration through share compensation-type stock options for executive officers was resolved at the Compensation Committee meeting and the Board of Directors meeting held on April 9, 2021, based on performance during the 96th business year. In regard to the share compensation-type stock options, the subscription rights to shares will be allocated on June 21, 2021. The above amounts to be allocated are calculated based on the closing price of the Company's share on the Tokyo Stock Exchange on or around the last day of February 2021.

7) Details of Compensation Committee activities during the process of determining the amounts of remuneration, etc. for directors and executive officers

As the Company is a company with a nomination committee and other committees, it has set up a Compensation Committee, in which outside directors form a majority of committee members, and the Compensation Committee deliberates on and determines the remuneration. From the standpoint of ensuring objectivity and transparency, the Compensation Committee reports the remuneration determined for directors and executive officers to the Board of Directors.

The activities of the Compensation Committee for determining the amounts of remuneration for directors and executive officers during the fiscal year under review were as follows.

April 10, 2020	FY2020	Deliberation on and resolution of prescribed amounts of personal basic remuneration and performance-based remuneration for executive officers
May 22, 2020	FY2020	Deliberation on and resolution of basic remuneration for outside directors
	FY2020	Deliberation on and resolution of the number of share compensation-type stock options to allocate
February 10, 2021	FY2020	Payment standards of performance-based remuneration for executive officers
April 9, 2021	FY2020	Deliberation on and resolution of payment amount of performance-based remuneration for executive officers
	FY2020	Deliberation on and resolution of the issuance of share compensation-type stock options
		Revision of internal regulations regarding remuneration for directors and executive officers

(6) Independent Auditors

1) Name: Deloitte Touche Tohmatsu LLC

The financial statements of the Company's overseas consolidated subsidiaries are audited by other auditing firms.

2) Amount of compensation

i. Amount of compensation paid for services rendered as independent auditors during the fiscal year under review	119 million yen
ii. Total cash and other compensation paid by AEON and its subsidiaries to their independent auditors	2,187 million yen

(Note 1) Since the auditing services contract between the Company and the independent auditors does not make a clear distinction between the amounts of remuneration payable to the independent auditors with respect to auditing services rendered under the Companies Act and those amounts payable for auditing services rendered under the Financial Instruments and Exchange Act, the "Amount of compensation paid for services rendered as independent auditors during the fiscal year under review" equals the sum of the amounts for these two categories.

(Note 2) Payments by the Company and its subsidiaries to the independent auditors are for counsel, guidance and other relevant services provided in relation to Accounting Standard for Revenue Recognition, which are defined as services other than those provided under Article 2, paragraph 1 of the Certified Public Accountants Act.

(Note 3) Auditing firms other than the independent auditors of AEON provide auditing services to Aeon Credit Service (Asia) Co., Ltd. and four other major subsidiaries of the Company.

(Note 4) The Company's Audit Committee has confirmed the validity of the audit hours and the estimated amount of remuneration payable to the independent auditors through interviews conducted to independent auditors on the personnel structure, audit plans, audit situation, quality management of audit etc., and opinions received from related divisions on the independence and expertise of the auditing team as well as its work performance. After reviewing, the Audit Committee has agreed with the matters relating to the remuneration of independent auditors.

3) Policy regarding decisions to dismiss or not to reappoint independent auditors

The Company will make such decisions if it is deemed that actions by independent auditors violate or conflict with provisions of the Companies Act or other laws and regulations, or that a significant event has occurred resulting in a loss of trust in independent auditors.

(Translation for reference purposes only)

(7) Aeon Group Employees

Business segment	Number of employees (Note 1)	Number of hourly employees (Note 2)
GMS Business	33,438	94,850
SM Business	27,198	95,120
Health & Wellness Business	11,838	22,445
Financial Services Business	17,630	5,712
Shopping Center Development Business	4,066	1,795
Services & Specialty Store Business	28,161	25,830
International Business	29,871	5,459
Other Business	808	381
Pure Holding Company, etc.	2,568	1,397
Total	155,578	252,989

(Note 1) Figures refer to employees on the full-time payroll of Aeon Group companies (excluding any employees seconded to companies outside the Aeon Group, but including any external workers on temporary loan to Aeon Group companies).

(Note 2) Numbers of hourly employees represent the average number during the term (calculated on the basis of eight working hours/day).

(8) Principal Creditors

Creditors	Amount (Millions of yen)
Mizuho Bank, Ltd.	49,500
Sumitomo Mitsui Banking Corporation	31,500
Sumitomo Mitsui Trust Bank, Limited	27,500
MUFG Bank, Ltd.	26,900
The Norinchukin Bank	25,500
Development Bank of Japan Inc.	23,500
Resona Bank, Limited	15,000

(Translation for reference purposes only)

(9) Group Status

Major subsidiaries

Name	Capital	Voting rights (%)	Main businesses
<u>GMS Business</u>			
AEON Hokkaido Corporation	¥6,100 million	77.36	General merchandise store
AEON KYUSHU CO., LTD.	¥4,815 million	78.88	General merchandise store
Sunday Co., Ltd.	¥3,241 million	77.24	Home center
Aeon Retail Co., Ltd.	¥100 million	100.00	General merchandise store
<u>SM Business</u>			
United Super Markets Holdings Inc.	¥10,000 million	53.70	Management in supermarket
Maxvalu Tokai Co., Ltd.	¥2,267 million	69.53	Supermarket
Maxvalu Nishinohon Co., Ltd.	¥1,724 million	74.16	Supermarket
Ministop Co., Ltd.	¥7,491 million	53.83	Convenience store
<u>Health & Wellness Business</u>			
Welcia Holdings Co., Ltd.	¥7,736 million	50.60	Management in drug store
<u>Financial Services Business</u>			
Aeon Financial Service Co., Ltd.	¥45,698 million	49.86	Financial services
AEON CREDIT SERVICE (ASIA) CO., LTD.	HK\$269 million	67.13	Financial services
AEON CREDIT SERVICE (M) BERHAD	M\$541 million	63.32	Financial services
AEON THANA SINSAP (THAILAND) PLC.	THB250 million	63.12	Financial services
Aeon Bank Ltd.	¥51,250 million	100.00	Banking services
<u>Shopping Center Development Business</u>			
Aeon Mall Co., Ltd.	¥42,372 million	58.81	SC development
<u>Services & Specialty Store Businesses</u>			
Cox Co., Ltd.	¥4,503 million	71.58	Casual apparel specialty store
G Foot Co., Ltd.	¥3,756 million	66.90	Specialty shoe store
Aeon Delight Co., Ltd.	¥3,238 million	56.22	Facilities management services
Aeon Fantasy Co., Ltd.	¥1,798 million	68.48	Amusement services
<u>International Business</u>			
AEON CO. (M) BHD.	M\$702 million	51.68	General merchandise store
AEON Stores (Hong Kong) Co., Limited	HK\$115 million	60.59	General merchandise store

(Note 1) Voting rights percentages include indirect ownership.

(Note 2) No specified wholly owned subsidiary is present as of the fiscal year-end.

(Note 3) Reorganization of subsidiaries

- Effective March 1, 2020, AEON Hokkaido Corporation carried out an absorption-type merger with Maxvalu Hokkaido Co., Ltd.
- Effective September 1, 2020, AEON KYUSHU CO., LTD. carried out an absorption-type merger with Maxvalu Kyushu Co., Ltd. and Aeon Store Kyushu Co., Ltd.

(10) Policy Regarding Decisions on Dividends of Surplus

The Company sets dividends in consideration of its consolidated earnings results while striving to maintain an optimal balance between paying dividends and improving corporate value through medium- to long-term growth as a key management priority of its policy on returns to shareholders.

Specifically, the Company has set a target of maintaining its annual dividend payment at or above the previous year's payment and implementing a dividend payout ratio of 30% as it endeavors to increase earnings and return even more to shareholders in coming years.

The Company pays dividends twice a year for the purpose of enhancing the opportunities for profit distribution to shareholders. In accordance with the provisions of Article 459 of the Companies Act, the Board of Directors can resolve the year-end dividend payment from surplus to shareholders.

[Dividends of surplus for the fiscal year under review]

Pursuant to a resolution by the Board of Directors at its meeting on April 9, 2021, the year-end dividend payment from surplus for the fiscal year under review is an ordinary dividend of 18 yen per share. The total annual dividend for the fiscal year is 36 yen per share, including the interim dividend of 18 yen. The starting date for dividend payments (effective date) is Friday, April 30, 2021.

(Note 1) The amounts and numbers of shares shown in this Business Report have been rounded down to the appropriate units used in the document.

(Note 2) Figures shown for sales, etc. do not include consumption taxes.

(Translation for reference purposes only)

Consolidated balance sheet

(Unit: Millions of yen, rounded down)

As of February 28, 2021			
Assets		Liabilities	
Current assets	7,136,247	Current liabilities	6,878,471
Cash and deposits	1,287,564	Notes and accounts payable – trade	1,072,409
Call loans	30,841	Deposits for banking business	4,010,090
Notes and accounts receivable – trade	1,602,703	Short-term loans payable	360,481
Securities	620,096	Current portion of long-term loans payable	281,435
Inventories	542,894	Current portion of bonds	68,882
Operating loan	415,531	Commercial papers	91,269
Loans and bills discounted for banking business	2,317,689	Lease obligations	56,238
Other	453,335	Income taxes payable	53,954
Allowance for doubtful accounts	(134,409)	Provision for bonuses	35,055
		Provision for loss on store closing	10,143
		Provision for point card certificates	25,143
Non-current assets	4,345,020	Notes payable – facilities	44,116
Property, plant and equipment	3,062,916	Other	769,250
Buildings and structures, net	1,508,861	Non-current liabilities	2,847,019
Tools, furniture and fixtures, net	207,096	Bonds payable	907,156
Land	945,371	Long-term loans payable	1,043,122
Leased assets, net	96,979	Lease obligations	316,705
Construction in progress	46,307	Deferred tax liabilities	40,137
Other, net	258,299	Provision for directors' retirement benefits	449
		Provision for loss on store closing	2,622
Intangible assets	304,762	Provision for contingent loss	58
Goodwill	121,659	Provision for loss on interest repayment	5,706
Software	122,593	Provision for loss on future collection of gift certificates	5,738
Leased assets, net	26,345	Net defined benefit liability	21,852
Other	34,163	Asset retirement obligations	104,029
Investments and other assets	977,341	Long-term guarantee deposited	254,763
Investment securities	269,706	Reserve for insurance policy liabilities	86,639
Net defined benefit asset	18,087	Other	58,036
Deferred tax assets	147,034	Liabilities	9,725,491
Guarantee deposits	409,843	Net assets	
Deposits for stores in progress	1,049	Shareholders' equity	923,971
Other	139,672	Capital stock	220,007
Allowance for doubtful accounts	(8,051)	Capital surplus	300,964
		Retained earnings	439,600
		Treasury shares	(36,601)
		Accumulated other comprehensive income	46,349
		Valuation difference on available-for-sale securities	62,813
		Deferred gains or losses on hedges	(3,122)
		Foreign currency translation adjustment	(8,752)
		Remeasurements of defined benefit plans	(4,589)
		Subscription rights to shares	1,550
		Non-controlling interests	783,904
		Net assets	1,755,776
Assets	11,481,268	Liabilities and net assets	11,481,268

(Translation for reference purposes only)

Consolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 28, 2021

Net sales	7,576,142
Operating revenue from financial services business	438,870
Other operating revenue	588,897
Operating revenue	8,603,910
Cost of sales	5,505,835
Operating cost from financial services business	86,056
Operating cost	5,591,891
Gross profit (loss)	2,070,306
Operating gross profit (loss)	3,012,018
Selling, general and administrative expenses	2,861,432
Operating profit (loss)	150,586
Non-operating income	
Interest income	3,579
Dividend income	2,254
Share of profit of entities accounted for using equity method	3,977
Income from unredeemed gift vouchers	4,279
Penalty income from leaving tenants	3,719
Reversal of allowance for doubtful accounts	467
Other	12,210
	30,487
Non-operating expenses	
Interest expenses	32,302
Other	9,968
	42,271
Ordinary profit (loss)	138,801
Extraordinary income	
Gain on sales of non-current assets	7,311
Gain on revision of retirement benefit plan	7,853
Subsidy income	6,530
Other	5,541
	27,236
Extraordinary losses	
Loss on sales of non-current assets	397
Impairment loss	57,821
Provision for loss on store closing	5,172
Loss on retirement of non-current assets	3,236
Infectious disease related cost	33,964
Other	12,226
	112,819
Profit (loss) before income taxes	53,219
Income taxes	
Current	82,144
Deferred	8,847
	90,992
Profit (loss)	(37,772)
Profit (loss) attributable to non-controlling interests	33,252
Profit (loss) attributable to owners of parent	(71,024)

(Translation for reference purposes only)

Nonconsolidated balance sheet

(Unit: Millions of yen, rounded down)

As of February 28, 2021			
Assets		Liabilities	
Current assets	339,744	Current liabilities	167,959
Cash and deposits	14,564	Current portion of long-term loans payable	84,500
Short-term loans receivable to subsidiaries	302,594	Current portion of bonds	10,000
Accrued income	12,427	Accounts payable – other	6,519
Accounts receivable – other	7,107	Accrued expenses	3,337
Other	3,051	Income taxes payable	1,330
		Accrued consumption taxes	682
Non-current assets	1,176,636	Deposits received	60,591
Property, plant and equipment	14,059	Provision for bonuses	328
Buildings, net	9,686	Other	670
Structures, net	73	Non-current liabilities	679,089
Tools, furniture and fixtures, net	315	Bonds payable	276,500
Land	3,984	Long-term loans payable	308,850
		Allowance for investment loss, etc.	90,832
Intangible assets	954	Deferred tax liabilities	1,368
Rights of trademark	625	Other	1,537
Other	328	Liabilities	847,048
		Net assets	
Investments and other assets	1,161,622	Shareholders' equity	611,411
Investment securities	146,575	Capital stock	220,007
Stock of subsidiaries and affiliates	946,168	Capital surplus	325,233
Investments in capital of subsidiaries and affiliates	101,690	Legal capital surplus	316,894
Other	6,665	Other capital surplus	8,338
Allowance for doubtful accounts	(80)	Retained earnings	102,706
Allowance for investment loss, etc.	(39,397)	Legal retained earnings	11,770
		Other retained earnings	90,936
		Reserve for advanced depreciation of fixed assets	4,093
		General reserve	80,500
		Retained earnings brought forward	6,342
		Treasury shares	(36,536)
		Valuation and translation adjustments	57,540
		Valuation difference on available-for-sale securities	58,469
		Deferred gains or losses on hedges	(929)
		Subscription rights to shares	381
		Net assets	669,333
Assets	1,516,381	Liabilities and net assets	1,516,381

(Translation for reference purposes only)

Nonconsolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 28, 2021

Operating revenue

Dividends from subsidiaries and affiliates	28,995
Commissions from subsidiaries and affiliates	20,702
Other	1,009
	50,707

Operating gross profit (loss) **50,707**

Selling, general and administrative expenses **17,628**

Operating profit (loss) **33,079**

Non-operating income

Interest and dividend income	8,069
Other	398
	8,467

Non-operating expenses

Interest expenses	7,836
Provision of allowance for investment loss, etc.	19,964
Other	2,649
	30,450

Ordinary profit (loss) **11,096**

Extraordinary income

Gain on sales of stock of subsidiaries and affiliates	2,515
Other	6
	2,521

Extraordinary losses

Loss on valuation of investment securities	3,767
Infectious disease related cost	3,285
Provision of allowance for investment loss, etc.	775
Other	12
	7,839

Profit (loss) before income taxes **5,778**

Income taxes

Current	4,953
Deferred	(6,276)
	(1,322)

Profit (loss) **7,101**

(Translation for reference purposes only)

Reference

Composition of Committee Members and Executive Officers Following Conclusion of General Meeting of Shareholders (Planned)

Committee Members (planned effective date May 26, 2021)

Committee	Name	Members with * mark are the Chairman of the Committee.
Audit Committee	* Kotaro Ohno, Takashi Tsukamoto, Carrie Yu	
Nomination Committee	* Kotaro Ohno, Peter Child, Motoya Okada	
Compensation Committee	* Takashi Tsukamoto, Peter Child, Motoya Okada	

Executive Officers (planned effective date May 26, 2021)

Position	Name	Area of responsibility
Chairman and Representative Executive Officer	Motoya Okada	
President and Representative Executive Officer	Akio Yoshida	
Executive Vice President and Representative Executive Officer	Akinori Yamashita	CFO, Business Management
Executive Vice President and Representative Executive Officer	Motohiro Fujita	SM
Executive Vice President and Executive Officer	Yuki Habu	Digital
Executive Officer	Soichi Okazaki	ASEAN
Executive Officer	Hiroyuki Watanabe	Human Resources, Administration & Risk Management
Executive Officer	Manabu Oike	DS
Executive Officer	Yasuo Nishitohge	Merchandising

**The above are the plans in the event the agenda for the election of members of the Board of Directors is approved in full. Motoya Okada, Akio Yoshida and Akinori Yamashita are expected to hold concurrent positions as directors.*

**The report on the results of the agenda for this General Meeting of Shareholders will be posted on the Company's website together with the results of the exercising of voting rights*

The Company's website: <https://www.aeon.info/ir>

Excerpts of Internet Disclosure Items

● Items Related to the Company's Subscription Rights to Shares

- 1) Subscription rights to shares delivered as consideration for execution of duties, and held by the Company's executive officers as of the final day of the business year under review

Issues of stock options (Issuance resolution date)	Exercise period	Number of subscription rights to shares	Number of shares subject to the rights	Number of persons holding the rights	Issuing price	Amount of capital contributed upon exercise
No. 11 subscription rights to shares (June 21, 2013)	July 21, 2013 to July 20, 2028	30	3,000 shares	1	1,097 yen per share	1 yen per share
No. 13 subscription rights to shares (June 21, 2015)	July 21, 2015 to July 20, 2030	48	4,800 shares	2	1,423 yen per share	1 yen per share
No. 15 subscription rights to shares (June 21, 2017)	July 21, 2017 to July 20, 2032	117	11,700 shares	4	1,515 yen per share	1 yen per share
No. 16 subscription rights to shares (June 21, 2018)	July 21, 2018 to July 20, 2033	297	29,700 shares	6	2,176 yen per share	1 yen per share
No. 17 subscription rights to shares (June 21, 2019)	July 21, 2019 to July 20, 2034	154	15,400 shares	7	1,618 yen per share	1 yen per share
No. 18 subscription rights to shares (June 21, 2020)	July 21, 2020 to July 20, 2035	169	16,900 shares	7	2,224 yen per share	1 yen per share

There are no subscription rights to shares issued to directors (including outside directors) as compensation for the execution of their duties.

Conditions for exercising subscription rights to shares (same for all issues)

- The person receiving subscription rights to shares must be an executive officer of the Company (or an executive officer of a Group company whose position is deemed the equivalent of such by the Compensation Committee of AEON) at the time that the rights are exercised. However, even if a person retires from his/her position as executive officer of the Company, etc., he or she may exercise those rights within a period of five years from the date of his/her retirement.
- When exercising subscription rights to shares, the executive officer must exercise the entire number of the rights in his/her possession and may not exercise them in installments.

(Translation for reference purposes only)

- 2) New deliveries of subscription rights to shares in the business year under review as consideration for execution of duties to employees of the Company and officers and employees of Group subsidiaries and affiliates

- a. Employees of the Company (delivered as consideration for execution of duties during the terms of office as Company officers)

Issues of stock options (Issuance resolution date)	Exercise period	Number of subscription rights to shares	Number of shares subject to the rights	Number of persons to whom the rights have been delivered	Issuing price	Amount of capital contributed upon exercise
No. 18 subscription rights to shares (June 21, 2020)	July 21, 2020 to July 20, 2035	22	2,200 shares	3	2,224 yen per share	1 yen per share

Conditions for exercising subscription rights to shares are same as item 1) above.

- b. Officers and employees of Group subsidiaries and affiliates

Issues of stock options (Issuance resolution date)	Exercise period	Number of subscription rights to shares	Number of shares subject to the rights	Number of persons to whom the rights have been delivered	Issuing price	Amount of capital contributed upon exercise
No. 18 subscription rights to shares (June 21, 2020)	July 21, 2020 to July 20, 2035	64	6,400 shares	18	2,224 yen per share	1 yen per share

Conditions for exercising subscription rights to shares are same as item 1) above.

● Company Structure and Policies

(1) Basic Concept of AEON's Corporate Governance

AEON places its Basic Principles of “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core” to all of its policies in corporate activities, and has pursued its business based on such policies.

Our ideal corporate governance based in these values is set forth under the Basic Policy on Corporate Governance with the following five basic stances as its core.

i. Value creation through customer orientation and frontline focus

At AEON, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, our point of contact with customers, and by always thinking with customers as the starting point.

ii. Respect for people, our most important management resource

By respecting employees, placing importance on diversity, and actively providing education opportunities in keeping with the conviction that people are the most important management resource, AEON aspires to be a company made up of employees who strive for self-growth, are linked by strong bonds, and find their greatest pleasure in contributing to customers.

iii. A posture of developing together with local communities

As a member of local communities and a caring corporate citizen, AEON seeks to develop together with our fellow community members, namely our customers, employees, shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.

iv. Sustained growth based on a long-term perspective and ceaseless innovation

To continue to meet the expectations of customers and local communities, AEON strives for sustained growth accompanied by value creation from a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.

v. Pursuit of transparent, disciplined management

AEON strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.

(2) Matters Necessary for the Performance of Duties by the Audit Committee, Systems to Ensure That the Execution of Duties by Executive Officers Complies with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary to Ensure Proper Conduct of the Company's Operations

[Summary of Resolutions by the Board of Directors]

1) Matters related to auditing

The approval of the Audit Committee is required for any personnel changes within the Internal Audit Division, which assists the Audit Committee in its work.

Regular reports are provided to the Audit Committee on the status of internal auditing/control activities covering the Group as a whole and on messages that have been received through the Company's internal notification system, which is accessible by all the Group's employees.

In addition to participating in important meetings, the members of the Internal Audit Division receive reports from executive officers and others on their execution of duties, and pass this information on to the Audit Committee.

2) Preservation and management of information

The minutes of all meetings are prepared by the Secretariat Division, which also stores the minutes; documentation of the decisions reached at the meetings is also stored and managed by the individuals drafting the resolutions.

3) Risk management

AEON has established a post of Administration & Risk Management, which convenes the Risk Management Committee, as well as AEON's risk management system under the Aeon Management Committee (the Group's top-level management body), while the Internal Audit Division monitors its operating status.

AEON is committed to opposing antisocial forces in every aspect of its business. Any related matters are handled at the organizational level, and the Group's readiness in this area is maintained by providing internal regulations and by keeping close relations with investigative and other institutions.

The Company and all its Group member companies are committed to the ongoing construction and development of internal controls related to financial reporting (as required by Japan's Financial Instruments and Exchange Act).

4) System for efficient execution of duties

Job descriptions and the authority allotted to each position within the Company are determined by regulations which spell out responsibilities and authority. In addition to promoting the organized and efficient operation of the Company's business, this structure also functions as a checking mechanism by stipulating which departments may be consulted.

5) Compliance system

The Company has formulated a compliance system in accordance with the latest revisions of laws and regulations that entails the adoption and strict enforcement of the Aeon Code of Conduct, which all of the Group's employees are expected to follow, and periodic training sessions for employees.

6) Management of Group companies

While conducting deliberations on management plans for the Group member companies at meeting bodies that are organized according to business-specific or function-specific purposes, etc., the Company operates as a Group head office aimed at promoting integrated management by having its divisions provide guidance on business operations to the individual Group member companies while allowing each company to retain their operational independence and autonomy.

[Management Status]

The Company strives to ensure transparency and fairness and practice sustainable and stable management through pursuing management based on its Basic Principles that incorporates a group-wide perspective. Moreover, the Company has chosen a company with a nomination committee and other committees system as the optimal corporate governance system to implement those objectives. By clearly separating the supervisory function from the executional function of management, and implementing supervising, monitoring and auditing by the Board of Directors and related organs, the Company is improving the effectiveness of the internal control, compliance and risk management systems.

By making all the Audit Committee members independent outside directors, the Company is ensuring a maximum level of independence of the Audit Committee and carrying out audits with a high degree of transparency. Furthermore, the Group Management Audit Office has

been set up independent from the business execution department. The Office ensures the effectiveness of the audit by assisting the duties of the Audit Committee, as well as conducting internal audits by cooperating with the full-time corporate auditors of the Group companies, the Internal Audit Division and independent auditors.

In the compliance structure, AEON has established the Aeon Code of Conduct which summarizes the basic concept and decision-making standards of every day behavior to be shared by the employees. The Code is disseminated among Group's all employees. Furthermore, training for the purpose of enhancing awareness toward compliance is held on a regular basis. Furthermore, the Aeon Code of Conduct Hotline has been in operation since FY2004 as an internal notification system, which provides direct contacts with the Company and external contacts, for the prevention and early discovery of violations against laws and regulations and code of ethics, and we have been working to promote the Code of Conduct and resolve issues throughout the Group. In January 2020, as part of the improvement and expansion of the Group's internal notification system, AEON has established the Aeon Code of Conduct Lawyer's Office Hotline (a dedicated hotline for misconduct involving officers) in Japan, and opened a dedicated hotline for misconduct involving officers overseas (China and ASEAN countries) in March 2021.

In the information storage management structure, AEON makes an effort in information management and the prevention of leakage of confidential information by establishing various in-house regulations such as "Regulation on internal information management and insider trading control" for the purpose of appropriate storage and management of information along with the prevention of leakage of the aforesaid.

In the risk management structure, a post of Administration & Risk Management has been created, and meetings of the Risk Management Committee are held with the post of Administration & Risk Management as the committee chair. The Risk Management Committee extracts high-priority risks through risk assessment and other ways, and then implements progress management of the measures for the risks and effects of the measures. Furthermore, risk management status and measures are reported and proposed to the Aeon Management Committee.

In FY2020, AEON placed most of the emphasis on strengthening governance at subsidiaries by implementing an initiative based on three points: (1) strengthening the effectiveness of the boards of directors at subsidiaries, (2) strengthening the compliance systems, and (3) building governance mechanisms.

In response to COVID-19, we issued the “AEON COVID-19 Protocol for Infectious Disease Control” in June 2020 and we have been working with customers in 14 countries where we operate on infectious disease control. Furthermore, we will predict, anticipate, and preclude risks with the potential for grave impact by assembling interdivisional task forces.

In the exclusion of antisocial forces, the Company responds as an organization through the development of internal regulations and close cooperation with investigative agencies, etc., including in transactions.

In regard to the construction and development of internal controls related to financial reporting, the Company and all its Group member companies are committed to efforts including clearly describing policies related to the management’s preparation of reliable financial reports, and developing a system for transmitting policies and instructions to consolidated subsidiaries involved in preparing financial reports. As for the management status, it is reviewed by the Group Management Audit Office.

In the management of the Group member companies, policies and budgets for each business that AEON manages are discussed by meeting bodies that are organized according to business-specific or function-specific purposes, etc., and the direction of management is set forth. Particularly important deals are discussed by the Aeon Management Committee where decisions as the holding company are made, and management of policies and numerical progress is conducted. Furthermore, meetings relating to business practice and exchange of information are held by the auditors of major Group member companies in Japan on a regular basis. Group-wide meetings are held to enhance the promotion of policies and sharing of information to realize the management based on the Basic Principles.

● Basic Policy Regarding Control of Company

1) Outline of contents of basic policy and actions for its realization

AEON is an organization that aims always to put the customer first and has developed its business in the retail and other industries to contribute to more affluent customer lifestyles. AEON adheres to the unchanging ideals of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core. Within this framework, AEON endeavors to effect measures which lead to customer satisfaction and to a continual enhancement of corporate value. These ideals form the essential core of the corporate value. Also, there are other elements contributing to the formation of AEON's corporate value, beyond continual and long-term growth and cooperating and collaborating with partners and allies. These include various other values, such as ensuring employment, enhancing lifestyles, and conserving the environment and contributing to society.

To execute good business practices and meet the Company's social responsibilities, it is required that these ideals be realized over the long-term. We believe that those who control decisions on the Company's financial and operating policies must be persons capable of sustaining and developing the corporate value as described above.

2) Measures to prevent control detrimental to shareholders' interests

Whilst the Company's shares are listed on financial instrument exchanges (stock exchanges) and can be freely bought and sold, groups intent on pursuing short-term profits may sometimes propose an unfair acquisition that ultimately endangers the interests of shareholders. The Company believes the right to make decisions on whether to accept or reject proposals to acquire the Company rests with its shareholders. Accordingly, when such proposals arise, it believes that the shareholders must be given adequate and accurate information, as well as sufficient time, to make their decisions. Toward this end—and as a means of demanding that prescribed procedures are taken for the provision of sufficient documents and countering proposed acquisitions that it believes would clearly harm the interests of shareholders in general—the Company submitted a proposal for the “Continuance of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)” among the matters to be resolved at its 93rd Ordinary General Meeting of Shareholders held on May 23, 2018. Shareholder approval for this proposal was received.

This is an “advance notice-type” takeover protection policy, under which the Company requires that any person(s) seeking to purchase 20% or more of the voting rights in the Company respect certain rules of acquisition, including the need to provide the Company

with adequate information. Under these rules, prospective purchasers are required to provide the following, among other information: a general description of the person(s) making the acquisition; the basis for their calculations of the purchase price; the methods of acquisition; the source of funds for the acquisition; and the management policy to be adopted following the acquisition.

When such a prospective purchaser appears on the scene, the Company's Board of Directors shall, in addition to disclosing this fact, immediately establish an independent committee composed of one or more outside experts and its outside directors. Based on the information it has received (when additional information is requested, the deadline for the final reply shall be 60 days from the date on which the declaration of intent is received), the Company shall seek the opinions of said committee and, while giving the utmost weight to its opinions, shall announce the results of its evaluation of the proposed purchase within a prescribed evaluation period (within 60 or 90 days). To further enhance the objectivity of their judgments, the Board of Directors and the independent committee may seek the opinions of other experts on a timely basis. On the other hand, if the purchaser fails to abide by the above-mentioned rules, or if it becomes evident that the shareholders' interests will be harmed because reasons exist to suspect that the purchaser's aim is to demand that the Company buy back the shares at an inflated price, or that its aim is to sell the shares at a profit, the Company's Board of Directors may, without waiting for the passage of the prescribed evaluation period, adopt countermeasures which include the issuance of new stock, the issuance of subscription rights to shares, etc. In addition, when it issues subscription rights to shares with differentiated exercise conditions that restrict the exercise of rights by the prospective purchaser, the Company shall issue such rights with a call option feature to avoid burdening shareholders with onerous procedures. Moreover, as a general rule, decisions on the content and the adoption of countermeasures shall be made by the Board of Directors which, in making such decisions and implementing such measures, shall abide by its duty to employ due care. In exceptional instances, however, the Board of Directors may determine that, in light of the content and effect of such measures, it is necessary to submit the matter to shareholders for their approval, in which case it will seek the approval of shareholders at the Company's General Meeting of Shareholders.

At each stage in this process, the Company shall provide shareholders with sufficient information in a timely manner to enable them to make their decisions.

These takeover defense measures are valid only until the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held on May 26, 2021.

- 3) Determinations by the Board of Directors regarding the consistency of actions noted in item 2) above with the Company's basic policies, etc.

The materials that the Company requires a potential purchaser to provide consist not only of basic information about the purchaser but also information on parties behind the financing, on financing schemes, on items related to the legality of the stock acquisition methods, and on management plans following completion of the acquisition, etc.

Disclosing this information will not only concretely demonstrate the attitudes of the purchaser toward AEON's management ideals (the above-mentioned "basic policy") but also, and most importantly, add to the information available to the shareholders in making their decisions.

The Board of Directors therefore believes that the aforementioned policy vis-à-vis prospective large-scale acquisitions is aligned with the Company's basic policy and with the interests of shareholders, and believes that this policy has not been adopted to maintain the status of the Company's directors.

(Translation for reference purposes only)

Consolidated statement of changes in equity

(Unit: Millions of yen, rounded down)

Year ended February 28, 2021	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance as of March 1, 2020	220,007	307,089	541,180	(42,455)	1,025,822
Changes of items during period					
Dividends of surplus			(30,555)		(30,555)
Profit (loss) attributable to owners of parent			(71,024)		(71,024)
Purchase of treasury shares				(140)	(140)
Disposal of treasury shares		2,107		5,995	8,102
Change in ownership interest of parent due to transactions with non-controlling interests		(8,231)			(8,231)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(6,124)	(101,580)	5,854	(101,850)
Balance as of February 28, 2021	220,007	300,964	439,600	(36,601)	923,971

Year ended February 28, 2021	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance as of March 1, 2020	55,054	(4,149)	(2,064)	(10,147)	38,693	1,706	783,056	1,849,278
Changes of items during period								
Dividends of surplus								(30,555)
Profit (loss) attributable to owners of parent								(71,024)
Purchase of treasury shares								(140)
Disposal of treasury shares								8,102
Change in ownership interest of parent due to transactions with non-controlling interests								(8,231)
Net changes of items other than shareholders' equity	7,758	1,027	(6,687)	5,557	7,656	(155)	847	8,348
Total changes of items during period	7,758	1,027	(6,687)	5,557	7,656	(155)	847	(93,501)
Balance as of February 28, 2021	62,813	(3,122)	(8,752)	(4,589)	46,349	1,550	783,904	1,755,776

(Translation for reference purposes only)

Nonconsolidated statement of changes in equity

(Unit: Millions of yen, rounded down)

Year ended February 28, 2021	Shareholders' equity							
	Capital surplus				Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward
Balance as of March 1, 2020	220,007	316,894	6,231	323,126	11,770	4,224	95,500	14,665
Changes of items during period								
Reversal of reserve for advanced depreciation of fixed assets						(130)		130
Reversal of general reserve							(15,000)	15,000
Dividends of surplus								(30,555)
Profit (loss)								7,101
Purchase of treasury shares								
Disposal of treasury shares			2,107	2,107				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	2,107	2,107	—	(130)	(15,000)	(8,322)
Balance as of February 28, 2021	220,007	316,894	8,338	325,233	11,770	4,093	80,500	6,342

Year ended February 28, 2021	Shareholders' equity			Valuation and translation adjustments				
	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance as of March 1, 2020	126,159	(42,391)	626,903	51,741	(1,456)	50,284	356	677,544
Changes of items during period								
Reversal of reserve for advanced depreciation of fixed assets	—		—					—
Reversal of general reserve	—		—					—
Dividends of surplus	(30,555)		(30,555)					(30,555)
Profit (loss)	7,101		7,101					7,101
Purchase of treasury shares		(140)	(140)					(140)
Disposal of treasury shares		5,995	8,102					8,102
Net changes of items other than shareholders' equity				6,728	527	7,255	24	7,280
Total changes of items during period	(23,453)	5,854	(15,491)	6,728	527	7,255	24	(8,211)
Balance as of February 28, 2021	102,706	(36,536)	611,411	58,469	(929)	57,540	381	669,333