

The status of corporate governance at Aeon Co., Ltd. (the "Company") is as follows.

## **I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information**

### **1. Basic Views**

Ever since its founding, Aeon has remained customer-focused and has adhered to the conviction that unstinting contribution to customers and local communities and realization of employee happiness are the eternal mission of the retail industry.

In keeping with these values, Aeon has set forth the Basic Principles of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core" and uses them as a guideline for all corporate activities.

As expressed in the Basic Principles, Aeon believes that the retail industry is a "peace industry," a "people industry," and a "community industry", whose core is the customer, and the entire Group strives to put this into practice.

The term "peace industry" expresses our belief that the retail industry must continually pursue peace because its very existence depends on peace and that the prosperity of the retail industry is a symbol of peace.

The term "people industry" indicates that retailing is an industry that respects people, believes in the potential of people, and places importance on human ties and bonds and, above all, is an industry whose most important asset is people, namely, employees.

By "community industry," we mean that the retailing industry must play an essential role in local communities by taking into account local culture, history, and environments, becoming a part of people's daily lives, and contributing to the development of communities and maintenance of healthy natural ecosystems.

On the basis of these unwavering principles, we aspire to be a "corporate group with an ever-lasting innovative spirit." To realize this, we have emphasized and fostered a corporate culture of flexibly adapting to change and continuously taking on 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, all of the group's businesses, including retailers, developers, financial services companies, and service providers are working in unison to put these Basic Principles into practice through ceaseless innovation.

The pace and degree of changes to the business environment will continue to increase. Aeon believes that in such an environment a spirit of growing and developing together with all stakeholders, taking customers as the starting point, will become all the more important.

Customers find greater value in the realization of a sense of well-being than in satisfaction of physical needs: Examples of this are the desire to live in physical and mental health and the desire to engage in work rooted in local communities and to live comfortably in those communities. Companies must now respond to such new customer values. At the same time, local communities are grappling with various issues, such as energy and environmental problems and economic disparity, and the role companies play in solving these problems facing local communities is becoming increasingly important.

To respond to new customer and community expectations towards companies and the increased importance of responsibilities that companies are expected to fulfill, companies must not only pursue profits, but also contribute more than ever to the realization of prosperity and a sense of well-being for communities as a whole from a long-term, sustained perspective as caring corporate citizens.

On the basis of this recognition, we have set forth our basic views on values, management stance, and governance that ought to be emphasized in Aeon's corporate governance in the following Basic Stance on Corporate Governance and have established and published the Basic Policy on Corporate Governance, with the Basic Stance at its core, in order to continue into the future to practice management grounded in a long-term perspective built on the Basic Principles and Aeon's DNA of innovation.

#### **Basic Stance on Corporate Governance**

##### **1. Value Creation through Customer Orientation and Frontline Focus**

At Aeon, we consider helping customers to gain a sense of well-being to be 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.

##### **2. 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 our 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 helping customers.

##### **3. Stance 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.

##### **4. 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.

##### **5. 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.

For details, please refer to the Aeon corporate website.

Aeon Basic Principles and Aeon's Corporate Commitment

<https://www.aeon.info/en/aboutaeon/rinen.html>

Aeon Code of Conduct Commitment

[https://www.aeon.info/sp/en/aboutaeon/aeon\\_code\\_of\\_conduct/001.html](https://www.aeon.info/sp/en/aboutaeon/aeon_code_of_conduct/001.html)

Basic Policy on Corporate Governance

<https://www.aeon.info/en/ir/policy/governance/>

## [Reasons for not Implementing Principles of the Corporate Governance Code]

The Company implements all principles of the Corporate Governance Code.

## [Disclosure in Accordance with Principles of the Corporate Governance Code] Updated

[Principle 1.4: Cross-shareholdings (strategic shareholdings)]

The Company aims to develop together with fellow stakeholders in local communities and achieve sustained growth accompanied by value creation from a long-term perspective. In view of this objective, the Company may hold shares of those companies deemed to contribute to enhancement of the Company's corporate value over the medium to long term by way of establishing, maintaining, and strengthening business partnerships, relations, and alliances. Each year the Board of Directors examines the purpose and economic rationality of strategic shareholdings from the perspective of medium- to long-term corporate value enhancement and divests any shareholdings considered to have low significance, taking into consideration the impact on the market and other factors. In FY2019, the Company divested shares in two companies as a result of examination of the significance of holding the shares. The Company makes decisions regarding voting rights of strategic shareholdings from the perspective of whether the content of proposals, the circumstances of transactions or collaborative ventures, and other matters contribute to the enhancement of the corporate value of the Company and the issuing company over the medium to long term and appropriately exercises voting rights while engaging in dialogue with issuing companies as necessary.

[Principle 1.7: Related party transactions]

In the interest of pursuing transparent, disciplined management, the Company ensures that Directors and Executive Officers, from the time they take office, report to the Board of Directors in advance if they engage in any competing transactions or conflicting interest transactions. The Board of Directors deliberates and makes resolutions on matters related to such transactions referred to it. The Company periodically confirms and reports to the Board of Directors the status of related party transactions and discloses significant related party transactions in the Annual Securities Report and elsewhere in accordance with the provisions of laws and regulations.

[Principle 2.6: Roles of corporate pension funds as asset owners]

• The Company operates a corporate pension fund in order to secure over the long term the total returns considered necessary, within an acceptable range of risk, for the purpose of reliably paying pension benefits and making lump-sum payments to beneficiaries into the future. In light of the pension fund's financial status, the Company determines and periodically reviews the policy asset mix after listening to the opinions of outside experts. The Company has established the Asset Management Committee for the fund, which selects investment products and monitors fund performance quarterly, and decisions are made by the Board of Representatives so as to maximize the interests of beneficiaries and appropriately manage conflicts of interest. Also, the Asset Management Committee includes the Chief Financial Officer and external experts.

[Principle 3.1: Full disclosure]

(i) Company objectives (e.g., business principles), business strategies and business plans

The Company has published on the Aeon corporate website the Aeon Basic Principles, which are guidelines for all corporate activities, Aeon's Corporate Commitment, which articulates the direction Aeon should take, the Aeon Code of Conduct Commitment, which indicates actions to be taken by Aeon people, and the abovementioned basic views on corporate governance.

Also, the Company has instituted and published Aeon Group Toward 2020, the medium-term management policy leading up to 2020, documents in which the Company has explained its business strategy and management plan. For details, please refer to the Aeon corporate website.

Aeon Basic Principles and Aeon's Corporate Commitment

<https://www.aeon.info/en/aboutaeon/rinen.html>

Aeon Code of Conduct Commitment

[https://www.aeon.info/en/aboutaeon/aeon\\_code\\_of\\_conduct/](https://www.aeon.info/en/aboutaeon/aeon_code_of_conduct/)

Basic Policy on Corporate Governance

<https://www.aeon.info/en/ir/policy/governance/>

Aeon Group Toward 2020

<https://www.aeon.info/en/ir/policy/strategy/>

(ii) Basic views and guidelines on corporate governance

The Board of Directors has established the Company's Basic Policy on Corporate Governance. Please refer to the Aeon corporate website.

Basic Policy on Corporate Governance

<https://www.aeon.info/en/ir/policy/governance/>

(iii) Board policies and procedures in determining the remuneration of the senior management and Directors

In the interest of pursuing transparent, disciplined management, the Company's Compensation Committee, comprising a majority of Outside Directors, has the authority to determine the details of remuneration of Directors and Executive Officers. Please refer to "Policy on Determining Remuneration Amounts and Calculation Methods" detailed below in this report for the policy on determining compensation amounts.

(iv) Policies and procedures when the Board of Directors appoints and removes senior management and nominates Director candidates

• The maximum number of Directors stipulated in the Articles of Incorporation is twelve (12). In the interest of efficient, stable operation of the Board of Directors, in principle, the composition of the Board of Directors is based on the following criteria. Furthermore, the Company's Director candidate appointment procedure is determined by the Nomination Committee, chaired by an Outside Director and comprising a majority of Outside Directors, and therefore deemed to be highly transparent and equitable.

(1) In view of the management oversight function of the Board of Directors, the Board of Directors shall be composed of a majority of Outside Directors.

(2) To ensure that the Outside Directors fully perform their oversight function, they shall be persons with superior insight and extensive experience in a field such as global management, risk management, legal compliance, financial accounting, finance, information

technology, or the environment.

(3) The Inside Directors shall be Executive Officers of the Company or chairmen or presidents of its subsidiaries capable of taking responsibility for formulation of the basic policies and strategies of the Company and the group and their business execution and of discharging accountability to the Board of Directors; provided, however, that this shall not apply at the time of appointment of Inside Directors who do not concurrently serve as Executive Officers.

(4) The criteria for submission of proposals for dismissal of Inside Directors and Outside Directors to a General Meeting of Shareholders shall be a violation or possible violation of a law, regulation, or the Articles of Incorporation or the occurrence of an event deemed to make appropriate execution of duties difficult, and decisions shall be made by the Nomination Committee.

• The maximum number of Executive Officers stipulated in the Articles of Incorporation is twenty-five (25). Representative Executive Officers submit proposals for the appointment and dismissal of Executive Officers, and Executive Officers are appointed and dismissed by resolution of the Board of Directors. The requirement for appointment of Executive Officers shall be their ability to vigorously press ahead with business execution for the purpose of the Company's sustained growth and enhancement of the Company's corporate value over the medium to long term, and the reasons for dismissal shall be the same as for Directors.

(v) Explanation at the time of appointment and dismissal of senior management and the appointment, dismissal, and nomination of Director candidates

Reasons for appointment and dismissal are disclosed in shareholder meeting reference materials and elsewhere.

[Supplementary Principle 4.1.1: Roles and responsibilities of the Board of Directors]

The Company has selected a "company with a nomination committee and other committees system" as the optimal corporate governance system to practice management based on the Basic Principles for the entire Group, and management that is transparent, sustainable, and stable, and ceaseless innovation with customers as the core. To segregate management oversight and business execution and realize expeditious management decision-making through delegation of significant authority to Executive Officers, the Board of Directors delegates authority to Representative Executive Officers except for matters that must be resolved by the Board of Directors by law, or in accordance with regulations or the Articles of Incorporation.

[Principle 4.9: Independence criteria and qualifications for independent Outside Directors]

Please refer to "Other Matters Relating to Independent Officers" detailed below in this report for independence criteria for Outside Directors.

[Supplementary Principle 4-11-1. Views on the overall balance, diversity, and scale of the Board of Directors]

In the interest of pursuing transparent, disciplined management, the Company has stipulated these matters as stated in "Principle 3.1: Full disclosure (iv) Policies and procedures when the Board of Directors appoints and removes senior management and nominates Director candidates."

[Supplementary Principle 4-11-2. Concurrent service by Directors]

The status of concurrent service by Directors is disclosed in the Business Report attached to the Notice of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-11-3. Summary of analysis and evaluation of the effectiveness of the Board of Directors]

▼ Evaluation method

Analysis and evaluation of the effectiveness of the Board of Directors in FY2019 was conducted using the following methods.

- Exchange of views concerning effectiveness of the Board of Directors at Outside Directors meetings
- Individual Director interviews conducted by the Chairman of the Board of Directors
- Written questionnaire survey

The Company believes that the exchange of views among the Directors on the proper nature and role of the Board of Directors and the conducting of individual interviews with Directors by the Chairman of the Board of Directors are in themselves highly effective in enhancing the effectiveness of the Board of Directors. Accordingly, at this time evaluations by external third parties are not conducted. An internal self-evaluation was conducted and the results were reported and discussed at a meeting of the Board held after the end of the fiscal year. The following is a summary of the results.

▼ Issues designated in the previous fiscal year's effectiveness evaluation

- (1) Further deepening of discussion aimed at group-wide value enhancement; business portfolio analysis and structural reform
- (2) Improvement of communication between oversight and business execution
- (3) Strengthening of holding company functions and group governance

▼ Evaluation of efforts to address the above issues

(1) In FY2019, the Board of Directors engaged in discussion focused on Aeon's medium-and long-term issues and other important management topics, particularly growth strategies and the business portfolio. Notably, the Board has proceeded with the online supermarket business, an important project for promoting a digital shift, while factoring in advice grounded in the considerable knowledge of Outside Directors by engaging in sufficient discussion and evaluation together with the Outside Directors and continuously following up even after Board resolutions are made. Also, a clear course of action for the next fiscal year, when Aeon should complete its structural reform, was proposed by the Board of Directors. The Board assesses that "aggressively proactive governance" for sustained growth in the future was realized by Aeon's Board of Directors.

(2) In FY2019, the number of regular meetings between Outside Directors and the President and Representative Executive Officer was increased. At these meetings, sufficient time was provided for highly objective and transparent discussion of an extremely important strategic decision, namely a plan for a successor to the President and Representative Executive Officer, which resulted in the appointment of a President and Representative Executive Officer in fiscal 2019. This year, the Company newly convened meetings where Executive Officers provide reports to give Outside Directors a deeper understanding of Aeon's businesses. Another objective for these meetings, at which Executive Officers report to the Outside Directors on initiatives in individual businesses not on the agenda of Board of Directors meetings, is fostering mutual understanding between the Outside Directors and officers responsible for business execution. These meetings were assessed as a useful forum for reporting that helps promote understanding of Aeon among Outside Directors by giving them a feel for the frontlines of the business, and the Company will continue with the meetings in fiscal 2020.

(3) In fiscal 2019, although efforts were made to strengthen governance, such as enhancing compliance training for officers, inappropriate accounting occurred at Group companies in Japan and overseas. In light of this governance-related issue at Group companies, Aeon will work to further strengthen group governance by means including group-wide monitoring of measures to prevent any reoccurrence of the issue and reporting on the effectiveness of monitoring to the Audit Committee.

▼ Invigoration of deliberations by the Board of Directors

The Company distributes materials in advance of meetings of the Board of Directors to better facilitate deliberation by the Board, and supports discussion focused on key points. The Company endeavors to enhance the understanding of Outside Directors by providing sufficient advance explanations concerning financial results and other important reporting matters. The Company prepares concise briefing materials and limits time spent on reporting, in conjunction with the shift to paperless meetings, and conducts proceedings in a manner that allows sufficient time for questions and discussion.

▼ Future issues relating to the Board of Directors

- (1) Enhancement of discussion aimed at group-wide value enhancement by the Board of Directors accompanying medium-term management plan preparation, and based on this, development of an executive framework in which PDCA cycling is utilized
- (2) Improvement of communication between oversight and business execution (continuation)
- (3) Strengthening of holding company functions and group governance (continuation)

[Supplementary Principle 4.14.2: Policy on training for Directors]

The Company provides education for senior management (the directors, executive officers, and auditors of all group companies) including seminars for newly appointed directors, with the aim of enabling them to acquire the knowledge required of corporate managers.

To enable the Outside Directors to fully fulfill their functions, the Company continuously provides them with information concerning the Group's strategies, businesses, organizations, finance, and other matters, when they take office and thereafter. Furthermore, Outside Directors deepen their understanding of Aeon's group management through store visits in Japan and overseas, participation in forums for policy discussion and policy position announcements, and participation in Aeon's social contribution activities, such as tree planting.

[Principle 5-1. Policies concerning constructive dialogue with shareholders]

The Company has established policies concerning constructive dialogue with shareholders and investors, as described below.

Aeon considers customers, local communities, shareholders and investors, and all other stakeholders to be partners in management and strives for active stakeholder dialogue. Aeon strives to realize innovative, sound management by appropriately reflecting opinions received from shareholders and investors in management.

- (1) Aeon actively and promptly discloses information and practices highly transparent management.

Aeon provides timely, appropriate information disclosure to shareholders and investors, engages in constructive dialogue with shareholders and investors based on a long-term perspective, and strives to promote shareholder and investor understanding of business strategies and financial information as well as non-financial information such as environmental and social contributions and corporate governance.

- (2) Aeon has established a department responsible for IR, which strives for constructive dialogue in cooperation with relevant departments. Aeon has established an IR department under the Executive Officer responsible for IR as a point of contact for engaging in constructive dialogue with shareholders and investors. To promote timely and appropriate information disclosure and constructive dialogue, the IR department and relevant organizations, such as the departments in charge of corporate communications, strategy, environmental and social contributions, finance, and accounting and operating companies, organically collaborate and strive to enhance dialogue content. The IR department engages in dialogue concerning individual matters, while Directors, Executive Officers, senior management, and others engage in dialogue on important matters.

- (3) Aeon strives to enhance opportunities for dialogue to deepen the understanding of shareholders and investors.

Under a policy of holding open general shareholder meetings, Aeon proactively discloses and explains management policies and strives to courteously answer questions at the General Meetings of Shareholders. Aeon also holds briefings and conducts visits to business sites in Japan and overseas for institutional investors, holds shareholder roundtables and company briefings in various regions for individual investors, and strives to enhance information disclosure and dialogue to further deepen shareholder and investor understanding through utilization of information communication technologies.

- (4) Aeon practices management that reflects shareholder and investor opinions.

To practice management that reflects shareholder and investor opinions and wishes, Aeon engages in timely and appropriate discussion at meetings of the Board of Directors and Executive Committee about opinions and other feedback obtained through dialogue and strives to reflect the content of the feedback in dialogue with shareholders and investors.

- (5) Aeon rigorously practices fair and equitable information management.

To prevent leakage of insider information, Aeon rigorously practices information management in accordance with the Regulations on Internal Information Management and Insider Trading Restrictions and the Disclosure Policy and strives to ensure that information is fairly and equitably communicated to shareholders and investors.

## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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### [Major Shareholders]

Updated

Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,022,200	6.37
Japan Trustee Services Bank, Ltd. (Trust Account)	34,457,30	4.07
Mizuho Bank, Ltd.	33,292,700	3.93
AEON Environmental Foundation	21,709,500	2.56
The Cultural Foundation of Okada	21,242,700	2.51
The Norinchukin Bank	18,133,526	2.14
Japan Trustee Services Bank, Ltd. (Trust Account #5)	15,373,400	1.81
Japan Trustee Services Bank, Ltd. (Trust Account #7)	14,844,100	1.75
Employees' Stockholding Association	12,272,661	1.45
Aeon Mutual Benefit Society (Nomura Securities account)	12,040,296	1.42

Controlling Shareholder (Except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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## 3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year End	February
Industry	Retail industry
Number of Employees at the Previous Fiscal Year-End (Consolidated)	1000 or more
Sales in the Previous Fiscal Year (Consolidated)	1 trillion yen or more
Number of Consolidated Subsidiaries at the Previous Fiscal Year End (Consolidated)	100 or more, fewer than 300

## 4. Guidelines for Policy to Protect Minority Shareholders When Conducting Transactions with a Controlling Shareholder

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## 5. Other Special Circumstances that May Have a Material Impact on Corporate Governance

Updated

- The Company has publicly listed subsidiaries in Japan and overseas.
- The Company deliberates group company management plans at meetings of business-specific and function-specific meeting body while maintaining the independence and uniqueness of group company management and engages in integrated group management as group headquarters by having headquarters divisions provide operational guidance.

## II Status of Business Management Organization and Other Corporate Governance Systems Relating to Business Decision-Making, Execution, and Supervision

### 1. Matters Relating to Organizational Structure and Operation

Form of Organization	Company with a nomination committee and other committees system
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#### [Matters Relating to Directors] Updated

Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office for Directors Stipulated in the Articles of Incorporation	1 year
Chairman of the Board of Directors	Chairman and Representative Executive Officer
Number of Directors	7

#### [Matters Relating to Outside Directors] Updated

Number of Outside Directors	4
Number of Outside Directors Designated as Independent Officers	4

#### Relationship with the Company (1) Updated

Name	Affiliation	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Tsukamoto	From another company					△						
Kotaro Ohno	Attorney at law								○			
Peter Child	From another company									△		
Carrie Yu	From another company									○		

#### \*Categories for relationship with the Company

○ Applicable to the Director now or recently    △ Applicable to the Director in the past

● Applicable to a close relative of the Director now or recently    ▲ Applicable to a close relative of the Director in the past

a An executive of the Company or its subsidiaries

b An executive or non-executive director of a parent company of the Company

c An executive of a fellow subsidiary of the Company

d A person or entity of whom the Company is a major business partner or an executive thereof

e A major business partner of the Company or an executive thereof

f A consultant, accounting professional, or legal professional who receives large amounts of monetary compensation or other assets from the Company other than remuneration as a corporate officer

g A major shareholder of the Company (in cases where the major shareholder is a corporation, an executive thereof)

h An executive of a business partner of the Company (excluding persons to whom item d, e, or f above applies) (said individual only)

i An executive of an entity holding cross-directorships with the Company (said individual only)

j An executive of an entity to whom the Company makes donations (said individual only)

k Other

Name	Committee Membership			Independent Officer Status	Supplementary Explanation of Applicable Items	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Takashi Tsukamoto	○	○	○	○	Although Mr. Takashi Tsukamoto successively held the posts of executive officer, executive managing director, and president and CEO at Mizuho Bank, Ltd. from 2002 to 2013, more than six years have passed since his retirement from the bank and he is currently not involved in business execution at the bank. Although Mizuho Bank is one of multiple main lenders of the Company, it is not a business partner that has significant influence on the Company's decision-making, and the Company judges that Mr. Tsukamoto has sufficient independence from the Company.	Mr. Takashi Tsukamoto has served as a corporate manager at a major financial institution, has been internationally active in the field of banking and finance, and has superior insight and extensive experience in all aspects of management, and the Company has elected him as an Outside Director to maintain and enhance transparency and soundness in all aspects of management and enhance corporate governance. Mr. Tsukamoto satisfies the Criteria for Independence of Outside Directors established by the Company, and moreover, the Company judges that there is no risk of conflict of interest with general shareholders in light of the independence standards stipulated by the Tokyo Stock Exchange and designated him as an Independent Director.
Kotaro Ohno	○	○	○	○	The Company is registered as a corporate member of the International Civil and Commercial Law Centre Foundation, where Mr. Kotaro Ohno holds the position of president. Also, although the Company has a relationship with Mori Hamada & Matsumoto, with which Mr. Ohno is affiliated as special counsel, the amount of payments from the Company to each is less than 0.1% of consolidated selling, general, and administrative expenses, the relationships have no influence on the management of the Company, and the Company judges that Mr. Ohno has sufficient independence from the Company.	Mr. Kotaro Ohno is an attorney at law who successively held the posts of Vice-Minister of Justice and Superintending Prosecutor and Prosecutor-General and has a wealth of experience and insights in legislation and compliance, and the Company has elected him as an Outside Director to benefit from his guidance in promoting compliance management. Mr. Ohno satisfies the Criteria for Independence of Outside Directors established by the Company, and moreover, the Company has judged that there is no risk of conflict of interest with general shareholders in light of the independence standards stipulated by the Tokyo Stock Exchange and designated him as an Independent Director.
Peter Child	○	○	○	○	Mr. Peter Child has served as senior partner etc. at McKinsey & Co. branch offices. Although the Company has a relationship with McKinsey & Co., the amount of payments from the Company is less than 0.1% of consolidated selling, general, and administrative expenses, the relationship has no influence on the management of the Company, and the Company judges that Mr. Child has sufficient independence from the Company.	Mr. Peter Child has expert knowledge of the retail sector partly acquired from serving as leader of the consumer goods and retail group at a world-famous major consulting company, and the Company has elected him as an Outside Director to benefit from his guidance in promoting global management. Mr. Child satisfies the Criteria for Independence of Outside Directors established by the Company, and moreover, the Company judges that there is no risk of conflict of interest with general shareholders in light of the independence standards stipulated by the Tokyo Stock Exchange and designated him as an Independent Director.
Carrie Yu		○	○	○	Carrie Yu has served as senior adviser etc. at PricewaterhouseCoopers (PwC) branch offices. Although the Company has a relationship with PricewaterhouseCoopers (PwC), the amount of payments from the Company is less than 0.1% of consolidated selling, general, and administrative expenses, and the Company judges that Mrs. Yu has sufficient independence from the Company.	Mrs. Carrie Yu belongs to CPA associations in various countries. 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). and the Company has elected her as outside director to benefit from her guidance in promoting global management. Mrs. Yu satisfies the Criteria for Independence of Outside Directors established by the Company, and moreover, the Company judges that there is no risk of conflict of interest with general shareholders in light of the independence standards stipulated by the Tokyo Stock Exchange and designated her as an Independent Director.

## [Committees]

### Committee Composition and Attributes of Chairpersons

Updated

	Total Number of Members	Number of Full-Time Members	Number of Inside Directors	Number of Outside Directors	Committee Chairperson
Nomination Committee	3	0	1	2	Outside Director
Compensation Committee	3	0	1	2	Outside Director
Audit Committee	3	0	0	3	Outside Director

## [Matters Relating to Executive Officers]

### Number of Executive Officers

Updated

9

### Status of Concurrent Posts

Updated

Name	Right of Representation	Concurrent Duties of Directors			Concurrent Employee Position
			Nomination Committee Member	Compensation Committee Member	
Motoya Okada	Yes	Yes	○	○	No
Akio Yoshida	Yes	Yes	×	×	No
Akinori Yamashita	Yes	Yes	×	×	No
Motohiro Fujita	Yes	No	×	×	No
Yuki Habu	No	No	×	×	No
Soichi Okazaki	No	No	×	×	No
Eiji Shibata	No	No	×	×	No
Kahori Miyake	No	No	×	×	No
Hiroyuki Watanabe	No	No	×	×	No

## [Audit Structure]

### Directors and Employees Assigned to Assist Duties of Audit Committee

Yes

### Matters Relating to the Independence of such Directors and Employees from the Executive Officers

• The Internal Audit Department assists with the duties of the Audit Committee, and Audit Committee approval is required for the transfer of assisting Internal Audit Department personnel.

### Cooperation between the Audit Committee, Independent Auditor, and Internal Audit Department

Updated

#### [Cooperation between the Audit Committee and Independent Auditor]

• The independent auditor is periodically provided with opportunities to report to the Audit Committee and reports on the audit plan, the results of audits and quarterly reviews, and other matters. In FY2019, the independent auditor provided reports seven times.

#### [Cooperation between the Audit Committee and Internal Audit Department]

• The Internal Audit Department dispatches members to attend important meetings, receives reports from the Executive Officers on their performance of duties, and reports to the Audit Committee. Also, the status of internal audits and internal control and other matters relating to the Group as a whole is periodically reported to the Audit Committee.

## [Matters Relating to Independent Directors]

Updated

### Number of Independent Directors

4

### Other Matters Relating to Independent Directors

There are no special interest relationships between the Outside Directors and the Company. Therefore, the Company has registered all four Outside Directors as Independent Directors with the Tokyo Stock Exchange.

The Company has stipulated as selection criteria for Outside Directors matters such as sharing of the views in Aeon's Basic Principles and Code of Conduct and having experience as a corporate manager or equivalent experience and knowledge. The Company has also established criteria for determining the independence of Outside Directors, as stated below.

[Criteria for Independence of Outside Directors]

To maintain independence, Outside Directors of the Company shall satisfy the requirements stipulated below.

1. A person who is not currently, and has not been during the past ten years, a Managing Director, Executive Officer, or employee (hereinafter "executing person") of the Company or a subsidiary of the Company
2. A person who does not currently, and has not during the past three years, fallen under any of the following categories:
  - (1) A major shareholder of the Company (a person who directly or indirectly holds 10% or more of voting rights) or an executing person thereof
  - (2) A partner of the Company's independent auditor or employee thereof involved in auditing of the Company
  - (3) An executing person of a major lender to the Company (a lender from which the Company's borrowings exceed 2% of consolidated total assets)
  - (4) An executing person of an important business partner of the Company (a business partner for whom transactions with the Aeon Group exceeded 2% of consolidated annual sales in said business partner's most recent business year)
  - (5) A person who is an attorney at law, certified public accountant, licensed tax accountant, or other consultant and who has received compensation exceeding 10 million yen from the Company other than remuneration as a corporate officer.
  - (6) An executing person of a non-profit organization for which donations from the Aeon Group exceed 10 million yen and the donation amount exceeds 2% of said organization's total revenue or ordinary income
  - (7) A spouse or relative within the second degree of kinship of any person who falls under items 1. and 2. (1) to (6) above.

Note: However, even if a person falls under any of categories (1) to (7) above, if the Company has judged that there is substantive independence from the Company in light of the person's character, acumen, or the like, the Company may make the person a candidate for Outside Director, provided it explains the reason publicly.

[Matters Relating to Incentives]

Implementation of Measures Concerning the Granting of Incentives to Directors and Executive Officers	Performance-linked compensation system introduced, stock option system introduced
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Supplementary Explanation

- The Company has introduced performance-linked compensation for Executive Officers.
- Executive Officers' performance-linked compensation is paid to Executive Officers after the end of the fiscal year based on annual performance and consists of the total amount of corporate performance-linked compensation and individual performance-linked compensation. However, only corporate performance-linked compensation is paid to representative Executive Officers.
- Corporate performance-linked compensation is calculated using a coefficient based on the percentage achievement of the consolidated ordinary income budget, with respect to predetermined amounts for individual Executive Officers, and is determined by comprehensively considering financial performance.
- Individual Performance-linked compensation is determined using a coefficient based on individual assessments of performance by business and by function and degree of target achievement, with respect to predetermined amounts for individual Executive Officers.

Persons Eligible for Stock Options	Executive Officers, directors of subsidiaries, and others
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Supplementary Explanation

- Share compensation-type stock options are granted to Executive Officers (including persons employed as directors, etc. of group companies whom the Compensation Committee has recommended as equivalent to the Company's Executive Officers and whom the Board of Directors has approved) as stock options after the end of the fiscal year based on annual financial performance.

[Matters Relating to Directors' and Executive Officers' Remuneration] Updated

Disclosure (of Individual Directors' Remuneration)	Individual remuneration not disclosed
Disclosure (of Individual Executive Officers' Remuneration)	Individual disclosure for certain Executive Officers only

Supplementary Explanation

- As to Directors, the Company pays "basic remuneration" to Directors and discloses the number of recipients and total amount paid. The Company also discloses the number of Outside Director recipients and the total amount paid to Outside Directors.
- As to Executive Officers, the Company discloses the total amount of remuneration paid in the form of "basic remuneration," "performance-based remuneration," and "share compensation-type stock options."

**Total Amount of Remuneration Paid to the Company's Directors and Executive Officers in FY2018**

- Directors (6): Basic remuneration of 121 million yen (of which, 75 million yen for five Outside Directors)
- Executive officers (11): Basic remuneration of 326 million yen, performance-based remuneration of 96 million yen, share compensation-type stock options worth 43 million yen
- Remuneration for the President and Representative Executive Officer was 73 million yen.

## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for the Company's Directors and Executive Officers is determined by the Compensation Committee, chaired by an Outside Director and comprising a majority of Outside Directors, thus ensuring a highly transparent remuneration system that incorporates an objective perspective.

## 1. Remuneration policy

## ▼ Principle and objective of the remuneration system

- On the basis of the Basic Principles, the Company's Directors and Executive Officers shall continuously take on challenges without fear of risk as members of a corporate group with its ever-lasting innovative spirit, thereby contributing to the sustainable growth of the Group.
- The Company's Directors and Executive Officers shall receive remuneration in accordance with the roles expected of corporate officers and the degree of achievement of management objectives.

## ▼ Basic policy on the remuneration system

- (1) The remuneration system shall be highly fair and easy to understand, so as to be understood and endorsed by customers, employees, and shareholders and shall be decided by a transparent, appropriate process that ensures fairness.
- (2) The system shall link remuneration with the Aeon Group's medium- and long-term management strategies and performance, creating strong motivation to execute management strategy.
- (3) The level of remuneration shall be such that it secures, retains, and motivates human resources responsible for management of the Aeon Group.
- (4) The remuneration structure and levels shall be reviewed appropriately as needed, in light of economic and social conditions and the Aeon Group's business environment and financial performance.

## 2. Directors' remuneration

- (1) The Company pays basic remuneration to Directors.
- (2) The Company does not pay Directors' remuneration to Directors concurrently involved in business execution.

## 3. Executive Officers' remuneration

## (1) Basic remuneration

The Company decides base compensation on the basis of individual assessments within the standard amounts set by rank.

## (2) Performance-based remuneration

Executive officers' performance-based remuneration accounts for approximately 30% to 50% of their total cash remuneration (basic remuneration + performance-based remuneration), with the percentage increasing with rank.

• Payment rate for the performance-based remuneration shall be 100% of the standard amount when targets set at the beginning of the fiscal year have been achieved, and shall vary within a range of 0% to 200% based on the Company's results and evaluation of individual performances of that fiscal year.

• Executive Officers' performance-based remuneration consists of corporate performance-based remuneration and individual performance-based remuneration. However, only corporate performance-based remuneration is payable to representative Executive Officers.

## (i) Corporate performance-based remuneration

Corporate performance-based remuneration is calculated using a coefficient based on the degree of achievement in the Company's consolidated performance, with respect to standard amounts by rank, and is determined in consideration of overall financial performance.

## (ii) Personal performance-based remuneration

Personal performance-based remuneration is determined using a coefficient based on the performance in each category and evaluation of individual performance based on the degree of management target achievement, with respect to standard amounts set by rank.

## (3) 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 morale and the motivation to continuously improve performance and increase corporate value. This will be done by strengthening the linkage between the share price, financial performance, and remuneration, and having Executive Officers share with the shareholders not only in the benefits of share price rises but also the risks of share price falls. The numbers of subscription rights to shares shall be determined based on the performance for that fiscal year, according to the standard number for each position.

## [Support System for Outside Directors]

- The Company has established secretariats for the Board of Directors and for each committee to function as a bridge with the Outside Directors.
- To facilitate effective discussions during the limited time at Board of Directors meetings, the Company organizes, prior to these meetings, 60-minute to 90-minute briefings for the Outside Directors about matters for submission and reporting to the Board of Directors.
- To report to the Outside Directors the status of decision-making in business execution, the Company sends minutes of Aeon Management Committee meetings and other materials to the Outside Directors as necessary.

## [Status of Persons Who Have Retired from the Position of President and Representative Director, etc.]

## Names of Consultants and Advisors Who Formerly Served as President and Representative Director, etc.

Name	Position or Title	Duties	Form and Conditions of Work (Full-Time, Part-Time, Paid or Unpaid, etc.)	Date of Retirement as President, etc.	Term
Takuya Okada	Honorary Chairman and Advisor	Social contribution activities that embody the Aeon Basic Principles, etc. (not involved in management)	Form of work: Part-time Compensation: Yes	May 16, 2000	Not determined
Hidenori Futagi	Honorary Advisor	Social contribution activities that embody the Aeon Basic	Form of work: Part-time Compensation: Yes	May 15, 2003	Not determined

		Principles, etc. (not involved in management)		
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Total Number of Persons Holding Consultant/Advisor Posts Who Formerly Served as President and Representative Director, etc.

2

#### Other Matters

The two former Presidents and Representative Directors draw on experience and knowledge gained over many years in the Company's management to engage in activities at public-interest foundations, etc. and are not involved in the Company's management decision-making.

The date of retirement as president, etc. of Mr. Takuya Okada is the date of his retirement as Chairman and Representative Director. Mr. Hidenori Futagi served as a Director after retiring as President and Representative Director in May 1996, and the above date of retirement as president, etc. refers to the date of his retirement as a Director.

## 2. Matters Relating to Functions for Business Execution, Auditing and Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance Structure) Updated

### ■ Corporate governance structure

The Company has adopted a company with a nomination committee and other committees system as the corporate governance structure best suited to practicing management based on basic principles that incorporate a Group-wide perspective, management that is transparent, sustainable, and stable, and ceaseless innovation with customers as the core. The Company considers this system the optimal form of corporate governance for Aeon at this time. Since Aeon is a company with a nomination committee and other committees system, the Company has adopted a system under which the Board of Directors realizes expeditious decision-making by delegating significant authority for business execution to Executive Officers. Among the matters delegated to the Executive Officers by resolution of the Board of Directors, important policies and matters relating to business execution are discussed and decided by the Aeon Management Committee.

### ■ The principal roles of each governing body

#### (1) Board of Directors

The Board of Directors resolves matters prescribed by law as the Company's management decision-making body, decides and approves basic management policies and important matters relating to business execution, and oversees the execution of duties by the Directors and Executive Officers.

#### (2) Audit Committee

The Audit Committee audits business execution by the Directors and Executive Officers, prepares audit reports, and decides the content of proposals for submission to the General Meeting of Shareholders concerning the appointment, dismissal, and non-reappointment of the independent auditor.

#### (3) Nomination Committee

The Nomination Committee decides the proposals for submission to the General Meeting of Shareholders concerning the appointment and dismissal of Directors.

#### (4) Compensation Committee

The Compensation Committee decides matters including the content of proposals concerning compensation received by the individual Directors and Executive Officers. The basic policy on Directors' and Executive Officers' compensation is as stated above.

### ■ Internal auditing and system for assisting the Audit Committee

The Board of Directors and Audit Committee play central roles in the Company's management oversight function. All members of the Audit Committee are Outside Directors, and their independence from business execution has been further clarified. The Company has established the Internal Audit Office, an organization independent from the operating divisions, as an organization that assists the Audit Committee. The Office conducts internal audits of Group management and also assists with duties of the Audit Committee and serves as secretariat of the Audit Committee while cooperating with the independent auditor. Consent of the Audit Committee is required for the transfer of Group Internal Audit Office personnel. The Audit Committee receives from the independent auditor an annual audit plan and reports on financial audits and reviews quarterly or more frequently, exchanges opinions and information with the independent auditor periodically or as necessary, and mutually strives with the independent auditor to strengthen collaboration for the purpose of enhancing audit effectiveness. The Audit Committee receives an explanation from the Business Management Division about audit compensation for the independent auditor and approves the compensation.

### ■ Board of Directors composition and status of activities

· In light of its management oversight role, the Company's Board of Directors consists of seven Directors (six males and one female), of whom four are Outside Directors (three males, one female, two foreign national). There are no special interest relationships between the Outside Directors and the Company. Therefore, the Company has designated all five Outside Directors as Independent Directors and registered them accordingly with the Tokyo Stock Exchange. The Company practices highly transparent management by appointing Outside Directors as two of the three members of the Nomination Committee and Compensation Committee and all three members of the Audit Committee and as the chairpersons of all three committees. The Company selects Outside Directors on the basis of selection criteria for Outside Directors, which have stipulated as selection criteria matters such as sharing of the views in Aeon's Basic Principles and Code of Conduct and having experience as a corporate manager or equivalent experience and knowledge, and criteria for determining the independence of Outside Directors, which have stipulated as an independence criterion that Outside Directors shall be persons who can be considered independent from senior management.

· To enable recruitment of competent personnel as Outside Directors, the Company enters into limited liability agreements with the Outside Directors that limit their liability for damages to the Company as stipulated in Article 423 paragraph 1 of the Companies Act to the higher of 15 million yen or the amount prescribed by law when there is no willful misconduct or gross negligence in the performance of their duties and exempts them from any amount exceeding this limit.

· In FY2019, the Board of Directors met eight times, the Audit Committee nine times, the Nomination Committee four times, and the Compensation Committee two times. The status of attendance at Board of Directors Meetings by individual Directors is disclosed in the Business Report attached to the Notice of the 95th Ordinary General Meeting of Shareholders.

## 3. Reason for Selection of the Current Corporate Governance Structure

· The principal reasons are to realize prompt management decision-making by delegating significant authority to Executive Officers for the purpose of achieving medium- and long-term management objectives and to strengthen oversight by the Board of Directors and ensure transparency and objectivity.

### III. Implementation of Measures for Shareholders and Other Stakeholders

Updated

#### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	<ul style="list-style-type: none"> <li>The Company has long been sending out convocation notices early. It has systems in place that enable it to do so three weeks in advance. In 2020, it sent out convocation notices on April 28, 24 days in advance of the General Meeting of Shareholders, after posting the notice on its website on April 24, 28 days in advance.</li> </ul>
Scheduling AGMs Avoiding the Peak Day	<ul style="list-style-type: none"> <li>The 95th Annual General Meeting of Shareholders was held on May 22, 2020.</li> </ul>
Allowing Electronic Exercise of Voting Rights	Shareholders have been able to vote electronically since fiscal 2003.
Participation in Electronic Voting Platform, and Other Initiatives to Enhance the Environment for the Exercise of Voting Rights by Institutional Investors	<ul style="list-style-type: none"> <li>The Company has participated in the Japan Exchange Group's Electronic Voting Platform since fiscal 2006.</li> </ul>
Providing Convocation Notices in English	<ul style="list-style-type: none"> <li>The Company provides convocation notices (condensed versions) in English.</li> </ul>

#### 2. IR Activities

Updated

	Supplementary Explanation	Explanation by the representative
Preparation and Publication of Disclosure Policy	<p>The Company appropriately discloses important information about itself on a timely basis so investors, shareholders, and other stakeholders can better understand the Company.</p> <ul style="list-style-type: none"> <li>Information within the purview of timely disclosure rules is publicly disclosed via TDnet, the Tokyo Stock Exchange's timely disclosure system. As a general rule, information disclosed via TDnet is promptly posted on the Company's website also.</li> </ul> <p>Additionally, the Company is committed to disclosing even information not within the purview of timely disclosure rules in accordance with timely disclosure's intended purpose of ensuring that relevant information is appropriately communicated to investors as accurately and fairly as possible.</p> <ul style="list-style-type: none"> <li>The Company observes quiet periods before its earnings release dates to ensure fairness and prevent leaks of information on its operating and financial performance. Quiet periods are generally four weeks in length and precede both full-year and quarterly earnings release dates. During quiet periods, the Company refrains from commenting and responding to queries on its operating/financial performance. However, if during a quiet period the Company expects its to-be-reported earnings to differ significantly from its publicly disclosed earnings forecast, it discloses the variance via TDnet and/or other means.</li> </ul>	
Regular Investor Briefings for Individual Investors	<ul style="list-style-type: none"> <li>Over the past three years, the Company has held briefings for individual investors in six locations throughout Japan.</li> </ul>	No
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>The Company holds large meetings (earnings briefings) quarterly and briefings on topics such as sustainable management on an ad hoc basis.</li> </ul>	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly holds conferences for overseas investors. It held four such conferences in fiscal 2019. It also engages in overseas IR as warranted.	No
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>IR information is posted at <a href="https://www.aeon.info/en/ir/">https://www.aeon.info/en/ir/</a>.</li> </ul> <p>IR information posted on the Company's website includes 10 years of summary financial data, operating performance by business segment, monthly consolidated operating performance, quarterly/annual financial results, share price information and business reports. Other information for investors that is available on the Company's website includes reports on and materials pertaining to General Meetings of Shareholders (e.g., convocation notices and online disclosures incidental thereto, voting results, etc.) and information on shareholder incentive plans.</p>	

Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>The Company has established an IR/SR Department.</li> </ul>
Other	<ul style="list-style-type: none"> <li>In fiscal 2019, the Company held forums for discussion between shareholders and corporate officers in seven locations throughout Japan: Sapporo, Sendai, Tokyo, Nagoya, Osaka, Takamatsu and Fukuoka.</li> </ul>

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established guidelines for its business activities, including the Aeon Basic Principles, Aeon Code of Conduct, and Basic Policy on Corporate Governance, to ensure respect for customers, local communities, shareholders, investors, and other stakeholders' positions.
Implementation of Environmental Preservation Activities, CSR Activities etc.	<ul style="list-style-type: none"> <li>Information on environmental preservation and social contribution initiatives is posted at <a href="https://www.aeon.info/sustainability/">https://www.aeon.info/sustainability/</a>.</li> </ul>
Development of Policies on Information Provision to Stakeholders	<ul style="list-style-type: none"> <li>The Company's policies for communicating with stakeholders are set forth in its Basic Policy on Corporate Governance. To help stakeholders better understand its operations, the Company endeavors to provide ample information in various formats, including Group Profiles, Aeon Magazine, interviews, shareholder reports, Aeon Report 2019 (integrated reports), AEON SUSTAINABILITY DATA BOOK 2019, and Hot Press.</li> </ul>
Other	<p>[Promoting Diversity]</p> <p>The driving force behind Aeon's growth and its greatest operational asset are its human resources. Aeon will perpetuate an organizational culture of ceaseless innovation as its DNA. Diversity initiatives, particularly ones that promote active roles for women, are essential to realizing further growth globally. To help women continue to work and continue to thrive, Aeon is reforming its organization and HR regime, including work practices and employee welfare programs, while also promoting women's active involvement in its operations, partly by establishing an Office of Diversity to focus solely on diversity.</p> <p>Aeon aims to become Japan's most woman-friendly company, a bastion of opportunity for women and Japan's most popular employer among women. The Ministry of Economy, Trade and Industry and Tokyo Stock Exchange have named Aeon a <i>Nadeshiko</i> Brand company, a designation awarded to publicly traded companies that are exemplary in providing opportunities for women.</p> <p>[Health Management]</p> <p>Aeon conducts health management on a Group-wide basis 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 health and happiness to customers in local communities. Aeon has established the Aeon Health Promotion Section, headed by the Executive Officer in charge of Human Resources and Administration. Other members of the section include the head industrial doctor; public health nurses; and managers responsible for the human resources departments of Group companies, Aeon's corporate health insurance society, and the Aeon Good Life Club (a mutual aid society for employees). The Aeon Health Promotion Section examines and executes policies for maintaining and promoting employee health from a management strategy perspective. Furthermore, each Group company has appointed a manager responsible for health promotion and promotes health management autonomously. These efforts have been recognized, with Aeon receiving the highest rating in Development Bank of Japan Inc.'s employee health management ratings program in December 2018, and designation as a "Health and Productivity Management Organization" in March 2020 for a fourth consecutive year by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.</p>

## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and the Progress of System Development**

Updated

#### 1. Basic Views on Internal Control System

##### (1) Internal Audits

- The Internal Audit Department assists the Audit Committee with its duties. Personnel assignments to and from the Internal Audit Department must be approved by the Audit Committee.
- The Committee receives periodic reports on internal audits and internal controls' status on a Group-wide basis and on the content of reports received via an internal compliance reporting system encompassing the Group's entire workforce.
- The Internal Audit Department attends important meetings and listens to reports from Executive Officers and others on the status of execution of their duties and reports to the Audit Committee.

##### (2) Information Preservation and Management

- Minutes of meetings are prepared and preserved by the secretariat. Decision authorization documents are preserved and managed by the party who drafted them.

##### (3) Risk Management

- The Company has established an Administration & Risk Management post (the person who assumes this post convenes Risk Management Committee meetings) and is building a risk management regime under the direction of the Aeon Management Committee (its top management body). The Internal Audit Department monitors the risk-management regime's operational status.
- The Company is organizationally taking action, including in its business transactions, to eliminate antisocial forces by establishing internal regulations and cooperating closely with law enforcement authorities and other concerned entities.
- The Company, together with its Group companies, have implemented internal controls over financial reporting (in compliance with the so-called J-SOX Act (Japan's Financial Instruments and Exchange Act)).

##### (4) System for Efficient Execution of Duties

- The Company delineates duties and authority for every job title in accordance with its operational responsibility and authority regulations, operates its businesses efficiently and systematically and has organizational units consult with designated other organizational units as a check on authority.

##### (5) Compliance

- The Company is building a legally up-to-date compliance regime. It has established the Aeon Code of Conduct and promotes rigorous compliance therewith among all Group employees. It periodically conducts compliance guidance programs also.

##### (6) Management of Group Companies

- The Company practices integrated Group management while preserving Group companies' autonomy and originality. Group companies' management plans are vetted by meeting body organized by business line or organizational function. Additionally, the Company's headquarter divisions provide operational guidance to Group companies.

#### 2. Status of Internal Control System

- The Company endeavors to ensure management transparency and fairness and continuously practice stable management with the aim of fulfilling its responsibilities to all stakeholders. It continuously upgrades its internal controls, compliance, and risk management to support such efforts.

In implementing internal controls, the Company is strengthening its corporate ethics promotion program, the foundation of internal controls, as its first priority. It is committed to ensuring that all Group employees are well-versed in the Aeon Code of Conduct, which sets forth Aeon personnel's shared decision-making standards and basic mindset for daily conduct. It also provides training on an ongoing basis to elevate employees' compliance consciousness and disseminate the Aeon Basic Principles. To prevent legal and ethical violations or detect them early, the Company has set up an Aeon Code of Conduct Hotline, a Group-wide internal reporting system accessible to not only Group personnel but also outsiders. The applicable organizational unit investigates matters reported via the Hotline and implements corrective action and/or recurrence prevention measures. Furthermore, in January 2020 the Company set up an external point of contact for reporting improprieties by top management as a means of strengthening the Group's compliance system.

- Risk management has been designated as a key management priority that all organizational units are responsible for addressing. Based on this recognition of the importance of risk management, all Group companies and organizational units conduct day-to-day risk-management, and the General Affairs Department operates the Risk Management Committee. Whenever an accident or other incident occurs, the Company promptly sets up an Incident Response Headquarters to minimize the resultant impacts, and the General Affairs Department plays a central role in incident response activities. Additionally, the Company has formed a cross-organizational task force to predict, preemptively detect, and prevent especially high-impact risks.

- The Internal Audit Department monitors overall implementation of internal controls and operational status and reports to the Aeon Management Committee and Audit Committee on these.

- Recognizing that proper corporate governance is essential to ensure the reliability of financial reporting, the Company and its independent auditor are jointly endeavoring to carry out effective audits. The Audit Committee evaluates independent auditor candidates based on predetermined auditor evaluation, selection, and reappointment criteria and hires an independent auditor based on its evaluation. The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC (DTT). DTT limits the number of years that any senior auditor may be involved in the Company's accounting audits. In fiscal 2019, the DTT senior auditors who audited the Company were Tomoyasu Maruyama, Kentaro Ishiyama, and Atsushi Miyashita, all of whom are CPAs. They were assisted by an audit team comprising 8 other CPAs, three associate members of the Japanese Institute of Certified Public Accountants and one other DTT staff member.

### **2. Basic Views on Eliminating Antisocial Forces**

#### 1. The Basic policy for eliminating antisocial forces

To eliminate antisocial forces, the Company severs all ties, including business transactions, with antisocial forces and complies with the Act on Prevention of Unjust Acts by Organized Crime Group Members, prefectural/metropolitan ordinances pertaining to elimination of antisocial forces and other applicable laws. The Company has explicitly appointed one organizational unit responsible for responding to extortive demands. It deals with antisocial forces as an organization, including through criminal and civil legal action, in coordination with specialized external entities.

#### 2. Status of development towards elimination of antisocial forces

- The Company has devised specific countermeasures, including crime prevention regulations, with the aim of eliminating antisocial forces. Additionally, its manager training programs, including periodic seminars for new store managers and store manager compliance training sessions, include training in how to deal with extortive demands by antisocial forces.

• The Company is endeavoring to eliminate antisocial forces through its membership in the Tokyo Metropolitan Police Department's Special Anti-Violence Countermeasures Federation, a clearinghouse for information on extortion attempts. The Company belongs to the Federation to obtain information about extortive demands by antisocial forces.

- The Company is building an organization to help eliminate antisocial forces by promoting training in prevention of extortion.

- The Company has taken an explicit stance against antisocial forces by adding an antisocial-forces disassociation clause to its contracts, including basic purchasing/sales agreements.

## 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Yes

### Supplementary Explanation

·The Company's stock is listed on a financial instruments exchange (securities exchange). As such, it is freely tradable. In the unlikely event that a party seeking short-term profits launches an inequitable takeover bid by commencing purchases of the Company's shares, the Company's shareholders may be disadvantaged as a result. At the Company's 93rd General Meeting of Shareholders on May 23, 2018, shareholders approved a resolution titled "Continuance of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)." While shareholders should make their own decisions on whether or not to accept a takeover bid, the Company's takeover defense measures enable the Company to require prospective acquirers to provide shareholders with sufficient accurate information and sufficient time to decide whether to accept a takeover bid, and enable the Company to implement countermeasures against takeover attempts deemed clearly detrimental to the interests of shareholders at large.

·The Company's takeover defense plan is of the "advance-notice" variety. It would require any party seeking to acquire 20% or more of the Company's voting shares to comply with certain rules, mainly by providing the Company with sufficient information, including a profile of the prospective acquirer(s), quantitative justification of the proposed acquisition price and information on the acquisition method, the acquisition funding source and planned post-acquisition management policies. Promptly upon becoming aware of a prospective acquirer, the Company's Board of Directors shall disclose pertinent facts and establish an independent committee comprising Outside Directors and at least one external expert. The Board of Directors shall seek the committee's opinion based on the information provided by the prospective acquirer (the committee must deliver its final verdict to the Board of Directors within 60 days of receipt of the prospective acquirer's letter of intent even if it requests additional information).

The Board of Directors shall then announce the results of its evaluation of the takeover bid within a predetermined (60- or 90-day) evaluation period, during which it shall afford utmost deference to the committee's opinion. To reach a more objective decision, the Board of Directors and/or the independent committee may seek opinions from other experts as warranted. If the prospective acquirer fails to comply with the foregoing rules or if the takeover bid is clearly detrimental to shareholders' interests (e.g., if the prospective acquirer presumptively intends to demand that the Company buy back its shareholdings at an inflated price or to sell its shareholdings for a short-term gain), the Board of Directors may deploy takeover defense measures such as issuance of new shares or stock acquisition rights without waiting for the aforementioned evaluation period to elapse. If the Company issues stock acquisition rights with discriminatory exercisability conditions that restrict the prospective acquirer from exercising them, the stock acquisition rights would be callable by the Company to spare shareholders from the inconvenience of having to go through the process of exercising the rights. As a general rule, the Board of Directors shall decide whether to deploy and how to structure any takeover defense measures in accordance with its members' fiduciary duty as Directors. In exceptional cases, however, the Company may ask shareholders to vote at a General Meeting of Shareholders on whether to accept or reject a takeover bid in light of its terms, effects, and/or other relevant considerations.

· At every stage in the process, the Company shall fully disclose pertinent information on a timely basis and allow shareholders to make their own decisions.

·The takeover defense plan will expire at the conclusion of the Company's General Meeting of Shareholders scheduled to be held in May 2021.

·The Company's Board of Directors has concluded that the above takeover defense plan accords with the Aeon Basic Principles, is aligned with shareholders' common interests and is not intended to maintain the Company's corporate officers' positions.

## 2. Other Matters Concerning Corporate Governance System

Updated

<Status of Internal Arrangements for Timely Disclosure of Company Information>

1. Organized pursuant to the Companies Act as a corporation with nomination, compensation and audit committees under its Board of Directors, the Company ensures transparency and objectivity by strengthening management oversight functions. Under this framework, the Board of Directors sets basic management policies and oversees Executive Officers' execution of their duties. Meanwhile, Executive Officers are delegated substantial authority for execution of company business by the Board of Directors with the aim of expediting decision-making and operational execution.

2. The Company discloses in a timely manner company information (e.g., facts that would materially influence investors' decisions, information on operating or financial results, etc.) to the Tokyo Stock Exchange using TDnet. Before being forwarded to the Tokyo Stock Exchange, information to be disclosed is transmitted via a representative Executive Officer, the Aeon Management Committee, and the Board of Directors to the IR/SR Department, the organizational unit responsible for information handling.

(1) Information on decisions and events is transmitted by internal organizational units to representative Executive Officers and the Aeon Management Committee for review and approval before being forwarded to the IR/SR Department.

(2) Information on operating or financial results is prepared mainly by finance and business management units and transmitted to the IR/SR Department after being reviewed by the Aeon Management Committee and approved by the Board of Directors.

(3) The Internal Audit Department monitors whether operational execution processes are functioning appropriately and effectively and reports to the Audit Committee and Aeon Management Committee.

Whenever the Company discloses information to the Tokyo Stock Exchange, it promptly publishes the exact same document(s) on its website.

