Notice of the 95th Ordinary General Meeting of Shareholders

(from March 1, 2019 to February 29, 2020)

[We Recommend That You Do Not Attend the Meeting]

Novel coronavirus (COVID-19) infections are continuing to spread. **A general meeting of shareholders could become an infection cluster for the disease** because it is a place where many shareholders gather. Therefore, please consider not attending to avoid infection and exercise your voting rights by postal mail or via the Internet.

For details on the precautions to prevent infection at the 95th Ordinary General Meeting of Shareholders, please visit our website.

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

AEON CO., LTD.

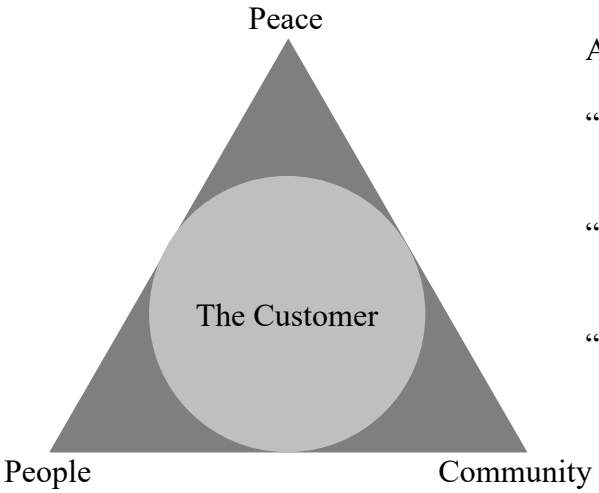
Stock code: 8267

(Translation for reference purposes only)

Aeon Basic Principles

[Aeon Basic Principles]

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



The word aeon (AEON) has its origins in a Latin root meaning "eternity."
The customers' beliefs and desires comprise the central core of our philosophy.
At AEON, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

Aeon Basic Principles are the following:

"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 ever-lasting innovative spirit.

AEON's Corporate Commitment

AEON creates a future of limitless promise
–an AEON– by transforming daily life with our open, dynamic approach.

(Translation for reference purposes only)

Greetings

My name is Akio Yoshida and I have been recently appointed President and Representative Executive Officer. I first would like to express a heartfelt thank you to all shareholders for your constant understanding of and support for AEON's business operations.

At the start of FY2020, our 31st fiscal year since the birth of the Aeon Group, we undertook reform of our organizational structure, and shifted to a new management system with the positions of Chairman and President at the top. In recent years, our customers' preferences and needs have been diversifying, as seen not only by orientations to healthy and low-priced options, but also by rising interest in consumption that is friendly to both the global environment and local communities. At the same time, we have witnessed the growing impacts of the declining birthrate and aging population and the expansion of e-commerce markets. To ensure we have the management speed to quickly respond to such changes in the business environment and strengthen the Group's combined capability through autonomous operations that place importance on diversity, we will embark on the challenge of transformation to achieve new growth.

AEON's basic principles are "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view at its core." Based on those principles, we will continue to strive to further increase our corporate value by contributing without limit to our customers and their local communities in the pursuit of customer satisfaction, which we believe is the eternal mission of the retail business, and in the practice of our "Customer-First" philosophy as a corporate group with its ever-lasting innovative spirit.

I ask that you continue your valued understanding and support into the future.



April 2020
Akio Yoshida
President and Representative Executive Officer

(Translation for reference purposes only)

Stock code: 8267

April 28, 2020

AEON CO., LTD.
1-5-1 Nakase, Mihama-ku
Chiba-shi, Chiba
Director, Chairman and Representative Executive Officer: Motoya Okada

To the Shareholders of AEON CO., LTD.:

Notice of the 95th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 95th Ordinary General Meeting of Shareholders of AEON CO., LTD., which will be held as described below.

For those who will be attending the meeting in person, we request that you submit the enclosed Form for Exercising Voting Rights to a receptionist at the meeting venue. Those who are unable to attend may vote by mail or on the Internet. Please cast your vote by 6:00 p.m. on Thursday, May 21, 2020 after reviewing the enclosed Reference Documents for the General Meeting of Shareholders.

Infections of a novel coronavirus (COVID-19) are spreading. If attending this meeting, you are kindly requested to take measures to protect yourself from infection, and attend after confirming your own health condition. In addition, there may be additional measures in place at the venue to prevent the spread of infection, and your understanding of such measures is kindly requested.

In the event that various factors, such as the spread of COVID-19, make it impossible for you to attend on the day, please exercise your voting rights either by postal mail or via the Internet.

[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 Thursday, May 21, 2020.

[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 Thursday, May 21, 2020.

[For those attending the meeting]
Please bring the completed Form for Exercising Voting Rights to the meeting (no signature or affixing of seal necessary).
Please bring this document as well, as it contains the agenda for the meeting.

*** Please note that persons thought to be unwell may be refused entry.**

In the event of duplicate votes, one cast on the Internet and the other cast by mail, the Company shall consider the vote arriving on the later day to be valid. However, if such duplicate votes arrive on the same day, the Company shall consider the vote cast on the Internet to be valid.

(Translation for reference purposes only)

95th Ordinary General Meeting of Shareholders

1. Date and Time: 10:00 a.m., Friday, May 22, 2020

2. Place: Makuhari Messe International Exhibition Halls, Hall No. 8
2-1 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 95th business year (from March 1, 2019 to February 29, 2020)

2. Reports of the Independent Auditors and Audit Committee on audit results for the Consolidated Financial Statements

Matters to be resolved:

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

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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

[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.

(Translation for reference purposes only)

Reference Documents for the General Meeting of Shareholders

Agenda and Reference Items

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

The terms of office of all eight (8) 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.

[Election criteria 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.

[Election criteria for outside directors]

1. The outside director shall subscribe to the Company's basic principles, code of conduct, etc.
2. The outside director shall have extensive experience as a chief executive officer or other corporate executive, or shall have comparable experience, knowledge and insight.
3. The outside director shall be able to make judgments independently of the Company's management.
4. The outside director shall be able to participate in most of the Company's Board of Directors' meetings and in the committees to which he or she is assigned.

* 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 95th business year
1	Motoya Okada	Director; Nomination Committee member; Compensation Committee member; Chairman and Representative Executive Officer	Reelection	100% (8/8)
2	Akio Yoshida	President and Representative Executive Officer	New election	–
3	Akinori Yamashita	Director; Executive Vice President and Representative Executive Officer, CFO, Business Management	Reelection	100% (8/8)
4	Takashi Tsukamoto	Director; Audit Committee member; Compensation Committee member	Reelection Outside Independent	100% (8/8)
5	Kotaro Ohno	Director; Chairman of the Audit Committee; Nomination Committee member	Reelection Outside Independent	87.5% (7/8)
6	Peter Child	Director; Nomination Committee member; Compensation Committee member	Reelection Outside Independent	100% (8/8)
7	Carrie Yu	–	New election Outside Independent	–

* 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 10, 2020).

Outside Candidates for outside director

Independent Independent director to be notified to the Tokyo Stock Exchange

(Translation for reference purposes only)

1. Motoya Okada

Reelection



Current positions and areas of responsibility in the Company

Director, Nomination Committee member, Compensation Committee member, Chairman and Representative Executive Officer

Attendance at Board/committee meetings

Board of Directors:	100% (8/8)
Nomination Committee:	100% (4/4)
Compensation Committee:	100% (2/2)

Number of the Company's shares owned

2,530,096 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

New election



Current positions and areas of responsibility in the Company

President and Representative Executive Officer

Number of the Company's shares owned

9,600 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 (current position)

(Significant concurrent positions outside the Company)

Director of Aeon Mall Co., Ltd.

<Conflicts of interest>

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

(Translation for reference purposes only)

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% (8/8)

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)

Director of AEON Stores (Hong Kong) Co., Limited

<Conflicts of interest>

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

(Translation for reference purposes only)

4. Takashi Tsukamoto

Reelection	Candidate for outside director	Candidate for independent director



Current positions and areas of responsibility in the Company

Director, Audit Committee member, Compensation Committee member

Attendance at Board/committee meetings

Board of Directors:	100% (8/8)
Audit Committee:	100% (9/9)
Compensation Committee:	100% (2/2)

Number of years served as outside director

3 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>

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 maintain and enhance the transparency and soundness of overall management, and to enhance corporate governance.

<Conflicts of interest>

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

(Translation for reference purposes only)

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, Nomination Committee member

Attendance at Board/committee meetings

Board of Directors:	87.5% (7/8)
Audit Committee:	100% (9/9)
Nomination Committee:	100% (4/4)

Number of years served as outside director

3 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>

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.

<Conflicts of interest>

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

(Translation for reference purposes only)

6. Peter Child

Reelection	Candidate for outside director	Candidate for independent director



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% (8/8)
Nomination Committee:	100% (4/4)
Compensation Committee:	100% (2/2)

Number of years served as outside director

2 years

Number of the Company's shares owned

0 shares

Date of birth

Mar. 25, 1958

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

<Reason for nomination as a candidate for outside director>

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.

<Conflicts of interest>

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

(Translation for reference purposes only)

7. Carrie Yu

New election	Candidate for outside director	Candidate for independent director



Number of the Company's shares owned

0 shares

Date of birth

Sep. 30, 1958

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)

(Significant concurrent positions outside the Company)

Senior Advisor of PwC Hong Kong

<Reason for nomination as a candidate for outside director>

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). 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.

<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 6, the Company sets forth election criteria 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 six 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 served as Partner of PwC Hong Kong for many years and was appointed as Senior Advisor during the most recent business year. The Company has transactions with the said firm and the monies paid to PwC represent less than 0.1% of the Company's total consolidated SG&A expenses.

(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, and Peter Child 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.

(Translation for reference purposes only)

ATTACHED DOCUMENTS

Business Report for Fiscal 2019

(March 1, 2019 – February 29, 2020)

1. Consolidated Business Review

For the fiscal year under review, AEON CO., LTD. ("AEON" or the "Company") and its 287 consolidated subsidiaries posted record-high operating revenue of 8,604.2 billion yen (up 1.0% year on year) for the 10th consecutive year. Consolidated operating profit was 215.5 billion yen (up 1.5%), consolidated ordinary profit was 205.8 billion yen (down 4.3%), and profit attributable to owners of parent was 26.8 billion yen (up 13.5%). The Japanese economy for the fiscal year under review continued on a trend of moderate recovery, but the operating environment has become difficult due to factors such as unseasonable weather throughout the year and the deterioration in consumer sentiment caused by the consumption tax hike in October. Furthermore, there is now prevailing uncertainty in the outlook due to the impact of the spread of novel coronavirus (COVID-19) infections, which has been ongoing since January. In such circumstances, as "a corporate group with its ever-lasting innovative spirit," the Aeon Group steadily executed group-wide structural reforms with the aim of becoming No. 1 in its respective regions and fields.

Group-wide structural reforms

In order to raise our regional competitiveness to an overwhelming level, we worked to merge the operations of subsidiaries and strengthen business platforms. In March 2019 in the Chugoku and Shikoku regions, Marunaka Co., Ltd., and Sanyo Marunaka Co., Ltd. became subsidiaries of Maxvalu Nishinihon Co., Ltd., while in September of the same year in the Tokai and Chubu regions, Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. merged. Also in March 2020 in the Hokkaido, AEON Hokkaido Corporation and Maxvalu Hokkaido Co., Ltd. merged. Furthermore, in the Tohoku region, Maxvalu Tohoku Co., Ltd. and the Food business, etc. of Tohoku Company of Aeon Retail Co., Ltd. integrated their managements and made a new start as Aeon Tohoku Co., Ltd. in March 2020. The integrated companies will each aim to become No. 1 in their own regions by responding to the diversification of food preferences, such as preferences for low-priced food, healthy food, and local food, and also responding to greater time pressures, intensification of competition, and changes in the labor environment.

New initiatives in growth markets

In April 2019, AEON established a new company in China, where we are introducing the latest IT, to serve as a base for the Group's Shift to Digital Markets. In addition to offering new customer experiences by building new business models that blend brick-and-mortar stores with digital

through technologies such as AI, we are also taking steps to improve the productivity of back-office operations and to nurture IT personnel. Furthermore, as part of our efforts to offer high value-added products, we have started to sell products from the popular French cosmetics brand “Yves Rocher” exclusively in Japan. The brand offers affordably priced, high-quality cosmetics made from naturally derived raw materials that are suitable for everyday use. Our objective is to expand sales to approximately 2,000 stores nationwide by FY2025. In November 2019, AEON entered into an exclusive partnership agreement in Japan with a subsidiary of Ocado Group PLC, the fastest-growing online supermarket operator in the U.K. AEON will strive to establish a business to launch a next-generation online supermarket that leverages AI and robotics functionality in 2023. Going forward the Company will achieve further growth, both in Japan and overseas, by adopting cutting-edge technology and know-how.

(Translation for reference purposes only)

Financial highlights

Years ended February 28 (2017, 2018 and 2019) and February 29 (2020)	2017	2018	2019	2020
Operating revenue (Millions of yen)	8,210,145	8,390,012	8,518,215	8,604,207
Operating profit (Millions of yen)	184,739	210,273	212,256	215,530
Ordinary profit (Millions of yen)	187,351	213,772	215,117	205,828
Profit attributable to owners of parent (Millions of yen)	11,255	24,522	23,637	26,838
Earnings per share (Yen)	13.44	29.23	28.11	31.88
Total assets (Millions of yen)	8,750,856	9,452,756	10,045,380	11,062,685
Net assets (Millions of yen)	1,862,410	1,916,737	1,875,364	1,849,278
Net assets per share (Yen)	1,349.79	1,371.60	1,299.32	1,264.63

(Note 1) AEON has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal year under review. This accounting standard has been retroactively applied to the figure in total assets for 2019.

(Note 2) During the fiscal year under review, AEON recorded a lump-sum loss due to revisions to the improper accounting treatment in past fiscal years discovered at a Group company.

Business segment information

Business segment	Operating revenue (Millions of yen)	YOY (%)	Operating profit (Millions of yen)	YOY (%)
GMS Business	3,070,521	99.7	7,223	62.7
SM Business	3,224,363	99.7	21,507	85.4
Health & Wellness Business	883,220	111.2	35,029	133.3
Financial Services Business	484,719	111.0	70,464	99.5
Shopping Center Development Business	371,926	103.2	63,279	113.8
Services & Specialty Store Business	739,599	96.2	5,124	25.9
International Business	439,202	100.4	10,386	318.7
Reportable Segments Total	9,213,553	101.1	213,016	100.3
Other Operations	52,623	102.6	1,789	268.3
Total	9,266,176	101.1	214,805	100.8
Adjustment	(661,968)	–	724	–
Consolidated	8,604,207	101.0	215,530	101.5

(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

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.

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, Aeon Retail Co., Ltd. ("Aeon Retail") refurbished 33 existing stores and opened nine new stores to meet the diversifying needs of local customers. Aeon Retail strengthened competitiveness through introducing initiatives matched to the characteristics of the store, such as Kokode Deli, a new type of eat-in Aeon delicatessen area where customers can buy and eat food at the store before going home, as well as Reward Kitchen, which provides carefully selected ready-to-eat items served in a face-to-face buffet style, and Glam Beautique, a beauty and health specialty shop. Ahead of the October consumption tax hike, Aeon Retail expanded sales of products in high demand before the tax increase, such as appliances and beauty care products, and after the tax increase, in November, it focused on implementing measures to stimulate demand, such as through the large-scale Black Friday sales promotion.

- In the SM Business, Maxvalu Tokai Co., Ltd. worked to offer products that leveraged the expansion in scale resulting from management integration, as well as bolstering sales promotions, while setting up at the new post-merger store a new sales floor that combined the distinctive product offerings of the two merged companies. United Super Markets Holdings Inc., which operates mainly in the Tokyo metropolitan area, made efforts to cut costs through such measures as integrating product purchasing functions, and expanding the scope of joint procurement, while strengthening initiatives to enhance convenience for customers and to deal with the effects of the consumption tax hike. My Basket Co., Ltd., which operates small-scale supermarkets, posted record-high operating revenue, operating profit and net profit, as a result of expanding products and product offerings to respond to customers' needs in urban areas, in addition to strengthening the opening of stores to establish a dominant strategic position.

- In the Health and Wellness Business, Welcia Holdings Co., Ltd. and its consolidated subsidiaries (the "Welcia Group") brought the number of stores to 2,012 as a result of initiatives such as opening 129 new stores. The Welcia Group enjoyed favorable sales at existing stores overall as a result of the increase in the number of stores offering prescription drugs, which led to growth in prescription drug sales. The Welcia Group also restructured subsidiaries in order to solidify its business foundation in urban areas.

- In the Services & Specialty Store Business, Aeon Delight Co., Ltd. is focusing on becoming an environmental value creation company that resolves social issues, and has made safety and security, labor shortages, and the environment the three pillars of its growth strategy. After Typhoon Faxai and Typhoon Hagibis struck in September and October respectively, the Company provided prompt assistance for the early recovery of disaster-stricken areas.

Financial Services

- In the Financial Services Business, in addition to working to expand the number of cardholders by issuing a new joint credit card and conducting large-scale sales promotions limited to new holders in Japan, AEON implemented various campaigns to ensure that people continue to use our cards to strengthen the revenue foundation. At Aeon banks, the Company worked to provide services that allow optimal proposals for customers, striving to enhance customer convenience by introducing asset formation and management simulation tools at every location. Overseas, we focused on expanding the number of cardholders and the transaction amount by stepping up issuance of credit cards and provision of loans for medium-income and high-income persons. In addition, we utilized digital technology to expand our customer base, and raise the efficiency of sales, screening and collection operations.

Shopping Center Development

- In the Shopping Center Development Business, Aeon Mall Co., Ltd. (“Aeon Mall”) completed floor expansion of four shopping centers, refurbishment of 11 shopping centers in Japan. In addition to active floor expansion and refurbishment, Aeon Mall focused on acquiring new customer segments through the “Happiness Mall” program designed to support healthy lifestyles and spiritual richness for local customers. It also concentrated on implementing sales measures aimed at promoting localization, and strengthening its ability to attract customers. Overseas, Aeon Mall worked on new store openings, and on methodical refurbishments and floor expansion for existing shopping centers, as well as strengthening competitiveness by leveraging the “Japanese quality” shopping center operations. These efforts enabled Aeon Mall to better attract customers and make progress in reaping branding benefits in conjunction with its market dominance store-opening strategy, thereby achieving strong performance.

International

- In Malaysia, during the Lunar New Year sales season, proactive introduction of low-priced clothing products and a successful flat-price sale held from the beginning of the year contributed to an increase in net sales. AEON CO. (M) BHD. brought forward promotions and strengthened incentives for cardholders, while also working to achieve more efficient management of expenses. In Vietnam, the first Aeon Mall in the country underwent floor expansion and refurbishment, while the first and second Aeon Malls in Cambodia held anniversary festivals with the aim of boosting their ability to attract customers.

- In China, sales were solid at Beijing AEON Co., Ltd. and Qingdao Aeon Dongtai Co., Ltd., thanks to sales promotions timed to coincide with the peak in demand such as Lunar New Year holiday measures. Group companies in China proceeded with conversion to digital sales promotions involving delivery of coupons and sale information to smartphones. In addition to

these measures to boost sales, the promotion of efficient expense management resulted in profitability improvement at the China Business.

(2) Environmental and Social Initiatives

Based on the Aeon Sustainability Principle, which reconciles the realization of a sustainable society and Group growth, we have set the three medium- to long-term environmental targets and are working to accomplish them.

Aeon Sustainability Principle

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."

From the dual perspectives of "environment" and "society," we will think globally and advance projects locally as we actively pursue initiatives alongside stakeholders.

Priority Issues for Environment	• Realization of a decarbonized society • Conservation of biodiversity • Better use of resources	**Priority Issues for Society**	• Creating products and stores that meet society's expectations • Implementing fair business practices based on respect for human rights • Collaborating with communities

Three medium- to long-term environmental targets

Decarbonization Vision 2050	Sustainable Procurement Goals for 2020	Food Waste Reduction Targets for 2025
• Reduce the total volume of CO_2 and other greenhouse gases generated by our stores and businesses to zero by 2050 • As an interim target, reduce CO_2 emissions by 35% over 2010 levels by 2030	Promote procurement of agricultural, livestock and fishery products, and paper, pulp, timber, and palm oil produced in line with global standards, using sustainable approaches	• Reduce food waste per generation intensity by 25% over 2015 levels by 2020, and by 50% by 2025 • Build food resource recycling models at 10 locations or more nationwide, and at least 1,000 stores, by 2020

Progress towards meeting medium- to long-term environmental targets

- AEON is promoting energy-saving initiatives and a shift to renewable energy in order to achieve the Aeon Decarbonization Vision 2050. In FY2019, we began to introduce a PPA model to accelerate the introduction of solar power generation. Moreover, in collaboration with three electric power companies (Chubu, Chugoku, and Shikoku), we began a WAON point service aimed at customers for whom Feed-in Tariffs for electricity generated by households are ending, whereby they receive points in proportion to the amount of excess

energy bought from them by electric power companies. Furthermore, we have conducted scenario analysis with regard to the impact of climate change in accordance with Task Force on Climate-related Financial Disclosures (TCFD) guidelines, projecting risks and investigating countermeasures for business continuity. Initiatives such as these have met with a positive response, resulting in AEON being selected as a "climate change A List" company (the highest level of assessment) by non-profit organization CDP, which deals with global environmental surveys and information disclosure.

- Aiming to achieve the Aeon Sustainable Procurement Goals for 2020, we are promoting procurement of products produced in line with global standards, such as ASC-certified products (aquaculture products), MSC-certified products (natural fishery products), and FSC-certified products (forestry products).

- In terms of initiatives for the reduction of food waste, in December 2019, to prepare for reducing waste throughout the supply chain, AEON became the only retailer in Asia to participate in the food waste reduction initiatives of US-based non-profit organization WRI, and began a related project in Japan with 21 food manufacturers and other companies.

Ongoing environmental and social contribution activities

- AEON has conducted a variety of initiatives with customers aiming to establish a lifestyle in which resources are not thrown away. Since 1991 we have operated a Bring Your Own Shopping Bag Campaign, and in 2007 we abolished the free distribution of plastic shopping bags. In February 2020, ahead of the enactment of laws in July 2020 that will make charging for plastic shopping bags mandatory, we announced extensions to the types of business and companies who will no longer distribute plastic shopping bags for free.

- The AEON Environmental Foundation, which was founded in 1990, continues to provide grants to organizations engaged in environmental activities around the world such as tree planting, commending groups and individuals who have made contributions to conserving biodiversity and related efforts. It is also involved in providing education to develop environmentally aware human resources, as well as actively undertaking collaborative projects with universities, governments, academic research institutes and specialist international organizations around the globe.

- The major companies of the Aeon Group contribute 1% of their pre-tax profit to the AEON 1% Club Foundation from a desire to "support society using profits received from customers," and support the foundation's activities centered around the sound upbringing of children who will lead the next generation, the promotion of international friendship and goodwill, and sustainable development of the local community. Established in 1989 and celebrating the 30th

anniversary in 2019, the Foundation has received approximately 29.0 billion yen in cumulative donations.

Support activities for disaster-stricken areas

- In response to the serious and widespread damage caused by Typhoons Faxai and Hagibis, driven by a desire to assist the recovery in the disaster-stricken areas as quickly as possible, AEON delivered emergency supplies, collected donations and held sales to provide support to the afflicted areas, while employees conducted volunteer activities. The combination of donations by customers and contributions from the AEON 1% Club Foundation resulted in a total of more than 175 million yen being paid to the ten prefectures affected by this disaster. Additionally, as part of initiatives to prepare for continuation of business in the event of a large-scale natural disaster, so that we can continue to function as part of the region's social infrastructure, a partnership agreement on disaster response was concluded with the Cabinet Office in July 2019. AEON has also entered into agreements on mutual assistance in the event of a disaster with electric power companies in each region. During the response to Typhoon Faxai, based on these agreements, AEON supported recovery activities by providing Aeon Mall parking lots for use in setting up electric power recovery bases.

- Under the slogan of "Nigiwai Tohoku — Join Hands and Foster the Power of Hometown," we have worked to realize recovery and revitalization of the Tohoku region since the Great East Japan Earthquake, promoting a variety of initiatives such as expanding sales of local products, conducting exchange type support activities, planting trees, and strengthening disaster countermeasures at commercial facilities. In July 2019, we opened Aeon Namie based on a memorandum of understanding with Namie Town, Fukushima prefecture, related to the rolling out of a commercial environment, in order to help people who have returned to Namie Town and restarted their lives and people who are living in other regions but wish to move back to Namie Town return to normal life in the town.

- **Promoting diversity and health management**

  Since its foundation, AEON has held the belief that human resources are the most important of all management resources. Based on that belief, we promote diversity management, while aiming to be a company which enables our diverse human resources to stay healthy and continue to demonstrate their capabilities.

  We have constantly taken steps to share excellent efforts made by each Group member company, to reform awareness among management, and to expand on-site childcare facilities at our business sites. These efforts have been recognized with our designation as a "Health and Productivity Management Organization 2020" in March 2020, for a fourth consecutive year,

as well as our selection as a Nadeshiko Brand company for a third 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.

(3) Corporate Governance

Corporate governance system

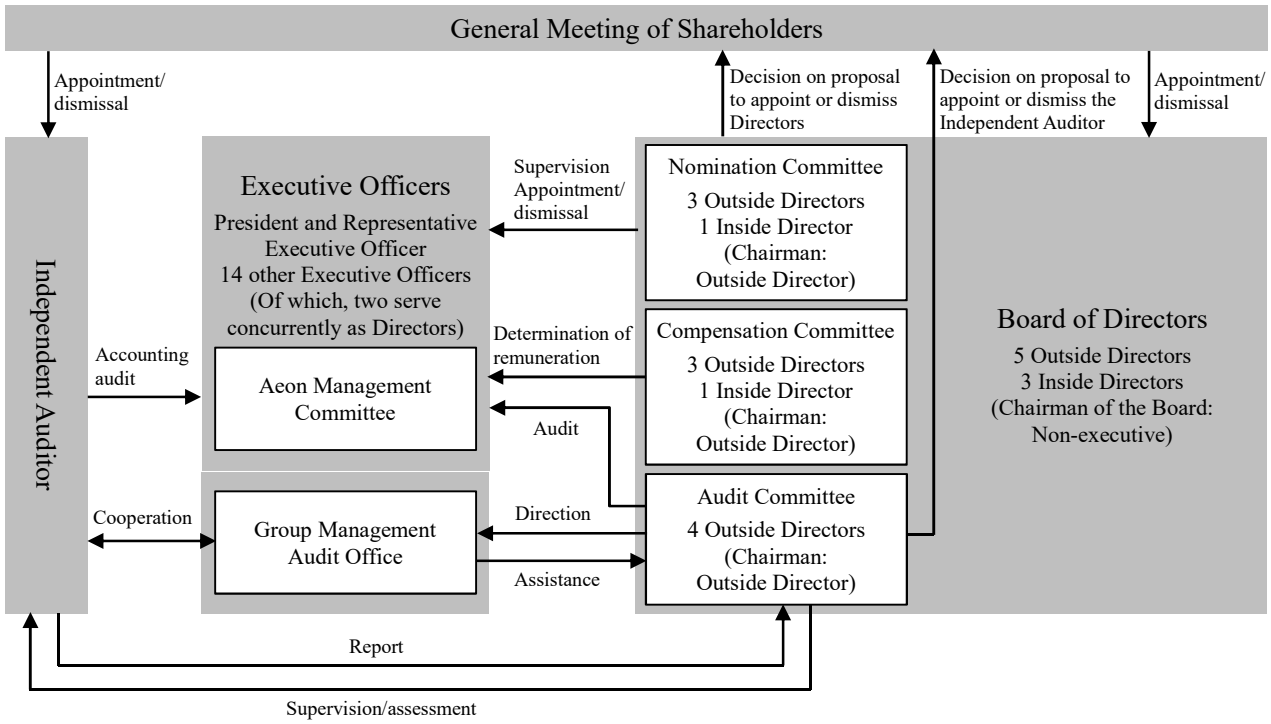
AEON pursues management based on a Basic Principle that incorporates a group-wide perspective, management that is transparent, sustainable, and stable and ceaseless innovation with customers as the core. To put these into practice, AEON has adopted a “company with a nomination committee and other committees 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. Moreover, by making outside directors the chairpersons of the Nomination, Compensation, and Audit Committees, the transparency and fairness of management is further enhanced.

Furthermore, as a pure holding company, AEON is taking initiatives which go beyond the framework of the Group business and of each company and formulating a management policy which the Group is to pursue, optimizing the allocation of management resources and creating synergy across business.

Corporate governance structure

(As of February 29, 2020)



Main Roles and Meeting Status of Corporate Bodies

	Meeting status	Principal roles
Board of Directors	Met 8 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 4 times	- Decisions pertaining to the content of motions to be introduced at shareholders' meetings concerning the appointment or dismissal of directors
Compensation Committee	Met 2 times	- Decisions concerning the content of financial remuneration received by directors and executive officers

** 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, as well as overseas business visits, etc.*

Activity report of the Board of Directors

The Board of Directors meets to discuss not only regularly submitted agenda items such as the results of quarterly reporting periods, but also key management issues, such as AEON's medium- to long-term issues. In FY2019, the Board's discussions focused especially on its growth strategy and business portfolio. In particular, with regard to the Online Supermarket business, an important project for promoting the Shift to Digital Markets, the Board conducted plenty of debate and evaluation about latent growth potential of the project and its innovative business model, thereby playing a role in promoting the growth strategy. Moreover, in addition to Board of Directors meetings, the Board also conducts policy deliberation meetings where they have important discussions regarding the direction that AEON should take going forward in light of future market changes and various technological innovations. The outside directors provide useful opinions and proposals from broad perspectives based on their diverse backgrounds at the Board of Directors meetings and the policy deliberation meetings, and there is vigorous and active discussion. In addition, at regular meetings of the outside directors and the CEO, discussions took place on the extremely important theme of CEO succession planning, and plenty of time was spent in conducting highly objective and transparent discussions on selection of successor candidates. The Board also actively discusses ESG perspectives, incorporating the environment, society, and governance, to promote sustainable management that contributes to raising the Company's corporate value over the medium to long term.

As a result, it has been confirmed that the Board of Directors has 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 AEON, is functioning effectively.

Going forward, they will work to further strengthen its corporate governance.

2. Prospective Challenges for the Aeon Group

In recent years, changes in population trends, technological innovation such as IT, and environmental changes such as an increase in the frequency of natural disasters and climate change are driving accelerated diversification of customers' lifestyles and values. Moreover, borderless competition across traditional industry lines and business categories is intensifying, such as the rapid growth of businesses primarily engaged in e-commerce.

As "a corporate group with its ever-lasting innovative spirit," to respond to these changes in the business environment, in the Medium-term Management Policy (2018–2020) designed in December 2017, the Shift to Regional Markets, Shift to Digital Markets, and Shift to Asian Markets are included as reform directives, and by promoting the Investment Shift that supports said shifts, we will continue our reforms aimed at becoming the No. 1 company in each region and field.

(1) Major Initiatives for Group-wide Structural Reforms

1) Shift to Regional Markets

In response to extensive changes in the environment around food, we are promoting the management integration of our Supermarket Business in the six regions in Japan to realize further growth. In FY2019, we transitioned to a new structure with the Chugoku and Shikoku, Tokai, and Chubu regions. In FY2020 we plan to complete the transition to the new structure in all regions.

Looking ahead, operating companies in each region will increase their investments into areas such as development of local products, logistics, and digitization, and work to transform the business model from the traditional supermarket. In this way, AEON aims to achieve the No. 1 market share as a supermarket business that provides satisfying lifestyles for customers through food and makes the biggest contribution to the community.

2) Shift to Digital Markets

AEON is working to acquire cutting-edge know-how and technology to strengthen its e-commerce business through investments in U.S. company Boxed and German company SIGNA Sports United GmbH, as well as its alliance with Ocado Group PLC of the U.K. In addition, AEON is providing more comfortable online shopping experiences to customers in Japan and overseas through seamless integration of the strengths that the Aeon Group owns, namely its stores, products customer data, settlement technology, infrastructure and others assets.

Furthermore, we established a new company (Aeon Digital Management Center) to serve as the base for the Group's Shift to Digital Markets in China, where development and

introduction of cutting-edge IT is advancing. With a view to introducing digital systems developed in China into ASEAN and Japan, the new company will move forward by providing new customer experiences and increasing operation productivity using digital technology, as well as developing IT personnel.

3) Shift to Asian Markets

In Asia as in Japan, AEON continues to establish the mall business and to propel the Shift to Digital Markets through e-commerce and other means. At the same time, the Company is concentrating investment of management resources in the Vietnam area, which is experiencing particularly high growth. The Company will continue to accelerate business growth through opening shopping malls that are the largest scale in their local areas, expanding and renewing existing malls, and promoting online supermarkets, among other measures.

In addition, in a bid to seize growth opportunities in urban areas, where population growth is predicted, AEON is promoting the development of new growth business categories, such as development of small-scale store formats to meet the needs of urban consumers and providing new services combined with online aspects. Through these measures, the Company aims to rapidly grow the share of its overseas business to more than 50% of operating revenue and operating profit.

(2) Reforms of Organizational Structure

In March 2020, the Company made further advances in executing the major initiatives described above, and decided to undertake organization reforms to achieve further growth of the Group.

1) Shift to management structure with a chairman and a president to improve strategy formulation and execution capability

The Company will transition to a dual system for management, with the Chairman responsible for deciding on medium- to long-term Group strategy and fostering AEON's unique character, while the President drives the execution of the strategy, in order to improve strategy formulation and execution capability.

2) Adopt a lean structure and flatten the organization to increase decision-making speed

To create a flat organization, the position of Chief Officers in charge of the following Businesses was abolished: GMS Business, Shopping Center Development Business, Financial Services Business, International Business, Internet Business, Cosmetic Business. Moreover,

the number of executive officers was reduced from 14 to nine to create a lean organization. This revamped organization will accelerate decision making.

3) Evolve a business model with a unified Group under direct management of the President

The principal subsidiaries, Aeon Retail Co., Ltd., Aeon Mall Co., Ltd., Aeon Financial Service Co., Ltd., and other subsidiaries are now under the direct management of the President. In addition, the Digital & China, ASEAN, Services & Specialty Stores, and Health & Wellness business organizations have been placed under direct supervision of the President to create a structure that will evolve the business model as a unified Group while strengthening coordination between the businesses and achieve further increases in corporate value.

3. Overview of AEON and the Aeon Group (as of February 29, 2020)

(1) Main Business

The Aeon Group comprises the Company (a pure holding company), 287 consolidated subsidiaries and 28 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
General merchandise stores	613	Home centers	120	Drugstores	2,392
Supermarkets	2,229	Department stores	1	Other retail	1,147
Supercenters	25	Convenience stores	5,350	Financial services	658
Discount stores	592	Specialty stores	3,900	Other services	2,067
				Total	19,094

(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 417.7 billion yen, which was financed by internal cash flows and new borrowings.

(4) Share-related Information

1) Number of shares authorized: 2,400,000,000 shares

2) Number of shares issued: (including treasury shares) 871,924,572 shares

3) Minimum share-trading unit: 100 shares

4) Number of shareholders at year-end: 823,303

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)	54,022	6.37
Japan Trustee Services Bank, Ltd. (Trust Account)	34,457	4.07
Mizuho Bank, Ltd.	33,292	3.93
AEON Environmental Foundation	21,709	2.56
The Cultural Foundation of Okada	21,242	2.51
The Norinchukin Bank	18,133	2.14
Japan Trustee Services Bank, Ltd. (Trust Account #5)	15,373	1.81
Japan Trustee Services Bank, Ltd. (Trust Account #7)	14,844	1.75
Employees' stockholding association	12,272	1.45
Aeon Mutual Benefit Society (Nomura Securities account)	12,040	1.42

(Note 1) Calculations of ratio of shares held exclude treasury shares (24,453,710 shares) and have been rounded. The number of treasury shares (24,453,710 shares) does not include the Company's shares held by Employee Stock Ownership Plan Trust (5,626,400 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 "Trust & Custody Services Bank, 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 of the Company

1) Directors

Board of Directors

Name	Area of responsibility	Significant concurrent positions outside the Company
Hiroshi Yokoo	Chairman of the Board	Outside Director, YAMAYA CORPORATION
Motoya Okada	Nomination Committee member; Compensation Committee member	
Akinori Yamashita		
Yukako Uchinaga	Chairman of the Nomination Committee; Audit Committee member	President, Japan Women's Innovative Network (J-Win) (NPO) President and Representative Director, Globalization Research Institute Outside Director, HOYA CORPORATION Outside Director, Teijin Limited
Toru Nagashima	Chairman of the Compensation Committee; Audit Committee member	Honorary Advisor, Teijin Limited External Corporate Auditor, Daikin Industries, Ltd. Director, Japan Corporate Governance Network
Takashi Tsukamoto	Audit Committee member; Compensation 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; Nomination Committee member	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	

(Translation for reference purposes only)

Executive officers

Position	Name	Area of responsibility and significant concurrent positions outside the Company
President and Representative Executive Officer	Motoya Okada	Group CEO
		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.
Executive Vice President and Representative Executive Officer	Akio Yoshida	Chief Officer of Shopping Center Development Business and Digital Business
		President and Representative Director, Aeon Mall Co., Ltd.
Executive Vice President and Representative Executive Officer	Soichi Okazaki	Chief Officer of GMS Business and International Business
		Chairman, Aeon Retail Co., Ltd.
Executive Vice President and Representative Executive Officer	Motohiro Fujita	Chief Officer of SM Business
		President and Representative Director, United Super Markets Holdings Inc.
Executive Vice President and Executive Officer	Akinori Yamashita	CFO
		Chief Officer of Business Management
		Director, AEON Stores (Hong Kong) Co., Limited
Executive Vice President and Executive Officer	Shinya Wako	Chief Officer of Management Strategy
		Director, Aeon Retail Co., Ltd.
		Director, Daiei, Inc.
Executive Officer	Yuki Habu	Chief Officer of China Business
		President and Representative Director, AEON (CHINA) CO., LTD. (Aeon Group China Headquarters)
Executive Officer	Eiji Shibata	Chief Officer of Merchandising & Logistics
Executive Officer	Masaki Suzuki	Chief Officer of Financial Services Business
		Chairman, Aeon Financial Service Co., Ltd.
Executive Officer	Kahori Miyake	Chief Officer of CSR & Communication
Executive Officer	Hidenori Osano	Chief Officer of Logistics Reform
Executive Officer	Hiroyuki Watanabe	Human Resources and Administration, Administration & Risk Management
		Director, Aeon Financial Service Co., Ltd.
Executive Officer	Takehiko Saitoh	Chief Officer of Internet Business
Executive Officer	Yasuo Nishitoge	Chief Officer of ASEAN Business

(Note 1) In addition to their positions as directors, Motoya Okada 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) Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto, Kotaro Ohno, and Peter Child 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 29, 2020:

- *March 1, 2019: Yasuo Nishitoge was newly elected as Executive Officer, and assumed his position.*

- *May 29, 2019:* *Yoshiki Mori retired from the positions of Director and Executive Officer upon the completion of his term.*
- *May 29, 2019:* *Ippei Nakayama retired from the position of Executive Officer upon the completion of his term.*

(Note 5) *As of February 29, 2020, Shinya Wako, Masaki Suzuki, Hidenori Osano, Takehiko Saitoh and Yasuo Nishitoge resigned from the position of Executive Officer.*

(Note 6) *As a result of a restructuring effective March 1, 2020, 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, Merchandising & Logistics
Executive Vice President and Executive Officer	Yuki Habu	Digital & China
Executive Officer	Soichi Okazaki	ASEAN
Executive Officer	Eiji Shibata	Logistics
Executive Officer	Kahori Miyake	CSR & Communication
Executive Officer	Hiroyuki Watanabe	Human Resources and Administration Administration & Risk Management

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 35.
- The Company is registered as a member of Japan Women's Innovative Network (J-Win), an NPO of which Yukako Uchinaga is Executive Director. The annual corporate membership fees plus any other monies paid to Japan Women's Innovative Network represent less than 0.1% of the Company's total consolidated SG&A expenses.
- 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 six 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.
- 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
Yukako Uchinaga	7/8	8/9	4/4	–
Toru Nagashima	7/8	9/9	–	2/2
Takashi Tsukamoto	8/8	9/9	–	2/2
Kotaro Ohno	7/8	9/9	4/4	–
Peter Child	8/8	–	4/4	2/2

c. Major activities during the year under review

- In addition to her broad experience and expertise in IT sector, Yukako Uchinaga is well versed in diversity-related issues and provided leadership in discussions on matters such as promotion of healthy and efficient business management. Furthermore, as Chairman of the Nomination Committee she led deliberation on agendas for resolutions at the Committee, including nomination of directors and President and Representative Executive Officer of the Company.
- Based on his ample experience and deep insight as a corporate manager, Toru Nagashima provided leadership in discussions on matters such as the promotion of global management and enhanced corporate governance. Furthermore, as Chairman of the Compensation Committee he led deliberation on agendas for resolutions at the Committee, including remuneration for directors of the Company.
- 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.
- 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.
- 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.

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

Remuneration for directors and executive 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 with objectivity.

a. Remuneration policy

The philosophy and objectives of the remuneration structure

- Based on the basic philosophy, as a corporate group with its ever-lasting innovative spirit, the Company's directors and executive officers will contribute to the sustainable growth of the Group, rising to the challenges without fear of risk.
- 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 and easy to understand so that it will be understood and endorsed by customers, employees, and shareholders, and shall be decided by a transparent, appropriate process that ensures fairness.

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 levels shall be such that they secure and maintain human resources responsible for the Group's management and lead to motivation.

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% and the weight shall be higher for ones serving higher positions.

Payment rate for the performance-based remuneration shall be payable at the rate of 100% of the standard amounts when the designated target set at the beginning of the business year has been achieved. The rate shall vary within the range of 0% to 200% based on the financial results of AEON and the evaluation of individual performances for the year in question.

Performance-based remuneration for executive officers shall be composed of corporate performance-based remuneration and personal performance-based remuneration. For Representative Executive Officers, 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 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 for each position.

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 and sharing with shareholders not only the benefits received when the stock price rises but also the risks when the stock price falls.

The number of subscription rights to shares granted shall be determined based on the performance of the year in question according to the standard number for each position.

iv. 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. Also taken into account shall be the level of achievement regarding forecasts for consolidated profit and operating profit, as well as the year-on-year change in each profit item, and the details thereof.

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

Directors

	Basic remuneration based on Compensation Committee resolutions	Of which, outside directors
Number of persons paid	6	5
Amount paid	121 million yen	75 million yen

Executive officers (incumbent as of the fiscal year-end)

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
President and Representative Executive Officer	1	45 million yen	20 million yen	7 million yen	73 million yen
Other Executive Officers	10	281 million yen	76 million yen	36 million yen	393 million yen
Total	11	326 million yen	96 million yen	43 million yen	466 million yen

(Note 1) Remuneration through share compensation-type stock options for executive officers is projected amounts. The actual amounts will be paid after being resolved at the Compensation Committee meeting and the Board of Directors meeting to be held on May 22, 2020, based on performance during the 95th business year. In regard to the share compensation-type stock options, the subscription rights to shares will be allocated on June 21, 2020. 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 2020.

(Note 2) In addition to the amounts detailed above, a total of 9 million yen was paid in basic remuneration to one executive officer who resigned during the fiscal year under review.

(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	116 million yen
ii.	Total cash and other compensation paid by AEON and its subsidiaries to their independent auditors	2,681 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 International Financial Reporting Standards (IFRS), 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.

(7) Aeon Group Employees

Business segment	Number of employees (Note 1)	Number of other employees (Note 2)
GMS Business	31,974	95,046
SM Business	28,526	98,356
Health & Wellness Business	10,412	21,385
Financial Services Business	19,936	6,798
Shopping Center Development Business	3,835	1,723
Services & Specialty Store Business	30,640	27,833
International Business	31,716	7,001
Other Business	709	402
Pure Holding Company, etc.	2,479	1,394
Total	160,227	259,938

(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 other employees represent the average number of part-timers during the term (calculated on the basis of eight working hours/day).

(8) Principal Creditors

Creditors	Amount (Millions of yen)
Mizuho Bank, Ltd.	39,500
MUFG Bank, Ltd.	32,900
Sumitomo Mitsui Banking Corporation	28,500
Sumitomo Mitsui Trust Bank, Limited	25,000
The Norinchukin Bank	23,000
Mizuho Trust & Banking Co., Ltd.	15,500
Resona Bank, Limited	12,000

(9) Group Status

Major subsidiaries

Name	Capital	Voting rights (%)	Main businesses
GMS Business			
AEON Hokkaido Corporation	¥6,100 million	81.24	General merchandise store
AEON KYUSHU CO., LTD.	¥3,161 million	73.84	General merchandise store
Sunday Co., Ltd.	¥3,241 million	77.27	Home center
Aeon Retail, Co., Ltd.	¥100 million	100.00	General merchandise store
SM Business			
United Super Markets Holdings Inc.	¥10,000 million	53.70	Management in supermarket
Maxvalu Tokai Co., Ltd.	¥2,267 million	69.91	Supermarket
Maxvalu Nishinihon Co., Ltd.	¥1,705 million	74.20	Supermarket
Maxvalu Kyushu Co., Ltd.	¥1,626 million	78.21	Supermarket
Ministop Co., Ltd.	¥7,491 million	53.83	Convenience store
Health & Wellness Business			
Welcia Holdings Co., Ltd.	¥7,736 million	50.62	Management in drug store
Financial Services Business			
Aeon Financial Service Co., Ltd.	¥45,698 million	49.87	Financial services
AEON CREDIT SERVICE (ASIA) CO., LTD.	HK$269 million	67.13	Financial services
AEON CREDIT SERVICE (M) BERHAD	M$523 million	63.74	Financial services
AEON THANA SINSAP (THAILAND) PLC.	THB250 million	63.12	Financial services
Aeon Bank Ltd.	¥51,250 million	100.00	Banking services
Shopping Center Development Business			
Aeon Mall Co., Ltd.	¥42,347 million	56.62	SC development
Services & Specialty Store Businesses			
Cox Co., Ltd.	¥4,503 million	71.60	Casual apparel specialty store
G Foot Co., Ltd.	¥3,755 million	66.91	Specialty shoe store
Aeon Delight Co., Ltd.	¥3,238 million	55.34	Facilities management services
Aeon Fantasy Co., Ltd.	¥1,785 million	68.52	Amusement services
International Business			
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 September 1, 2019, Maxvalu Tokai Co., Ltd. carried out an absorption-type merger with Maxvalu Chubu Co., Ltd.*
- *Effective March 1, 2020, AEON Hokkaido Corporation carried out an absorption-type merger with Maxvalu Hokkaido Co., Ltd.*
- *Effective March 1, 2020, the Company made Aeon Tohoku Co., Ltd. (former trade name: Maxvalu Tohoku Co., Ltd.) its wholly owned subsidiary through a share exchange.*

(10) Policy Regarding Decisions on Dividends of Surplus

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

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 10, 2020, the year-end dividend payment from surplus for the fiscal year under review is 18 yen per share (an ordinary dividend of 17 yen and a commemorative dividend of 1 yen). The total annual dividend for the fiscal year is 36 yen per share, an increase of 2 yen from the previous year, including the interim dividend of 18 yen (an ordinary dividend of 17 yen and a commemorative dividend of 1 yen). The starting date for dividend payments (effective date) is Thursday, April 30, 2020.

(11) Other important matters relating to the current state of the Aeon Group

[Countermeasures for a novel coronavirus (COVID-19)]

Since around late January 2020, COVID-19 has been spreading both in Japan and overseas. Based on Ministry of Health, Labour and Welfare guidelines and the "Novel Influenza Rules (created in 2010)" drawn up by the Company, AEON has been strengthening measures to prevent further expansion of infection. Also, despite being affected in various ways, such as suspended operations at some stores, and revisions to hours of operation and selling methods, the Group is striving to fulfill its mission as a lifeline that supports the livelihood of local customers, and is working as one to respond to the needs of customers, which are changing with dizzying speed. Earnings for the fiscal year under review in China mainly reflect January to December 2019. If the business environment undergoes significant change in the future due to the spread or prolonging of infections, that could have a grave impact on the Company's business results.

(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 29, 2020

Assets		Liabilities	
Current assets	**6,713,352**	**Current liabilities**	**6,599,221**
Cash and deposits	1,221,991	Notes and accounts payable – trade	1,068,427
Call loans	53,773	Deposits for banking business	3,784,320
Notes and accounts receivable – trade	1,626,704	Short-term loans payable	253,395
Securities	462,062	Current portion of long-term loans payable	303,055
Inventories	575,748	Current portion of bonds	75,633
Operating loan	433,808	Commercial papers	168,131
Loans and bills discounted for banking business	2,049,319	Lease obligations	54,146
		Income taxes payable	55,363
Other	404,271	Provision for bonuses	31,475
Allowance for doubtful accounts	(114,328)	Provision for loss on store closing	8,245
		Provision for point card certificates	24,319
Non-current assets	**4,349,333**	Notes payable – facilities	58,171
Property, plant and equipment	**3,094,320**	Other	714,536
Buildings and structures, net	1,555,080	**Non-current liabilities**	**2,614,186**
Tools, furniture and fixtures, net	221,896	Bonds payable	779,513
Land	926,900	Long-term loans payable	1,040,774
Leased assets, net	89,198	Lease obligations	309,782
Construction in progress	41,590	Deferred tax liabilities	37,444
Other, net	259,654	Provision for directors' retirement benefits	882
		Provision for loss on store closing	2,923
Intangible assets	**301,888**	Provision for contingent loss	53
Goodwill	133,989	Provision for loss on interest repayment	4,965
Software	105,477	Provision for loss on future collection of gift certificates	5,455
Leased assets, net	26,530		
Other	35,890	Net defined benefit liability	25,496
		Asset retirement obligations	97,369
Investments and other assets	**953,124**	Long-term guarantee deposited	261,653
Investment securities	229,916	Other	47,872
Net defined benefit asset	11,975	**Liabilities**	**9,213,407**
Deferred tax assets	159,727	**Net assets**	
Guarantee deposits	414,576	**Shareholders' equity**	**1,025,822**
Deposits for stores in progress	2,189	Capital stock	220,007
Other	143,542	Capital surplus	307,089
Allowance for doubtful accounts	(8,803)	Retained earnings	541,180
		Treasury shares	(42,455)
		Accumulated other comprehensive income	**38,693**
		Valuation difference on available-for-sale securities	55,054
		Deferred gains or losses on hedges	(4,149)
		Foreign currency translation adjustment	(2,064)
		Remeasurements of defined benefit plans	(10,147)
		Subscription rights to shares	**1,706**
		Non-controlling interests	**783,056**
		Net assets	**1,849,278**
Assets	**11,062,685**	**Liabilities and net assets**	**11,062,685**

(Translation for reference purposes only)

Consolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 29, 2020	
Net sales	**7,505,415**
Operating revenue from financial services business	**436,936**
Other operating revenue	**661,855**
Operating revenue	**8,604,207**
Cost of sales	**5,431,856**
Operating cost from financial services business	**36,917**
Operating cost	**5,468,774**
Gross profit (loss)	**2,073,558**
Operating gross profit (loss)	**3,135,433**
Selling, general and administrative expenses	**2,919,902**
Operating profit (loss)	**215,530**
Non-operating income	
Interest income	3,589
Dividend income	2,545
Share of profit of entities accounted for using equity method	3,295
Income from unredeemed gift vouchers	4,035
Penalty income from leaving tenants	4,020
Reversal of allowance for doubtful accounts	914
Gain on collection of guarantee deposits	2,757
Other	10,256
	31,414
Non-operating expenses	
Interest expenses	31,813
Other	9,302
	41,115
Ordinary profit (loss)	**205,828**
Extraordinary income	
Gain on sales of non-current assets	29,785
Gain on sales of investment securities	10,102
Insurance income	3,040
Other	6,097
	49,025
Extraordinary losses	
Loss on sales of non-current assets	668
Impairment loss	58,267
Provision for loss on store closing	6,146
Loss on retirement of non-current assets	5,295
Other	9,812
	80,189
Profit (loss) before income taxes	**174,664**
Income taxes	
Current	98,509
Deferred	1,217
	99,726
Profit (loss)	**74,937**
Profit (loss) attributable to non-controlling interests	48,099
Profit (loss) attributable to owners of parent	**26,838**

(Translation for reference purposes only)

Nonconsolidated balance sheet

(Unit: Millions of yen, rounded down)

As of February 29, 2020			
Assets		**Liabilities**	
Current assets	**444,446**	**Current liabilities**	**232,366**
Cash and deposits	82,508	Current portion of long-term loans payable	57,750
Short-term loans receivable to subsidiaries	337,959	Current portion of bonds	15,000
Accrued income	12,351	Accounts payable – other	7,019
Accounts receivable – other	6,702	Accrued expenses	2,817
Other	4,923	Income taxes payable	2,137
		Accrued consumption taxes	511
Non-current assets	**1,085,289**	Deposits received	146,316
Property, plant and equipment	**14,117**	Provision for bonuses	213
Buildings, net	9,887	Other	601
Structures, net	73	**Non-current liabilities**	**619,824**
Tools, furniture and fixtures, net	172	Bonds payable	216,500
Land	3,984	Long-term loans payable	312,350
		Allowance for investment loss, etc.	83,904
Intangible assets	**1,013**	Deferred tax liabilities	4,786
Rights of trademark	607	Other	2,283
Other	405	**Liabilities**	**852,190**
		Net assets	
Investments and other assets	**1,070,158**	**Shareholders' equity**	**626,903**
Investment securities	113,580	**Capital stock**	**220,007**
Stock of subsidiaries and affiliates	885,637	**Capital surplus**	**323,126**
Investments in capital of subsidiaries and affiliates	101,690	Legal capital surplus	316,894
		Other capital surplus	6,231
Other	6,053	**Retained earnings**	**126,159**
Allowance for doubtful accounts	(80)	Legal retained earnings	11,770
Allowance for investment loss, etc.	(36,724)	Other retained earnings	114,389
		Reserve for advanced depreciation of fixed assets	4,224
		General reserve	95,500
		Retained earnings brought forward	14,665
		Treasury shares	**(42,391)**
		Valuation and translation adjustments	**50,284**
		Valuation difference on available-for-sale securities	51,741
		Deferred gains or losses on hedges	(1,456)
		Subscription rights to shares	**356**
		Net assets	**677,544**
Assets	**1,529,735**	**Liabilities and net assets**	**1,529,735**

(Translation for reference purposes only)

Nonconsolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 29, 2020	
Operating revenue	
Dividends from subsidiaries and affiliates	37,173
Commissions from subsidiaries and affiliates	20,965
Other	1,098
	59,238
Operating gross profit (loss)	**59,238**
Selling, general and administrative expenses	**19,230**
Operating profit (loss)	**40,008**
Non-operating income	
Interest and dividend income	7,215
Other	388
	7,604
Non-operating expenses	
Interest expenses	6,194
Provision of allowance for investment loss, etc.	17,116
Other	2,067
	25,377
Ordinary profit (loss)	**22,234**
Extraordinary income	
Gain on sales of investment securities	9,857
Gain on sales of stock of subsidiaries and affiliates	1,977
Other	280
	12,115
Extraordinary losses	
Loss on valuation of investment securities	227
Other	57
	284
Profit (loss) before income taxes	**34,066**
Income taxes	
Current	7,117
Deferred	(968)
	6,149
Profit (loss)	**27,916**

(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 22, 2020)

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 22, 2020)

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, Merchandising & Logistics
Executive Vice President and Executive Officer	Yuki Habu	Digital, China
Executive Officer	Soichi Okazaki	ASEAN
Executive Officer	Eiji Shibata	Logistics
Executive Officer	Kahori Miyake	CSR & Communication
Executive Officer	Hiroyuki Watanabe	Human Resources and Administration Administration & Risk Management

**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/

(Translation for reference purposes only)

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 directors and 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. 4 subscription rights to shares (November 20, 2008)	November 21, 2008 to November 20, 2023	8	800 shares	1	710 yen per share	1 yen per share
No. 8 subscription rights to shares (June 21, 2010)	July 21, 2010 to July 20, 2025	37	3,700 shares	1	885 yen per share	1 yen per share
No. 9 subscription rights to shares (June 21, 2011)	July 21, 2011 to July 20, 2026	37	3,700 shares	1	805 yen per share	1 yen per share
No. 10 subscription rights to shares (June 21, 2012)	July 21, 2012 to July 20, 2027	60	6,000 shares	2	817 yen per share	1 yen per share
No. 11 subscription rights to shares (June 21, 2013)	July 21, 2013 to July 20, 2028	67	6,700 shares	2	1,097 yen per share	1 yen per share
No. 12 subscription rights to shares (June 21, 2014)	July 21, 2014 to July 20, 2029	34	3,400 shares	2	1,064 yen per share	1 yen per share
No. 13 subscription rights to shares (June 21, 2015)	July 21, 2015 to July 20, 2030	67	6,700 shares	3	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	150	15,000 shares	6	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	360	36,000 shares	8	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	200	20,000 shares	10	1,618 yen per share	1 yen per share

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.

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. 17 subscription rights to shares (June 21, 2019)	July 21, 2019 to July 20, 2034	34	3,400 shares	2	1,618 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. 17 subscription rights to shares (June 21, 2019)	July 21, 2019 to July 20, 2034	90	9,000 shares	18	1,618 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. In addition, AEON has a dedicated office set up to promote the Aeon Group Code of Conduct and to resolve issues pertaining to it. Furthermore, the Aeon Code of Conduct Hotline has been established since 2004 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. In regard to whistleblowing related reporting and consultation, in addition to having a system in place to ensure whistleblowers can maintain their anonymity in order to stop them from being unfairly treated for making a report, such incidents of reporting and consultation are examined and confirmed by the relevant department and corrective action and preventive measures are taken, and important cases are reported to each director based on the chain of command for response that has been determined in advance. Further, operational status of the internal notification system is reported to the Audit Committee on a regular basis. Furthermore, reflecting on inappropriate accounting treatment carried out at a Group company, an external point of contact was newly established in January 2020 to receive whistleblowing reports on inappropriate actions by the top level of management as a measure to strengthen the compliance system.

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 FY2019, 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 regard to the system for business continuity planning in Japan, AEON focused the combined capability of the Group on recovery and restoration of the areas affected by Typhoon Faxai, and carried out various initiatives to support AEON customers in the region. Furthermore, in order to strengthen the support systems for each local region, the Aeon Group has entered into new agreements with 38 local governments and other companies to partake in cooperative activities during large-scale disasters. We will anticipate, predict, and preclude risks with the potential for particularly grave impact by assembling interdivisional task forces.

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 progress status, it is reviewed by the Group Management Audit Office.

In the exclusion of antisocial forces, AEON has established crime prevention rules, etc. which provide specific measures, educating ones responsible through various training programs. Furthermore, for the purpose of acquiring information relating to unreasonable claims from antisocial forces, AEON is a member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department which is an "Institution for Information Management of Unreasonable Claims" and through close cooperation with this federation, AEON handles any related matters at the organizational level.

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 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)

	Shareholders' equity				
Year ended February 29, 2020	**Capital stock**	**Capital surplus**	**Retained earnings**	**Treasury shares**	**Total shareholders' equity**
Balance as of March 1, 2019	220,007	302,636	561,135	(36,290)	1,047,490
Cumulative effects of changes in accounting policies			(17,331)		(17,331)
Restated balance	220,007	302,636	543,804	(36,290)	1,030,159
Changes of items during period					
Dividends of surplus			(29,462)		(29,462)
Profit (loss) attributable to owners of parent			26,838		26,838
Purchase of treasury shares				(13,013)	(13,013)
Disposal of treasury shares		6,231		6,848	13,080
Change in ownership interest of parent due to transactions with non-controlling interests		(1,779)			(1,779)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	4,452	(2,624)	(6,165)	(4,337)
Balance as of February 29, 2020	220,007	307,089	541,180	(42,455)	1,025,822

	Accumulated other comprehensive income							
Year ended February 29, 2020	**Valuation difference on available-for-sale securities**	**Deferred gains or losses on hedges**	**Foreign currency translation adjustment**	**Remeasure-ments of defined benefit plans**	**Total accumulated other comprehensive income**	**Subscrip-tion rights to shares**	**Non-controlling interests**	**Total net assets**
Balance as of March 1, 2019	47,391	(2,542)	2,155	(859)	46,145	1,960	779,768	1,875,364
Cumulative effects of changes in accounting policies							(12,359)	(29,690)
Restated balance	47,391	(2,542)	2,155	(859)	46,145	1,960	767,409	1,845,674
Changes of items during period								
Dividends of surplus								(29,462)
Profit (loss) attributable to owners of parent								26,838
Purchase of treasury shares								(13,013)
Disposal of treasury shares								13,080
Change in ownership interest of parent due to transactions with non-controlling interests								(1,779)
Net changes of items other than shareholders' equity	7,663	(1,607)	(4,220)	(9,287)	(7,451)	(253)	15,647	7,941
Total changes of items during period	7,663	(1,607)	(4,220)	(9,287)	(7,451)	(253)	15,647	3,604
Balance as of February 29, 2020	55,054	(4,149)	(2,064)	(10,147)	38,693	1,706	783,056	1,849,278

(Translation for reference purposes only)

Nonconsolidated statement of changes in equity

(Unit: Millions of yen, rounded down)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
Year ended February 29, 2020	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward
Balance as of March 1, 2019	220,007	316,894	–	316,894	11,770	4,351	95,500	16,084
Changes of items during period								
Dividends of surplus								(29,462)
Reversal of reserve for advanced depreciation of fixed assets						(127)		127
Profit (loss)								27,916
Purchase of treasury shares								
Disposal of treasury shares			6,231	6,231				
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	6,231	6,231	–	(127)	–	(1,418)
Balance as of February 29, 2020	220,007	316,894	6,231	323,126	11,770	4,224	95,500	14,665

	Shareholders' equity			Valuation and translation adjustments				
Year ended February 29, 2020	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, 2019	127,705	(36,225)	628,383	43,521	(1,414)	42,107	381	670,871
Changes of items during period								
Dividends of surplus	(29,462)		(29,462)					(29,462)
Reversal of reserve for advanced depreciation of fixed assets	–		–					–
Profit (loss)	27,916		27,916					27,916
Purchase of treasury shares		(13,013)	(13,013)					(13,013)
Disposal of treasury shares		6,848	13,080					13,080
Net changes of items other than shareholders' equity				8,219	(42)	8,177	(24)	8,152
Total changes of items during period	(1,545)	(6,165)	(1,479)	8,219	(42)	8,177	(24)	6,673
Balance as of February 29, 2020	126,159	(42,391)	626,903	51,741	(1,456)	50,284	356	677,544