



AEON delight Report 2023



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Facilities, smiles, Be sustainable.

As an "environmental value creation company,"
we, the AEON delight group,
Working to solve social issues through
facility management,
We will contribute to the realization of
a society where everyone can smile.

Management Principle

We Pursue the Creation of "Environmental Value" for our Customers and for the Local Communities.

The environmental value we consider includes all the values
in the following; value in the business environment of the corporation,
value in the usage environment of the customers of the corporation,
value in the workplace environment employees work in and value
in the local community.

By creating environmental value, we strive to provide “delight”
such as joy, shine and richness of mind.

To achieve that goal, we constantly aim to improve safety, security,
cleanliness and comfort, and keep stepping forward towards
“the future with a dream.”



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Editorial policy

Editorial policy

The AEON delight Report 2023 is published to inform shareholders, investors,
and all other stakeholders of the Group's business activities, growth strategies,
and future outlook based on our Management Principle.

In preparing this report, we referred to the International Integrated
Framework of the IFRS Foundation and the GRI Standards of the GRI, focusing
on information that we deemed important from the standpoint of medium- and
long-term corporate value creation.

Organization

AEON DELIGHT CO., LTD. and AEON delight Group

WEB Investor Relations ▶ <https://www.aeondelight.co.jp/english/ir/>
Sustainability ▶ <https://www.aeondelight.co.jp/english/sustainability/>

Period

March 1, 2022 – February 28, 2023

*Some sections include information for March 2023 and beyond.

Publication date

October 2023 (previous report published in November 2022; next report
scheduled for October 2024)

Forward-looking statements

This report contains projections and forward-looking statements regarding our
Group's future plans, strategies and performance. These statements are based
not only on historical facts, but also on assumptions made with information
currently available to the company. As such, actual results may differ from
projections.



Purpose

A portion of the mural painted in the elevator hall on the second floor of the AEON delight Group headquarters.
The mural was created to reaffirm the significance of the Group's existence and mission and to pass our legacy on to the future by looking back to the fire at the Sennichi Department Store, the origin of AEON delight, and expressing our business development up to the present day.

To continue protecting people's precious places

The roots of our company can be traced back to the fire at the Sennichi Department Store in Osaka in May of 1972. It was the worst fire incident in the history of building fires in Japan, leaving 118 people dead.

With the aim of preventing such a tragic accident from ever happening again, we founded the company and developed our expertise and techniques in facility management to "pursue facility safety and provide an environment where customers can visit facilities with peace of mind."

The AEON delight Group celebrated its 50th anniversary in November 2022, but our role in society remains the same as we move forward into the next 50 years. We will continue to adapt to changes in the environment and transform ourselves to create environmental value for our customers and local communities, and to protect people's precious places.



History

1972 – 1977

Establishment

Established as a facility management company to ensure safety and security following the fire at the Sennichi Department Store.

Following the fire at the Sennichi Department Store, the facilities management division of Nichii Corporation (now Aeon Retail Co., Ltd.) was spun off to form Nichii Maintenance Co., Ltd. Starting with a few employees, we expanded our business domain from facility management services to comprehensive building maintenance services such as security and cleaning, as well as construction-related businesses.



1978 – 2005

Business expansion and IPO

**Developed business foundation by making regional subsidiaries.
Listed on the Second Section of the Osaka Securities Exchange and then on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange.**

Our business expanded as our parent company, Nichii Corporation opened more general merchandise stores. Around this time, we introduced a center manager system that assigned a person to be responsible for each property, which helped improve the quality of our operations. In addition, we began providing services to office and commercial buildings outside the Nichii Group. From around 1980, we established regional subsidiaries in Hokkaido, Tohoku, Shinetsu, and Kyushu. In 1995, we went public on the Second Section of the Osaka Securities Exchange (OSE). Then, after listing on the Second Section of the Tokyo Stock Exchange (TSE), we became the first comprehensive building maintenance company to list on the First Section of the OSE and TSE in 2000.



2006 – 2021

Merger and business expansion

**Expanded sales through merger with AEON Techno Service Co., Ltd. and CERTO Corporation.
Enhanced service offerings as a facility management business.**

In 2006, we merged with AEON Techno Service Co., Ltd. a general building maintenance company in the AEON Group, and became the largest comprehensive building maintenance company in Japan. Then, in 2010, we merged with CERTO Corporation, which operated a vending machine business and a materials business, and expanded our services as a facility management company. Subsequently, we advanced our business by expanding overseas to China and ASEAN countries, and by launching integrated facility management (IFM) services in response to outsourcing demand for back-office operations. In addition, we added subsidiaries in Japan and overseas through proactive M&A to form the AEON delight Group, which is comprised of approximately 30 companies.



WEB 50th anniversary site
▶ <https://www.aeondelight.co.jp/english/50th/>

Celebrating our 50th anniversary: Looking ahead to the next 50 years

Beliefs that will never change and things that must be changed

The world is facing a variety of challenges toward achieving a sustainable society, including those related to climate change, energy, the employment environment, and human rights. We will continue to protect people's precious places by continuing to transform ourselves while adapting to the changing environment and people's values.





Business Fields

The AEON delight Group is a facility management group that offers various solutions for facilities and surrounding environments in response to the challenges faced by customers in Japan, China, and the ASEAN region.



Office buildings and public facilities

For office buildings and public facilities, we propose unique solutions to address various issues that our customers face, from major disasters and labor shortages to reducing environmental impact and preventing the spread of infectious diseases. In addition, we provide services that enable our customers to establish sustainable business models and further grow their businesses.



Commercial facilities

For commercial facilities, we help customers build facilities and systems that enable shoppers to safely, securely, and comfortably enjoy their shopping experience. In addition, we help create commercial facilities that are closely connected to local communities by helping our customers prepare business continuity plans, address labor shortages, and reduce environmental impact.



Hospitals and research facilities

Hospitals and research facilities have higher sanitation requirements compared to other facilities. To address this, we provide optimal solutions that meet the specific needs of each facility, ranging from highly sanitary environments achieved through infection control to robust security environments using advanced disaster prevention equipment.



Factories and warehouses

For factories and warehouses, we support a variety of outsourcing needs aimed at improving management and operation efficiency, including energy savings through facility management. In addition, we propose preparation solutions that enable facilities to fulfill their production and supply roles in the event of a major disaster by ensuring continued operation and rapid recovery.



Hotels

For hotels, we developed an integrated cleaning service that combines aesthetic maintenance and infection prevention measures by leveraging our expertise in sanitation cleaning gained from our experience in hospitals and other facilities. We also provide clean and comfortable spaces in high-end and luxury class hotels.



Stadiums and cultural heritage sites

Based on the know-how accumulated through years of facility management, we provide services in a wide range of facilities. We provide safety, security, and comfort to visitors by flexibly responding to situations that require handling an unspecified number of visitors on unpredictable schedules.



Services

AEON delight's facility management

We help companies and organizations solve various issues by building optimal customer-focused solutions with a wide variety of services covering everything from facility operations to management.

Management Services

Enhance and maximize facility performance



Facility Budget Management

We manage all facility costs, from land, buildings, equipment, security, and cleaning, and develop and implement budget plans for our customers.



Energy Management

We comprehensively manage and optimize facility energy use, and offer energy-saving proposals that optimize life-cycle costs by introducing energy-efficient equipment.



Workplaces

We propose both soft and hard solutions that transform office spaces as well as work habits and processes.



Business Continuity Plan (BCP)

We formulate plans that enable customers to continue operating and promptly restore facilities in the event of a disaster, minimizing impact on corporate activities.



Maintenance Plan Development and Management

We formulate and manage maintenance plans tailored to building use, achieving both lower maintenance costs and longer service life.



Partner Management (Evaluation & Guidance)

We maximize the performance of our customers' operational partners by providing implementation and improvement support for systematic management methods.

Operations Services

Optimally operate facilities



Facility Management

We provide optimal operation, inspection, maintenance, and servicing tailored to each facility, and propose an Open Network System that reduces management and operating costs.



Building Construction

We provide comprehensive support (planning, layout, design, construction, and supervision) for everything from restoration work to renovation, interior work, and extensive maintenance.



Security

We offer a wide range of services from facility security to traffic guidance and event security, providing unique plans that incorporate advanced equipment.



Vending Machines

We contribute to improved profitability and user satisfaction with high value-added vending machines and product lineups tailored to customer needs.



Materials

We provide various materials such as packaging and sanitary materials for stores, and propose environmentally friendly materials as well as ways to reduce total cost and streamline material ordering operations.



Support

We offer a variety of services to meet the outsourcing needs of customers for managing and operating their facilities and surrounding areas, including landscaping, catering, cafeteria operations, business travel arrangements, and rental conference spaces.



Cleaning

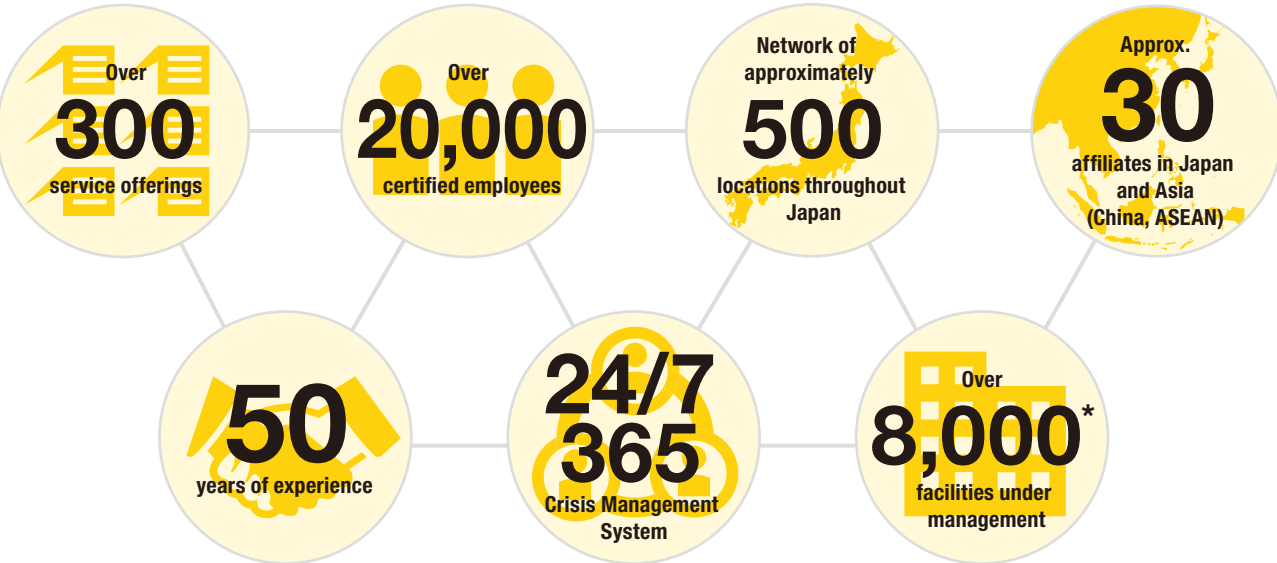
We offer cleaning services that not only maintain aesthetics but also extend the life of facilities, including Hygiene Control Cleaning and New Standard Cleaning services designed to enhance infection control.

WEB FMNavi Service menu (Japanese)
▶ <https://service.aeondelight.co.jp/s/service>

Providing the best facility solutions as a group of experts for facility management

The strength of the AEON delight Group rests in our ability to provide optimal solutions to customer issues through our diverse variety of facility-related services and our network of expert personnel in Japan and overseas.

AEON delight's Strengths (As of February 28, 2023)



WEB AEON delight's Strengths
▶ <https://www.aeondelight.co.jp/english/service/advantage.html>

* As of August 31, 2023
* Recurring customers excluding spot contracts

Expertise and personnel

Over 20,000 qualified employees

Our Group employs over 20,000 qualified personnel, ranging from essential personnel for facility maintenance to those with knowledge and skills related to reducing environmental impact. These employees are deployed to our more than 500 service locations throughout Japan. We maintain a network of approximately 5,000 partners to uniformly provide highly specialized services throughout Japan.

▶ For details, see pages 36-37 Human Resource Development.

Crisis management

Established a system prepared for major and widespread disasters

We have established three AD Solution Centers (ADSC) and substitute ADSC functions in Osaka, Komaki (Aichi Prefecture), and Tokyo as our core crisis management centers for disaster prevention. The ADSC constantly collects and analyzes disaster information and remotely monitors our facilities under management for abnormalities in order to prepare for disaster risks. In the event of a disaster, our eight Customer Support Centers located close to the affected area quickly gather information, and we coordinate with the ADSC and substitute locations to respond to the disaster by leveraging our field expertise in order to quickly restore and rebuild the affected areas.

Number of qualified employees (as of February 28, 2023, non-consolidated)

Total number of qualified personnel for all managed licenses		20,351
Examples of qualifications held	Building environment and sanitation management technician	1,365
	Licensed electrical engineer (Type 1/2/3)	983
	Qualified energy manager (heat, electricity)	213
	Fluorocarbon refrigerant engineer (Type 1)	598
	Eco-tuning engineer	158



AD Solution Center

Major disaster response record (example)

Great East Japan Earthquake (2011) / Kumamoto Earthquake (2016) / Torrential Rainfall in July, 2018 (West Japan) / Fukushima Earthquake (2021)

Ability to transform in response to changes in the environment

Promoting DX to build a sustainable business model

In the facility management industry, labor shortages and the aging of qualified personnel are becoming major issues. In addition, demographic trends indicate that this issue will become more severe going forward. Against this backdrop, AEON delight is building a sustainable business model through DX to continue to deliver safety and security to our customers and local communities by providing highly specialized services.

Digital transformation promotion initiatives

To continue providing highly specialized services while addressing labor shortages, we are promoting the development of a new facility management model called area management. At the same time, by building the AEON delight Platform, a data collaboration platform, we are leveraging a variety of data collected from inside and outside of facilities to propose solutions that help resolve the issues that our customers face.

Selected as a certified digital transformation business by the Ministry of Economy, Trade and Industry (METI)

In June 2021, we were selected as a Certified Digital Transformation Business in recognition of our digital transformation promotion system aimed at building a sustainable business model in facility management, which meets the criteria for certification by the Ministry of Economy, Trade and Industry (METI).

* Certification renewed on June 1, 2023.



Customer Support Center (Kanto Regional Office)

Customer Support Centers began operation in FY2021 under eight regional offices nationwide. The remote monitoring function plays an important role in promoting area management and the AEON delight Platform.

▶ For details, see pages 25-27.

For more information on DX Promotion, including the development of area management and the AEON delight Platform, please refer to "Special Feature: Envisioning the future of facility management through DX".



Creating a sustainable business model to move into a new phase of growth

Since our establishment in 1972, the AEON delight Group has grown into a facility management (hereinafter referred to as "FM") corporate group that provides services throughout Asia by continuing to hone our advanced expertise and technical capabilities in facility management in our mission of protecting the safety and security of facilities. We are proud to say that our on-site capabilities are highly regarded by our customers and are among the best in the FM industry.

However, the FM industry faces a labor shortage and qualified personnel are aging, and we expect this situation to become increasingly serious going forward. The biggest challenge for the AEON delight Group lies in finding ways to maintain and improve our on-site capabilities, which have been the source of our competitiveness thanks to the support of our specialized personnel.

Against this backdrop, we are promoting DX to enhance the value of our people in order to continue to fulfill our mission. We aim to be a corporate group that continues to be supported by our customers and local communities by providing solutions to social issues through our business model that combines human technical skills and digital technology.

President & CEO, Group CEO
Kazumasa Hamada

Message from the CEO

Progress of Medium-Term Management Plan (FY2021 - FY2023)

In 2018, the AEON delight Group set forth its medium- to long-term vision, AEON delight Vision 2025 (Vision 2025), in which we committed to becoming an environmental value-creating company that resolves social issues in Asia by focusing on the three pillars of our growth strategy consisting of ensuring safety and security, resolving labor shortages, and addressing environmental issues. To achieve this, we are working to establish our corporate brand as a group of experts for facility management and to create regional economic zones in each of the areas where we operate.

AEON delight Vision 2025

Aiming to be an environment value-creating company in Asia that resolves social issues based on three pillars of our growth strategy: "Safety and Security", "Labor force shortage", and "Environment".

The current medium-term management plan, which began in FY2021 and will conclude in FY2023, was formulated to accelerate growth toward fulfilling the Vision 2025. In the medium-term management plan, we are promoting various initiatives based on the three basic policies of customer-oriented management, DX promotion, and Group management, but we are currently lagging far behind in terms of reaching our performance targets.

Medium-term Management Plan: Progress of KPIs

Basic policies	KPI (End-FY2/24)	End-FY2/23	End-FY2/22
Customer-oriented Management	Ratio of sales inside and outside the Aeon Group: 60%:40%	63.4%:36.6%*	64.4%:35.6%
Promotion of DX	Operating margin of 6.0%*. Maintain ROE level of 12% (full year) through improvement of operating margin.	Operating income margin: 4.7%* ROE: 10.5%	Operating income margin: 5.0% ROE: 11.7%
	Number of facilities with area management introduced: 360 facilities	273 facilities	178 facilities
	Reduction of 180 on-site staffs through area management	167 staffs	115 staffs
	Reallocation of 20% of headquarters staffs to direct departments through consolidation of functions	Continued improving business processes in headquarter	Began improving business processes in the head office divisions
Group Management	Full-year sales of domestic group companies: 65 billion yen*	54.5 billion yen*	52.0 billion yen
	Overseas sales ratio: over 8%*	9.8%*	7.8%
	Convert domestic group finance and accounting departments to shared services (full year)	Continued providing support from our finance and accounting department for all domestic group companies	Started supporting share-based services for all domestic group companies

* Former revenue recognition standard

Dramatic changes in the business environment

The biggest factor behind our sluggish progress on the medium-term management plan is the dramatic changes in the business environment. The spread of COVID-19, which exceeded our expectations in terms of both duration and scale, the unexpected emergence of the crisis in Ukraine, and the substantial rise in labor costs delayed our efforts to implement key measures, and we were unable to fully achieve the expected benefits to our business performance.

In particular, the overall economy stagnated under the pandemic, making the business environment difficult for our customer companies and organizations, and the trend to curb real estate management costs continued. This narrowed the scope of our activities, and we were forced to stall our efforts to expand market share. In addition, procurement of infection-prevention materials such as acrylic partitions and face masks and gloves for business use, as well as increased demand for alcohol disinfection cleaning at facilities where people tested positive for COVID-19, also came into play. We prioritized these emergency responses in accordance with our mission to protect the safety and security of facilities, which resulted in delays in our efforts to implement the measures we had originally planned. Furthermore, in the construction business, in addition to the cancellation and postponement of renovation construction, we faced material shortages and procurement delays due to supply chain disruptions spurred by the outbreak of the crisis in the Ukraine.

Restrictions on the movement of people also had a significant impact. Due in part to the continuing difficulties in conducting on-site surveys, objectives and goals were not accurately communicated, resulting in delays in the development of important measures where on-site work plays a key role. In addition, we expected to execute M&A deals to accelerate our growth as part of our medium-term management plan, but our efforts have been substantially delayed owing to difficulties in conducting due diligence, as well as a drop in the number of proposals.



Customer-oriented Management x DX Promotion - Promoting innovation to enter a new growth phase -

While we experienced delays in implementing our plan, we are making steady progress in transforming ourselves to make a further leap in the post-COVID world, which has been accompanied by major changes in the environment. The concrete examples of our progress are our AEON delight Platform (AD Platform) and Area Management.

① AD Platform

At the AEON delight Group, we believe that customer-oriented management and DX promotion are inseparable. The AD Platform was conceived as a mechanism to collect, analyze, and process a variety of data, including customer feedback, facility conditions, and market trends in customer industries, into valuable information through DX. This is something we first announced as part of Vision 2025 in 2018 in anticipation of the growing labor shortage and advances in technology, and it has finally taken shape and can be used in the workplace.

By combining sales information from account managers assigned to each customer with various information on the facility obtained through cameras and sensors, we are now able to suggest planned repairs, energy-saving measures, and other proposals. By making proposals based on quantitative evidence, we are able to better convince our customers, and we feel that this has a positive impact on our sales activities.

Going forward, it will become increasingly important for companies to be able to make better use of data as they strive for growth. We plan to continue use data and improve its accuracy as well. In addition, we have recently begun making use of generative AI technologies.

② Area Management

At AEON delight, we are developing a new facility management model called area management as a way to continue providing highly specialized services while addressing labor shortages. Since the beginning of FY2021, we established Customer Support Centers (CSCs) under eight regional offices nationwide as a new organization.

The CSCs remotely monitor multiple facilities by using a variety of systems and sensors, and serve the function of consolidating customer facility information and requests in each region. Aside from providing operational support through remote monitoring, we transferred administrative tasks such as preparing contracts and invoices, which were previously handled at each site, to CSCs, thereby reducing or removing the need for resident facility management staff, enabling the development of area management, in which facilities are centrally managed by area.

Tasks such as drafting contracts and invoices are not necessarily something that can only be done by experts. Going forward, we will further leverage technology to create an environment in which field staff can focus on maintenance services that only the experts can perform. In this way, we aim to further enhance the value of our experts, which are the source of our competitiveness.

For more information on AD Platform and Area Management, please refer to "Envisioning the future of facility management through DX" on pages 25-27.

Thus, although we experienced delays resulting from global developments such as the COVID-19 pandemic and the crisis in Ukraine, we have made steady progress in transforming our business model to adapt to changes in the environment. We have positioned FY2023 as the year to complete the transformations set forth in the medium-term management plan, and we are currently accelerating our efforts to accomplish this.

Although the benefits of these transformations will not be fully reflected on earnings until the next fiscal year, we believe that they will provide the foundation for the AEON delight Group to grow even more under the new environment, which differs substantially from the previous environment.

Message from the CEO

Group management: Domestic Group companies are showing signs of recovery, while overseas business is growing steadily

① Domestic Group companies

Since FY2021, domestic Group companies have not been able to produce the results we had initially anticipated, partly due to changes in the environment, such as the COVID-19 pandemic and the situation in Ukraine, but in FY2023, we are finally seeing signs of a recovery. Earnings at Aeon Delight Connect have recovered thanks to the expansion of contracted cleaning and maintenance services and various types of construction work at apparel chains, restaurant chains, and convenience stores. Earnings is also recovering over at Aeon Compass, which is engaged in travel-related business, by tapping into the recovery in demand for business trip arrangements and organizing physical events.

In addition, as part of our efforts to form a regional economic zone, we acquired shares in Askmaintenance Co., Ltd. and made it into a wholly owned subsidiary in April 2023. Askmaintenance provides facility management, condominium management, construction, and other services with a focus on cleaning in the Kyushu area, and has a track record of providing services to a wide range of facilities. Currently, we are working to further improve quality and management efficiency by combining the technologies and expertise that both AEON delight and Ask Maintenance have accumulated.

② China business

In China, which we have positioned as the largest growth area in Asia, we are steadily expanding our business by securing more contracts for key target facilities such as high-end shopping centers, medical-related facilities, and urban development areas through our core operating companies.

In addition, we are actively executing growth investments with the aim of expanding our business domain, having acquired a local company with strengths in servicing factories in 2021 and a local company with strengths in servicing medical-related facilities in 2022.

Furthermore, we changed the corporate format of AEON DELIGHT (CHINA) CO., LTD. to an investment company to enhance its investment function for these types of M&A deal as well as for new businesses.

③ ASEAN business

In the ASEAN business, which we expect to grow substantially over the medium to long term, we opened a regional office in Malaysia (Kuala Lumpur) in FY2022 as a base for the officer in charge of the ASEAN business to be stationed at, with the aim of strengthening the Group governance system and formulating a growth strategy for the ASEAN region as a whole. Recently, we have been working on expanding our business and strengthening quality management in Malaysia, Vietnam, Cambodia, and Indonesia, as the ASEAN economies, which had been stagnant under the pandemic, have begun to recover.

Next Medium-Term Management Plan

We are in the process of discussing our medium-term management plan for FY2024 onward (hereinafter referred to as the "next medium-term management plan"). Accordingly, I cannot discuss the details at this time, but we do not intend to make any major changes in our policy. We intend to incorporate the strategies for solving the three social issues set forth in Vision 2025 into the next medium-term management plan. Of the three basic policies in the current medium-term management plan, which are customer-oriented management, DX promotion, and Group management, the first two are already incorporated. In other words, we will be announcing a growth strategy that builds on the two policies as a foundation. To this end, I believe that we must transform our business model by the end of FY2023.

Managing the entire supply chain

I believe we need to further enhance Group management by involving the entire supply chain consisting of the AEON delight Group and partner companies in order to accelerate the formation of regional economic zones. Our business is only made viable thanks to the many partner companies that provide services together with us. Accordingly, I believe we must strive to streamline the entire supply chain by sharing frameworks such as the AD Platform and area management, as well as know-how, and establish a system that enables our partner companies to grow with us.

The model case for this is our consolidated subsidiary, Kankouseibi Co., Ltd. This company is headquartered in Tochigi Prefecture, and has built a solid business foundation in the northern Kanto area based on their philosophy of contributing to the local community. Much like Kankouseibi, which is based in the northern Kanto region, we plan to make Askmaintenance, which we made into a wholly owned subsidiary in April, the center of the regional economic zone in the Kyushu area by growing it into a company that is needed by customers and the local community.

In the next medium-term management plan, we also plan to launch measures to strengthen relationships with partner companies in areas outside of Kyushu based on the concept of supply chain management.

Business expansion in Asia

In China, we will continue to expand our market share and invest aggressively through our core operating companies, with an eye to expanding our business throughout mainland China. In ASEAN, we will continue to expand our market share and strengthen quality management in each country where we operate. In particular, in Vietnam, which is positioned as a top-priority area in the AEON Group's ASEAN strategy and where Aeon Mall Co., Ltd. and other AEON Group companies are accelerating their store openings, we intend to achieve substantial growth by preparing for the influx of new openings and steadily capturing demand within the AEON Group.

For more details on our initiatives in Vietnam, see pages 28-30. Special Feature: Envisioning the future in a fast-growing young country

Implementing ESG Management - Enhancing the drive to solve social issues -

To enhance our drive to resolve social issues such as ensuring safety and security, resolving labor shortages, and addressing environmental issues, we believe we must implement ESG management, which involves both our business as well as the environment and society. To this end, we will be working to strengthen our ESG management system.

In August 2021, we formulated the Basic Policies for Sustainability as a basic approach to promoting ESG management, and in April 2022, we established the Sustainability Committee, which is chaired by myself and includes executive officers as its members. At the AEON delight Group, we have designated this committee as the company-wide promotion body for ESG management, which promotes environmental, social, and governance initiatives, while deepening discussions on the merits of the 12 materiality issues and the details of the initiatives.

Environmental initiatives

In recent times, rising energy costs have become a major business challenge for companies and organizations. The impact on companies and organizations with large facilities and multiple locations is particularly significant. Due to the nature of our business, the AEON delight Group does not generate a large amount of greenhouse gas emissions. Accordingly, we believe that in order to step up our contribution to creating a decarbonized society, it is not only important to reduce greenhouse gas emissions within the AEON delight Group, but even more important to leverage our energy-saving know-how accumulated in the field of facility management to help our customers reduce their power consumption. The energy-saving capabilities of equipment such as air conditioning and lighting are improving each year, and simply replacing older equipment with newer models can produce substantial power savings. We are currently helping to save energy at facilities, centered on the AEON Group, which is a major consumer of power, by switching to LED lighting, updating air conditioning units, and selling non-fluorocarbon refrigeration and freezer cases.

Moreover, going forward, we intend to strengthen our efforts to reduce environmental impact through our business, not only by installing and operating equipment with superior energy-saving performance, but also by developing a consulting business that provides full support for our customers' decarbonization efforts, including CO₂ emissions measurement and energy management for entire facilities.

Societal initiatives

As I mentioned that we will be promoting DX to enhance the value of our people at the beginning of this report, human resources are our greatest management resource. I believe that strengthening investment in human capital is essential to achieve sustainable growth. As a group of experts for facility management, we have been focusing on developing experts with both technical and human capabilities for some time. As a result of these continued efforts, we have a total of over 20,000 qualified personnel, including those essential for facility maintenance and those with knowledge and technical capabilities related to reducing environmental impact, and they are the source of our on-site capabilities.

However, in analyzing the reasons for the delay in implementing key measures in the medium-term management plan, we came to the conclusion that one of the reasons was insufficient training opportunities for managers working closely with the field, as compared to the training we

offer for technical personnel. Accordingly, we are focusing on training branch office managers, who are the key players in rolling out area management and other important measures. In FY2022, we held five 10-day training sessions for branch office managers, with myself, outside directors, and senior management serving as lecturers, and all office managers participating. Furthermore, we are expanding training opportunities for area managers and site managers reporting to branch office managers. At the AEON delight Group, we will continue to enhance employee engagement by creating job satisfaction and fulfillment, and by improving training opportunities for employees in order to enhance the value of our people and maintain on-site capabilities.

Governance initiatives

Our Board of Directors is composed of four internal directors and four external directors, and we have established a Special Committee and Nomination and Compensation Advisory Committee composed of independent outside directors to enhance the effectiveness of our governance.

Furthermore, the composition of the Board of Directors is balanced and diverse, in line with the AEON delight Group's growth strategy, and is capable of appropriately carrying out useful deliberations and supervising the execution of business operations to enhance our enterprise value over the medium to long term.

For more details on Structure of the Board of Directors, see pages 45-46. Corporate Governance Management Structure

Finally - To Our Stakeholders -

While our efforts were hampered by dramatic changes in the business environment, as a business leader, I sincerely regret that we have not been able to demonstrate growth in line with our plan to you since FY2021.

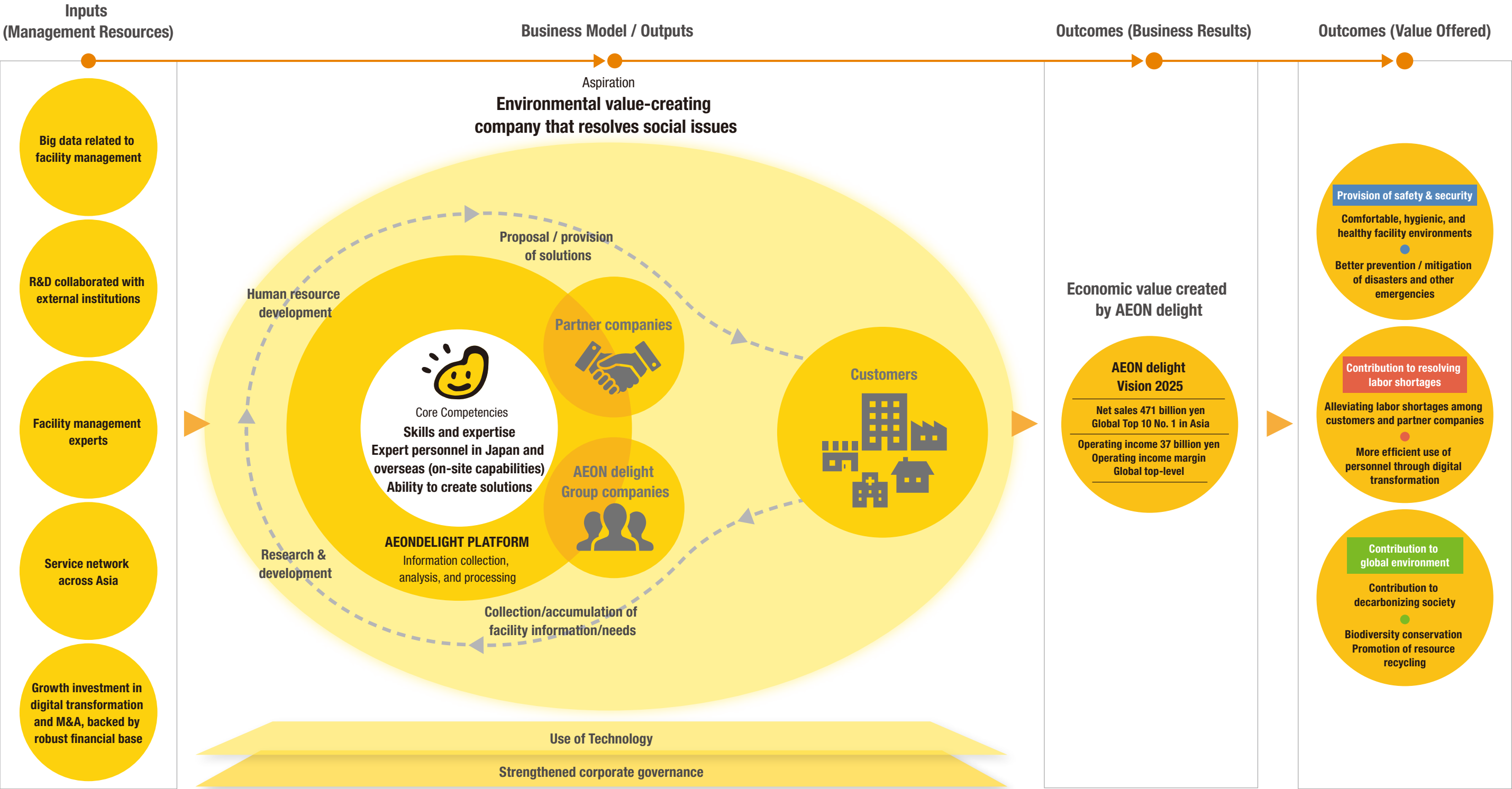
At the same time, our transformation toward a sustainable business model that addresses changes in the business environment is steadily progressing. By carrying out the transformation during FY2023, I believe we will be able to demonstrate an AEON delight Group entering a new stage of growth from FY2024 onward.

We will continue to create environmental value for our customers and local communities by continuously transforming ourselves. We look forward to the continued support of our stakeholders.



Contributing to the resolution of social issues as an Environmental value-creating Company

Through our business activities, we contribute to the realization of a sustainable society by leveraging our strengths, including our accumulated facility management skills and expertise, our specialist personnel in Japan and overseas, and our ability to create solutions.



Building competitive advantage through proactive growth investments by leveraging our robust financial base



The Role of the CFO

How to execute capital investments that fuel future growth

At the AEON delight Group, we aim to become a corporate group that solves social issues such as ensuring safety and security, resolving labor shortages, and addressing environmental issues in Asia through our facility management ("FM") business. My primary role as CFO is to help boost our enterprise value by developing and implementing plans for the procurement, investment, and allocation of funds to achieve this vision for the future.

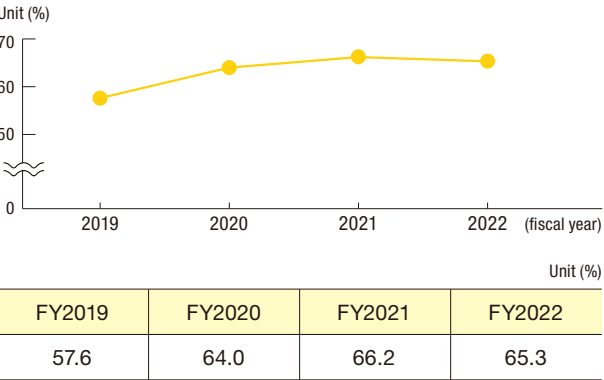
Approach to Financial Strategy

Decisively making growth investments while maintaining financial soundness

The FM business, which is the AEON delight Group's business domain, features a business model that does not require major fixed assets or inventories, and thus is capable of generating stable cash flow. As a result, we have ample liquidity and a high equity ratio (65.3% at the end of FY2022). On the other hand, in order to maintain and improve our return on capital, we need to expand our earnings base in line with the cash accumulated and our shareholders' equity. In other words, the key to our financial strategy is in figuring out how to execute capital investments conducive to future business and profit growth.

Accordingly, we intend to incorporate a financial plan based on the approach of decisively making sustainable growth investments while maintaining financial soundness into the medium-term management plan for FY2024 onward, which we are currently preparing.

Highly stable management base: Equity ratio (%)



Return on Capital

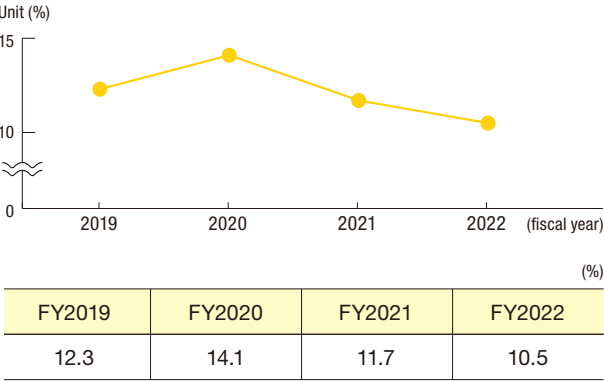
Boosting business profitability is the biggest challenge

We focus on return on equity (ROE) as an indicator of return on capital, and target an ROE of 12% as a general guideline. Meanwhile, ROE came in at 10.5% in FY2022, and achieving the 12% mark in FY2023 will be difficult.

During the current medium-term management plan period (FY2021-FY2023), we have been unable to fully offset the impact of changes in the business environment, such as the slowdown of economic activities amid the pandemic and the crisis in Ukraine, delays in procurement of

equipment and materials, and cost increases, and have fallen far short of our initial earnings projections. In addition, we were not able to execute M&A deals as initially planned under the COVID-19 pandemic. In light of these changes in the environment, we decided on and executed a share buyback of 1.5 million shares in October 2022 with the aim of efficiently managing our capital, but our ROE remains below our target level. In the next medium-term management plan, I believe that improving the profitability of our business is our greatest challenge, and we will formulate the strategies and specific action plans needed to address this. We will steadily invest the management resources necessary to make this happen. The Board of Directors is already discussing the cost of shareholders' equity, which is an important measure of whether or not we are creating shareholder value, and we intend to present our approach and direction regarding this, along with our approach to return on capital, in the next medium-term management plan.

Return on Equity (ROE)



Stable cash flow generation: Cash and cash equivalents at year-end

	FY2018	FY2019	FY2020	FY2021	FY2022
Cash flows from operating activities	12,373	7,371	10,403	12,598	8,895
Cash flows from investing activities	12,256	13,838	-7,325	-386	-10,715
Cash flows from financing activities	-19,686	-3,392	-5,324	-4,572	-6,181
Cash and cash equivalents at end of year	43,437	61,151	58,937	67,520	59,996

Key Investment Domains and Approach to Financing

Human resources, DX, M&A

Our three key domains of investment for future growth are human resources, DX, and M&A.

① Human Resources
The AEON delight Group's greatest strength is its on-site capabilities backed by our advanced technical capabilities and expertise. To maintain this strength, we will continue to step up investment in recruitment, training, and other areas related to human capital. In terms of human resource development, we will continue to enhance training for technicians while updating our content in line with the business environment, such as IT literacy to promote DX, and expand training opportunities for branch managers, area managers, site managers, and other management personnel who work closely with the field.

② DX
Due to structural labor shortages, the FM industry is experiencing a serious shortage of manpower and an increasingly aging population of qualified personnel. Furthermore, it is clear from the demographics that these trends will only become more severe in the future. Under these circumstances, the biggest challenge for the AEON delight Group lies in figuring out how to maintain our on-site capabilities, which is our strength. To address this issue, we will proactively invest our management resources in making better use of technology. Specifically, by introducing various types of equipment and accumulating operational know-how, we will reduce the labor and manpower required for on-site operations and achieve centralized management in order to maintain and improve the service we provide to our customers. Through these efforts, we hope to provide safety and security in a sustainable manner. I believe that this transformation is made possible precisely because of AEON delight's leading business scale and expertise in Japan, as well as our robust financial base.

③ M&A
M&A is one of the AEON delight Group's key strategic options to accelerate growth. However, as mentioned earlier, we were unable to fully work on our initiatives during the current medium-term management plan (FY2021-FY2023) owing to changes in the business environment. In the

medium-term management plan for FY2024 onward, we will actively explore investment opportunities to strengthen the foundation of our FM operations and to broaden our business domain, as well as to expand the scale and scope of our operations overseas in Asia.

In terms of investment resources, we intend to utilize cash and deposits on hand for these investments, while securing ordinary working capital and funds for unforeseen events. In addition, when executing large investments such as M&A deals, we plan to look into external fund procurement as needed. From the perspective of securing the option of utilizing the capital markets as a means of raising funds, we also received an external rating in 2021 (A- rating from Rating and Investment Information, Inc.)

Shareholder Returns

Aim for steady returns while balancing growth investments

We have continued to increase dividends for 18 consecutive fiscal years since FY2005, in line with our basic policy of paying a stable dividend.

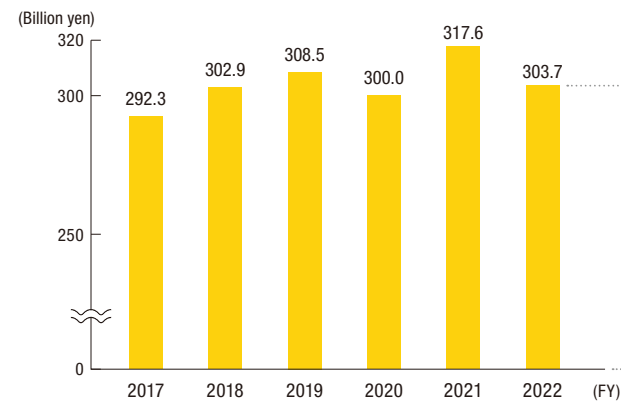
In FY2023, we plan to pay an interim dividend of 43 yen per share and a year-end dividend of 43 yen per share, for an annual dividend of 86 yen per share, assuming that we reach our earnings forecast. This amounts to a consolidated dividend payout ratio of 40% and an increase of 1 yen per share from FY2022, marking the 19th consecutive year of dividend increases. Our basic capital policy is to maintain a stable dividend payout ratio of 40%, and we plan to boost shareholder returns by steadily growing earnings. In addition, we will look into further enhancing shareholder returns, balancing the investments in human resources, DX, M&A, and other areas for future growth, as mentioned previously.

Going forward, we will continue to meet the expectations of our stakeholders by achieving healthy growth in business and earnings over the medium to long term. We look forward to your continued guidance and support.

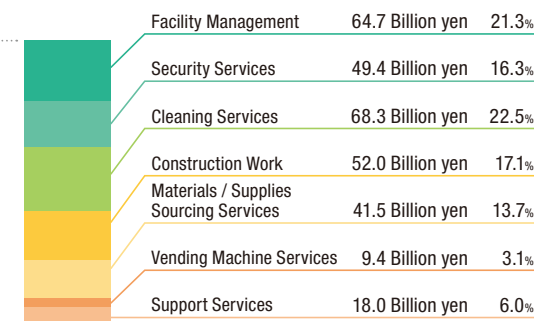
Financial and Non-Financial Highlights

Financial data (Consolidated)

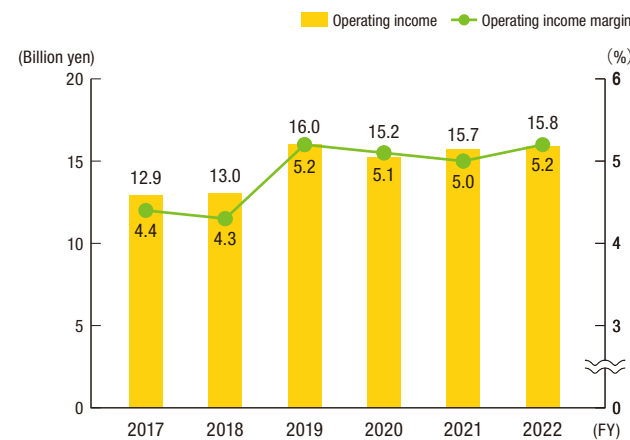
Net Sales



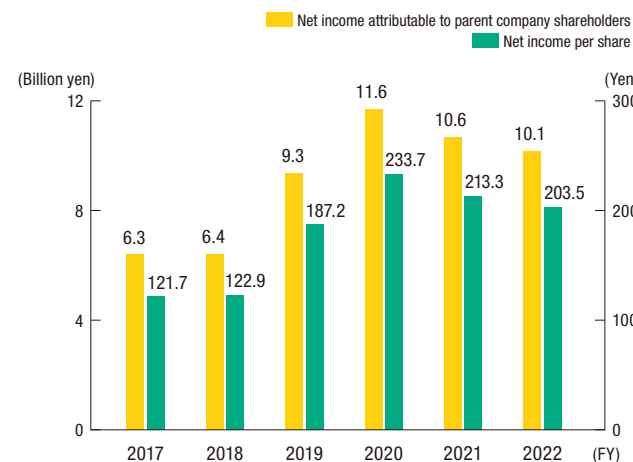
Net Sales Composition by Segment



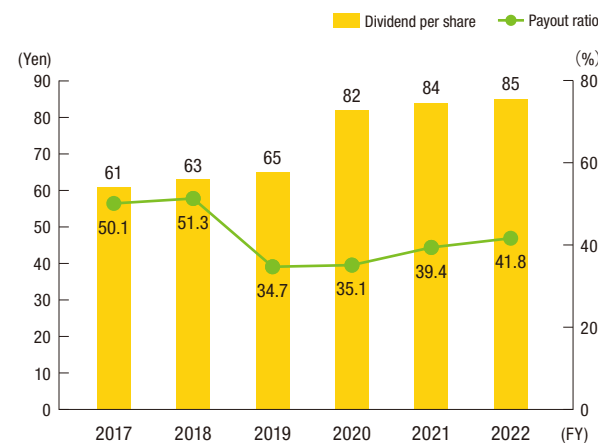
Operating Income/Operating Income Margin



Net Income Attributable to Parent Company Shareholders/Net Income per Share

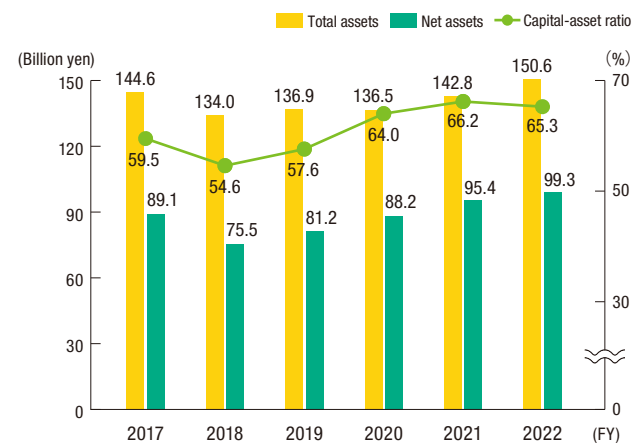


Dividend per Share/Payout Ratio (%)



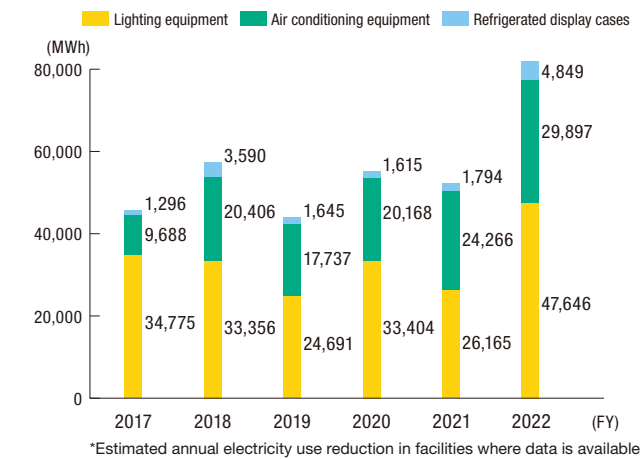
*New revenue recognition standard has been adopted from FY2022.

Total Assets/Net Assets/Capital-Asset Ratio



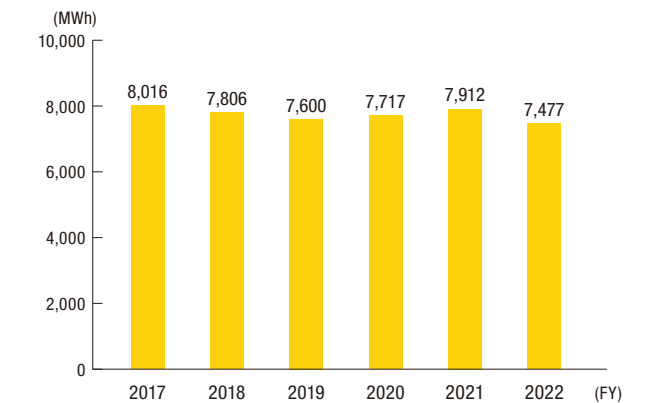
Non-financial data (Non-consolidated)

Reduction in Power Consumption by Installed Energy-Saving Equipment



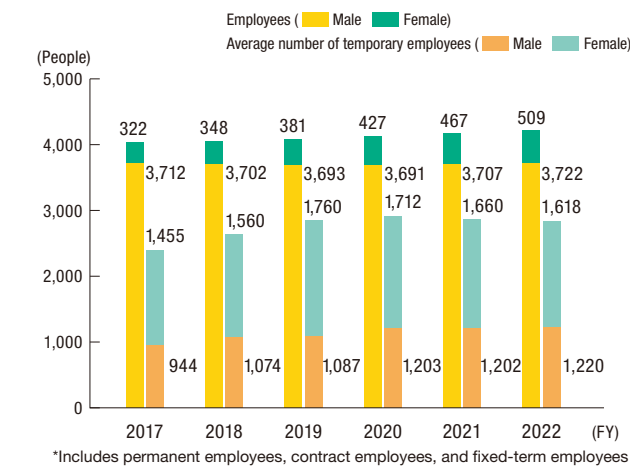
*Estimated annual electricity use reduction in facilities where data is available

Amount of Solar Power Generated



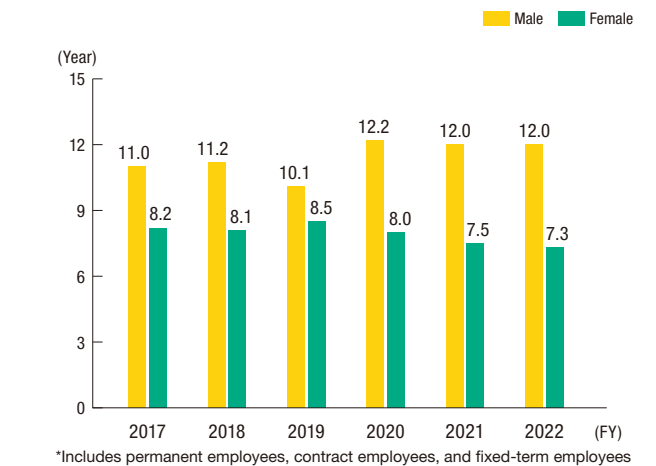
*Amounts correspond to the ratio of shares held in equity method affiliates Kikugawa Ishiyama Solar Co., Ltd. and Kikugawa-Horinouchiya Solar Co., Ltd.

Number of Employees/Average Number of Temporary Employees



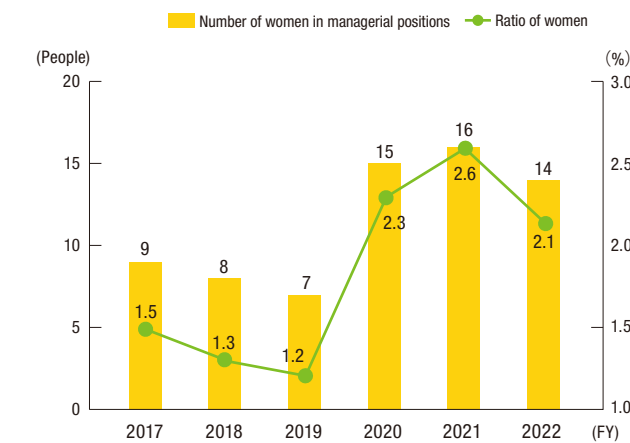
*Includes permanent employees, contract employees, and fixed-term employees

Average Length of Service

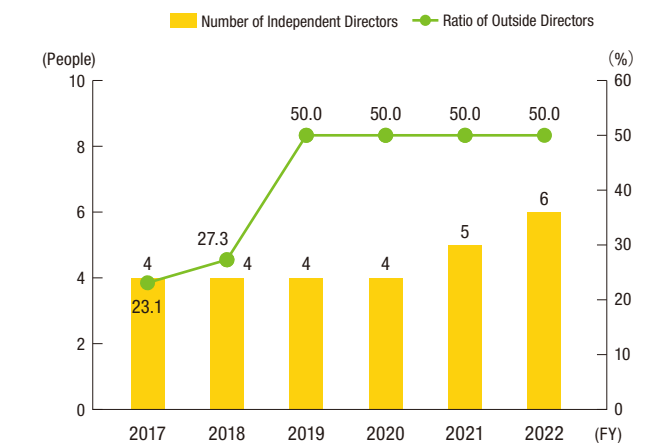


*Includes permanent employees, contract employees, and fixed-term employees

Number/Ratio of Women in Managerial Positions























Number of Independent Directors/Ratio of Outside Directors



Materiality

The AEON delight Group promotes ESG management, which helps resolve social issues through our business and enhances our enterprise value. In 2021, we identified 12 Materiality issues in five domains, including ensuring safety and security, resolving labor shortages, and addressing the environment as we set forth in our Management Principles and the AEON delight Vision 2025, as well as using technology and enhancing governance, which we believe are necessary to achieve sustainable growth. In addition, we have set 2030 targets for each of the five domains. We will also contribute to achieving the SDGs through group-wide initiatives to resolve social issues.

12 Materiality issues and 2030 Targets

5 Areas	12 Material Issues	Opportunities for our Group	Risks to our Group	Vision (KGI)	2030 Targets	Results		Related SDGs
						FY2021	FY2022	
Safety and Security	Providing safe living environments	Growing need for facilities/equipment resilient against disasters and infrastructure outages Growing demand for high-quality services in Japan and abroad	Difficulties in continuing operations due to disaster or infrastructure outage	Contribute to improving people's quality of life by providing services that ensure a safe, secure, hygienic, and healthy environment in and around facilities. Provide a facility environment that protects lives by fully preparing for disasters such as windstorms, floods, and major earthquakes, and quickly respond when such disasters occur.	Expand provision of safe and secure services			
	Providing hygienic/healthy living environments	Growing need for hygienic/healthy living environments	Decline in corporate image if infectious disease impact is not prevented Growing health risks accompanying increased employment of elderly personnel		● 20% of sales from BCP and infection control-related services*1	3.8%	3.7%	 
Labor Shortage	Resolving labor shortages	Promote recruitment of diverse personnel Growing need for improved productivity and operational efficiency	Risk of contract non-fulfillment and lost opportunities due to lack of personnel	Offer employees a work environment that improves job satisfaction and makes it easier for them to work by creating a vibrant organizational culture that enables a diverse workforce to fully demonstrate their abilities. Establish strong partnerships by building mutual trust with business partners and striving to ensure legal compliance, fair trade, thorough compliance, and respect for human rights throughout the supply chain. Contribute to resolving labor shortages in society by providing facility management and peripheral services that enable customers to streamline operations and reduce manpower.	Improve business continuity by resolving labor shortages			
	Improving productivity through efficient allocation of talent	Expand AEON delight Economic Zone by strengthening Group management and relationship with partner companies	Risk of decline in service quality due to insufficient personnel training		● 30% female managers on a consolidated basis	22.1%	22.4%	 
	Promoting diversity and inclusion	Improve quality and productivity by securing diverse personnel Expanding need for services as women enter the workforce	Risk of contract non-fulfillment and lost opportunities due to lack of personnel Decline in corporate power due to inadequate communication skills and multicultural understanding		● 50% reduction in consolidated annual employee turnover rate (regular employees, contract employees, and temporary employees) compared to FY2021	23.7%	21.3%	 
	Promoting multi-stakeholder engagement	Develop new services by strengthening relationships with local communities, partner companies, and relevant government agencies	Risk of non-compliance, including affiliates and partner companies Risk of not gaining trust/understanding when expanding overseas due to inadequate handling of target country risks (changes in political, economic, and social environments)		● 50% reduction in consolidated annual overtime per person compared to FY2021	268 hours	230.3 hours	
	Appropriate labor management	Improve productivity and job satisfaction by reducing employee morbidity and providing comfortable work environments	Risk of difficulties in securing personnel due to inadequate enforcement of proper labor management Employee accident and mental health risks during work		● 30% reduction in number of consolidated annual work-related accidents*2 compared to FY2021	139 accidents	72 accidents	
Environment	Climate change and global warming countermeasures	Growing need for energy-saving and renewable energy use	Increased cost burden due to environmental measures and soaring energy prices	Promote resource recycling, preserve biodiversity, and create a decarbonized society by providing solutions that meet society's expectations. Promote initiatives to reduce environmental impact by procuring and operating responsibly and working with stakeholders in the supply chain.	Expand environmentally-friendly business			  
	Nature conservation and environmental impact reduction	Growing need for environmentally friendly products and services	Decline in corporate image and brand power due to water pollution, increased plastic waste, etc. Stricter laws and regulations related to waste, etc.		● 10% of sales from GHG emission reduction related services*3 ● Zero gasoline and diesel vehicles, including hybrid vehicles, for business (consolidated) ● 50% of sales in the materials business from environmentally friendly products ● 50% recycling rate (bottle-to-bottle) in vending machine business	2.5% Of 822 total vehicles, 591 gasoline/diesel vehicles, 230 hybrid vehicles, 1 electric vehicle 14.9% 15%	3.7% Of 752 total vehicles, 467 gasoline/diesel vehicles, 284 hybrid vehicles, 1 electric vehicle 18.0% 7.6%	  
▼ Initiatives to support the above activities								
Use of Technology	Use of Technology	Raise productivity, improve operational efficiency, and develop new services through digital transformation driven by IoT, sensors, AI, etc.	Decline in service quality and market share due to lagging digital transformation Risk of information leaks	Deliver benefits and new value by incorporating DX to improve productivity and streamline operations in our customers' and our own supply chain.	Leverage the latest technology to research and develop new services			
	Addressing information society risks	Growing need to strengthen facility information security	Risk of cyber-attacks leading to operational shutdown or information leak		● Enable unmanned management through robotization of facilities ● Reduce facility lifecycle costs by using FM big data and AI to diagnose buildings ● Develop solutions business leveraging our unique FM data			
Corporate Governance	Strengthening Group governance	Curtail costs with prompt problem detection/resolution through strengthened governance	Adverse effect on corporate activities and damage to social reputation due to inadequate governance systems Risk of harm to business performance due to inability to handle target country risks when expanding overseas (changes in political, economic, and social environments)	Earn the trust of society and enhance enterprise value by complying with various laws and regulations and by building a strong corporate governance system within AEON delight and the AEON delight Group.	Establish robust Group governance system in Japan and abroad ● Establish a 'three lines of defense' structure ● Corporate Culture Committee and Group Governance Enhancement Promotion Committee continue to operate			 

*1 BCP services include disaster prevention and countermeasure construction, provision of remote monitoring systems, infection control measures, infection control cleaning (New Standard Cleaning), sales of related materials, and construction work related to droplet and contact infection control measures.

*2 Work-related accidents resulting in four or more days of absence from work

*3 Includes installation of energy management systems, freon management, installation of EV chargers, installation of energy-saving equipment (lighting, air conditioning, refrigeration cases), installation of water-based floor coding agents, etc.

The AEON delight Group operates its facility management business under seven segments

Facility Management

In the facility management segment, we provide maintenance checks, inspections, and servicing of building equipment and facilities.

*Various facilities (centralized monitoring, electricity, water supply and drainage, air conditioning, fire protection, sanitation, etc.)



Cleaning

In the cleaning services segment, we provide building and facility cleaning services.



Materials/Supplies Sourcing

In the materials/supplies sourcing services segment, we purchase indirect goods on behalf of customers and procure materials and other items.



Support

In the support services segment, we provide agency, education, and human resource services.



Security

The security services segment offers general security services including facility security, crowd and traffic control, and high-value transport security.



Construction Work

The construction work segment provides planning, design, and construction services for major repairs and store interiors, as well as proposals and construction related to energy conservation and CO2 reduction, and energy data management services.



Vending Machines

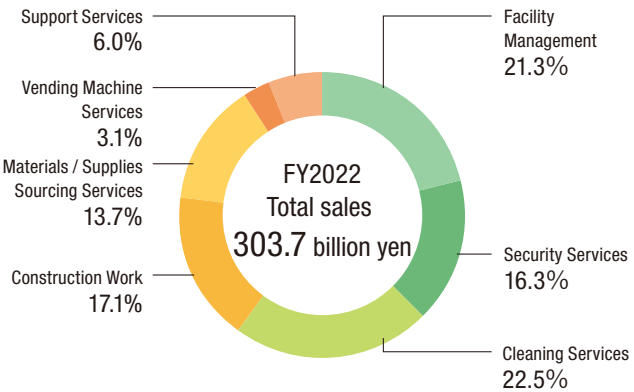
The vending machine services segment is engaged in the operation of beverage vending machines, ornamental plants, and air purifiers for smoke.



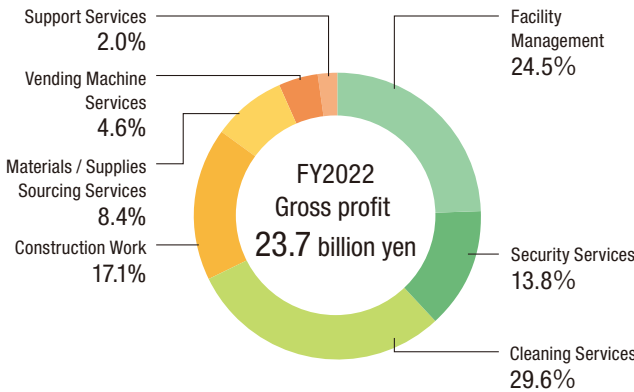
[Examples of services offered in the support segment]

- Intra-facility delivery ● Shopping cart and basket collection
- Plant management ● Car and bicycle parking management
- Reception services ● Travel agency ● Others

Sales composition

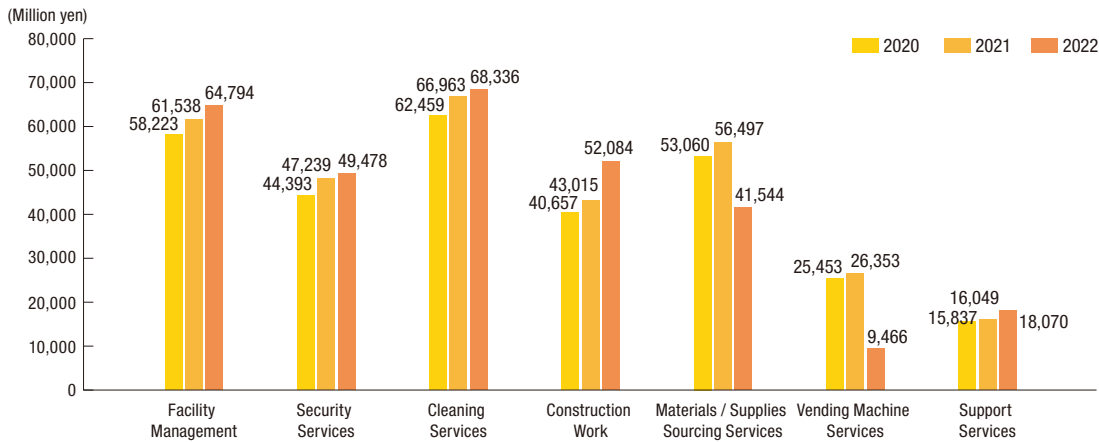


Segment profit composition

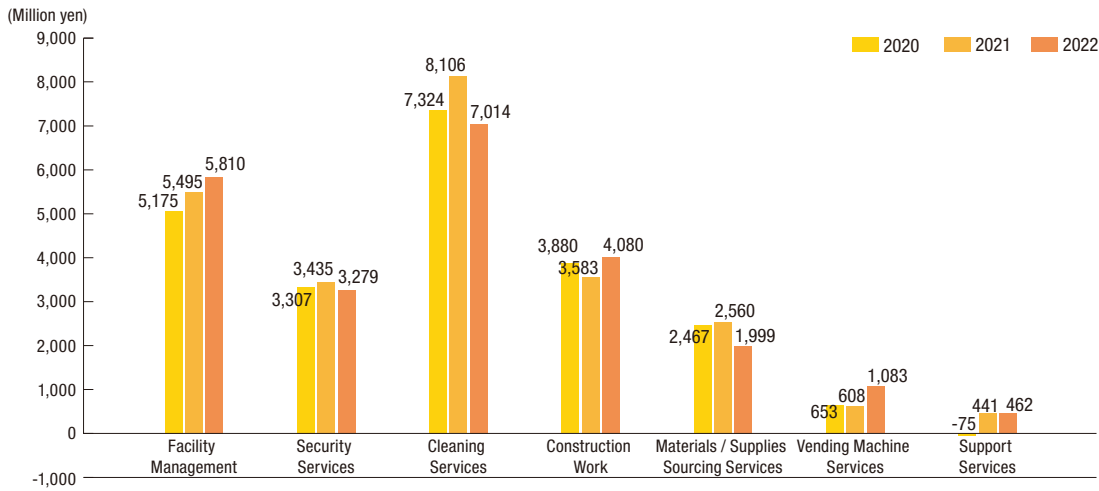


Business results by segment (last 3 years)

Sales



Segment profit



*New revenue recognition standard has been adopted from FY2022.

Envisioning the future of facility management through DX

Build a sustainable business model and continue ensuring safety and security

AEON delight is taking on the challenge of transforming its business model through DX as the facility management industry faces a labor shortage and the aging of qualified personnel.



AEON delight Co., Ltd.
General Manager of IT Division and
Manager of DX Promotion Department

Keita Akita

Profile

Apr. 1995	Joined Japan Maintenance Hokkaido Co., Ltd. (currently AEON delight Co., Ltd.)
Sep. 2015	Office Manager of Hokkaido East Office of AEON delight's Hokkaido Regional Office
Mar. 2019	Regional Office Manager of AEON delight's Hokkaido Regional Office
Mar. 2023	General Manager of IT Division and Manager of DX Promotion Department (current)

What is the reason AEON delight is working on DX?

The reason we are working on DX is so that we can continue to ensure the safety and security of the facilities entrusted to us by our customers by providing highly specialized services. Today, the opportunities for facility management companies to demonstrate their expertise are expanding on a global level, including in disaster prevention and mitigation against increasingly severe and frequent natural disasters, and in energy-saving measures to curb global warming. At the same time, the field of facility management, which is responsible for the day-to-day operation of facilities, faces a major challenge in ensuring business continuity given the labor shortage and the aging of qualified personnel.

There is an urgent need to build a business model that can provide ever more specialized services with fewer people. DX is a means to achieving this.

Please tell us about the specifics of your DX initiatives.

Currently, we are working on the following three major initiatives.

- ① AEON delight Platform, a data collaboration platform
- ② DX of business processes
- ③ Leveraging generative AI technologies

I will explain each of these initiatives below.

① AEON delight Platform, a data collaboration platform

At AEON delight, we have established the AEON delight Platform, a data collaboration platform that produces valuable data for customers by inputting and analyzing a variety of data acquired from both within and outside of facilities, and we are working to promote the use of this platform.

In FY2022, we established a system to centrally manage a group of major systems within the company and link them to data visualization tools. This enables us to extract, analyze, and process the data we want from various systems, and we have begun to make use of the resulting information.

AEON delight Platform



Specifically, how is the platform being used?

One example would be for presenting a facility repair proposal. In the past, this was an area that relied heavily on the skills of individual facility management staff, but we can use the platform to extract equipment in need of repair based on evidence (proof and reasoning) from pre-populated data such as the manufacturer, model number, year and month of installation, and past failure history of the various types of equipment. This gives us the ability to make accurate and well-planned repair proposals to our customers. In addition, as customers face a major challenge in dealing with rising energy costs, we use data analysis to make a variety of proposals, such as examining optimal energy conservation plans for individual facilities by comparing and analyzing energy consumption in real time among facilities of similar use and size.

② DX of business processes

At AEON delight, in addition to improving the quality and quantity of facility information distributed on the AEON delight Platform, we are promoting the rollout of a new facility management model called area management, while streamlining resident facility management operations through the use of digital devices, with the aim of building a sustainable business model that addresses labor shortages.

■ Area management

Area management is a new facility management model that manages multiple facilities primarily by patrolling each area, and involves reducing on-site operations by transferring some operations to a Customer Support Center^{*1} equipped with remote monitoring functions.

We began full-scale implementation in FY2021, and have reduced labor at 312 facilities^{*2} to date, saving a cumulative total of 210^{*2} resident facility management staff positions.

^{*1} Customer Support Center
Began operation at the beginning of FY2021 under eight regional offices in Japan. By using various systems and sensors, the center remotely controls multiple facilities and consolidates customer facility information and requests in each region.

Efficiently manage multiple facilities by area from the Customer Support Center



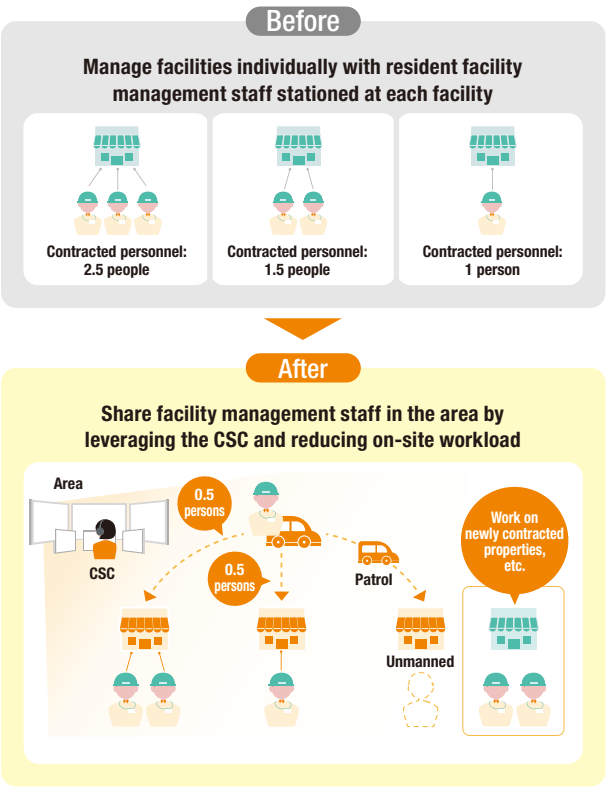
■ Streamlining resident facility management operations by using digital devices

Starting in FY2022, we began using digital devices to further streamline our field operations. We built a system that automates routine tasks such as facility inspections and reporting by using cameras and sensors, as well as visualizing power consumption for each facility, and have implemented the system in 257 facilities^{*2} to date.

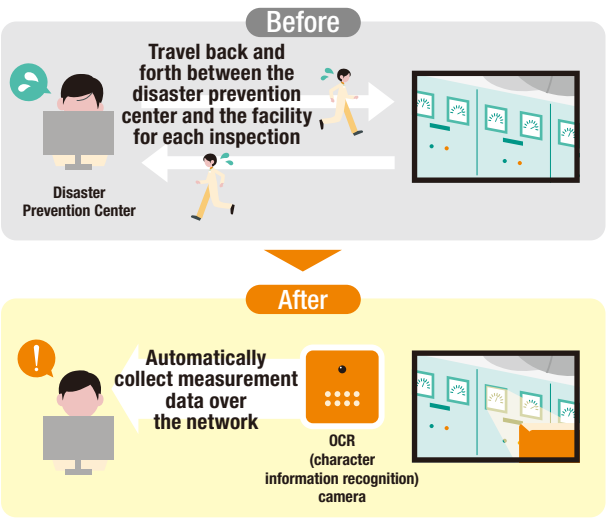
^{*2} As of August 31, 2023.

Special Feature: Envision YOUR Future

Shift to area management to address labor shortages



Automate facility inspection work with DX (illustration)



③ Leveraging generative AI technologies

At AEON delight, we are also working on making use of generative AI technologies. As a first step, we developed the AI Manager, a unique chat-based AI for employees. This tool, which we launched in October 2023, enables employees to quickly ask questions and get appropriate responses in various work-related situations by having the AI learn our internal regulations and manuals. We believe that this will reduce the time and communication costs associated with searching through manuals, and will lead to a substantial improvement in administrative efficiency. Furthermore, going forward, we plan to expand the scope of the AI

Manager's coverage to include on-site operations by having it learn our accumulated know-how on the management and operation of various facilities and information on incidents and accidents, as well as the response manuals.

In addition, we plan to not only use the generative AI to streamline business processes, but also to integrate it with the AEON delight Platform with the aim of improving the quality of output.

What is your future vision for facility management using DX?

- Be able to check any data from anywhere by connecting facilities to a network and continuously collecting operational data from all equipment in facilities.
- Alerts are automatically sent to facility management staff and the Customer Support Center in the event that abnormal values indicating a malfunction or accident are detected.
- Constantly keep facilities safe and secure by achieving the above two points, and help solve issues faced by customers and local communities by analyzing the accumulated data and proposing the best solutions for each facility.

This is the vision I have for facility management in the near future. In addition, I believe that it needs to be AEON delight that makes this happen.

Facility management in the near future (illustration)



- Check any data you need for operations no matter where you are
- Instantly identify signs of malfunctions and accidents through alerts
- Leverage a variety of data to make proposals to customers

Envisioning the future in a fast-growing young country

Contribute to the development of Vietnam and become a company that employees are proud of and can envision a future with

The AEON delight Group is expanding its facility management business not only in Japan but also in China and ASEAN countries. In particular, Vietnam is an area where we expect to see major growth going forward. We established a local subsidiary, AEON DELIGHT (VIETNAM) CO., LTD. (hereinafter AEON delight Vietnam) in December 2012 and have been expanding our business in Vietnam.

AEON delight Vietnam

AEON DELIGHT(VIETNAM) CO., LTD.
Executive Chairperson and President

Hisayo Takami

Profile

Oct. 1996	Joined AEON Techno Service Co., Ltd. (currently AEON delight)
Mar. 2011	Acting General Manager of Hokuriku-shinetsu Regional Office of AEON delight
Mar. 2012	General Manager of General Affairs Department of AEON delight
Jun. 2014	General Manager of Energy Saving System Sales Department II of AEON delight
May 2018	Regional Office Manager of Kyushu Regional Office of AEON delight
Aug. 2019	Executive Officer and Group Compliance Division Manager of AEON delight
Apr. 2022	Executive Chairperson and President of AEON DELIGHT (VIETNAM) CO., LTD. (current)

What kind of country do you feel Vietnam is?

Vietnam has a very young population, with an average age of 33 years, and the total population is about to surpass 100 million soon. In addition, the country is entering a demographic bonus period in which the working population accounts for about 70% of the total population. With such abundant labor resources, the country is in the midst of achieving major economic growth.

What I have found when actually interacting with Vietnamese people is that they are earnest, hardworking, and very kind to others. Since my arrival in 2022, I have regularly visited workplaces around the country to listen directly to the voices of employees in the field. Although I am quite used to it now, in the beginning, I often had to wander around from one

place to another, staring at the map on my smartphone without knowing where I was going. When I was wandering around, some local people would approach me, a complete stranger, and try to help me out. This happened more than a few times. When someone is struggling, they can't leave them alone. This national trait brings a nostalgic feeling for Japanese people. When looking within the company, in addition to this national trait, I often encounter such situations where I sense a strong focus on teamwork. The way employees cooperate with each other at work and the way all employees, young and old, male and female, unite to enjoy company events to the fullest, brings me energy as a business leader.

Special Feature: Envision YOUR Future

What is AEON delight Vietnam's business?

Similar to what we do in Japan, AEON delight Vietnam (hereinafter, the company) offers facility management services, focusing on facility management, security, cleaning, energy conservation, and various types of renovation construction. In addition to the six Aeon Mall stores operating in Vietnam, we provide services to a variety of local facilities, including the Embassy of Japan in Vietnam, the Consulate-General of Japan in Ho Chi Minh City, department stores and commercial facilities for Japanese companies, and factories of manufacturing companies.

Are there any services unique to AEON delight Vietnam?

One service we offer that no other company does is Customer Security (hereinafter, CS). CS is a security service that integrates information desk functions. Originally, when the Aeon Tan Phu Shopping Center, the first Aeon Mall store in Vietnam, opened in January of 2014, we were unable to acquire a license for security services owing to restrictions on foreign capital investment. As a substitute, we developed the CS service by referencing the attendant service we provided in Japan, where attendants



Furthermore, another service that is unique to Vietnam is the parking system. Over 80% of households in Vietnam own a motorcycle, making it the most widely used means of transportation for citizens. Because there are so many people using motorcycles, preventing motorcycle theft is a challenge in facility parking lots. In Vietnam, most parking lots are managed only by security officers, but we offer a more accurate access management service (parking system service) that combines conventional services, where security officers guide, organize, and manage parking spaces, with plate number management using cameras.



Motorcycles are the most popular means of transportation for the people of Vietnam

Do you collaborate with other AEON Group companies?

Currently, there are a total of eight AEON Group companies, including our company, operating in Vietnam. The presidents of these companies meet on a regular basis to exchange information, and we have a very good relationship with each company.

The AEON Group has positioned Vietnam as a top priority area in the ASEAN region, and plans to accelerate the opening of new Aeon Malls and other stores. To make this a success, it is important for each company to combine forces as One AEON. At AEON delight, we are also preparing for the rush of new Group commercial facility openings by hiring and training personnel and further improving the quality of our services. At the same time, we are working to strengthen our business foundation by building a service supply system in the southern area centering on Ho Chi Minh City, where we already have a base, and the northern area centering on Hanoi, as well as in the central area in Hue City and Da Nang City, where we plan to newly expand our business from FY2024 onward.

What future do you envision as the representative of AEON delight Vietnam?

Despite the temporary slowdown amid the COVID-19 pandemic, we have steadily expanded our business to date, thanks to our earnest, hardworking, and team-oriented employees. On the other hand, the turnover rate is very high in Vietnam as a whole, and employee retention is positioned as one of the management issues for companies, and our company is no exception.

As a business leader, I still have much to do to improve the retention rate of employees, who are the source of our competitiveness, by creating attractive positions for them through business expansion and new service development, fostering an organizational culture that encourages employees to proactively take on challenges that fulfill each individual's desire to grow, and developing and expanding benefit programs to support these efforts. Through these efforts, we aim to create a company where each and every employee can be proud of their work and envision a better future with. Through this, both the country of Vietnam and AEON delight Vietnam will continue to grow, and our employees can be happier than ever. This is the future I envision.



CS staff that responds to customer inquiries as a moving information desk. There are a number of CS staff who have been promoted to site managers in charge of the field, as knowledge of all aspects of the facility and strong communication skills are required.

roamed around facilities and served as guides. In addition to patrolling the building and responding to inquiries from visitors and calling out to customers in need, the attendants also check for abnormalities in the building and, if necessary, take initial action and coordinate with facility staff, security officers, cleaning staff, and other personnel. The attendants smoothen facility operations and are highly appreciated by facility owners and visitors alike. The CS service was adopted by all Aeon Mall stores and is now a familiar feature at local Aeon Malls, creating a safe, secure, and comfortable environment for the facilities while building AEON delight's brand.

In addition, Vietnamese people love hot pot dishes, and many of the facilities that we manage have restaurants that serve hot pot dishes. Because of this, there have been many small fire incidents since we first began operations. To address this, we established a specialized team dedicated to fire prevention, and in addition to regular in-house training, we conduct training in cooperation with local fire departments and conduct educational activities such as education and guidance on fire prevention management for all facility employees. We refer to this fire prevention service as fire control locally, and I believe this is something unique that we offer.



Fire control team members teaching facility employees how to use fire extinguishers.



More than 90% of employees participate in the annual company team building trip

Sustainability Management

Basic Approach

As a part of the AEON delight Vision 2025, we have stated that the AEON delight Group aims to become an environmental value-creating company that resolves social issues in Asia. In addition, we have defined three social issues as pillars of our growth strategy, which are ensuring safety and security, resolving labor shortages, and addressing environmental issues.

The social conditions surrounding our business activities will continue to change dramatically, and the demands and needs of society for companies are likely to change as well. With the aim of creating a sustainable society, the AEON delight Group has been promoting ESG management since 2021, which is based on the two pillars of reducing risk and

taking advantage of business opportunities.

In August 2021, we established the Basic Policies for Sustainability as a basic approach to promoting ESG management. In addition, we identified issues that we believe require special attention as material issues in 2021. We identified 12 items in five domains, including ensuring safety and security, resolving labor shortages, and addressing the environment, as well as using technology and enhancing governance, which we believe are necessary to achieve sustainable growth, and are working on initiatives to address these items.

For details, see pages 21-22 Materiality

Basic Policies for Sustainability

- AEON delight's management philosophy is "We Pursue the Creation of 'Environmental Value' for our Customers and for the Local Communities." Based on this management philosophy, we will contribute to solving social issues and achieving a sustainable society by creating "environmental value" in all aspects of our business together with our many stakeholders.
- We will strive to create a safe, secure, hygienic, and healthy usage environment in and around our facilities.
 - By providing solutions that meet society's expectations, we will contribute to achieving a decarbonized society, conserving biodiversity, and promoting recycling.
 - We will comply with laws and social norms, build relationships of mutual trust with our business partners, and conduct fair business activities throughout the supply chain.
 - We will respect the human rights of each individual and create a vibrant organizational culture in which diverse human resources can demonstrate their abilities.
 - As a corporate citizen, we will engage in social contribution activities that aim for a better environment and society.
- Formulated on August, 2021

Governance

Management system to promote ESG management

In April 2022, we established the Sustainability Committee as a company-wide promotion body for ESG management, and have been promoting discussions on how to resolve social issues and create a sustainable society through our business activities. The committee is chaired by the President and convenes at least twice a year, calling together the executive officer in charge of ESG, the executive officers in charge of related operations, and other relevant affiliates.

The Sustainability Committee determines the highest priority issues based on the Basic Policies for Sustainability and Materiality (key issues), formulates related policies, targets, and key measures, and manages their progress. For priority issues, we established subcommittees headed by an executive officer to ensure effective implementation of initiatives. The results of these activities are reported annually to the Board of Directors.

Promotion structure chart centered on the Sustainability Committee



Risk Management

Company-wide risk management process

The AEON delight Group implements risk management in response to important risks based on the AEON delight Group Basic Regulations for Risk Management. The Risk Management Committee selects key risks based on a risk assessment, and each appointed key risk owner is responsible for implementing and monitoring risk mitigation measures. The Risk Management Committee receives reports from key risk owners, evaluates and analyzes them, and reports to the Board of Directors.

For details, see pages 49 Risk Management

Sustainability-related risks

The AEON delight Group views climate change risks under the TCFD and risks under the materiality issues as sustainability-related risks. The Sustainability Committee evaluates, analyzes, and responds to these sustainability-related risks.

Indicators and targets

In FY2021, we have identified 12 materiality issues that are social issues that we will focus on, and have set 2030 targets for each of these items. The Sustainability Committee monitors the status of initiatives related to materiality issues. In addition, we disclosed our results for FY2021 and FY2022. With regard to the 2030 targets, we are looking into the possibility of revising them in the future to align them with the direction of the next medium-term management plan to be launched in FY2024 onward.

For details, see pages 21-22 Materiality

Sustainability Committee Meeting Report

In FY2022, the first year of operating the Sustainability Committee, we identified human rights, safety, and health, as well as the environment and the supply chain, as issues that society is highly concerned about and that we must address as a priority. For each issue, we established a subcommittee with an executive officer serving as the subcommittee chair. The Human Rights, Safety, and Health subcommittee focused on activities related to respecting human rights, occupational safety and health, and health management, with the Environment subcommittee focused on our energy use and waste emissions, and the Supply Chain subcommittee on supply chain management related to the environment, human rights, and other issues.

In FY2023, we dissolved the Human Rights, Safety and Health subcommittee as a developmental step, and established a new Diversity subcommittee to complement the Environment and Supply Chain subcommittees. The Diversity subcommittee discussed measures to increase the ratio of female employees and managers at AEON delight, while the Environment subcommittee newly set GX as a theme to work on.

FY2022 Sustainability Committee meetings

Meeting date	Key discussion topics
June 2022	Established committee, explained subcommittee activities
October 2022	Subcommittee interim activity report
February 2023	Subcommittee activity report, FY2023 implementation policy

FY2022 Subcommittee discussion topics

Subcommittee	Discussion topic
Human rights, safety and health	Implementation of human rights training Promotion of health and safety measures through the Central Health and Safety Committee Promotion of health management
Environment	Formulation of environmental policies and establishment of environmental targets
Supply chain	Discussion on establishing a code of conduct for business partners (ongoing in FY2023)

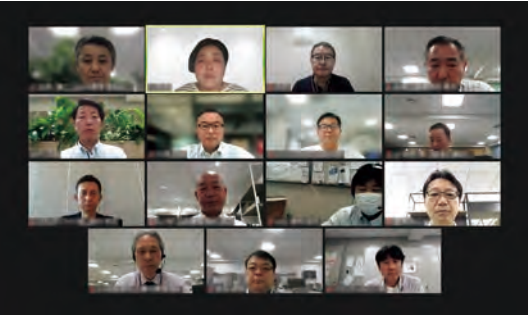
FY2023 subcommittee meetings



Diversity subcommittee



Environmental subcommittee



Supply chain subcommittee

Endorsed TCFD recommendations and formulated strategies

The AEON delight Group supports the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to promote understanding and disclosure of the impact of climate change on our business activities. We will explain the AEON delight Group's strategy and initiatives on climate change and our indicators and targets based on the TCFD's recommendations.



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

WEB

Aeon decarbonization vision (Aeon Co., Ltd.)
▶ <https://www.aeon.info/en/sustainability/datsutanso/>

Material Issues
▶ <https://www.aeondelight.co.jp/english/sustainability/management/materiality.html>

Disclosure Based on TCFD Recommendations
▶ <https://www.aeondelight.co.jp/english/sustainability/environmental/tcfd.html>

▶ For more details on Governance and Risk Management, see pages 31-32 Sustainability Management

We have adopted ESG management, which is designed to solve social issues through business, and have identified Materiality issues, which include climate change and global warming countermeasures and nature conservation and environmental impact reduction. In addition, as a member of the AEON Group, we will support initiatives to reduce total GHG emissions from stores to zero in accordance with the AEON Decarbonization Vision.

After considering both the opportunities and risks associated with climate change, we believe that the opportunities for business activities will outweigh the risks if we properly manage the risks and enhance our crisis response capabilities developed over the years to counter disasters

Strategy

Selection of scenario

The Group has selected the "less than 1.5°C/ 2°C scenario," in which the impacts on the transitional side become apparent, and the "4°C scenario," in which the impacts on the physical side become apparent, as published by the Intergovernmental Panel on Climate Change (IPCC) and

Introduction of carbon tax and increased costs

We expect a carbon tax to be introduced in Japan, but we estimate that the additional cost will be limited to less than 1% of the Group's net income based on our calculations. We will continue our efforts to conserve energy in order to reduce the impact on our business.

and other crises, while also reinforcing our customer decarbonization support services, including services aimed at reducing energy consumption in facilities. We will continue to extensively analyze the risks and opportunities that climate change poses to our business, confirm the direction of our own initiatives, and reflect them in our management strategies, thereby improving the resilience to climate change for our Group and our customers. Furthermore, we will proactively disclose information regarding our efforts to address climate change in order to help create a decarbonized society and ensure our sustainable growth as a company.

the International Energy Agency (IEA). For the time frame, we selected 2030 for the medium term and 2050 for the long term. The analysis covered all domestic businesses (excluding certain support businesses), which comprise about 90% of the Group's sales.

Increase in renewable energy procurement costs

In the event that the AEON delight Group switches 100% of our electricity procurement to renewable energy sources in order to achieve the AEON Decarbonization Vision, which aims to reduce the total amount of greenhouse gas emissions from AEON Group stores to zero, we expect the additional cost is expected to be limited to less than 1% of our Group's net income.

Significant risks/opportunities and their impact

As a result of the scenario analysis, we identified the following as important risks and opportunities for our Group.

Area of impact	Risk/Opportunity		Overall Evaluation	Timeframe
Transition risk				
Sourcing	Risk	Increase in raw material prices due to introduction of carbon tax	Small	Medium-term
Direct operation	Risk	Introduction, rise, and expansion of the scope of carbon tax	Small	Medium-term
		Increase in electricity and fuel costs	Small	Medium-term
Products & Services	Opportunity	Capture demand for environmentally friendly products and services	Medium	Short-term
		Reduction of cost burden for customers by providing services related to energy conservation (renewable energy, energy saving, LEDs, sensors, cooling systems, etc.)	Medium	Short-term

Area of impact	Risk/Opportunity		Overall Evaluation	Timeframe
Physical risk				
Sourcing	Risk	Increase in procurement costs due to supply chain disruptions	Medium	Medium-term
Direct operation	Opportunity	Expansion of demand for support to strengthen disaster prevention response and early recovery measures in anticipation of more severe natural disasters	Medium to large	Medium-term
	Risk	Operational impact (reduction or shutdown of distribution center functions), inability to operate stores, inventory loss from damaged and discarded merchandise Decrease in earnings due to work restrictions, operational impact, employee injuries and illnesses, and difficulty in recruiting human resources due to the increased number of extremely hot days	Medium	Medium-term
Products & Services	Opportunity	Expansion of demand for cleaning and disinfection services in response to increased risk of infectious diseases due to global warming	Small	Medium-term

* For transition risk, "SDS" (IEA WEO2020, less than 2°C scenario), "NZE" (IEA Net Zero by 2050, 1.5°C scenario), SSP1-1.9, SSP1-2.6 (IPCC AR6, less than 2°C scenario) (equivalent to RCP2. 6 of AR5) are referenced for less than 1.5°C/ 2°C scenarios. For physical risk, SSP2-7.0 (IPCC AR6, 4°C scenario) (equivalent to RCP8. 5 of AR5) and STEPS (IEA, 4°C scenario) are referenced for 4°C scenarios.

Growing demand for decarbonization and services for energy saving

The AEON delight Group provides a wide variety of services to help combat global warming, including support for energy conservation in various types of facilities, fluorocarbon management services, and proposing environmentally friendly materials. We will continue to develop solutions that fully support our customers' decarbonization efforts.

Proposing energy reduction in facilities

We propose energy-saving air conditioning equipment and large-scale facilities, including LED lighting, which can significantly reduce electricity consumption, in addition to introducing BEMS (Building and Energy Management System), an energy management system that monitors, controls, and visualizes electricity consumption in buildings and other structures.

Implementing an open network system

We propose the introduction of an open network system that networks the various equipment in a facility and enables centralized management in real time. This system allows customers to operate their facilities efficiently by making full use of remote operations and also contributes to energy saving in the facilities.

Providing fluorocarbons management services

We provide simple and periodic inspections for Class 1 Specified Products*, as well as administrative services on behalf of customers based on the Act on Rational Use and Appropriate Management of Fluorocarbons, which requires maintenance and the creation of a database. We also actively propose to our customers the introduction of fluorocarbon-free refrigerated showcases, which are more energy-efficient and have a very low GWP (Global Warming Potential).

* Class 1 Specified Products: Refers to products such as commercial air conditioners and commercial refrigeration and freezing equipment in which chlorofluorocarbons are used.

Proposing environmentally-friendly commercial products

Based on the Aeon Plastic Usage Policy, which aims to halve the amount of disposable plastic by 2030 (compared to 2018), we are promoting the reduction of plastic materials used in stores. We are also working on changing spoon and fork materials to paper and wood, including FSC-certified materials, and have developed a four-layer paper straw in-house that is both strong and water-resistant. In addition, we propose the use of plastic shopping bags and packaging materials that incorporate biomass plastics and inks containing biomass-derived ingredients to our customers.

WEB

Sustainable Resource Use
▶ <https://www.aeondelight.co.jp/english/sustainability/environmental/resource.html>

Occurrence of major disasters caused by climate change

We immediately establish an emergency response headquarter in the event of a major or wide-area disaster. By leveraging our internal and external networks, we have supported our customers' crisis management by restoring damaged facilities, dispatching support personnel, coordinating with relevant government agencies, and procuring equipment and supplies for disaster response. We are working to further enhance our disaster resilience, with the AD Solution Centers (in Osaka City and Komaki City, Aichi Prefecture), which serve as core disaster prevention centers in the event of a disaster, constantly collecting and analyzing disaster information and remotely monitoring managed facilities for abnormalities to prepare for the risks posed by disasters. In addition, our Headquarters in Chiyoda-ku, Tokyo, is equipped to function as a substitute AD Solution Center. Going forward, we will continue to develop disaster prevention and mitigation systems, including business continuity plans (BCPs), not only for ourselves but also for our customers.

▶ For details, see pages 07-08 AEON delight's Strengths

Indicators and targets

AEON Decarbonization Vision

Based on the AEON Decarbonization Vision, the AEON Group aims to reduce the total amount of greenhouse gas emissions from its stores to zero. The AEON delight Group will also contribute to the decarbonization of society by promoting energy conservation at customer facilities and other measures to combat global warming, as well as through selling environmentally friendly products.

Materiality-based targets

The AEON delight Group has identified 12 materiality issues as priority issues to be addressed. We set 2030 targets for each materiality issue, and have established environmental targets for "climate change/global warming countermeasures" and "nature conservation and environmental impact reduction".

▶ For details, see pages 21-22 Materiality

Aiming to balance a prosperous life with environmental conservation

In FY2022, the AEON delight Group formulated the AEON delight Environmental Policy. At the same time, we set targets and measures by issue with regard to the environmental impact of our company and launched new initiatives.

| AEON delight Environmental Policy |

Our business objective is to provide optimal solutions for customer facilities, while working to ensure that our services and products are sustainable and contribute to both the enrichment of people's lives and the preservation of the global environment. In promoting our efforts, we will operate an environmental management system that will be reviewed regularly and continuously improved to enhance our environmental performance.

- 1

We will work to reduce greenhouse gas emissions in all of our business activities and in customer facility environments in order to create a decarbonized society.
- 2

We will promote conservation activities based on an understanding of the impacts and benefits of our business activities on the ecosystem.
- 3

We will work to promote resource recycling to ensure sustainable resource use.
- 4

We will comply with all laws and regulations related to environmental matters and strive to prevent pollution. In addition, we will disseminate this policy to our employees and all those who support our business activities, and make it widely available to the public.
- 5

We will work with our customers, partners, and many others to expand the circle of our efforts in each local community.

WEB Environmental Management Promotion system
▶ <https://www.aeondelight.co.jp/english/sustainability/environmental/management.html>

| Environmental Targets |

The AEON delight Group is working to reduce Scope 2 greenhouse gas (GHG) emissions by purchasing environmental value equivalent to the amount of electricity used at our Headquarters, as well as by reducing electricity consumption under our existing environmental management

system. In addition, for Scope 1 emissions, we have decided to reduce fossil fuel consumption by switching our company-owned vehicles. Our specific targets are as follows.

Environmental targets for the headquarters, regional offices, and branch offices

- 1

1% reduction in electricity consumption compared to 2022
- 2

Initiatives toward our 2030 Targets (Environment)

Environmental targets for areas

- 1

Prepare for emergencies
- 2

Reduction of electricity consumption

Environmental targets for sites

- 1

Prepare for emergencies
- 2

Contribute to promoting efficient resource use
- 3

Appropriately manage waste
- 4

Reduction of electricity consumption

■ FY2022 GHG emissions (non-consolidated)

Scope1 (direct emissions from fuel use)

 **844t-CO₂**

Scope2 (indirect emissions from electricity use)

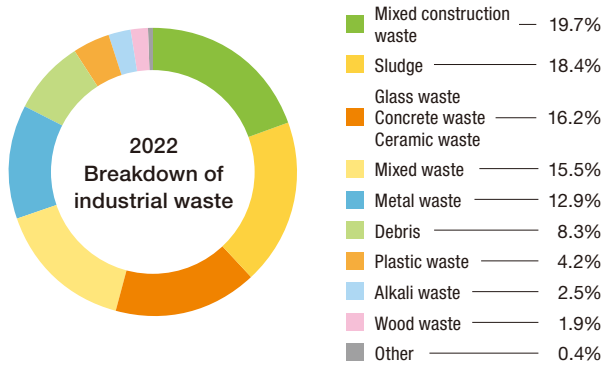
 **623t-CO₂**

| Promoting proper waste disposal |

From FY2022, we also began disclosing our industrial waste emissions. We properly manage waste while complying with various laws and regulations, such as the Waste Management and Public Cleansing Act and the Construction Recycling Act, and conduct legal compliance assessments under the ISO 14001 framework.

Industrial waste emissions (non-consolidated)

2017	2018	2019	2020	2021	2022
12,328t	16,528t	15,942t	19,774t	18,808t	18,449t



Human Resource Development

AEON delight Group, as a group of facility management experts, focuses on the development of professionals with both technical capabilities and human capabilities in order to continue contributing to the resolution of issues faced by our customers and local communities.

AEON delight recognizes that the shortage of labor and the aging of qualified personnel in the facility management industry is a critical issue that must be addressed. In addition to transforming our business model through digital transformation, we will work to secure human resources through a combination of external recruitment and internal training, such as internal training for technology, management, and qualifications, internal and Group recruitment, and early development of young talent.

| Human Resource Development Policy |

- ①

We will care for the safety and health of our employees and will not neglect to invest in our human resources.
- ②

We will respect the knowledge, skills, and experience of our employees as assets and continue to invest effectively in education to enhance their value.
- ③

We will support our employees in their professional development and acquisition of qualifications so that they can work with professionalism and pride in their respective fields.
- ④

We will provide training programs linked to company policies to motivate and inspire employees to contribute to management and the improvement of business performance.

Human Resource Development System

Career grade	G1	G2	G3	M1	M2	M3	S1	S2	SE	
Position	New employee	In charge	Chief	Area manager & site manager						Office manager, headquarter general manager, regional office manager, and division manager
Technical training	Emergency response seminar		Electrical, HVAC, firefighting, plumbing, and refrigeration maintenance management							
	Basic facility management									
	Practical facility management, maintenance, and inspection		Seminar for managers entrusted with hospital cleaning							
	Sequence control and maintenance	Firefighting equipment inspection services	Instructor training for regional office technical training staff							
Qualification training	Type 1 and 2 electrical engineer	Type 1 fluorocarbon refrigerant engineer	Licensed electrical engineer (Type 2/3)							
	Fire protection engineer	Building environment and sanitation management technician	Type 1 and 2 sanitation supervisor	Type 3 refrigeration equipment supervisor						
	Certified facility manager									
	Class 1, 2 and 3 building cleaning technicians									
Management training	New employee training									
	Follow-up training									
	Management candidate training						Office manager training			
	Training for new and current appointments (area managers and site managers)						Executive and executive candidate training			
	Aeon Business School Aeon DNA University									
Others	Overseas trainee				Overseas pre-deployment training					
	Self-development (Engineer Study, Aeon Self Study, Aeon Study Program)									

Initiatives to improve technical capabilities and expertise

In order to develop professional personnel with both technical capabilities and hospitality skills, we maintain our own Group training facility, AEON delight Academy Nagahama in Nagahama City, Shiga Prefecture. We have training equipment for electrical, HVAC, firefighting, etc., as well as space for learning cleaning operations, and provide about 30 types of practical training programs. In addition to training for 14 public qualifications related to the work, we offer content tailored to each participant's level, such as management techniques in electrical, HVAC, plumbing, and firefighting equipment, emergency response methods, cleaning, and more.



Training facility AEON delight Academy Nagahama

Outline of Education and Training

Fiscal Year	2019	2020	2021	2022
Number of training courses	237	200	425	346
Total number of trainees	10,025	4,865	11,840	14,953
Training hours per person	20	9	21	28
Training cost per person (thousands of yen)	75	60	82	108

Initiatives to encourage employees to acquire qualifications

Carrying out facility management operations requires a number of qualifications. We also encourage employees to acquire qualifications in order to foster a culture where they are encouraged to actively learn and enhance their expertise.

The Engineer Study program provides subsidies to all AEON delight Group employees for up to 50% of the cost of taking and purchasing distance learning courses, e-learning courses, and textbooks for 16 qualifications, with a maximum subsidy of 100,000 yen. In FY2002, we provided subsidies of 2.13 million yen to 159 employees. From FY2022, we launched a program to provide assistance with examination and initial registration fees for eligible certifications, even if the certification was obtained outside of the Engineer Study program.

For new graduates, we require them to acquire the qualification of a Type 2 Electrical Engineer at the time of their entry-level training. We also aim to have them obtain the Type 3 Chief Electricity Engineer or Building Environment and Sanitation Management Technician certification within three years. In addition, we manage 207 types of qualifications held by our employees and provide allowances to our employees for holding qualifications and appointments. In FY2022, we provided 63.58 million yen (basic qualification allowance) as allowances for qualifications held. Starting in FY2023, we will provide rewards to those who acquire the qualifications, and will also publish the information in the company newsletter to motivate employees to acquire qualifications.

For details on the number of key qualified personnel, see P07-08 AEON delight's strengths

Management Talent Development System

With the aim of systematically developing management talent, the Nomination and Compensation Advisory Committee engages in discussions regarding the development of management talent. The committee selects candidates for executive officers and senior management positions (regional office managers, general managers, managers, etc.) and deliberates on career plans and placement plans that will lead to the development of the candidates.

Furthermore, starting FY2022, in addition to the existing management training, we newly introduced a branch office manager training program and conducted training five times during the year for 34 eligible branch office managers. For the area manager and site manager positions, which serve as the head of each area and facility under the branch office manager position newly created in FY2022, we held five training sessions for 437 employees for a total of five days to indicate AEON delight's direction and clarify their own roles.

Young People's Future Discussion Project

In FY2023, we carried out activities under the Young People's Future Discussion with the aim of fostering young talent who will take on the challenges of business creation and business model transformation with an eye toward future management issues and disruptive innovation. Fourteen young employees in their 20s and 30s, selected from all over Japan, participated in a total of ten activities over a four-month period under the three themes of DX of business processes, use of cutting-edge technology, and new business.

They put together a proposal that combined social issues with AEON delight Group resources, and made a final presentation to the management team.

Grade system and evaluation system

As a framework for grading employees, we have introduced a Career Grade Certification System that treats and trains employees according to their individual abilities, regardless of their academic background, age, gender, or nationality. There are seven career grades, with corresponding positions from general manager and regional office manager to chief at each level. We maintain fairness by determining appointees through a Career Grade Appointment Exam, which consists of a personnel evaluation, a written test, and an interview. In addition, from March 2023, we introduced a Specialist System for employees holding electrical, construction, and other high-level certifications to perform duties based on their specialized knowledge and skills. With a multilayered career path that enables employees to move back and forth between the Career Grade Certification System and the Specialist System, we aim to secure professional human resources while helping employees achieve their desired career paths and lifestyles.

The evaluation system is also based on the job system, and personnel evaluations are conducted with the aim of ensuring fair treatment, demonstrating abilities, and building careers. Personnel evaluations are conducted from two angles: a competence evaluation based on expertise, ability, and subordinate development, and an achievement evaluation based on performance, policy matters, and progress against self-set targets. To enhance buy-in, employees set their own targets semiannually, and their progress is monitored through mid-year interviews, with feedback provided on progress.

For more details on the Career Grade Certification System and Position, see pages 36 Human Resource Development System

Achieving diverse workstyles with flexible work

We employ a monthly flexible working hour system, which enables us to flexibly adjust working hours according to the volume of work, thereby curbing overtime and preventing long working hours.

Furthermore, we took the COVID-19 prevention measures as an opportunity to introduce a remote work system in FY2021. We are also working to diversify work locations, with all employees, seconded personnel, and temporary employees approved by the company having the option of working from home, a leased satellite office, or a mobile office, in addition to taking the conventional route of commuting to the office.

Human Resource Management
https://www.aeondelight.co.jp/english/sustainability/social/hr.html
Labour Practices
https://www.aeondelight.co.jp/english/sustainability/social/employee.html



Occupational Health and Safety

Basic Approach

For the AEON delight Group, safety and security is a fundamental concept that ties into our management principle. In addition to providing safety and security to customer facilities, we aim to create a working environment that meets health and safety standards for all affiliates, including our employees and our partner companies. My Promise, which defines the basic attitude of our employees, states that "I will give safety top priority and strive to prevent any accidents". In addition, we recognize the risk of accidents on the job in "appropriate labor management" as part of our Materiality. Based on our basic policy on occupational safety and health, we strive to promote occupational safety and health in accordance with labor-related laws and regulations.

Basic Policy on Occupational Safety and Health

With respect for people as the basic philosophy, we strive to prevent occupational accidents and maintain the health of all employees by adhering to safety and health standards and promoting safe and healthy activities tailored to the actual conditions in the workplace.

Occupational Safety and Health System

In accordance with the Safety and Health Management Regulations and the Safety and Health Committee Regulations, we determine policies and targets for safety and health activities, identify issues, and take actions for improvement.

In accordance with the Industrial Safety and Health Act, we set up a Safety and Health Committee at workplaces with 50 or more employees, and also held Workplace Safety and Health Meetings as an activity in line with the Safety and Health Committee at workplaces with less than 50 employees, which is not required by law. In addition, the labor-management convenes the Central Safety and Health Committee as a mechanism to oversee the entire company. The Central Safety and Health Committee has the executive officer in charge of human resources as the manager responsible for health and safety, and the health and safety managers of relevant business segments and Group companies attend the committee meetings.

Central Safety and Health Committee

The Central Safety and Health Committee formulates a safety and health management activity plan every year with basic policies, priority initiatives, and monthly priority safety and health activities, and strives to improve safety and health by following the PDCA cycle. Each workplace holds a monthly Health and Safety Committee meeting based on the annual plan, and each regional office and the Central Health and Safety Committee monitor the activities to ensure continuous improvement.

In addition, to prevent recurrence, we analyze the causes of past occupational accidents, formulate countermeasures, and, if necessary, make rules for horizontal deployment.

Occupational accident frequency rate

	2019	2020	2021	2022
Occupational accident frequency rate	1.77	2.50	3.80	2.71

Health and Safety Education

In addition to special safety training for handling electricity at the time of joining the company, we provide special training based on the Industrial Safety and Health Act and in-house training for employees who perform hazardous work in the field of construction work and facility management. The Clean Crew Delight Handbook, which all cleaning personnel, including those from partner companies, carry at all times, also contains points to keep in mind to prevent accidents from occurring during work, and we regularly review the handbook together.

Furthermore, the AD Solution Center collects and shares information on incidents and accidents through the Incident and Accident System, analyzes and identifies the causes, and raises awareness to prevent recurrence. Information on all incidents and accidents, including occupational accidents at contracted properties, is collected at all times and shared with the Quality Control Division, which issues reminders to each site as needed. In an effort to prevent recurrence, the results of these analyses are shared and disseminated to all workplaces in the AD Solution Center Newsletter published once a month, as well as in a collection of accident response case studies that summarize points to keep in mind to prevent accident recurrence during operations.

Simulation training using VR

We began incorporating virtual reality (VR) tools into our safety and health training from September 2022, with the aim of improving hazard sensitivity and acquiring proper work procedures through simulated accident experiences. The VR content is designed to boost effective learning, highlighting the following three incidents that can lead to serious accidents in facility management operations and quizzing participants on important points.

- (1) Arc flash injuries caused by electrical equipment
- (2) Falling down from a stepladder
- (3) Falling into or over a manhole

The VR tool is permanently available at our training facility AEON delight Academy Nagahama, and a total of 539 people, mainly Chief Electricity Engineers, went through the VR training program in FY2022. In FY2023, we plan to expand the scope of the program to include new hires in facilities management, cleaning, and support services, and provide training to approximately 1,300 employees. In addition to facility management, we also plan to develop VR content related to other operations such as security and cleaning management going forward.



VR screen (example)



Picture of employee wearing VR goggles

Diversity

In our Basic Policies for Sustainability, we have stated that we will "create a vibrant organizational culture in which diverse human resources can demonstrate their abilities". In addition, we believe that promoting diversity is not only a way to solve social issues, but also an essential factor in ensuring sustainable growth and creating business opportunities, and we have positioned it as one of our Materiality issues.

We prohibit discrimination on the basis of race, nationality, ethnicity, gender, age, place of birth, religion, educational background, physical or mental disability, sexual orientation and gender identity, and aim to be a company where each and every employee can fully exercise their individuality and skills.

Diversity in management and recruits

The Company and its group have grown through multiple mergers and consolidations since its establishment, and its employees and managers all come from a diverse range of companies. For AEON delight (non-consolidated), the ratio of mid-career hires in management positions is already about 50% as of FY2021.

The Company also strives to recruit the best possible personnel regardless of nationality, country of origin, or gender. It hires employees of various nationalities and countries of origin, mainly from China and the ASEAN region where the Company has business operations. Of the Company's (non-consolidated) new graduate hires for fiscal 2023, 41.3% were women and 10.9% were non-Japanese.

Gender wage gap	All workers	: 57.1%
	Breakdown	
	Regular workers (full-time employees)	: 81.2%
	Non-regular workers (contract, temporary, part-time)	: 68.3%
	Contract and temporary employees	: 81.8%
Paternal leave acquisition rate	Part-time employees	: 75.6%
	13.0% Average of 116.2 days	

FY2022 Non-consolidated

Respect for Human Rights

In accordance with our Basic Sustainability Policy and Aeon's Human Rights Policy, we adhere to the human rights norms set forth in the International Labor Organization's (ILO) ILO Declaration on Fundamental Principles and Rights at Work, and respect human rights by supporting and practicing the United Nations Guiding Principles on Business and Human Rights.

AEON delight conducts human rights training and awareness programs for its directors and all employees to disseminate its human rights policy widely in the workplace and to put respect for human rights into practice in business operations.

In FY2022, we conducted human rights training for 13,052 participants. We set up training programs for officers, managers, and general employees by job level and at the time of hiring, with themes ranging from basic knowledge of human rights to business and human rights. In addition, we appointed human rights awareness officers at each of our Group companies to hold regular meetings to promote understanding of and resolve issues related to human rights. In FY2023, in addition to our past initiatives, we began performing human rights due diligence. We set six categories of issues under the three aspects of human rights violations by our own employees, business partners, and local communities, and

Initiatives to achieve work-life balance

Introduction of annual hourly paid leave system

In July 2023, we introduced an annual hourly paid leave system that enables employees to take paid leave in one-hour increments as a flexible way of taking leaves to support diverse work styles. Full-time, contract, temporary, and part-time employees are eligible for up to five days of leave per year.

Creation of the Childcare and Nursing Care Guidebook

In April 2023, we created the Childcare and Nursing Care Guidebook, which outlines the system for employees to take leave and work during childbirth, childcare, and nursing care. In collaboration with the labor union, we prepare key points regarding legal revisions such as maternity and paternity leave, as well as internal regulations, benefit schemes, and internal consultation services. We aim to create a comfortable work environment by helping employees balance work and family life.



Extending the retirement age to 65

From March 2022, we extended the retirement age for regular employees from 60 to 65, in order to actively leverage their experience, skills, and knowledge regardless of age. The same job categories and work systems apply to employees after the age of 60. There is no retirement age for positions after reaching 60 years of age, and the salary system is based on job duties and positions, creating an environment in which each generation can play an active role. Even after reaching the mandatory retirement age of 65, employees may be rehired up until they reach the age of 70 if they request it and it is approved by the company.

WEB Diversity
▶ <https://www.aeondelight.co.jp/english/sustainability/social/diversity.html>

conducted an assessment with a total of 33 check items and identified the human rights risks that we believe have the greatest negative impact on human rights as key human rights issues. Going forward, we will begin activities to prevent and mitigate these issues.

Key human rights issues identified

- Working environment in the AEON delight Group
- Harassment in the AEON delight Group and at business partners
- Working environment for foreign workers in the AEON delight Group and at business partners
- Code of Conduct in the AEON delight Group and at business partners
- Occupational safety and health in the AEON delight Group and at business partners

WEB Human Rights Basic policy
▶ <https://www.aeondelight.co.jp/english/sustainability/social/respect.html>

Promoting Health Management

AEON delight Group is committed to maintaining and improving the health of its employees in accordance with the Aeon Commitment to Health & Productivity Management. We will promote the health and productivity of our employees through "promotion of mental and physical health" and "creation of a safe, secure, and energetic workplace."

Aeon's belief is that human resources are our greatest management resource for realizing the health and happiness of employees and customers and for contributing to local communities. Based on this belief, Aeon aims to be a corporate Group whose diverse workforce is healthy, able to demonstrate their abilities, and continues to play an active role. The management issue we want to solve through health and productivity management is to ensure that each employee is healthy both physically and mentally, that they want to continue working for a long time, and that they are motivated to work.

The health of employees is the cornerstone of company activities. Based on the belief that only when employees are healthy can we provide services that bring health and happiness to local customers, Aeon announced the Aeon Commitment to Health & Productivity Management in 2016 and have been promoting health and productivity management.

In addition, AEON delight and three AEON delight Group companies received the Health & Productivity Management Outstanding Organization certification for the first time in March 2023 from the Nippon Kenko Kaigi.

Aeon Commitment to Health & Productivity Management

Aeon will support the health of its employees and their families. And together with its employees, Aeon will realize the health and happiness of local communities.

Supply Chain Management

AEON delight Group's Basic Sustainability Policy stipulates that we will "build relationships of mutual trust with our business partners and conduct fair business activities throughout the supply chain."

To foster mutual trust and promote continuous development through fair transactions with partner companies, we conduct questionnaires for business partners to monitor the actual status of our transactions. In FY2021, we conducted a web-based survey of 1,713 partner companies of eight Group companies. After reporting the results of the survey to the Board of Directors, we identified priority issues that need to be addressed and have implemented measures to resolve these issues. We also provide feedback to the partner companies that responded to the survey, and ask for their cooperation in responding to future surveys. From FY2023, we plan to introduce the new Aeon Compliance Hotline and Business Partner Hotline, while also checking our compliance with Aeon's Human Rights Policy.

In March 2022, we announced our endorsement of the Declaration of Partnership Building*. AEON delight views this declaration as a means of coexistence and co-prosperity with our partner companies through sustainable relationship building, as well as a way to add value and promote fair business practices throughout the supply chain.

* Established by the Council for the Promotion of Partnership Building for the Future, whose members include the Chairman of Keidanren, the President of the Japan Chamber of Commerce and Industry, the President of RENGO, and relevant ministers. In order to build a sustainable relationship where large and small companies can grow together, company representatives have declared coexistence and co-prosperity throughout the supply chain, new partnerships that transcend size and affiliation, and adherence to desirable business practices between parent companies and subcontractors.

Ultimate goals of health management

- Increase employee satisfaction / Reduce turnover / Increase labor productivity

Promotion policy

- ① Mental and physical health
- ② Creation of a safe, secure, and energetic workplace
- ③ Company-wide health promotion

Promotion goals

- Target for FY2022
- 100% attendance at regular health checkups (Actual: 99.96%)
 - 13% reduction in the number of smokers from the previous year

AEON delight Group companies with the Health & Productivity Management Outstanding Organization certification
AEON DELIGHT ACADEMY CO., LTD.
AEON DELIGHT SECURITY CO., LTD.
AEON compass Co., Ltd.



WEB Promoting Employee Health
▶ <https://www.aeondelight.co.jp/english/sustainability/social/health.html>



Declaration of Partnership Building (Excerpt)

- We aim for coexistence and co-prosperity by establishing a new mechanism for value-added improvement, in addition to leveraging DX to share and visualize information throughout the supply chain and improve operational efficiency.
- Along with supply chain initiatives, we will contribute to the realization of a sustainable society by promoting efforts to combat climate change and global warming and reduce our environmental footprint.
- In accordance with the Basic Sustainability Policy, we will strive to comply with laws and regulations, conduct fair business, ensure compliance, and respect human rights throughout our supply chain based on a relationship of mutual trust.

WEB With Our Partners
▶ <https://www.aeondelight.co.jp/english/sustainability/social/partner.html>

WEB AEON delight "Declaration of Partnership Building" (Japanese)
▶ <https://www.biz-partnership.jp/declaration/8306-19-00-tokyo.pdf>

Basic Philosophy

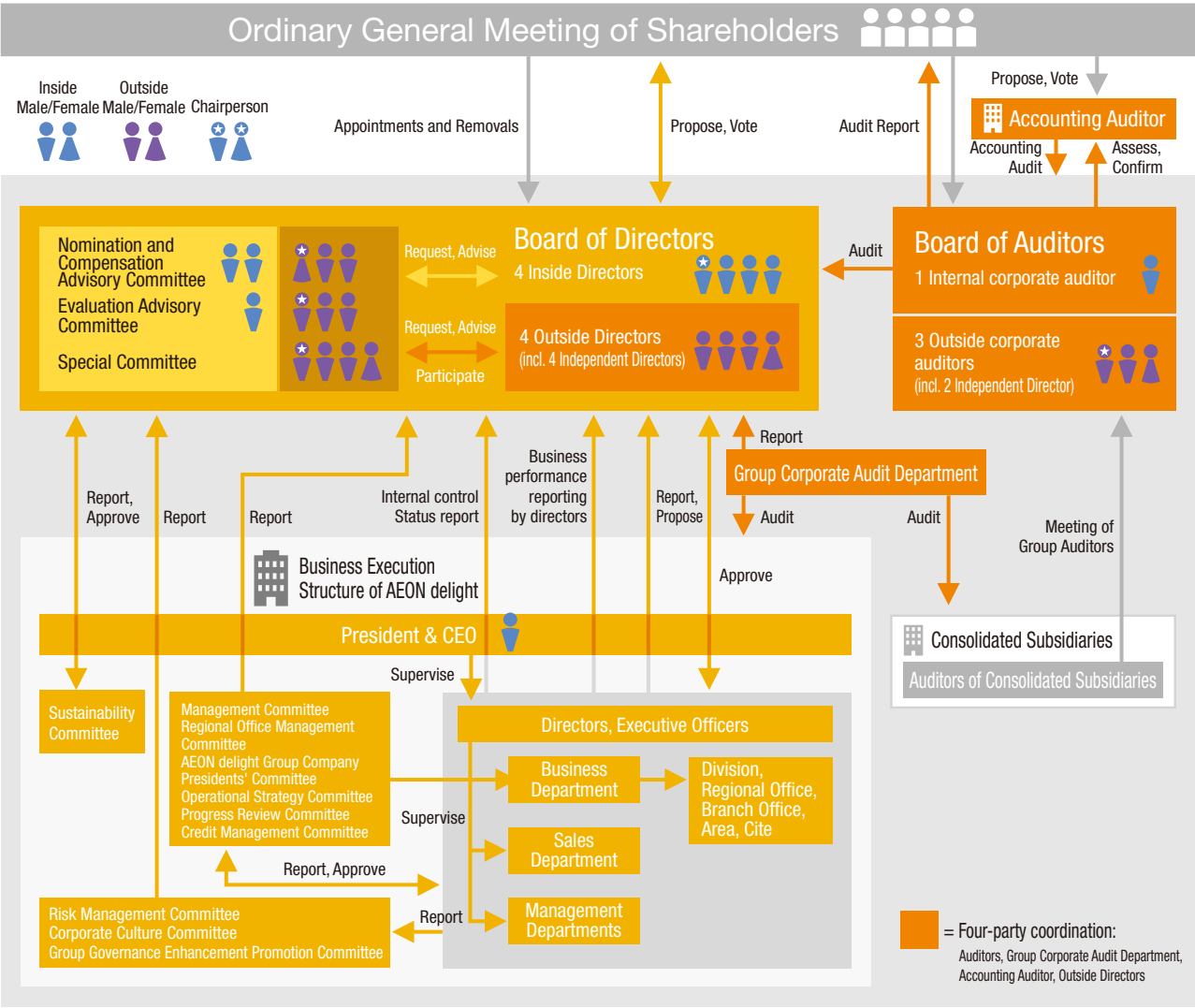
Based on our Management Principle, "We pursue the creation of 'environmental value' for the customers and for the local communities," we fulfill our responsibilities to our stakeholders through sustainable growth of our company and by increasing the value of our company, and implement an optimal corporate governance system designed to best meet the needs of society and the business environment.

In AEON delight Corporate Governance Guidelines, we have defined our corporate governance system as "a mechanism that helps to bring about sustainable growth of our company by maintaining balance between 'offense' and 'defense' in the four areas as follows":

- 1
- Means for integrating the business activities of the members (executives and employees) of our enterprise under one policy or vector and then utilizing managerial resources to the maximum degree
- 2
- Basic promises that underpin the trusting relationships with stakeholders who support our enterprise
- 3
- Preparedness for unexpected ordinary or extraordinary events
- 4
- Rules each enterprise should follow for surviving as a member of society

WEB Corporate Governance Basic Philosophy
▶ <https://www.aeondelight.co.jp/english/sustainability/governance/corporate.html#ctr1386>

Corporate Governance Structure Chart (as of May 22, 2023)



Approach to the Composition of the Board of Directors

AEON delight is a Company with Board of Corporate Auditors, and our corporate auditors and Board of Corporate Auditors audit the performance of duties of our directors and Board of Directors. AEON delight's Board of Directors fulfills both executive and supervisory functions, and we have introduced an executive officer system to speed up the decision-making process in the area of execution, delegating the execution of business in specific areas to executive officers.

The Board of Directors is composed of a diverse group of directors with various backgrounds of expertise and experience, and we stipulate that the number of directors shall not exceed 20 to ensure that the functions of the Board of Directors are effective and efficient. In addition, we maintain at least two independent and neutral independent outside directors. Currently, we have eight directors, of which half, or four members, are independent outside directors.

Overview of each organization and committee

Name	Number of meetings in FY2022	Overview
Board of Directors and Key Meetings		
Board of Directors	17	The Board of Directors plays the second most important role in AEON delight's corporate governance system after the General Meeting of Shareholders. The Board of Directors makes important management decisions and provides highly effective supervision of Directors, Executive Officers, and other senior management.
Board of Auditors	15	The Board of Corporate Auditors serve a key supervisory function with regard to decisions made and duties executed by the Directors and Board of Directors. The Board of Corporate Auditors audits the execution of duties by directors and senior management, makes decisions on the selection, dismissal, and non-reappointment of accounting auditors, as well as on accounting audits and other matters required by laws and regulations.
Management Committee	16	The Management Committee consists of Managing Officers and above and other members as necessary depending on the content of the discussions, and discusses important management matters such as management policies and strategies. In particular, proposals to be submitted to the Board of Directors are submitted after thorough deliberation by the Management Committee to ensure that the Board of Directors can deliberate on matters fully and make appropriate decisions.
Voluntary Advisory Bodies to the Board of Directors		
Nomination and Compensation Advisory Committee	8	The Nomination and Compensation Advisory Committee was established to advise and report to the Board of Directors on the nomination and appointment of directors and corporate auditors and on the determination of their compensation, thereby enhancing transparency and objectivity. The Nomination and Compensation Advisory Committee advises and reports to the Board of Directors on the selection and nomination of candidates for Director and Corporate Auditor, succession planning for the President & CEO, Group CEO AEON DELIGHT CO., LTD., and incentive plans and compensation for Directors.
Evaluation Advisory Committee	1	The Evaluation Advisory Committee was established to strengthen the independence and objectivity of the Board of Directors. The Committee analyzes and evaluates the effectiveness of the Board of Directors as a whole and provides advice and recommendations to the Board of Directors.
Special Committee	0	The purpose of the Special Committee is to ensure that the opinions of minority shareholders and other stakeholders are appropriately reflected in the Board of Directors from a standpoint independent of management and controlling shareholders. The Committee's chair and all members are independent Outside Directors, and meetings are held when there is a concern about a conflict of interest between controlling shareholders and minority shareholders.
Key Internal Committees		
Sustainability Committee	3	Chairperson: President & CEO The Sustainability Committee has been established to promote sustainability as a company-wide promotion body for ESG management. The committee determines and implements priority initiatives based on the Basic Policies for Sustainability and Materiality.
Risk Management Committee	2	Chairperson: Group Governance General Manager The Risk Management Committee anticipates the AEON delight Group's current and potential risks through analysis and evaluation, and establishes a system to reduce major risks and minimize losses.
Group Governance Enhancement Promotion Committee	12	Chairperson: Group Governance Division Manager The Group Governance Enhancement Promotion Committee is responsible for monitoring the status of ongoing initiatives by the Recurrence Prevention Committee, which was established when accounting irregularities were discovered at a subsidiary, and for holding discussions regarding the Group's governance and compliance systems.
Corporate Culture Committee	2	Chairperson: Group Governance Division Manager The Corporate Culture Committee engages in discussions regarding the AEON delight Group's common philosophy, company-wide dissemination of the Delight Way, and creating the environment for transforming the organizational culture.

WEB Corporate Governance Overview of Current Corporate Governance System
▶ <https://www.aeondelight.co.jp/english/sustainability/governance/corporate.html#ctr1388>

Effectiveness assessment of the board of directors

Evaluation process

The Evaluation Advisory Committee, a voluntary advisory body to the Board of Directors, administered a self-evaluation based on a questionnaire* in March 2023, and analyzed and evaluated the results. Based on the results of the analysis and evaluation by the Evaluation Advisory Committee and an opinion from the Company's legal counsel, the Board of Directors assessed the effectiveness of the Board of Directors at a meeting held on May 19, 2023.

* Self-evaluation based on a questionnaire: All directors and corporate auditors responded to a questionnaire regarding the effectiveness of the Board of Directors.

Evaluation items

- ① Composition of the Board of Directors
- ② Operation of the Board of Directors
- ③ Agenda of the Board of Directors
- ④ Structure to support the Board of Directors
- ⑤ Roles and responsibilities of the Board of Directors
- ⑥ Others

Overview of evaluation results

We evaluated that the effectiveness of decision-making and supervision of business execution by the Board of Directors is being maintained in line with the Company's basic approach to corporate governance. The composition of the Board of Directors is designed to ensure the effective operation of the Board of Directors, with half of the members being outside directors, in consideration of its role as a supervisory function for management, and the appointment of female directors to embrace diversity. In terms of operations, we saw improvements in managing the agenda of the Board of Directors meetings based on an annual plan, and in ensuring that outside directors are briefed on the agenda in advance according to a schedule, which helps facilitate effective discussions at the Board of Directors meetings. On the other hand, we recognize the need to continue improving existing issues, such as carrying out discussions on important management issues such as business portfolios, reporting on the status of business execution, and succession planning.

Criteria for Selection and Independence

AEON delight has established the following criteria for the appointment of inside directors, outside directors, and corporate auditors. In addition, we emphasize the importance of ensuring independence in appointing outside directors, and have established our own criteria for determining independence on top of the requirements for independent directors as stipulated by the Tokyo Stock Exchange.

The selection criteria for candidate internal directors

1. To have character and knowledge suitable to be director.
2. To have sufficient experiences and knowledge useful to the oversight of the business of our company and its relevant companies. To have excellent capacity for business management judgment and business operation.
3. To be able to bear responsibilities for basic policies, strategic planning and business operation of our company and its group companies and be accountable for the board of directors.

The election criteria for candidate external directors

1. To have character and knowledge suitable to be director.
2. To agree with our company's business philosophy and code of conducts.

3. To have rich experiences as management such as chief executive officer or have equivalent experiences and knowledge.
4. To be able to make a judgment independently from our company's management team.
5. To be able to attend board of directors meetings of our company most of the time.
6. To meet our company's criteria of independence.

Selection of Corporate Auditors

In making the selection, one or more persons with sufficient knowledge of finance and accounting shall be appointed.

Independence criteria for outside directors

Based on the independence criteria stipulated by the Tokyo Stock Exchange and the Companies Act, the Company defines the criteria for determining the independence of outside directors at the Company as those who satisfy the requirements set forth below.

1. A person who is not currently, or has not been for the past 10 years, an executive director, executive officer, corporate officer, or employee (hereinafter referred to as "executive person") of the Company, its subsidiaries, parent company, or sister companies
2. A person who does not fall into any of the following categories at present or in the past three years
 - (a) A major shareholder of the Company (a person who directly or indirectly holds 10% or more of the voting rights of the Company) or an executive person of such a shareholder
 - (b) Partners of the Company's accounting auditor or employees engaged in the audit of the Company
 - (c) An executive person of the Company's major lender (a lender whose lending amount exceeds 2% of the Company's consolidated total assets)
 - (d) An executive person of a major business partner of the Company (a business partner whose transactions with the AEON delight Group exceed 2% of the annual consolidated sales of the said business partner)
 - (e) Lawyers, certified public accountants, certified tax accountants, or other consultants who receive annual remuneration exceeding 10 million yen from the AEON delight Group other than remuneration as directors.
 - (f) An executive person of a non-profit organization that receives more than 10 million yen in donations and more than 2% of total revenues from the AEON delight Group.
 - (g) Spouses or relatives up to the second degree of kinship of the above 1 and (a)-(f).

WEB About Board of Directors and Auditors
Reasons for Appointment of Outside Directors and Outside Auditors
▶ <https://www.aeondelight.co.jp/english/sustainability/governance/officer.html>

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

AEON delight belongs to a corporate group consisting of Aeon Co., Ltd. (pure holding company; "Aeon Co. Ltd.") and Aeon Co., Ltd. consolidated subsidiaries and equity-method affiliates.

The Company makes its own independent management decisions related to daily business operations, and confers with or reports to Aeon Co. Ltd. concerning key management issues. The growth of Aeon Co., Ltd. and its group companies leads to more business opportunities for the Company.

Therefore, the Company believes that collaboration and maximization of synergies with Aeon Group companies will contribute to the expansion of minority shareholders' interests.

In accordance with Article 9 "Prevention of transactions that go against shareholders' interests" of the Company's Guidelines, the Company ensures the economic rationality of the terms and conditions of transactions with Aeon Co., Ltd. and its group companies from the perspective of protecting minority shareholders, and concludes particularly important contracts through resolutions at meetings of the Board of Directors attended by outside directors and outside corporate auditors who are designated as independent officers and corporate auditors as stipulated by the Tokyo Stock Exchange, Inc.

In addition, we established a special committee in May 2022 as an advisory body to the Board of Directors, with the chairman and all members being independent outside directors, for the purpose of appropriately reflecting the opinions of minority shareholders and other stakeholders in the Board of Directors from a standpoint independent of management executives and controlling shareholders in the event of matters that may cause conflicts of interest between controlling shareholders and minority shareholders.

Other Special Circumstances which may have Material Impact on Corporate Governance

The Company's parent company is Aeon Co., Ltd. and Aeon Co., Ltd. holds 27,613,000 shares (55.96% of voting rights) of the Company's stock. The Board of Directors of the Company consists of eight directors, including four outside directors, and is in a position to make independent management decisions. In addition, the Company has appointed three outside corporate auditors, including two independent officers, to ensure greater independence in management decisions, and to make its own decisions regarding management decisions in terms of business operations and fund procurement.

Furthermore, the Company has one officer who concurrently serves as an executive officer of Aeon Co., Ltd. and has introduced a framework to protect the interests of minority shareholders by, for example, not allowing the said officer to participate in resolutions on matters related to transactions with controlling shareholders, etc. and consulting a special committee composed of independent outside directors on matters where there is concern about a conflict of interest between the controlling shareholders and minority shareholders.

Executive Compensation

The compensation of directors consists of basic compensation, performance-linked compensation, and stock options as an incentive to boost medium- and long-term enterprise value, the total amount of which is set within the amount approved beforehand at the general meeting of shareholders. Compensation for corporate auditors is determined through discussions among corporate auditors and within the limits of the total compensation approved at the general meeting of shareholders.

Executive compensation for FY2022

Classification of Officers	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation by type (Millions of yen)				Number of eligible directors
		Basic remuneration	Stock options	Bonuses	Of those listed on the left, non-monetary compensation, etc.	
Directors (excluding Outside Directors)	95	53	14	27	14	5
Corporate Auditor (excluding Outside Corporate Auditors)	2	2	—	—	—	1
Outside Directors and Outside Corporate Auditors	61	61	—	—	—	8

* The total amount of non-monetary compensation to Directors (excluding Outside Directors) consisted of stock options totaling 14 million yen.

WEB About Board of Directors and Auditors
Policy on Determining Remuneration Amounts and Calculation Methods
▶ <https://www.aeondelight.co.jp/english/sustainability/governance/officer.html>

Strategically held shares

Approach to strategic shareholdings

We may hold shares of other companies besides subsidiaries and affiliated companies to a reasonable extent for strategic purposes, such as to maintain and strengthen medium- to long-term relationships and partnerships with such companies. On the other hand, we do not hold shares for purposes other than strategic shareholding, such as for investment purposes, as a general rule. For strategic shareholdings, we disclose our purpose of holding these shares.

FY2022 Strategic shareholdings

	Number of companies	Total amount shown on balance sheet (millions of yen)
Unlisted shares	8	66
Shares other than unlisted shares	8	2,254

Verification of reasonableness by the Board of Directors

The Board of Directors annually reviews major strategic shareholdings to ensure that there are no issues with the aims and rationale for holding these shares, taking into account medium- to long-term economic rationale and future prospects. Specifically, we compare our cost of capital to the combined benefits of dividends, business profits, and stock price changes, and then we verify the overall results by taking into account qualitative information from our business and operating divisions. As a rule, we sell the shares that we decide not to continue holding as a result of the verification.

Criteria for exercising voting rights

When exercising voting rights, we determine whether to approve or disapprove each proposal after carefully examining whether it contributes to maintaining or strengthening a good business relationship with AEON delight, whether it contributes to the medium- to long-term growth of the investee company and AEON delight, and whether there is no obvious risk that a decline in the stock price would cause AEON delight to suffer a significant loss.

Due to their roles, compensation for outside directors and corporate auditors is limited to the basic compensation, which is not linked to performance.

The Board of Directors determines the compensation of directors within the scope of the resolution passed at the general meeting of shareholders and in accordance with the recommendations of the Nomination and Compensation Advisory Committee.

Corporate Governance

Management Structure

Directors (As of May 19, 2023)



Kazumasa Hamada
President & CEO
Group CEO
1,100 shares held
Dec. 30, 1964

Mar. 1987 Joined JUSCO Co., Ltd. (currently AEON Co., Ltd.)
Nov. 2006 Head of Management Planning Department of Postful Corporation (currently AEON Hokkaido Corporation)
Mar. 2007 Executive Officer, Postful Corporation (currently AEON Hokkaido Corporation)
Sep. 2008 General Manager of Control Division of AEON Retail Co., Ltd.
Mar. 2011 Executive Officer, AEON Retail Co., Ltd.
Mar. 2013 Director and Control and Accounting Officer of Aeon Co., Ltd.
Feb. 2015 Regional Office Manager of Kitakanto and Niigata Company of AEON Retail Co., Ltd.
Director and Senior Managing Officer, AEON Retail Co., Ltd.
Mar. 2017 Senior Managing Executive Officer, AEON Retail Co., Ltd.
Mar. 2018 Temporarily transferred to AEON delight Co., Ltd. (Advisor)
May 2018 President and CEO, AEON delight Co., Ltd.
Dec. 2018 Representative of Commissioner, PT Sinar Jernih Sarana (current position)
Jul. 2019 Group CEO, AEON delight Co., Ltd.
Dec. 2019 General Manager of Financial and Accounting Division (CFO), AEON Delight Co., Ltd.
Apr. 2020 Representative Director, President and CEO, AEON delight Co., Ltd. (current position)
Jul. 2021 Director of AEON delight (China) Co., Ltd. (current position)



Goro Miyamae
Director and Senior Managing Officer
China business
1,200 shares held
Nov. 17, 1965

Jan. 1999 Joined Japan Maintenance Co., Ltd. (currently AEON delight Co., Ltd.)
Jun. 2007 Manager, QMS Department, Crisis Management & QMS Division
Mar. 2008 Manager, Cleaning Business Department, Cleaning Business Division
Mar. 2010 General Manager, Cleaning Business Division
May 2016 Executive Officer and General Manager of Cleaning Business Division
Nov. 2018 Executive Officer and General Manager of Service Network Promotion Division
Jul. 2019 Executive Officer and Manager of Kanto Regional Office
Mar. 2020 Executive Officer in charge of overseeing East Japan operations
Feb. 2021 Executive Officer in charge of overseeing Marketing DX
Mar. 2021 Managing Director in charge of overseeing Marketing DX
May 2022 Director and Managing Director in charge of overseeing Marketing DX
Dec. 2022 Director and Managing Officer in charge of overseeing China business
Mar. 2023 Senior Managing Officer in charge of overseeing China business (current position)
Chairperson and General Manager of Aeon Delight (China) Co., Ltd. (current position)



Tetsuya Akutsu
Director and Senior Managing Officer
General Manager of Financial and Accounting Division (CFO)
New Appointment
— shares held
Mar. 21, 1967

Apr. 1989 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
Apr. 2014 General Manager of Investor Relations Department of Mizuho Financial Group, Inc.
Apr. 2016 General Manager of Strategic Planning Department of Mizuho Financial Group, Inc. and Mizuho Bank, Ltd.
Apr. 2018 Project Team Manager of Overseas Coordination Infrastructure Establishment Project of Mizuho Bank, Ltd.
Apr. 2019 Senior Executive Officer, General Manager of Global Corporate Coordination Department of Mizuho Financial Group, Inc. and Mizuho Bank, Ltd.
Apr. 2020 Senior Executive Officer, Deputy Officer in Charge of Global Corporate Company of Mizuho Financial Group, Inc.
Executive Officer, Joint Division Manager of Global Corporate Division of Mizuho Bank, Ltd.
May 2021 Managing Officer, General Manager of Financial and Accounting Division (CFO) of AEON DELIGHT CO., LTD.
May 2023 Director and Senior Managing Officer, General Manager of Financial and Accounting Division and CFO of AEON DELIGHT CO., LTD. (current position)



Hiroyuki Watanabe
Director
— shares held
Jul. 17, 1958

Apr. 1982 Joined Isejin Jusco Co., Ltd. (currently Aeon Co., Ltd.)
Sep. 2003 General Manager of Administration Division of Kanto Company of JUSCO Co., Ltd.
May 2006 Representative Director of AEON Financial Project Co., Ltd. (currently, AEON Bank, Ltd.)
Sep. 2006 Director in charge of overseeing Human Resources and General Affairs, and Public Relation
Apr. 2008 Director and Managing Executive Officer in charge of Human Resources and General Affairs
Jun. 2012 Director, Senior Managing Executive Office, and Head of Corporate Management Division
Nov. 2012 Director of AEON CREDIT SERVICE CO., LTD. (currently, AEON Financial Service Co., Ltd.)
Apr. 2014 Representative Director and Senior Managing Executive Officer, Head of Sales Division of AEON Bank, Ltd.
Apr. 2015 President and Representative Director
Jun. 2017 Director and Executive Vice President of AEON Financial Service Co., Ltd.
Sep. 2018 Executive Officer in charge of Human Resources and Administration, Administration & Risk Management of Aeon Co., Ltd.
Oct. 2018 Director of AEON Financial Service Co., Ltd. (current position)
May 2021 Director, AEON delight Co., Ltd. (current position)
Mar. 2022 Executive Vice President and Executive Officer in charge of Human Resources and Administration, Administration & Risk Management of Aeon Co., Ltd. (current position)



Takashi Kuroda
Outside Auditor
— shares held
Jul. 12, 1964

Apr. 1987 Joined The Chuo Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)
Nov. 2000 Director and General Manager of Administration Division of DBMG Inc.
Dec. 2006 Affiliates Department of AEON Co., Ltd.
Sep. 2008 Temporarily transferred to The Dai-ichi, Inc.
Apr. 2014 Project Team Leader, AEON Financial Service Co., Ltd.
Apr. 2015 Manager of Strategy Department
Apr. 2016 Executing Officer in charge of overseeing strategy of AEON Bank, Ltd.
Jun. 2018 Director and Executive Officer in charge of Business Planning
Apr. 2019 Director, Executive Officer and General Manager of Business Planning Division
Apr. 2019 Director in charge of Business Planning of AFS Corporation Co., Ltd.
Jun. 2019 Director and Executive Officer, Head of Business Planning Division of AEON Bank, Ltd.
Apr. 2021 Director, Managing Executive Officer, and Head of Corporate Management Division
May 2022 Outside Auditor, AEON delight Co., Ltd. (current position)



Tsukasa Takahashi
Outside Auditor
Independent Auditor
— shares held
Dec. 10, 1962

Apr. 1989 Registered with the Osaka Bar Association and Joined Katsube Law Office (currently Katsube Takahashi Law Office)
Apr. 1994 Partner, Katsube Takahashi Law Office (current position)
Apr. 2006 Part-time Instructor, Kwansei Gakuin University Law School
Apr. 2007 Part-time Instructor, Kyoto University Law School
Apr. 2010 Vice President, Osaka Bar Association
Apr. 2012 Visiting Professor, Kyoto University Law School
Apr. 2013 Special Professor, Kyoto University Law School
May 2013 Outside Auditor, AEON delight Co., Ltd. (current position)
Mar. 2019 Outside Auditor, Nippon Electric Glass Co., Ltd. (current position)
Jun. 2020 Outside Auditor, NIPPON SHOKUBAI CO., LTD. (current position)



Yoshiaki Hongo
Outside Director
Independent Director
1,900 shares held
Apr. 20, 1949

Apr. 1974 Joined the Ministry of Transport (General Affairs Division of Civil Aviation Bureau)
Apr. 1983 Seconded to Geneva Office of Japan National Tourism Organization (JNTO)
May 1988 First Secretary of Permanent Delegation of Japan to the Organisation for Economic Cooperation and Development (OECD)
Jan. 1991 Deputy Assistant Vice-Minister
Jul. 2001 Deputy Director-General (Maritime Bureau & Ports and Harbours Bureau) of Minister's Secretariat of Ministry of Land, Infrastructure, Transport and Tourism
Apr. 2003 Senior Vice President (Logistics & International Division), Japan Post
Jul. 2007 Deputy Vice Minister for Tourism Policy, Minister's Secretariat of Ministry of Land, Infrastructure, Transport and Tourism
Oct. 2008 Commissioner of Japan Tourism Agency
Apr. 2010 Professor at Tokyo Metropolitan University
Jan. 2014 Special Adviser of Japan Tourism Agency
Nov. 2014 Adjunct Professor of Tokyo Institute of Technology
Apr. 2015 Research Professor of Faculty of Urban Environment, Tokyo Metropolitan University
Jun. 2015 Outside Director, THE KEIHIN CO., LTD. (current position)
Jun. 2016 Chief, UNWTO Regional Support Office for Asia and the Pacific (current position)
Apr. 2017 Visiting Professor of Tokyo University of Engineering
May 2017 Outside Director, AEON delight Co., Ltd. (current position)
Apr. 2018 Visiting Professor at Tokyo Metropolitan University (current position)
Aug 2021 Director and Chairman of Tobu Top Tours Co., Ltd.



Keiji Yoshikawa
Outside Director
Independent Director
600 shares held
Jul. 6, 1950

Apr. 1973 Joined Nippon Sheet Glass Co., Ltd.
Jun. 2004 Corporate Officer, General Manager of Information & Telecommunication Device Division, and Plant Manager of Sagami-hara Plant
Jan. 2008 Corporate Officer and General Manager of IT Business Unit
Jun. 2008 Director, Executive Officer, and Head of Specialty Glass Worldwide
Feb. 2012 Director, Representative Executive Officer, and Executive Vice President and CPMO (Chief Project Management Officer)
Apr. 2012 Director, Representative Executive Officer, and President and CEO
Jun. 2015 Advisor
Jun. 2015 Outside Director of Kansai Paint Co., Ltd. (current position)
May 2021 Outside Director, AEON delight Co., Ltd. (current position)
Jun. 2021 Outside Director and Member of the Audit and Supervisory Committee of Fujikura Ltd. (current position)



Asako Takada
Outside Director
Independent Director
300 shares held
Mar. 20, 1964

Apr. 1987 Joined E.F. Hutton & CO., Inc.
Jan. 1988 Joined Morgan Stanley Japan Limited
Apr. 2002 Lecturer of Faculty of Business Administration, Takachiho University
Apr. 2003 Assistant Professor of Faculty of Business Administration
Apr. 2008 Associate Professor of Hosei Business School of Innovation Management
Apr. 2011 Professor of Hosei Business School of Innovation Management (current position)
Sep. 2015 Director of Global MBA Program, Hosei Business School of Innovation Management (current position)
Apr. 2021 General Manager of Recurrent Education Office of Hosei University (current position)
May 2021 Outside Director of AEON delight Co., Ltd. (current position)
Apr. 2022 Advisor on regrowth of The Asahi Shimbun Company (current position)



Toshio Shimada
Outside Director
New Appointment
Independent Director
— shares held
Jun. 4, 1957

Apr. 1980 Joined Japan Gasoline Co., Ltd.
Jul. 1990 Joined Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)
Aug. 1992 Joined JGC Information Systems Co., Ltd.
Nov. 1997 Joined CAC Co., Ltd. (currently CAC Holdings Corporation)
Mar. 2000 Executive Officer and General Manager of Corporate Planning Department
Mar. 2002 Director and Senior Vice President of Corporate Planning Department
Jul. 2003 Managing Director and Senior Vice President of Corporate Division
Mar. 2004 President and CEO
Jan. 2011 Representative Director and Chairman
Mar. 2015 Chairman and Director
Mar. 2019 Special Advisor (current position)
Jun. 2021 Outside Director, Bandai Namco Holdings Inc. (current position)
May 2023 Outside Director, AEON DELIGHT CO., LTD. (current position)



Mari Ebisui
Outside Auditor
Independent Auditor
— shares held
Oct. 8, 1960

Apr. 1985 Joined Ajinomoto General Foods, Inc. (currently Ajinomoto AGF, Inc.)
Nov. 1997 Certified as certified public tax accountant in the United States
Mar. 1998 Joined KPMG Peat Marwick Tokyo (currently KPMG Tax Corporation)
Jul. 2001 Representative Director, Ebisui Accounting & Consulting (current position)
Registered as a United States certified public accountant (USCPA)
Apr. 2008 Registered as a Certified Fraud Examiner (CFE)
Jun. 2016 Director of JAPAN Society of U.S. CPAs
Jun. 2020 Outside Director of Ricoh Leasing Company, Ltd. (current position)
Apr. 2021 Advisory Board Member of Japan Corporate Governance Research Institute (current position)
May 2022 Outside Auditor, AEON delight Co., Ltd. (current position)
April 2023 Auditor, The Japan Academy of Family Business(current position)



Takafumi Fujimoto
Auditor
New Appointment
— shares held
Mar. 23, 1965

Apr. 1987 Joined National Police Agency
Oct. 2009 Director of Community Police Affairs Division, Community Safety Bureau of National Police Agency
Oct. 2011 Chief of Kagawa Prefectural Police Headquarters
Feb. 2013 Executive Assistant to the National Public Safety Commission, Commissioner-General's Secretariat, National Police Agency
Jan. 2014 Director, Community Safety Bureau, National Police Agency
Aug. 2015 Personnel Division, Commissioner-General's Secretariat, National Police Agency
Apr. 2017 Chief Inspector General, Commissioner-General's Secretariat, National Police Agency
Sep. 2018 Deputy Vice-Minister for Policy Coordination, Commissioner-General's Secretariat, National Police Agency
Jan. 2020 Chief of Osaka Prefectural Police Headquarters
Jan. 2021 Director-General, Criminal Investigation Bureau, National Police Agency
May 2022 Advisor of AEON CO., LTD. (current position)
Auditor of The Dai-ichi, Inc.
Auditor of AEON CREDIT SERVICE CO., LTD. (current position)
May 2023 Auditor of AEON DELIGHT CO., LTD. (current position)
Auditor of AEON RETAIL CO., LTD. (current position)

Executive Officers (As of May 19, 2023)

Managing Directors		
Noriaki Ikuta Marketing DX	Keiji Sagata Group Strategy	Yasuo Miyake General Manager of Affiliated Companies Division
Hiroki Miyamoto General Manager of Sales Division	Liuhang Chen COO of China business	

Executive Officers			
Kiichi Goto Materials and Vending Machines Business	Hiroshi Kato General Manager of Construction Work Division	Akira Inada General Manager of Corporate Sales Division of Sales Division	Guan Zhujuan Chairperson and General Manager of Wuhan Xiaozhu Comprehensive Facility Management Service Co., Ltd.
Souichi Yamaguchi General Manager of Group Control Division	Hiroaki Ochi General Manager of Group Governance Division, Organizational Culture Reform	Takayuki Kojio General Manager of Service Development Division and Director of Aeon delight Laboratory	Daisuke Ninomiya General Manager of Group Personnel and General Affairs Division
			Tsutomu Taniguchi COO of ASEAN Business
			Akira Ogata General Manager of Managing
			Jouji Kitabayashi General Manager of Quality Control Division
			Emiko Ishii General Manager of President's Office and ESG Promotion Office

My role is to raise concerns and questions



Board Governance

My impression of AEON delight's Board of Directors is that their discussions are lively, very serious, and earnest. I attend the Board of Directors meetings of several companies and I can say that the discussions are probably most lively at AEON delight. There are times when we, the outside directors, point out things that are painful to hear or express doubts about initiatives, but I feel that the president himself is eager to have free discussion and is making an effort to lead the discussion in this direction.

They also make every effort to manage the agenda appropriately and keep to the schedule. While necessary matters are thoroughly addressed, there is also an appropriate balance, with plenty of time allocated for discussing important matters. I believe this is the result of organizing the agenda and making an appropriate distinction between what should and should not be discussed at the Board of Directors meetings. In addition, the secretariat's proficiency has also improved, with advance briefings and appropriate coordination and provision of information with the Executive Committee and other bodies. There used to be some delays in providing the materials needed for discussion, but I believe this has improved considerably over the past six years.

I think that it is because of these circumstances that what needs to be discussed at the Board of Directors meetings is being discussed appropriately. However, whether this actually addresses business issues is a different story. I believe it is my role as an outside director to always present my concerns and doubts from a fair, impartial, and objective standpoint.

For example, we occasionally find that management policies are not accurately communicated to the field and are not properly implemented. If there are more cases like these, the distance between management and the field will gradually grow wider, so I have been expressing my concerns

at Board of Directors meetings whenever I notice them. On the other hand, we also make sure that directors do not interfere with execution by giving unnecessary orders or making comments that could confuse the field.

A sense of unity throughout the company is the key to the future

AEON delight is the largest facility management company in Japan, but we are currently not in a dominant position. If possible, I would like to see AEON Delight become the first name that comes to mind when people think of facility management in the future. This is something we must go through in order to achieve our AEON delight Vision 2025 targets of becoming a Global Top 10 and No. 1 company in Asia. To make this happen, I think there needs to be a greater sense of unity throughout the company.

Looking at AEON delight's employees, I feel that they see their role in society only within the framework of their business, such as facility management and cleaning. It seems to me that the vision of AEON delight's growth strategy, consisting of ensuring safety and security, resolving labor shortages, and addressing the environment, may not be widely disseminated. Once the vision is disseminated, resolving the company's issues will tie into self-actualization for the employees themselves, which would further enhance their sense of pride and responsibility. What is important is figuring out how to create an atmosphere and corporate culture where people can talk about these things with each other, as well as figuring out a way to put together a framework to achieve this. In reality, this can be difficult given the many factors involved, such as figuring out how to train employees, how the organization should look, and how management should be. As an outside director, I will work hard to help create a corporate culture where AEON delight and its employees can work together in the same direction with a sense of unity.

Ensuring compliance through commitment to the Delight Way

We constantly strive to ensure Group-wide commitment to the Delight Way, which comprises our Management Principle, Code of Conduct, and My Promises, as the basic philosophy for all employees. Of these, My Promises places greatest importance on legal compliance, and sets out the fundamentals of compliance for executives and employees.

Code of Conduct

- 1 I am always grateful to the many other individuals who provide help and support, and I never forget to act with humility.
- 1 I always act with integrity and sincerity in every situation.
- 1 I always work to improve myself so as to offer services that exceed customer expectations.
- 1 I continually challenge myself, without hesitation, to help AEON delight to create environmental values.
- 1 I always act as a good corporate citizen in serving local communities.
- 1 I always seek to improve and maintain a delightful workplace and to respect my fellow employees.

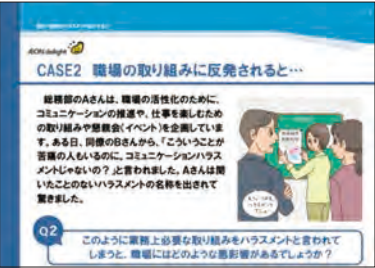
My Promises

- 1 I promise never to violate relevant laws and regulations.
- 1 I will comply with the quality manuals and never betray the customer's trust.
- 1 I will give safety top priority and strive to prevent any accidents.
- 1 I will never fail to report, communicate, and consult with customers and my superiors on any relevant matters.
- 1 I will abide by contracts with customers.
- 1 I promise to do my utmost to prevent environmental pollution.

I will consistently comply with rules and regulations.

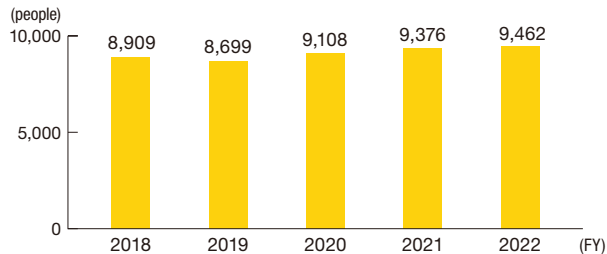
Compliance training

We conduct annual Code of Conduct and human rights training for executives and all employees of the company. We strive to ensure thorough compliance through "Executive Compliance Training" for Group company CEOs and executives, "AEON Code of Conduct Senior Employee Training" for department and branch office managers, and "Aeon Code of Conduct General Employee Training" for general employees. In addition, in FY2023, we began offering monthly compliance training for all employees, including part-time employees. The aim is to provide a deeper understanding of compliance, and the training covers actual compliance issues that are common in the workplace, such as anger management and harassment, falsification of attendance data, and more.



Materials actually used in monthly compliance training

Number of Code of Conduct Training participants (Senior and General Employees) (Non-consolidated)



Employee and business partner reporting systems

We have established the AEON delight Code of Conduct 110 whistle-blowing hotline to handle consultations brought by employees regarding issues that arise in their daily work. Operation of the hotline has been entrusted to impartial legal professionals, ensuring that employees can, regardless of personal involvement, raise issues related to corporate ethics violations that they are unable to discuss with superiors. On April 1, 2021, we also established a "Business Partner Hotline" to ensure that transactions are carried out fairly. In dealing with our Group companies, partners can report by telephone, fax, or e-mail any legal violations, actions that harm the rights of individuals or companies, or abuse of a dominant position. Whistle-blower information is kept confidential and will not adversely affect transactions.

Japan	AEON delight Code of Conduct 110 (lawyer's office) and Aeon Code of Conduct 110 (three points of contact: internal representative, external representative, and lawyer's office)
China	AEON delight Code of Conduct 110 (external representative), Aeon Code of Conduct 110 (two points of contact: internal representative and lawyer's office)
ASEAN	AEON delight Code of Conduct 110 (external representative), Aeon Code of Conduct 110 (two points of contact: internal representative and lawyer's office). <small>*Supports Malay, Vietnamese, Khmer, and Indonesian languages</small>

AEON delight Code of Conduct 110 Business Partner Hotline

Tel.: (+81)120-10-2322 / FAX: (+81)6-6365-5432
e-mail: info@kansaichuo.com

Number of whistle-blower cases in FY2022

214 cases

Implementation of risk management to address major risks

The AEON delight Group has established the AEON delight Group Basic Regulations for Risk Management to address risks during normal times, and we manage risks across the entire AEON delight Group under the supervision of the Board of Directors.

Basic Policy

AEON delight Group has adopted the following approach and measures to risk management.

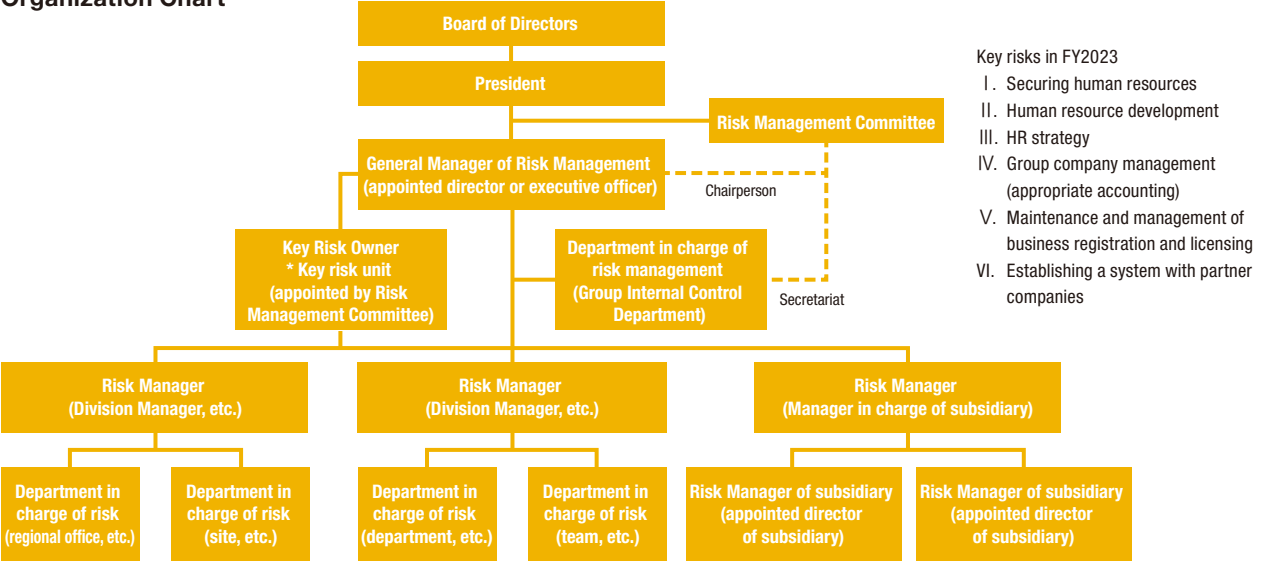
Approach to Risk Management

- We manage various risks that may have a serious impact and cause losses in a centralized and continuous manner. We identify and analyze risks, specify major risks, consider risk countermeasures (avoidance, mitigation, transfer, retention), and develop measures to reduce losses accompanying the materialization of major risks. If a risk materializes, we take appropriate and speedy action as an organization to minimize damage to customers and other persons concerned, and to restore operations as quickly as possible.
- With the understanding that in the event of a wide-area or major disaster, we have a mission to fulfill our social responsibility and role in responding to the disaster, preventing secondary damage, and restoring operations as soon as possible. Accordingly, we will continue to make the necessary preparations and ensure that we are able to take the best possible actions to minimize damage and continue operations of high social importance in the event of a crisis.
- The entire AEON delight Group implements PDCA activities to promote risk management.

Risk Management Initiatives

AEON delight Group has established the following systems to make necessary decisions and take actions against various foreseeable risks in the course of its business activities.

AEON delight Group Risk Management Organization Chart



Strengthening security for personal information and information assets

The AEON delight Group has positioned "Responding to the Risks of the Information Society" as one of our Materiality issues, and we are committed to continuously maintaining and improving our level of information security. To ensure information security and the protection of personal information, we are strengthening information security for personal information and information assets entrusted to us by our stakeholders in accordance with the AEON delight Group Information Security Management Regulations and the Regulations on Protection of Personal Information.

Basic Policies on Information Security

Based on its Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core," Aeon recognizes the importance of information security and is committed to protecting important information from various threats to contribute to a secure and prosperous life. We believe that the information we hold is an important asset for conducting our business activities and creating added value, and we will manage it properly and securely to build solid relationships of trust with our customers, local communities, business partners, shareholders, and other stakeholders of Aeon. To make this happen, we have established the following Basic Policies on Information Security as a guideline to ensure that all Aeon employees have a high degree of awareness regarding information security and take action accordingly.

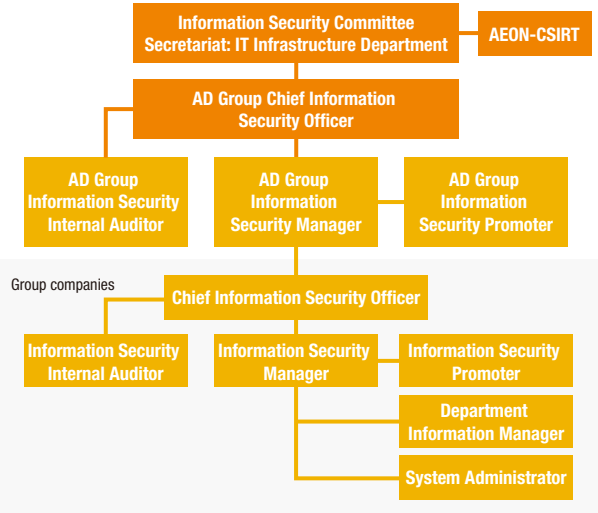
WEB Privacy Policy Personal Information Protection Policy
▶ <https://www.aeondelight.co.jp/english/privacy/>

Management system

In accordance with the IT Governance Guidelines, the AEON Group has established a hierarchical governance system with Aeon Co., Ltd. at the top. Based on the AEON delight Group Information Security Management Regulations, we set an information security system for the entire AEON delight Group, including all domestic and overseas Group companies, and established the following management system. With the Officer in charge of Marketing DX as the AEON delight Group's Chief Information Security Officer, we hold Information Security Committee meetings to decide on measures to strengthen information security and promote company-wide implementation of these measures. In addition to identifying and assessing risks related to information security and implementing countermeasures, we monitor information security through internal audits. Furthermore, the AEON-CSIRT*, a specialized team established by the AEON Group to respond to security incidents, is working to build a system to prevent incidents and enhance responses to the increasingly sophisticated cyber-attacks that may affect business continuity.

*Computer Security Incident Response Team

Organization chart



Key Initiatives

1. Education for employees

We provide information security and personal information protection training for all AEON delight employees via e-learning once a year to educate them about our policies, information breach incidents, and safety management measures to be taken by each and every employee. In addition, the AEON Group has prepared an Information Security Handbook, which sets forth rules for initial response and reporting in the event of a virus attack, as well as basic security rules for normal times, and we distribute this handbook to our employees. Furthermore, we strive to improve employee security literacy through rank-specific training for new employees and newly appointed managers, and by regularly disseminating news, including measures against targeted e-mail attacks, support fraud, and raising awareness of standards for handling external storage media. From FY2022, we began offering a DX training program aimed at acquiring the IT Passport to approximately 500 full-time employees in their 20s, which has helped them acquire basic knowledge of information security, among other things.

2. Protection of personal information

We have established the Personal Information Protection Policy, Privacy Policy, and AEON delight Group Regulations on Protection of Personal Information, and have implemented appropriate safety management measures to protect the personal information that we possess. We announce any changes to the Personal Information Protection Policy/Privacy Policy on our website and properly obtain the consent of the individual to whom the information pertains when required by law. In addition, each department conducts an annual inventory of the personal information management ledger to list the status of personal information, conducts risk analysis, confirms and corrects safety management measures, and deletes personal information that no longer needs to be retained.

Seven-Year Summary

7 Year Financial and Non-Financial Summary

		2016	2017		2018	2019	2020	2021	2022
Consolidated Financial Indicators									
	Unit								
Net sales	Million yen	292,607	292,396		302,915	308,582	300,085	317,657	303,776
Operating income	Million yen	14,139	12,909		13,030	16,001	15,230	15,733	15,814
Ordinary income	Million yen	14,263	13,381		13,362	15,949	15,268	15,789	16,006
Net income attributable to parent company shareholders	Million yen	7,093	6,397		6,415	9,348	11,680	10,665	10,152
Comprehensive income	Million yen	7,862	7,707		6,007	9,039	12,329	11,529	11,003
Net assets	Million yen	84,604	89,143		75,539	81,286	88,281	95,421	99,391
Total assets	Million yen	137,870	144,678		134,071	136,917	136,565	142,859	150,628
Net assets per share	Yen	1,558.51	1,636.89		1,465.94	1,578.77	1,746.88	1,890.76	1,991.86
Net income per share	Yen	134.99	121.68		122.92	187.21	233.69	213.26	203.54
Diluted net income per share	Yen	134.62	121.34		122.61	186.94	233.47	213.12	203.40
Equity ratio	%	59.4	59.5		54.6	57.6	64.0	66.2	65.3
Return on equity (ROE)	%	8.9	7.6		8.1	12.3	14.1	11.7	10.5
Price/earnings ratio	times	25.7	30.9		33.7	17.6	13.6	14.0	14.6
Cash flows from operating activities	Million yen	11,703	13,568		12,373	7,371	10,403	12,598	8,895
Cash flows from investing activities	Million yen	2,233	(2,666)		12,256	13,838	(7,325)	(386)	(10,715)
Cash flows from financing activities	Million yen	(2,400)	(3,264)		(19,686)	(3,392)	(5,324)	(4,572)	(6,181)
Cash and cash equivalents at end of year	Million yen	31,004	38,722		43,437	61,151	58,937	67,520	59,996
Non-Financial Indicators									
Greenhouse gas emissions (Scope1,2)	t-CO ₂	—	—		—	—	—	1,463	1,468
Industrial waste emissions	t	14,831	12,328		16,528	15,942	19,774	18,808	18,449
Consolidated total number of employees	person	12,558	13,430		20,877	22,062	20,117	20,200	21,719
Number of employees	person	4,004	4,034		4,050	4,074	4,118	4,174	4,231
Number of female employees	person	298	322		348	381	427	467	509
Number of managers	person	616	622		618	607	662	609	675
Number of female managers	person	8	9		8	7	15	16	14
Annual paid leave acquisition rate	%	50.2	51.3		54.1	64.7	63.5	64.9	74.3
Paternal leave acquisition rate	%	0.0	12.5		18.2	6.4	3.1	7.2	13.0
Maternal leave acquisition rate	%	100.0	87.5		81.8	100.0	100.0	100.0	95.2
Employment rate of persons with disabilities	%	1.45	1.75		2.11	2.25	2.12	2.13	2.42
Occupational accident frequency rate	%	—	4.60		4.59	1.77	2.50	3.80	2.71
Number of directors	person	13	13		11	6	6	8	8
Number of outside directors	person	2	3		3	3	3	4	4

*New revenue recognition standard has been adopted from FY2022.

*Non-financial indicators other than the consolidated number of employees are shown on a non-consolidated basis.

Financial Data and Results ▶ <https://www.aeondelight.co.jp/english/ir/financial/>
ESG Data ▶ <https://www.aeondelight.co.jp/english/sustainability/data.html>

Corporate Profile / Stock Information

Corporate profile

Company Name● AEON DELIGHT CO., LTD.

Capital● 3,238 million JPY

Founded● November 16, 1972

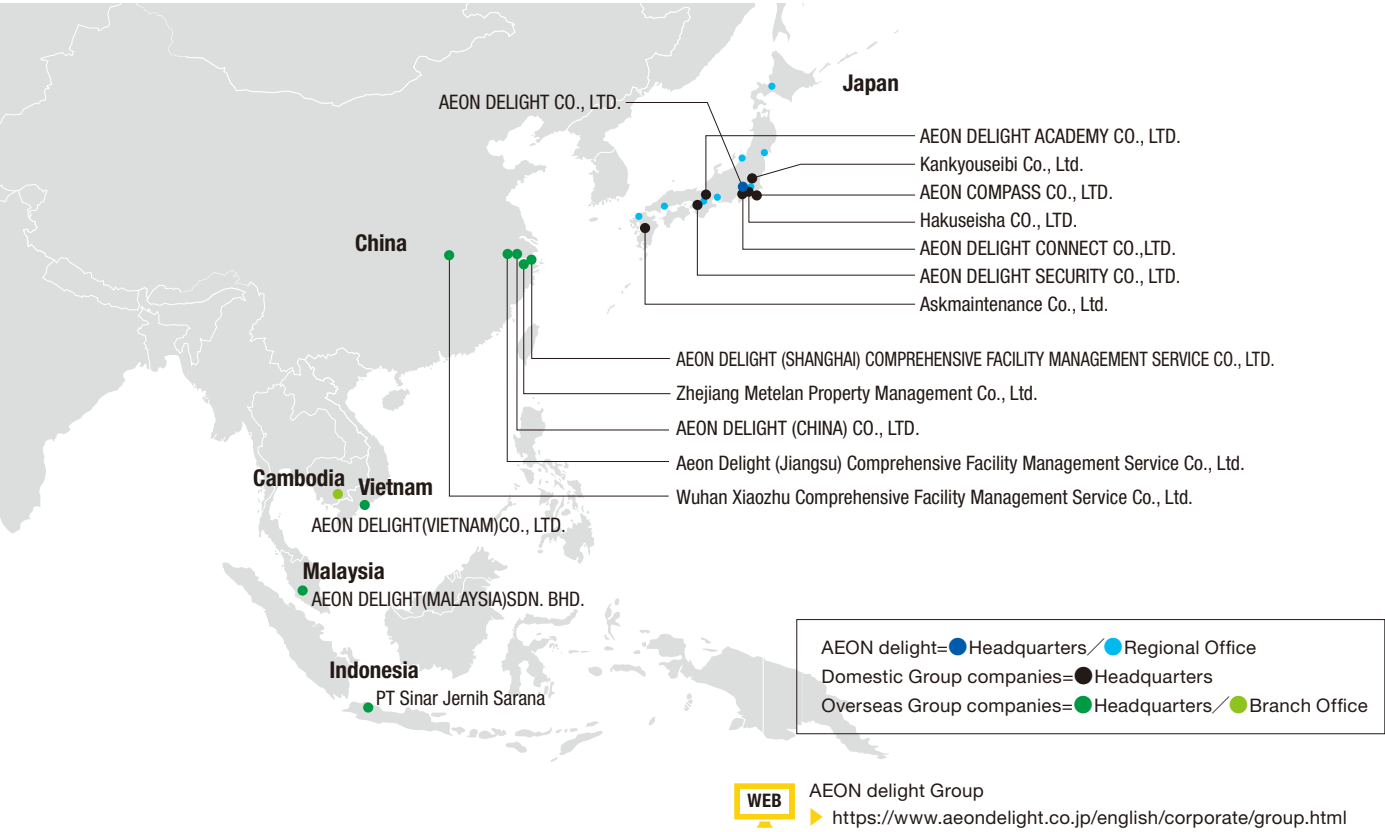
Description of Business● Facility Management

Number of Employees● 4,231 Group total: 21,719

HeadquartersTeitokanda Bldg. 1-1-1 Kandanishiki-cho, Chiyoda-ku, Tokyo 101-0054

Osaka OfficeMinamisemba Heart Bldg. 2-3-2 Minamisemba, Chuo-ku, Osaka City, Osaka 542-0081

Offices



Major consolidated subsidiaries (As of September 30, 2023)

Japan

● AEON DELIGHT ACADEMY CO., LTD.

● AEON DELIGHT CONNECT CO.,LTD.

● Hakuseisha CO., LTD.

● AEON DELIGHT SECURITY CO., LTD.

● AEON COMPASS CO., LTD.

● Askmaintenance Co., Ltd.

● Kankyouseibi Co., Ltd.

Overseas

● AEON DELIGHT (CHINA) CO., LTD. [China]

● AEON DELIGHT (MALAYSIA) SDN. BHD. [Malaysia]

● Aeon Delight (Jiangsu) Comprehensive Facility Management Service Co., Ltd. [China]

● AEON DELIGHT (VIETNAM) CO., LTD. [Vietnam]

● Wuhan Xiaozhu Comprehensive Facility Management Service Co., Ltd. [China]

● PT Sinar Jernih Sarana [Indonesia]

● AEON DELIGHT (SHANGHAI) COMPREHENSIVE FACILITY MANAGEMENT SERVICE CO., LTD. [China]

● Zhejiang Metelan Property Management Co., Ltd. [China]

Stock information

Total number of issued shares● 50,669,633

Stock code● 9787

Total number of shareholders● 21,104

Fiscal year end● End of February

Stock exchange● Tokyo Stock Exchange, Prime Market

Major shareholders

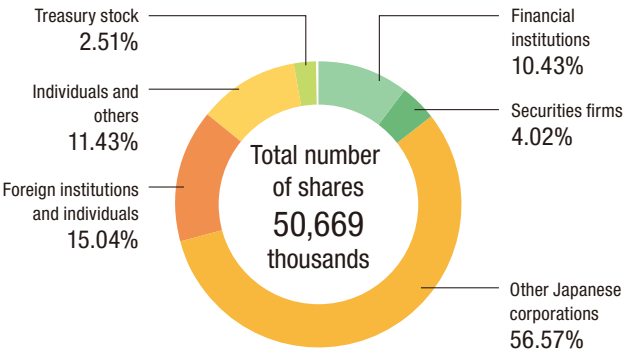
Shareholders	No of shares held (thousands)	% of issued shares
AEON CO., LTD.	27,613	55.90
The Master Trust Bank of Japan, Ltd. (Trust account)	3,509	7.10
AEON delight Business Partner Stock Ownership Association	1,287	2.61
SMBC Nikko Securities Inc.	772	1.56
SSBTC CLIENT OMNIBUS ACCOUNT	654	1.32
Custody Bank of Japan, Ltd. (Trust account)	645	1.31
THE BANK OF NEW YORK MELLON 140044	581	1.18
The Nomura Trust and Banking Co., Ltd. (Trust account)	544	1.10
AEON delight Employee Stockholding Association	533	1.08
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	513	1.04

* Aside from the number of shares listed above, the Company holds 1,270 thousands treasury shares (2.51% of shares held relative to the total number of shares issued).

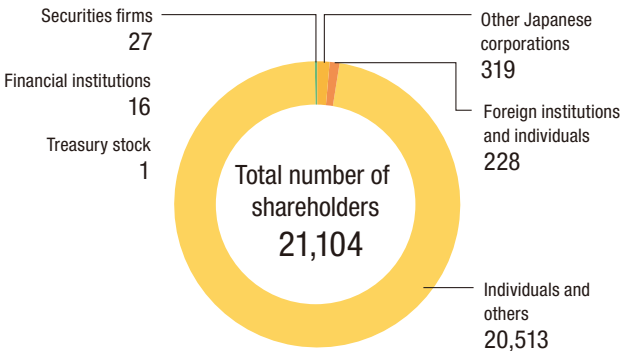
* The ratio of stock holding is the ratio relative to the total number of shares issued (excluding the treasury stock).

* Percentages have been rounded off to three decimal place.

Shares by type



Shareholders by type



WEB Stock Information
▶ <https://www.aeondelight.co.jp/english/ir/stock/information.html>

*Figures are as of February 28, 2022, unless otherwise stated.