

AEON delight
Report
2024



Facilities, Smiles, Be Sustainable.

As an “environmental value creation company,” we, the AEON delight group, will contribute to the realization of a society where everyone can smile by working to resolve social issues through facility management.

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.”



Table of Contents/Editorial Policy

Contents

About AEON delight

01	Management Principle Table of Contents/Editorial Policy
03	Message from the CEO
11	History
13	Business Fields and Services
15	AEON delight's Strengths
17	Materiality
19	Value Creation

Strategy

21	Medium-Term Management Plan
25	CFO Message
29	Business Segments
31	Special Feature: Strengthening Human Capital

Sustainability

35	Sustainability Management
37	Responding to Climate Change(TCFD)
40	Environment
41	Society

Corporate Governance

46	Corporate Governance
50	Compliance
51	Risk Management
52	Information Security
53	Management Structure
55	Outside Director Message

Corporate Data

57	Financial and Non-Financial Data
59	Corporate Profile/Stock Information

Editorial Policy

Editorial policy

The AEON delight Report 2024 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

 [Investor Relations ▶ https://www.aeondelight.co.jp/english/ir/](https://www.aeondelight.co.jp/english/ir/)
 [Sustainability ▶ https://www.aeondelight.co.jp/english/sustainability/](https://www.aeondelight.co.jp/english/sustainability/)

Period

March 1, 2023 – February 29, 2024

Some sections include information for March 2024 and beyond.

Publication date

December 2024 (previous report published in October 2023; next report scheduled for August 2025)

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.



To continue to protect people's precious places

- Undertaking business model reform to achieve further growth in the future -

There is a serious labor shortage and an aging workforce of essential qualified personnel in the facility management industry, which is the business domain of the AEON delight Group. On the other hand, demand for facility management is expected to remain strong in the future, as companies and organizations look to outsource more non-core operations, as well as facility management operations, with the aim of improving management efficiency, partly in response to the labor shortage.

Against this backdrop, the AEON delight Group will continue to protect people's precious places by providing highly specialized services, and will pursue business model transformation through aggressive investment in DX and human capital.

Kazumasa Hamada

President & CEO,
Group CEO

Our determination to protect the safety and security of facilities as experts led to the founding of AEON delight

The roots of the AEON delight Group can be traced back to the fire at the Sennichi Department Store in Osaka in May of 1972. The fire broke out in the department store where Nichii, the predecessor of the AEON delight Group, was renting part of the floor and operating a retail business. As a result of a combination of facility shortcomings, 118 people died and 81 people were injured in this major incident. As we keenly realized that the lack of expertise in ensuring the safety and security of facilities led to this tragic incident, the facility management division of Nichii spun off to form a specialized company with the aim of preventing such incidents from ever incidents

again. This marked the founding of the AEON delight Group.

What started as a company with just a few employees has grown into a corporate group with more than 20,000 employees following business expansion and mergers with like-minded companies, now providing services throughout Japan and Asia. We are proud to have grown into a leading facility management (hereafter, "FM") corporate group in Japan, and our founding commitment has been passed down to the present management as an unchanging principle.

Birth of AEON delight and our management principle to "pursue the creation of environmental value"

AEON delight was established in 2006 through the merger of its predecessors, Japan Maintenance Co., Ltd. and AEON Techno Service Co., Ltd. Following discussions about what this new company should aim to achieve and what it should become in society, we defined our management principle as "We Pursue the Creation of 'Environmental Value' for our Customers and for the Local Communities". The phrase "Creation of Environmental Value" encapsulates our desire to provide various values, from "safety and security" - the founding ideals of our company - to cleanliness, comfort and reducing environmental impact for facilities and the surrounding environment, while also providing people with the joy and fun that our company name "delight" symbolizes.

The facilities where the AEON delight Group provides services are places where people with specific goals gather and engage in activities. In managing these facilities, we believe that we must not only maintain and improve asset value, but also play a role in involving the local community while providing value tailored to changes in the times.

In the VUCA* era, where things change quickly and predicting the future is difficult, the AEON delight Group will continue to protect people's precious places by transforming ourselves to respond to the changes, while maintaining our management principle of "creating environmental value" as our unchanging value.

*VUCA is an acronym that consists of the first letters of the words volatility, uncertainty, complexity and ambiguity, and refers to a state where things are highly uncertain and the future is difficult to predict.

Three years of building a foundation for a sustainable business model without compromising on DX promotion in the face of environmental change

In the previous medium-term three-year management plan (FY2021-2023, hereinafter referred to as “the previous medium-term plan”), we implemented various measures based on three basic policies of “customer-oriented management,” “promotion of DX,” and “Group management.” However, the business environment changed dramatically as a result of the COVID-19 pandemic, a shift to an inflationary economy, the outbreak of the conflict in Ukraine, and the higher-than-expected rise in personnel expenses from FY2023 onward, and our customer companies and organizations were forced to continue cutting back on real estate management expenses, making it a very difficult three years for AEON delight. However, through the development of our new “area management**” facility management model, we were able to expand our market share both within and outside the AEON Group and achieve our initial sales target by producing specialized human resources amid a labor shortage, responding to changing customer needs, and bolstering account sales. On the other hand, our operating profit came to around 70% of target, as our efforts to streamline on-site operations were offset by a rise in personnel and outsourcing expenses that substantially exceeded our initial estimates, which in turn led to a drop in profitability.

Although we did not reach our profit target, we were able to establish a system that will enable us to expand our business outside of the AEON Group thanks to our efforts to focus on account sales from FY2021. In addition, we were able to substantially grow our construction work segment by streamlining our construction work system through “area management” and capturing demand for energy conservation-related construction work. Furthermore, by promoting DX, we digitized the process of facility management work and built a system to input various data related to facility management into the AEON delight Platform, our data collaboration platform. I believe that these achievements tie into our new medium-term management plan.

On the other hand, the issue that remained from the previous medium-term plan was our people-related initiatives. In terms of human resources, we did not do enough to provide management training or develop skills in growth areas. With regard to group management, we did not do enough to develop global human resources, such as through personnel exchanges with domestic subsidiaries or dispatching personnel to overseas subsidiaries.

*Area management: A new facility management model designed to efficiently manage multiple facilities in a given area by centralizing some operations at a customer support center equipped with remote monitoring functions and reducing the labor required for on-site operations through the use of digital devices.

Promoting business model transformation for future growth with the aim of continuing to provide “safety and security”

In 2018, 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. We formulated and implemented the previous medium-term plan as a process to bring this commitment to fruition. As mentioned earlier, we were unable to achieve the profit targets we initially set given the higher-than-expected rise in costs, but I believe we were on the right track in terms of our direction. Accordingly, the AEON delight Group will continue work toward resolving the three social issues through our business activities.

We will position the new three-year medium-term management plan that we kicked off this fiscal year (FY2024-FY2026, hereinafter referred to as the “new medium-term plan”) as a period for laying the groundwork for future growth, and work to implement our three transformations and strengthen our human capital, which will serve as the shared foundation for these transformations, by aggressively investing in growth.

● Transforming facility management operations through drastic efficiency improvements and a business model leveraging economies of scale
The first transformation is to streamline the facility management operations in our core businesses of facility management, security, and cleaning. At AEON



delight, our most pressing and critical management priority is addressing labor shortages and rising labor costs in these facility management operations. As the number of customer inquiries continues to increase, I believe that the key to achieving further growth for our company is in finding a way to ensure that we can continue providing highly specialized services. We will continue to transform facility management, including our service network with partner companies, by fully leveraging our expertise to maintain and improve the quality of services for existing facilities under management, while providing “safety and security” to even more facilities going forward. We will upgrade the “area management” and “AEON delight Platform” that we developed in the previous medium-term plan, and further promote the use of AI and robots based on these, while stepping up our digitization ratio in business operations. At the same time, I believe we can advance toward a business model that leverages economies of scale by shifting from the conventional specification contracts based on personnel and work frequency to service level agreements (SLA)*. However, the digitization we are talking about is not simply about replacing people with machines. Rather, I believe that DX for the AEON delight Group should be promoted to further enhance the value of our people,

which is the source of our competitiveness. I envision a future where we entrust machines with tasks that machines can handle, and have people focus on providing high-value-added services that only humans can provide, such as making improvement proposals to customers through data analysis and responding flexibly to unexpected events.

*Service Level Agreement (SLA): A contract based on an agreed-upon service outcome (quality) between the service provider and the customer.

● Strengthening FM consulting functions

The second transformation is to strengthen our FM consulting functions. We expect the facility management market in Japan to continue expanding gradually. In addition, companies and organizations are increasingly looking to outsource more non-core operations, as well as facility management operations, as a result of the labor shortage. Against this backdrop, we are promoting initiatives aimed at securing comprehensive FM contracts, with a view toward incorporating this as a new sales approach. Under a normal contract, we provide services based on the specifications ordered by the customer’s facility management department, but with a comprehensive contract, we support the customer’s facility management department from the design stage,

including the work and specifications necessary for the management and operation of the facilities. In 1H FY2024, we signed a comprehensive contract for a nationwide accommodation facility operator as well as Nagasaki Stadium City, a major multipurpose complex that opened in October and includes a stadium, arena, hotel, commercial facilities, and offices, and have begun providing services. Amid the labor shortage, we expect to see a growing trend toward outsourcing non-core operations with the aim of focusing resources on core operations to maintain and improve competitiveness.

To meet these customer needs and boost our contribution to customer success, we will strengthen our FM consulting functions while developing a system that will enable us to undertake a wide range of operations, drawing on the strengths of our nationwide service network and area management system centered on our customer support center. Through this, we will work to secure more comprehensive contracts for facility management and operation within and outside of the AEON Group.

Comprehensive facility management contract

Basic contract



Comprehensive contract



NAGSAKI STADIUM CITY, which opened on October 14, 2024, in Nagasaki City



Participating in the project as an FM consultant from the construction period, supporting the development of the facility through a comprehensive contract.

Strengthening system to significantly expand the scale of construction work

The third transformation is to strengthen our system to significantly expand the scale of construction work. One of our strengths lies in our ability to accurately assess the condition of the properties we manage and to propose and undertake renovation and maintenance work. However, even within the AEON Group, which has the largest number of facilities under management, there are many markets where we have not yet secured contracts for renovation and maintenance work. As a FM company, strengthening our construction business is essential if we are to meet the needs of our customers, as demand for renovation and maintenance work is expected to grow in the future, driven by measures aimed at addressing aging buildings and environmental initiatives.

Accordingly, we will push forward with securing more qualified personnel needed to take on construction contracts.

At the same time, to carry out these three transformations, we will strengthen our human capital under the following priority themes:

- Sophistication and diversification of human resources
- Acquisition of human resources in growth areas
- Improve employee engagement

➔ For details, please refer to the special feature "Strengthening Human Capital" on pages 31-34.

Aggressively execute growth investments under the priority themes of improving productivity, developing new services, and strengthening human capital

To carry out our business model transformation, we plan to invest a total of 20 billion yen over the three-year-period of this medium-term plan, of which 12 billion yen will be allocated to growth investments.

The three main themes for our growth investments are improving productivity, developing new services, and strengthening human capital.

To improve productivity, we will promote further digitization of on-site operations through the use of IoT, robots, AI, etc., with the aim of achieving unparalleled efficiency in the facility management industry.

In terms of developing new services, we will work to create a system for producing new services based on data by strengthening our data management functions. As for strengthening human capital, we plan to make investments that support the three priority themes mentioned earlier.

➔ For details on cash allocation, please refer to the "CFO Message" on pages 25-28.

Target figures

Under our new medium-term plan, we aim to achieve net sales of 400 billion yen, gross profit of 53.2 billion yen, and operating income of 17 billion yen in FY2026, the final year of the plan.

In the previous medium-term plan, we worked to strengthen our account sales, and were able to put in place a sales system that enables us to expand our market share. As a result, in the new medium-term plan, we will continue to work on expanding sales by increasing our market share within existing customers while acquiring new customers, including by offering comprehensive contracts.

In addition, we expect cost of sales, such as personnel and outsourcing expenses, to continue to rise at the same rate as it has over the past two years.

To address this, we will work to control the decline in gross margin by continuously reviewing unit prices and streamlining operations through the digitization of on-site operations.

FY2026 performance targets

Net sales	Gross profit	Operating income
400 billion yen	53.2 billion yen	17.0 billion yen

Furthermore, as mentioned above, we will continue to aggressively make growth investments to establish future competitive advantages.

We understand that securing 17 billion yen in operating income while executing our business model transformation with unprecedented investment and addressing the rising cost of sales is not an easy task.

However, with an eye on the future beyond FY2026, the entire AEON delight Group will work together to deliver our targets in order to ensure sustainable growth.

➔ For details on the medium-term management plan, please refer to pages 21-24.

Implement ESG management as an environment value-creating company that addresses social issues

As we aim to address the three social issues of ensuring safety and security, resolving labor shortages, and addressing environmental issues through our business, we believe that it is essential to implement ESG management that balances business with the environment and society.

● Environmental initiatives

At AEON delight, we are already promoting initiatives to reduce the environmental impact of our customers through our business, including by implementing measures to save energy on a daily basis through proper operation of equipment, proposing the switch to refrigeration and freezing equipment that uses natural refrigerants to reduce fluorocarbon emissions and other powerful greenhouse gases, and developing and providing environmentally friendly materials. However, the number of cases where we have been able to proactively propose environmental measures to our customers is still limited, so we would like to expand these opportunities in the future as we work to strengthen our FM consulting functions.

In addition, in Indonesia and Malaysia, the AEON delight Group is holding SPOGOMI* clean-up events, which are sports events where people have fun picking up trash, together with local Japanese companies, the Japanese embassy, and the local government. This initiative was originally started by our local subsidiary in Indonesia in response to the increasingly serious waste problems, including marine plastic pollution.

Having been praised for its activities focusing on issues in the local community, the event has been held four times in the country so far. Most recently, we

were also able to hold the event in Malaysia in November 2024. We are also planning to hold the event in Vietnam in 2025.



The 4th SPOGOMI event, held on September 1, 2024 (Sun) on Sudirman Street in Jakarta, Indonesia's largest city.

*SPOGOMI is a sport in which small teams compete to earn points based on the amount and type of trash they collect within a time limit. The name was created by the Social Sports Initiative, a general incorporated association.

● Societal initiatives

The source of the AEON delight Group's competitiveness has always been, and will always be, our "human resources". Accordingly, we will work to improve employee engagement by promoting internal communication and conducting engagement surveys, then making improvements based on the results.

At the same time, we will work to maintain fair and sound business relationships throughout the supply chain to achieve sustainable growth together with the many partner companies that support the AEON delight Group's business.



● Governance initiatives

The AEON delight Group has a past failure that we must never forget as a lesson for the future. This is the inappropriate accounting treatment of our consolidated subsidiary uncovered in 1H FY2019.

This incident caused a great deal of distress to many stakeholders. Since then, we have made strengthening group governance our top priority. In addition to separating management supervision and execution through the existing executive officer system, we believe we have been able to build a robust governance system that protects the interests of minority shareholders by ensuring that independent outside directors comprise half of the Board of Directors which oversees execution, and by establishing a special committee made up of independent outside directors. Furthermore, by establishing the Nomination and Compensation Advisory Committee and the Evaluation Advisory Committee as advisory bodies to the Board of Directors, we have strengthened the independence and objectivity of the Board of Directors.

➔ For details on ESG, please refer to pages 35-49.

● Finally - To Our Stakeholders -

The AEON delight Group has grown by providing highly specialized services throughout Japan and in various parts of Asia, and in recent years we have been building a system that enables us to provide services more efficiently by combining the expertise of our people with cutting-edge technology.

In addition, we are also working to develop our system to be able to take on management operations further upstream in customer businesses, going beyond simply providing services such as facility management, materials-related services, and vending machines.

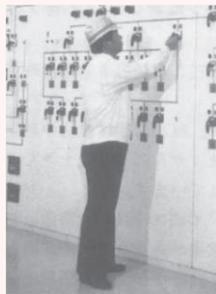
We remain confident that we are a corporate group with high potential for continued growth, so please look forward to the future of the AEON delight Group.

▶ 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, considered the worst building fire in Japan's history, 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, 1995 and then on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange, 2000.

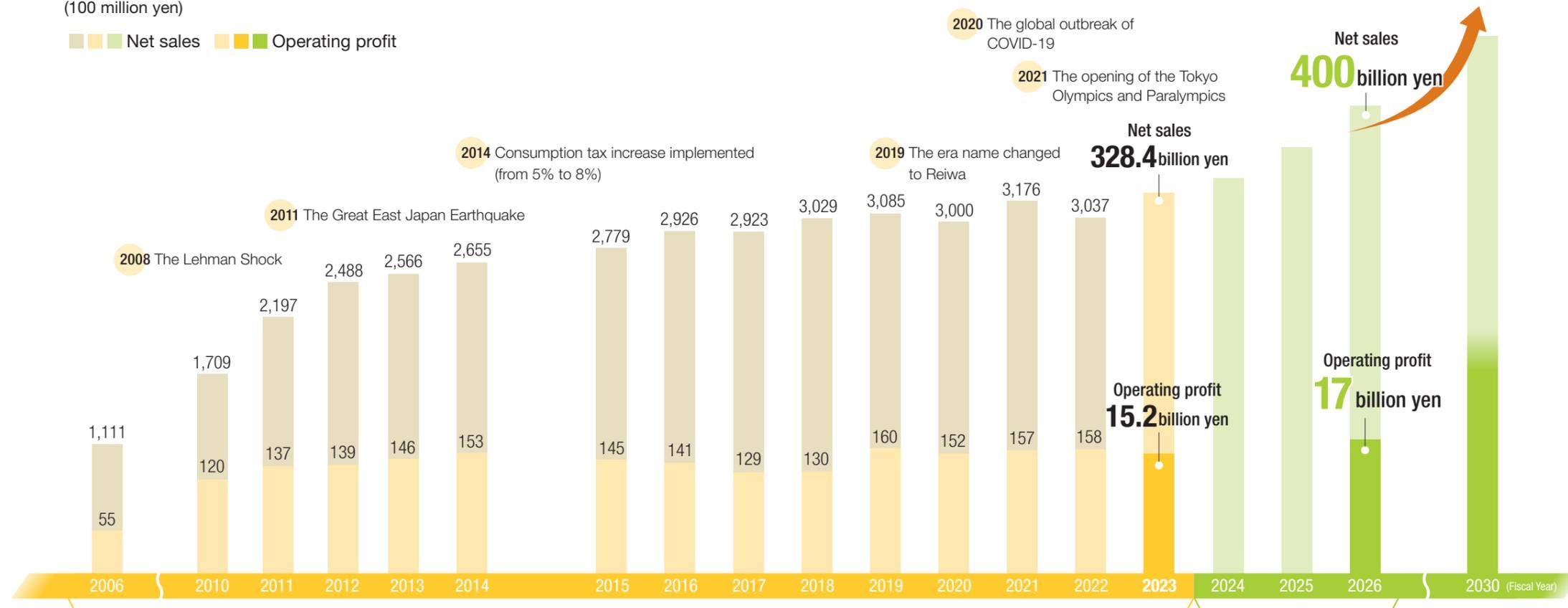
Our business expanded as our parent company at the time, Nichii Corporation opened more general merchandise stores. Around this time, we introduced a center manager system that assigned a person to be responsible for each property, which helped improve the quality of our operations. In addition, we began providing services to office and commercial buildings outside the Nichii Group. From around 1980, we established regional subsidiaries in Hokkaido, Tohoku, Shinetsu, and Kyushu.



Sales Trends of the AEON delight Group

(100 million yen)

Net sales Operating profit



▶ 2006 - 2023

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.

▶ 2024 - 2026

Business model transformation for future growth

Under the current environment, where labor shortages and rising labor costs in the core facility management business (facility management, security, and cleaning) are the biggest management priorities, we will position the three-year medium-term period from FY2024 to FY2026 as a period for laying the groundwork for future growth, and will promote three transformations while reinforcing the human capital that supports these transformations.

For details, please refer to "Medium-Term Management Plan" on pages 21-24.

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.

Business Fields

Office buildings and public facilities

For office buildings and public facilities, we propose unique solutions to address various issues that our customers face such as improving productivity, reducing environmental impact, implementing epidemic prevention measures, and preparing for large-scale disasters. In addition, we provide services that enable further growth of our customers' 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

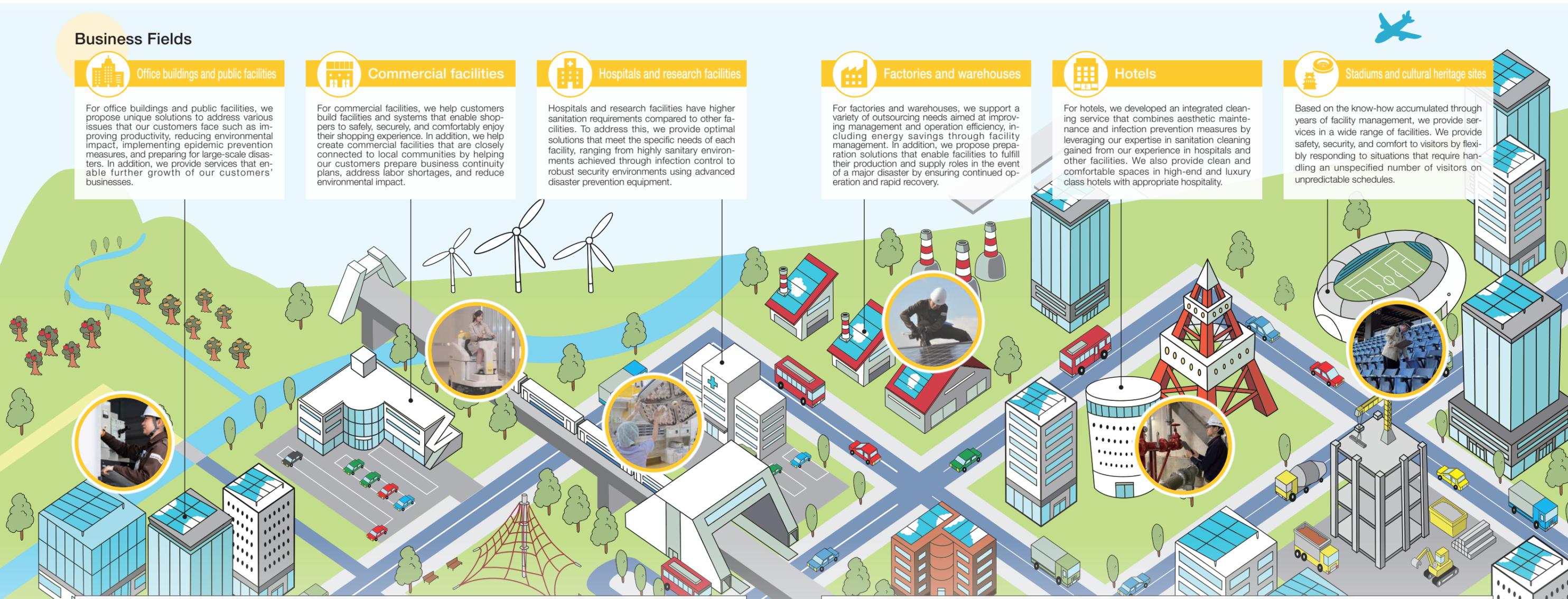
For factories and warehouses, we support a variety of outsourcing needs aimed at improving management and operation efficiency, including energy savings through facility management. In addition, we propose preparation solutions that enable facilities to fulfill their production and supply roles in the 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 with appropriate hospitality.

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.



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.

● Workplaces

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

● Maintenance Plan Development and Management

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

● 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.

● 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.

● 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. We meet a wide variety of needs, from repairs to maintain functionality to reducing environmental impact, including energy conservation.

● Security

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

● 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.

● Cleaning

We implement cleaning services that not only maintain aesthetics but also extend the life of facilities. Additionally, we provide Hygiene Control Cleaning, which incorporates infection control for healthcare-related facilities.

● Building Construction

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

● Vending Machines

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

● 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.

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 in numbers

<p>Sales in the domestic facility management industry for 17 consecutive years</p> <p>No.1</p>	<p>Certified employees</p> <p>Approx. 20,000</p>
<p>Service offerings</p> <p>Over 300</p>	<p>Crisis Management System</p> <p>24/7 365</p>
<p>Founded 1972</p> <p>Over 50 years of experience</p>	<p>Network of approximately 500 locations throughout Japan</p>
	<p>Affiliates in Japan and Asia (China, ASEAN)</p> <p>Approx. 30</p>
<p>Facilities under management</p> <p>Approx. 8,000</p>	<p>Number of Annual Training Participants</p> <p>13,127 (FY2023 Results)</p>

* As of October 31, 2024
* Recurring customers excluding spot contracts

Expertise and personnel

Approximately 20,000 qualified employees

Our Group employs approximately 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 10,000 partners to uniformly provide highly specialized services throughout Japan.

Number of qualified employees (as of February 29, 2024, non-consolidated)

Total number of qualified personnel for all managed licenses		19,936
Examples of qualifications held	Building environment and sanitation management technician	1,360
	Licensed electrical engineer (Type 1/2/3)	1,042
	Qualified energy manager (heat, electricity)	235
	Fluorocarbon refrigerant engineer (Type 1)	590
	Eco-tuning engineer	110

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.



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) / 2024 Noto Peninsula Earthquake

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.)



Materiality Issues

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 the three social issues we aim to resolve through our business and our management principle—‘Safety and Security,’ ‘Labor Shortage,’ and ‘Environment’—as well as ‘Utilization of Technology’ and ‘Governance,’ which we consider essential for achieving sustainable growth. Additionally, we have set 2030 targets for each of the five domains. **With regard to materiality and long-term targets, the Sustainability Committee is currently discussing updates in light of changes in the external environment from 2021 onward.**

5 Areas	12 Materiality Issues	Opportunities for our Group	Risks to our Group	Vision (KGI)	2030 Targets	Results			Related SDGs
						FY2021	FY2022	FY2023	
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.	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	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.	● 20% of sales from BCP and infection control-related services*1	3.8%	3.7%	1.5%	
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.	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	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.	● 30% female managers on a consolidated basis	22.1%	22.4%	24.8%	
	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	Contribute to resolving labor shortages in society by providing facility management and peripheral services that enable customers to streamline operations and reduce manpower.	● 50% reduction in consolidated annual employee turnover rate (regular employees, contract employees, and temporary employees) compared to FY2021: 11.9%	23.7%	21.3%	30.1%	
	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)	Contribute to resolving labor shortages in society by providing facility management and peripheral services that enable customers to streamline operations and reduce manpower.	● 50% reduction in consolidated annual overtime per person compared to FY2021: 134 hours	268 hours	230.3 hours	342.4 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	Contribute to resolving labor shortages in society by providing facility management and peripheral services that enable customers to streamline operations and reduce manpower.	● 30% reduction in number of consolidated annual work-related accidents**2 compared to FY2021: 70 accidents	139 accidents	72 accidents	98 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	2.5%	3.7%	4.5%	
▼ 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				

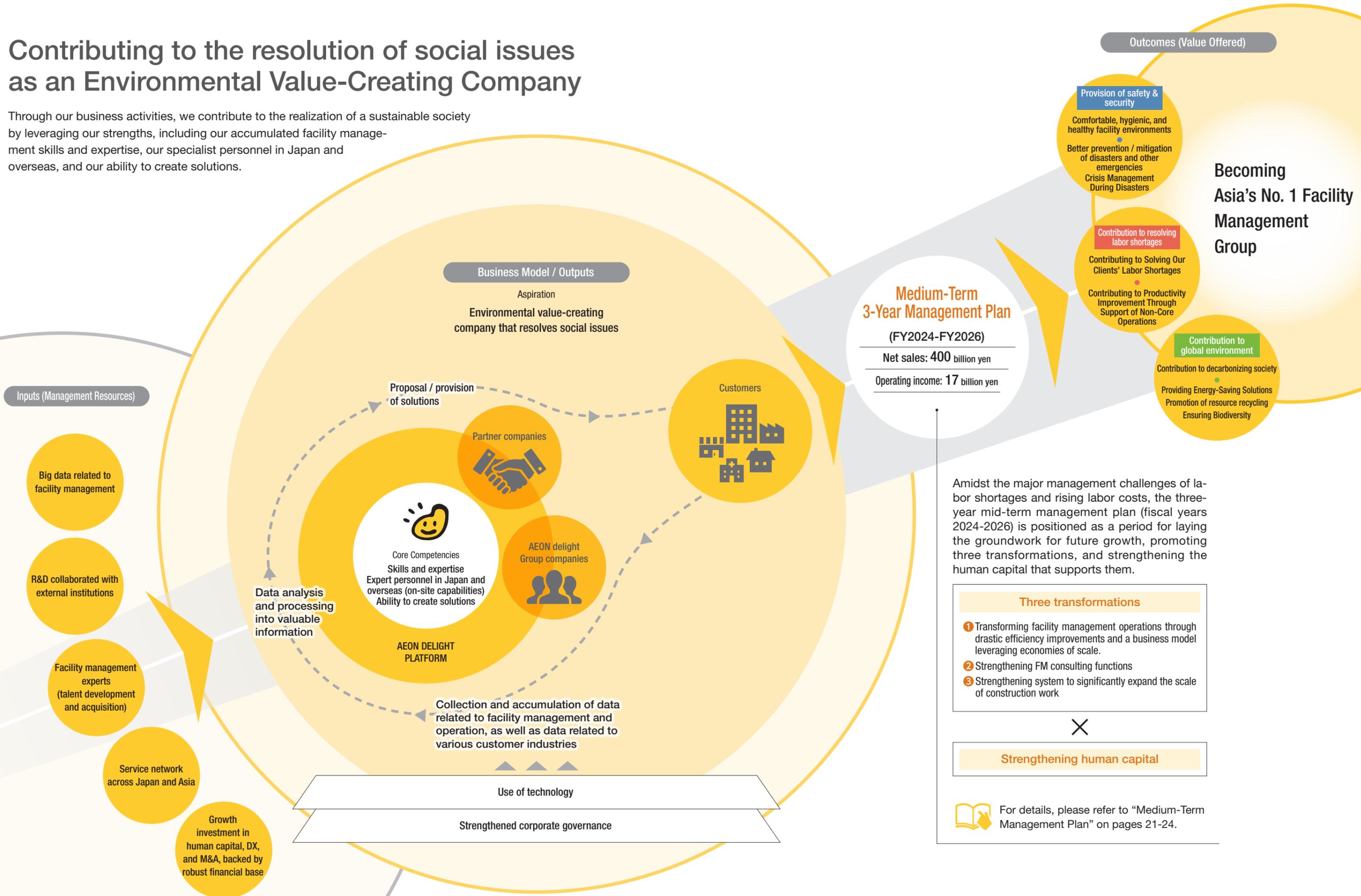
*1 BCP and infection control-related services include disaster prevention and countermeasure construction, provision of remote monitoring systems, infection control measures, infection control cleaning (New Standard Cleaning), sales of related materials, and construction work related to droplet and contact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

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.



Amidst the major management challenges of labor shortages and rising labor costs, the three-year mid-term management plan (fiscal years 2024-2026) is positioned as a period for laying the groundwork for future growth, promoting three transformations, and strengthening the human capital that supports them.

Three transformations

- 1 Transforming facility management operations through drastic efficiency improvements and a business model leveraging economies of scale.
- 2 Strengthening FM consulting functions
- 3 Strengthening system to significantly expand the scale of construction work

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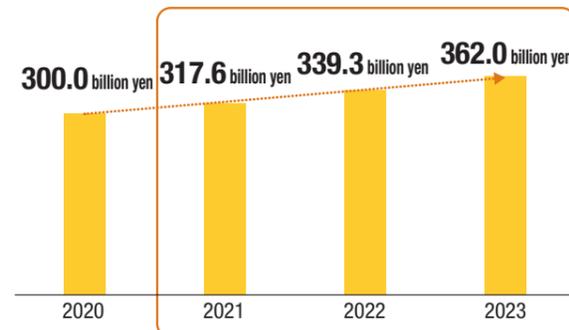
Strengthening human capital

For details, please refer to "Medium-Term Management Plan" on pages 21-24.

Review of Previous Medium-Term Management Plan (FY2021-FY2023)

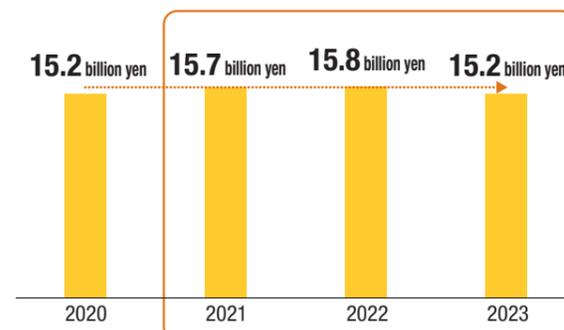
■ Net sales (former Revenue Recognition Accounting Standard)

Approx. 100% of plan



■ Operating income

Approx. 70% of plan



Business environment

Despite carrying out various initiatives based on the three basic policies of “customer-oriented management,” “promotion of DX,” and “group-wide management,” the business environment changed dramatically owing to the COVID-19 pandemic, the outbreak of the conflict in Ukraine, and a higher-than-expected rise in personnel expenses, making it a challenging three years for the Group as companies and organizations continued to cut back on real estate management expenses.

(1) Net sales

Amid the labor shortage, we **expanded our market share within and outside the AEON Group** by rolling out our new “area management” facility management model, creating resources of specialized personnel, responding to the changing needs of our customers, and bolstering our account sales.

In particular, we achieved **substantial growth in the market outside of the AEON Group** as a result of our initiatives to strengthen account sales, which we launched in FY2021.

In addition, the **construction work business grew dramatically** as we enhanced our construction system by reducing labor through area management, and we were able to capture the growing demand for energy-saving-related construction work brought about by rising energy costs.

(2) Operating income

Despite efforts to streamline on-site operations, profitability fell owing to the higher-than-expected rise in personnel and outsourcing costs, resulting in operating income coming in at approximately 70% of plan.

Business Environment Surrounding Our Group (FY2024-FY2030)

Demand in our Group’s business domains is expected to remain firm, but the number of players is expected to decline due to labor shortages and other factors.

Business environment

- Domestic building management market (approx. 4.5 trillion yen) expanding moderately.
- Risks associated with urbanization in major metropolitan areas, particularly the Tokyo area (Increasing risks of natural disasters, aging infrastructure, etc.) emerge.
- Market size of the construction industry (over 60 trillion yen) remained flat. **Percentage of renovations, maintenance, and repairs increased due to aging countermeasures and environmental measures.**
- Outsourcing needs for non-core businesses are expected to expand due to labor shortages.
- In the facility management industry, there is a growing shortage of manpower, a problem with finding successors, and rising labor costs, and it is expected that there will be **an increase in the number of businesses that are forced to down-size or close, and a rise in the momentum for industry reorganization.**

New Three-Year Medium-Term Management Plan (FY2024-FY2026)

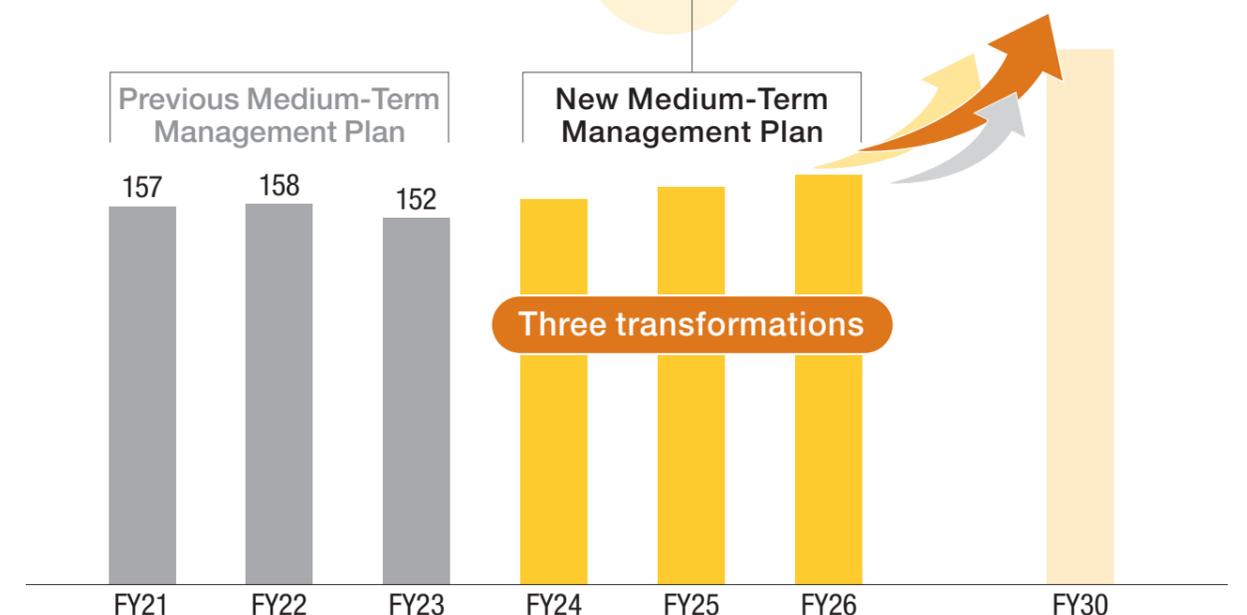
Three Years of Laying the Groundwork for Future Growth through Business Model Transformation

Establishing Competitive Advantage Through Three Transformations and Strengthening Human Capital as a Common Foundation

Changes in Operating Income (100 million yen)

*The figure for FY2030 is an estimate.

Building a sustainable business model through aggressive growth investment



For details of the “Three transformations”, please see page 23.

Three transformations

(1) Transforming facility management operations through drastic efficiency improvements and a business model leveraging economies of scale

- The most pressing management priority is addressing labor shortages and rising labor costs in our core facility management business (facility management, security, cleaning).
 - Demand in the facility management industry is expected to remain firm, but the number of players is expected to decline due to labor shortages and rising labor costs.
 - ▶ Maintaining a system capable of continuing to provide highly specialized services will be the key to further expanding market share.
- Transform facility management operations through drastic efficiency improvements and a business model leveraging economies of scale, in order to fully utilize our expertise and deliver “safety and security” to more facilities**

(2) Strengthening FM consulting functions

- Outsourcing needs for non-core businesses are expected to expand among companies and organizations owing to labor shortages.
 - ▶ **Strengthen FM consulting functions and develop a system to be able to take on more comprehensive contracts for facility management and operation**

(3) Strengthening system to significantly expand the scale of construction work

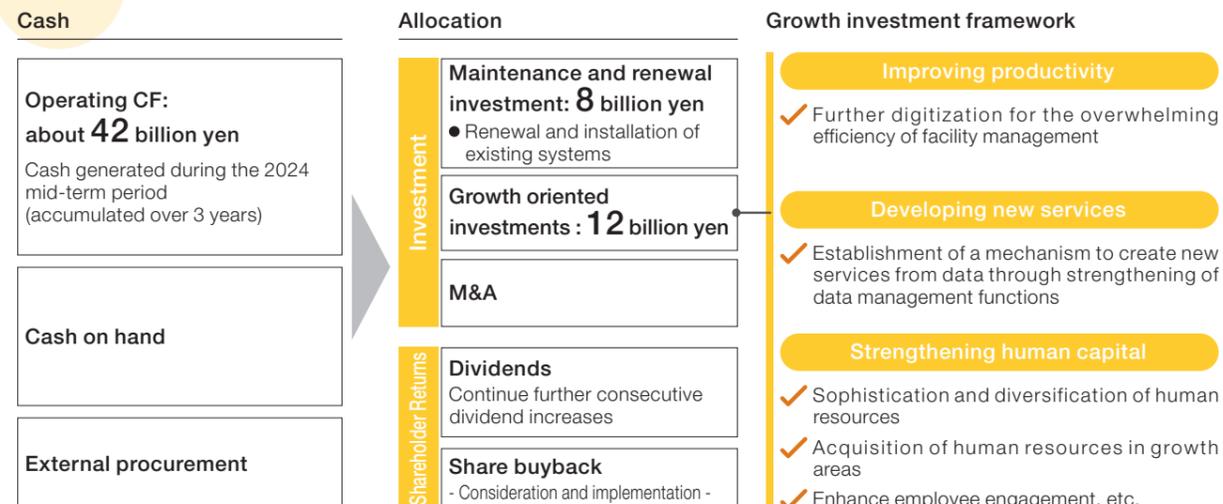
- Demand for renovation work will continue to grow to address aging facilities and environmental needs.
 - ▶ **Strengthen system for further expansion of construction work business**

Strengthening human capital

To carry out the three transformations, we will strengthen our human capital by focusing on the themes of “sophistication and diversification of human resources,” “acquisition of human resources in growth areas,” and “improving employee engagement”.

 For details on strengthening human capital, please refer to the special feature “Strengthening Human Capital” on pages 31-34.

Cash allocation



Numerical Targets for the Medium-Term Management Plan (FY2024-FY2026)

- Increase sales by expanding market share within existing customers and acquiring new customers
- Control the decline in the gross margin by continuously reviewing unit prices and streamlining operations through DX
- Aggressive growth investment aimed at business model transformation

(100 million yen)	FY2023 Results (Ratio to sales)	FY2026 Targets (Ratio to sales)	Pct. change
Net sales	3,248 (100.0%)	4,000 (100.0%)	+23.1%
Gross profit	426 (13.1%)	532 (13.3%)	+24.8%
Operating profit	152 (4.7%)	170 (4.3%)	+11.6%

KPI

Aim to achieve business model transformation through KPI management

Improving productivity	Facilities management/Security services/Cleaning services 3 businesses (non-consolidated) Operating income per capita: 1.2 times compared to FY2023 (FY2030 target: 1.5 times compared to FY2023)
Acquisition of human resources in growth areas	Increase of 200 people (compared to FY2023)
Enhance employee engagement	Conduct an Employee Satisfaction (ES) survey annually and will work on improving the scores.



Tetsuya Akutsu

Director and Senior Managing Officer
Chief Manager of Group Business Management (CFO)

Aiming to aggressively invest in line with the new medium-term management plan to accelerate our transformation into a sustainable business model

The role of the CFO — Ensuring that capital is invested toward achieving our vision

As the CFO, my primary mission is to develop and implement plans for procuring, investing, and allocating funds in order to achieve sustainable growth as a company, including determining how to invest capital in order to achieve our vision.

At AEON delight, we aim to become an environmental value-creating company that addresses social issues by ensuring safety and security, resolving labor shortages, and addressing environmental issues in Asia through our facility management business.

In the new three-year medium-term management plan that we kicked off in FY2024, we positioned the three years until the end of FY2026 as a period for carrying out

the transformation of our business model in preparation for future growth. As the CFO, I believe that I have a great responsibility to make major decisions with regard to growth investments.

I plan to fulfill my role by ensuring that investments are made in accordance with our financial policy and business plan, with the aim of enhancing our corporate value.

Profits fell short of previous three-year medium-term management plan, but laid the foundation for business model transformation

As the CFO, I take seriously the fact that we were unable to achieve our profit growth targets in the previous three-year medium-term management plan (FY2021-2023), even though we were hindered by dramatic changes in

the external environment. On the other hand, I believe our major achievements over the past three years can be seen in the fact that we have established a system for expanding our market share outside the AEON Group through enhanced account sales, and have produced results. In addition, we were able to build the foundations for a sustainable facility management model that addresses labor shortages by promoting DX, including by introducing area management*. If we had delayed our area management initiatives, our profitability would have suffered even more.

Although we were unable to deliver on the earnings targets we had set out in our plan due to cost of sales rising at a faster rate than previous years, I believe we were on the right track as a company.

*Area management: A new facility management model designed to efficiently manage multiple facilities in a given area by centralizing some operations at a customer support center equipped with remote monitoring functions and reducing the labor required for on-site operations through the use of digital devices.

are able to generate stable cash flow, and have ample liquidity as well as a high equity ratio (64.3% at the end of February 2024). To maintain and improve our return on capital, we need to boost profits to a level commensurate with the cash and shareholders' equity we have accumulated. I believe it is important to steadily make investments to improve the profitability of our business and expand profits. We will decisively invest in growth and productivity improvements, and we have sufficient financial resources to support this.

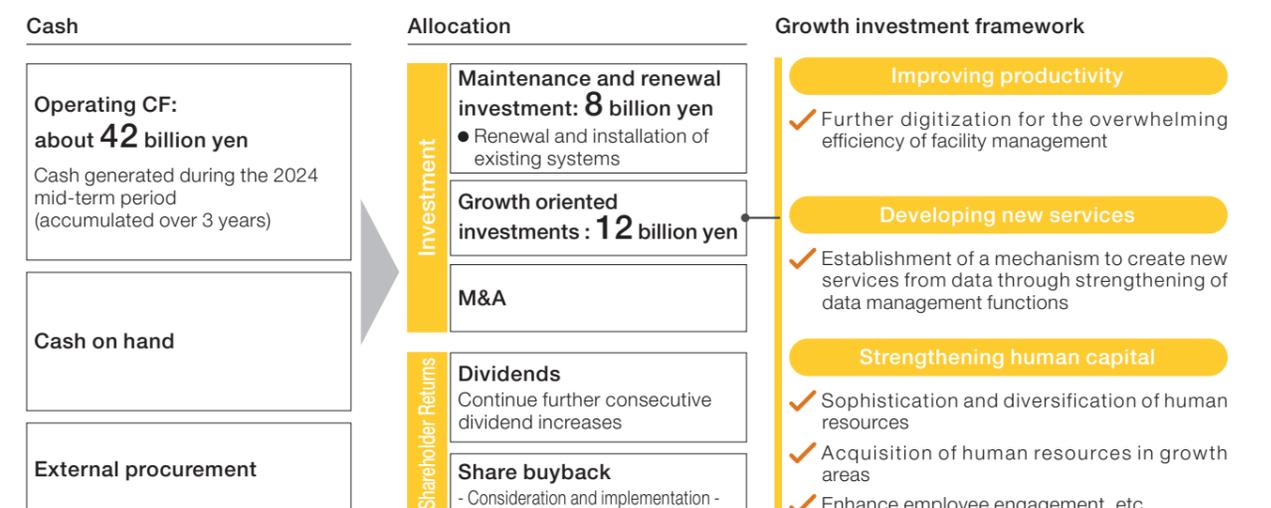
New medium-term three-year management plan calls for total investment of 20 billion yen, of which 12 billion yen will go toward growth investments

Under the new medium-term three-year management plan (FY2024-FY2026), we aim to build a sustainable business model by aggressively investing in growth. In total, we plan to invest 20 billion yen over the three-year period, with 12 billion yen of this allocated to growth investments under the three priority themes of improving productivity, developing new services, and strengthening human capital.

Making investments toward sustainable growth while maintaining financial soundness

Our basic financial policy is to maintain financial soundness while steadily investing in sustainable growth. We

Cash allocation



Move forward with improving productivity, developing new services, and strengthening human capital

To improve productivity, we aim to transform facility management operations through drastic efficiency improvements and switching to a business model that leverages economies of scale through further digitization.

As for developing new services, we will build a system to create new services from the data we obtain as our business becomes more digitized. We already have a wealth of data accumulated within the Group thanks to the scale of our business, and we will use this as a foundation to create new services over the next three years.

In terms of strengthening our employees and human capital, our greatest management resource and the driving force behind improving productivity and developing new services, we will aim to enhance the sophistication and diversity of our human resources, acquire human resources in growth areas, and improve employee engagement. In particular, the shortage of qualified personnel and the aging of the workforce, which are essential to the facility management industry, are serious issues. Accordingly, we will promote the development and active involvement of human resources that support sustainable growth while cultivating our strengths in expertise and a culture that values expertise by providing a support system for acquiring certifications and improving employee treatment.

 For details on strengthening human capital, please refer to the special feature "Strengthening Human Capital" on pages 31-34.

Our investment plan for the next three years is far higher than previous levels, and the cost and financial burden will be in line with this.

In this uncertain environment, some may think that it would be better to curb investment and secure a stable foundation. However, we have positioned the next three years as a period for building a foundation for future sustainable growth through aggressive investment, rather than focusing on securing short-term profits, so we will carry out our plans with conviction.

Furthermore, we will also actively pursue M&A opportunities that we were unable to fully pursue under the previous medium-term plan. In the business areas of the AEON delight Group, demand is expected to remain firm, while the momentum for industry consolidation is also expected to increase in response to labor shortages and other factors. On the other hand, our goal is not simply to expand in scale. We will actively seek opportunities to enhance the corporate value of the AEON delight Group through measures such as expanding our business areas and geographical coverage and boosting efficiency through integration.

We believe that we will be able to fully cover our growth investments with operating cash flow during the medium-term plan period. In the event that we need to fund M&A opportunities that exceed this, we will look into drawing down on our cash reserves or raising external funds by issuing corporate bonds.

Aiming to improve capital efficiency and ROE from a medium- to long-term perspective

With regard to our cost of capital, we estimate it at around 5% based on current interest rates, the expected rate of return in the market, and the rate of change in stock prices. Our ROE for FY2023 was 10.6%, which we believe represents a reasonable equity spread, but it did not reach the 12% level that we have set as a benchmark for capital efficiency.

Given our plans to aggressively invest in growth, we understand that it will not be easy to achieve a ROE of 12% within the next three years, as profit growth during the medium-term plan period will be limited. However, we will work to boost our ROE in the future by improving productivity, developing new services, and strengthening our human capital through investments during this period, thereby enhancing our competitiveness and achieving economies of scale in order to ensure subsequent growth.

Continue to increase dividends while striking a balance with growth investments

At AEON delight, we have increased our dividend for 19 consecutive fiscal years, and we plan to continue increasing it going forward.

As mentioned above, we expect profit growth to be limited during the medium-term plan period owing to the



challenging business environment and the cost of growth investments, but we are planning to continue increasing dividends, considering raising the current dividend payout ratio from 40% to 50%, backed by our stable cash flow and financial base.

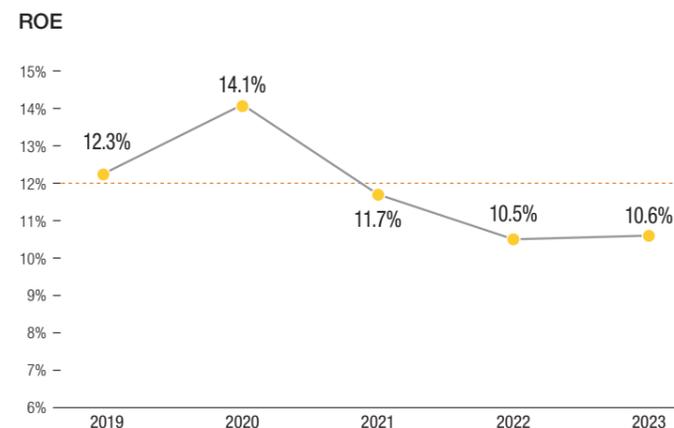
To stakeholders

As the CFO, I would like to present you with a future where our competitive advantage is firmly established by ensuring that we carry out the ambitious investments we have planned for the next three years.

We will continue to take on ambitious challenges to meet the expectations of our investors, customers, business partners, local communities, employees and all other stakeholders involved in our company.

Recognizing the current situation (cost-of-capital and ROE level)

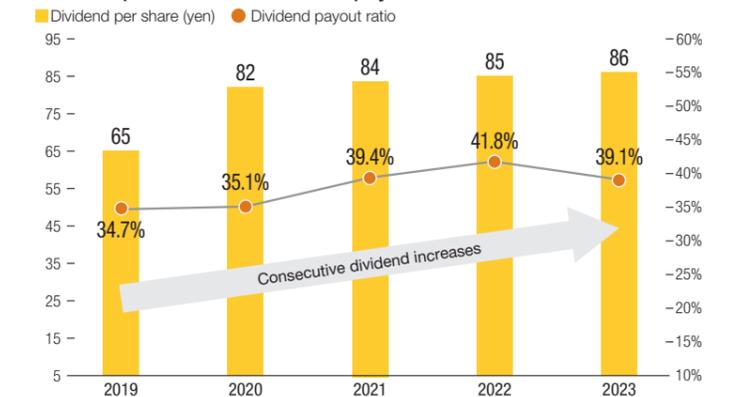
- Recognized that our cost of capital is around 5%
- ROE 10.6% in FY2/24
- Although ROE is higher than the cost of capital, it does not reach the 12% level that we are aware of as a guideline for capital efficiency.



Principle of capital strategy

- Improve business profitability by investing in growth
- Enhance shareholder returns
 - Dividends have increased for 19 consecutive terms, and we aim to continue this trend.
 - Taking into consideration consolidated dividend payout ratio raise from 40% to 50% within the period of Medium-Term 3-Year Management Plan
 - Share buybacks are considered flexibly within certain limits.

Dividend per share and dividend payout ratio



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.)

Security



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

Cleaning



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

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.

Materials/Supplies Sourcing



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

Vending Machines



The vending machine services segment is engaged in the operation of various vending machines, including those for beverages.

Support

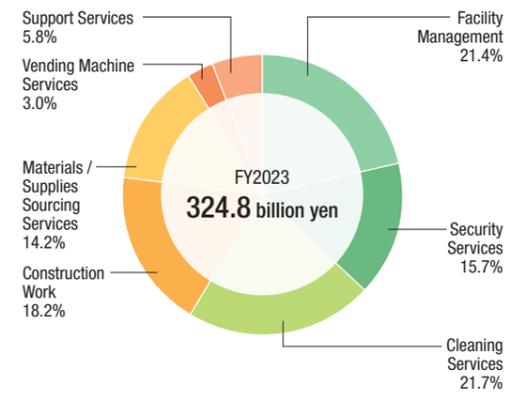


In the support services segment, we provide travel agency, education, and human resource services.

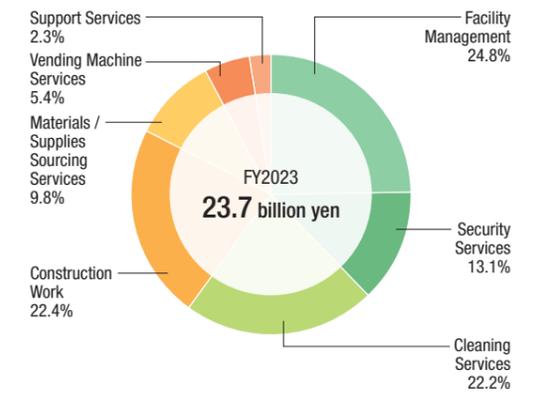
[Examples of services offered in the support segment]

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

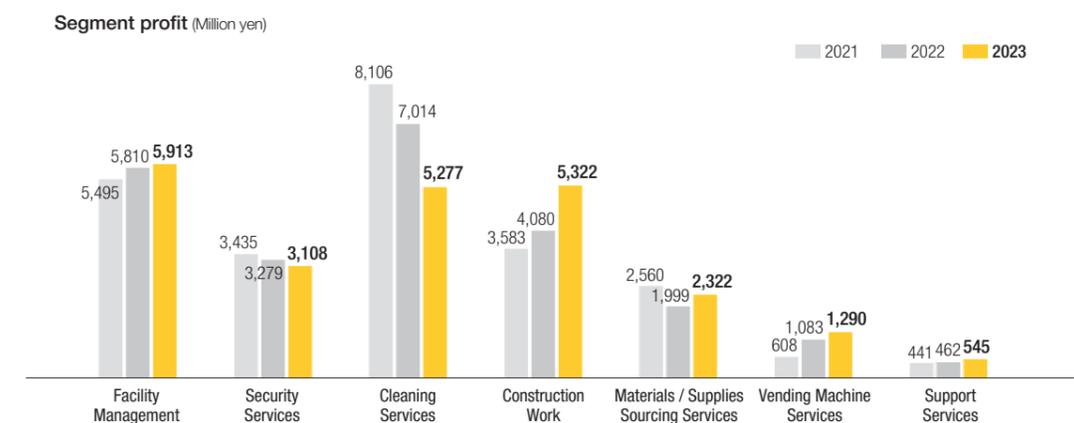
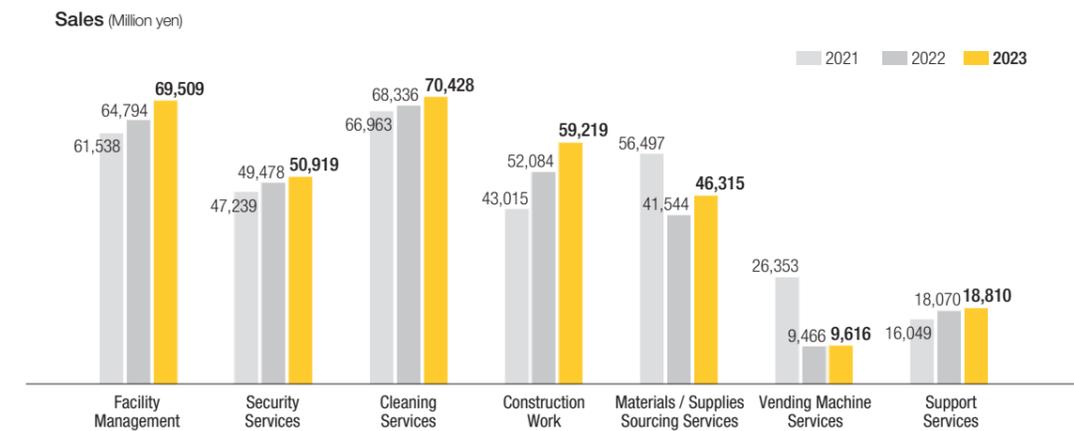
Sales composition



Segment profit composition



Business results by segment (last 3 years)



*New revenue recognition standard has been adopted from FY2022.

Segment Information
<https://www.aeondelight.co.jp/english/ir/financial/segment.html>



Promoting the spread of a corporate culture suited for a new era, centered on the “challenger’s spirit” and “fairness”

Daisuke Ninomiya

Executive Officer

Chief Manager of Group Human Resources Strategy

In March 2024, the first year of the new medium-term management plan (FY2024-FY2026, hereinafter referred to as the “new medium-term plan”), I was appointed as the person in charge of Group Human Resources Strategy, a position that was newly established as part of the management system reform. My role is to lead the formulation and implementation of human resources strategies aimed at achieving the goals of the new medium-term plan, taking a medium- to long-term perspective to strengthen human capital, while approaching things differently from the way our human resources department operated in the past. In today’s world, where the business environment is changing at a dizzying pace and predicting the future is challenging, we must maximize the value of our human capital, which is an important growth driver, and respond quickly to new market needs in order to achieve sustainable growth. In our human resources strategy, we will focus on the three main themes of enhancing the sophistication and diversity of our human resources, acquiring human resources in growth areas, and improving employee engagement, and will work to create new value by implementing measures in line with these themes.

Synchronize management and human resource strategies to accelerate the enhancement and diversification of human resources that underpin our future

● **Selection and training of management candidates**

The executive officers leading our business operations are mainly in their 50s. When we think about the medium- to long-term future, our challenge is in training the next generation of management personnel at an early stage. With this in mind, we have recognized the urgent need to develop a system for training personnel with sufficient management skills with a medium- to long-term outlook. Accordingly, in FY2023, we launched a program to select and train young people in their early 30s as candidates for

the next generation of management executives. We will continue to select around 15 people each year and implement measures such as assigning executive officers as mentors, as well as providing opportunities for further growth through overseas assignments and secondments to external organizations, combining the three elements of human resource development: “work experience”, “advice from superiors and senior staff”, and “training and education”. Through this, we will promote the creation of a system to secure and develop the next generation of

management personnel by elevating their view, broadening their horizons, and changing their perspectives. Going forward, we will continue to monitor this initiative and, through a process of trial and error, we will work to strengthen and enhance the program, while also fostering a corporate culture that encourages each individual to take on challenges.

● **Stepping up training of experts with both technical and human capabilities**

AEON delight has continued to grow by focusing on the facility management business, which handles the maintenance, inspection and servicing of facilities, with the source of our competitiveness rooted in our expert personnel with strong technical skills who take on facility management operations.

Today, we have a total of approximately 20,000 qualified personnel at over 500 locations nationwide, and we continue to provide high-quality services, building strong trusting relationships with our customers.

In the facility management business, there are times when technicians with many technical licenses, such as electricians, are needed to carry out work, so up until now AEON delight has focused on technician training centered on acquiring certifications and knowledge as part of human resources development. In order to continue meeting the expectations of our customers, it is of course essential to continue maintaining and improving our technical capabilities, and as the labor shortage becomes more serious, the value of expert personnel in facility management, including those with legal qualifications, will only continue to increase.

At the same time, however, to achieve the business model transformation set out in the new medium-term plan, we need human resources with comprehensive management skills that go beyond merely extending existing operations, who have the “human capabilities” to plan and implement strategies and lead teams to success by effectively utilizing people, goods, money and information. With this in mind, there is a particular need to further enhance management training for managers working closely with on-site personnel. We are working to develop the human resources we need, implementing management training for office managers, who are key personnel in the development of our new “area management” facility management model, while also providing training for area managers and site managers, who are in charge of

regions and individual facilities and are next in line under office managers, to demonstrate AEON delight’s direction and clarify their own roles. Going forward, we will continue to provide training opportunities to enhance on-site management skills, in addition to our existing technical and qualification acquisition training.

● **Promoting active participation by foreign nationals, centered on the Specified Skills Program**

In response to the labor shortage in Japan, AEON delight is focusing on improving productivity by promoting DX, as well as expanding employment of foreign nationals through the Specified Skills Program. The Specified Skills Program is a program for accepting foreign workers with certain expertise to help alleviate the labor shortage in Japan. Since the building cleaning field is covered by the Specified Skills Program, we have hired 16 people from Indonesia in November 2023 and 44 people in November 2024.

Although AEON delight has a policy of promoting diversity in its workforce, the majority of our employees in Japan are Japanese, with only a small number of foreign nationals. As a result, most Japanese employees have no experience working with foreign nationals, and in order to strategically accelerate diversity and make it a strength of our company in the future, we need to create an inclusive workplace where foreign nationals with specified skills can work with the same sense of fulfillment as Japanese employees. We see the current state of the workplace, which is undergoing significant change, as an ideal opportunity to break away from the conventional values that have been fostered on the premise of homogeneity and to firmly establish diversity and inclusion (D&I). We hope to accelerate the development and dissemination of a new corporate culture through promoting human resource strategies by reviewing our existing human resource management.

In addition, we are planning to launch a personnel placement service for foreign workers with specified skills as a new business in the future. We plan to expand our placement service beyond the AEON delight Group, starting out by placing workers with specified skills to our partner companies in the cleaning business, and then gradually expanding the scope of our placements to include the accommodation, food processing, and restaurant industries. Our goal is to increase the number of foreign workers with specified skills supported by the AEON delight Group to around 4,000 people by FY2030.

Achieve personnel mobility through reskilling and build a dynamic human resources portfolio

To achieve the business model transformation set out in the new medium-term plan, we will need both the quality and quantity of human resources essential for strengthening FM consulting functions and qualified personnel to support strengthening systems to expand the scale of construction work. We will make sure this happens by training internal personnel as well as recruiting from outside of the AEON delight Group. Above all, the key to human resource development is creating a system for reskilling and upskilling.

Although we have only just started our reskilling and upskilling initiatives, employees will be able to continue working by gaining new opportunities within the Group

as we build a dynamic human resources portfolio through skill shifts and transfers. This will enable employees to map out diverse career plans, and we expect it will also lead to improved employee engagement.

In terms of global human resources, in addition to expanding the number of foreign nationals with specified skills as mentioned above, we believe that expanding the activities of diverse human resources from various angles, such as promoting greater interaction with overseas human resources in line with the growth of overseas business and taking a more proactive approach to hiring employees overseas, will lead to a transformation in our corporate culture.

Aiming to improve engagement centered around the key terms of “challenger’s spirit” and “fairness”

I believe that engagement is about deepening mutual understanding between employees and the company, and ensuring that everyone is working toward the same objectives. Of course, as a company we cannot stop people from resigning to pursue other careers, but we still want to become a group that can deepen mutual understanding with as many employees as possible so they can stay with us for a long time. On the other hand, when thinking about specific measures to improve engagement as the person in charge of the human resources strategy manager, there are various perspectives and elements to consider, such as work details, health management, communication, benefits, and the work environment, and I think it is important to combine these multiple elements to create a system.

First, we introduced a talent management system as a foundation to match job allocation, education, and training with the growth of each employee based on their abilities and skills. With this, we began to consolidate and compile the various personnel information that was scattered throughout the AEON delight Group, while also clarifying the roles and abilities required for each job. By bringing together and analyzing all the personnel data that had previously been somewhat scattered, I believe we will be able to contribute to the career development of each employee. From the perspective of ensuring objectivity, we are considering using AI for skill analysis,

personnel allocation, and talent selection, but we also believe that talent management is important for addressing the growth of each individual employee, such as by creating opportunities for senior management to fully discuss the solutions that AI has provided. To improve engagement, companies must first sincerely show employees their intentions and have them understand these intentions before asking employees to be loyal to the company. I believe that when employees understand the company’s stance, employee engagement will improve, which will lead to self-driven growth of human resources and improved business performance.

In addition, we will also be making changes to our personnel evaluation system, centered around the key terms of “challenger’s spirit” and “fairness”. By “challenger’s spirit”, we envision employees themselves setting targets to transform their work, and thoroughly implementing a target management system to manage their work and evaluation based on the process and results created. By “fairness”, we envision not treating everyone equally regardless of their results, but fairly and openly evaluating those who have shown initiative and taken on challenges and achieved results. We believe that thorough implementation of the “challenger’s spirit” and “fairness” will lead to a transformation of our corporate culture, which will in turn contribute to employee fulfillment and engagement.

Toward accepting more foreign nationals with specified skills



Akihiro Chiba Group Manager
Foreign Human Resources Business
Promotion Group

I was dispatched to Indonesia from the headquarters as the staff member in charge of recruitment of foreign nationals with specified skills, and I am responsible for finding and selecting dispatching agencies locally and coordinating job interviews.

The basic flow in Indonesia is that the dispatching agency carries out the recruitment and training, and AEON delight screens the candidates who have obtained a status of residence to make the final hiring decision.

To secure the Specified Skill Worker (i) status of residence, candidates must pass the Japan Foundation Test for Basic Japanese or the Japanese Language Proficiency Test (N4), as well as a skill test for their specific industry, both of which dispatch agencies provide training and support to help candidates pass. Our local subsidiary PT Sinar Jernih Sarana continues to provide training for the skill test in the building cleaning field.

With regard to support and assistance after a candidate has been hired, arrived in Japan, and began working, our Group company AEON Compass, which has already obtained a license as a registered support organization, continuously provides a wide range of support to the dispatched personnel. As we expand our services, we are working with AEON Compass to design a system that will support 4,000 people, with the aim of differentiating ourselves from other registered support organizations and achieving our target of introducing 4,000 people to jobs in a variety of industries by FY2030, including those outside of building cleaning.



Supporting employment and daily life of foreign nationals with specified skills to help them thrive in Japan!

Yumiko Motoura Manager of Global Human Resources Support Department
AEON Compass Co., Ltd.

In May 2023, AEON Compass obtained certification as a registered support organization that provides support and manages the residency of foreign nationals with specified skills. We are implementing various support measures aimed at enabling foreign nationals with specified skills to thrive in Japan.

Organized a get-together for soon-to-be employees to smoothly fit into the workplace

As a new initiative to help foreign nationals with specified skills to smoothly fit into the workplace, we held an online get-together for 44 foreign nationals with specified skills who joined AEON delight in November 2024. The employees who will be their supervisors also participated for a meet-and-greet.

Going forward, we plan to hold get-togethers where the parents of the soon-to-be employees will also be invited, so that the families can learn about what kind of company their child will be working for in Japan for five years, and feel reassured about letting their child leave their home country.

Supporting career development by working closely with foreign nationals with specified skills

With Specified Skill Worker (i), those who wish to can move on to the next level, Specified Skill Worker (ii).

Once a foreign national is promoted to Specified Skill Worker (ii), they can work in Japan indefinitely, and they can also bring their family from their home country to Japan. During the period of employment as a Specified Skill Worker (i) (up to 5 years), it is also important for them to be able to live in Japan without any difficulties, so I would like to work hard to help foreign nationals build strong relationships through support services and to help address their individual needs (achieving their future career plans).

In addition to this, we are also involved in various other support activities, such as providing Japanese language education to reduce stress in the workplace and in everyday life, and acting as a bridge between the accepting company and the employee.



Members of the Global Human Resources Support Department, with Ms. Motoura in the center



Foreign nationals with specified skills performing warm-up exercises before work

Message from the Executive Officer in Charge of Sustainability



Aiming to create value through corporate activities in order to build a sustainable future

Emiko Ishii

Executive Officer, General Manager of President's Office

The AEON delight Group aims to create a sustainable society through facility management based on the management principle of "We Pursue the Creation of 'Environmental Value' for our Customers and for the Local Communities," and this represents the significance of our commitment to ESG (sustainability).

Since our founding, we have been promoting our daily business activities with the aim of ensuring safe, secure, and optimal customer facility operations. On a daily basis, we help enhance the reliability and safety of facility operations by conducting regular inspections and maintenance of customer facilities and proposing improvement measures. In addition, we support customer facility operations from various aspects by proposing energy-efficient equipment and management systems with excellent environmental performance, providing business continuity management (BCM) support, and conducting disaster prevention training, while also reinforcing professional training for our employees.

I believe that our unique sustainability initiatives carried out through our business activities will not only enhance our competitive advantage, but also help improve the environmental value of customers and local communities.

In August 2021, we formulated our Basic Policies for Sustainability, and have been promoting discussions toward the creation of a sustainable society, centered on our Sustainability Committee. In FY2024, the Sustainability Committee is focusing its discussions on "reviewing materiality" in light of the major changes in the business environment since we first identified our Materiality issues.

In addition, we are taking various initiatives to fulfill our corporate responsibilities, such as formulating a supplier code of conduct (CoC), conducting human rights due diligence, reducing the amount of electricity used at our offices, and effectively switching to renewable energy.

Previously, we mainly used numerical financial indicators to

measure corporate value, but going forward, we will be entering an age where companies are evaluated on the effectiveness of their sustainability management, a management approach aimed at enhancing corporate value from both financial and non-financial perspectives. For this reason, I believe it is important to first understand and visualize the current situation of our own company.

For example, from an environmental perspective, this year we are working on calculating Scope 3 GHG emissions. We are collecting data for the entire supply chain and are also working to visualize emissions by category.

We would like to develop this into a concrete discussion about which processes of our business activities we can work on to reduce our emissions.

Furthermore, I believe contributing to a recycling-oriented society is one of the things that people expect of AEON delight. To date, we have promoted initiatives such as proposing environmentally friendly products in the materials/Supplies Sourcing business and recycling plastic bottles in the vending machine business. In addition, we are also partially involved in the collection and recycling of waste plastic. Currently, these are initiatives being carried out independently by each business, but if we can develop a model for recycling limited resources as part of our growth strategy, I believe we will be able to create new value with a greater impact.

Additionally, I believe that strengthening human capital, which is one of the key measures in our new three-year medium-term plan, is particularly important for a company like AEON delight, which operates in the service industry. We will work together as a group to create an environment and implement measures that enable our diverse workforce to thrive. We will continue working to create social and economic value while sharing our vision with our stakeholders. We ask for your continued support as we strive to build a sustainable future.

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

Our group established the "Sustainability Committee" in April 2022 as a company-wide initiative to promote ESG management. The committee is chaired by the President and CEO and includes executive officers and senior management responsible for related operations. The committee discusses resolving social issues through business activities and achieving a sustainable society.

The Sustainability Committee identifies top priorities based on the basic sustainability policy and materiality (key issues). It formulates related policies, goals, and key initiatives and manages their progress. The results of these activities are reported to the Board of Directors.

► **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 51 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. We have also disclosed our achievements from FY2021 to FY2023. Regarding the 2030 targets, we are considering changes in the external environment since FY2021 and are discussing updates, including materiality, at the Sustainability Committee meeting in FY2024.

► For details, see pages 17-18 Materiality

Sustainability Committee Meeting Report

In fiscal year 2023, initiatives centered around three sub-committees, "Environment," "Diversity," and "Supply Chain," chaired by executive officers, were implemented, and a summary was reported to the Board of Directors in March 2024. Additionally, the same Board resolved that for fiscal year 2024, the activities would focus on updating materiality, with executive officers and senior management appointed by the chairman as committee members. As of the end of November 2024, a total of five meetings have been held.

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.



-  **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/tcfid.html>
- ▶ For more details on Governance and Risk Management, see pages 35-36 "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 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.

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.

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 the International Energy

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.

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.

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.

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

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
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.

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 15-16 "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 17-18 "Materiality"



Disaster prevention initiatives

On Friday, March 29th, 2024, AEON delight cooperated with the AEON 1% Club Foundation (Address: Mihama-ku, Chiba City, Chairman: Yoshiki Mori) in holding their "Disaster Prevention Training for Emergencies" event at AEON Mall Makuhari Shintoshin. The event was held with the aim of deepening the knowledge of local children who are members of the AEON Cheers Club* about disaster prevention. In addition to supporting the development of disaster prevention and mitigation systems for customers in normal times, our employees participated as lecturers, making use of the expertise we have accumulated in supporting customer crisis management in times of emergencies.

The children used a map of the AEON Mall Makuhari Shintoshin to learn about disaster prevention through a program in which they checked evacuation routes in the event of a fire, as well as quizzes and card games. They also experienced disaster prevention measures in the event of an emergency through realistic programs using a simulated earthquake vehicle, a smoke house, and a water fire extinguisher.

We received comments from the children who participated, expressing their appreciation for the opportunity to experience things they don't usually get to see, such as the smoke experience, and saying that they would like to put what they learned to use in the event of an earthquake or fire. We will also provide lecturers and other support for disaster prevention classes for children in various areas.

* AEON Cheers Club

This club is part of the "Healthy Development of Children" program run by the AEON 1% Club Foundation, whereby children, mainly elementary school students, use the area around the store as their base of operations to enjoy learning and thinking through various hands-on learning activities on themes related to the environment and society, with the support of AEON store employees.



Firefighting experience using a water fire extinguisher



Quiz on what to do in the event of an earthquake

Environment

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.



Environmental Management, AEON delight Environmental Policy

▶ <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

▶ FY2023 GHG emissions (non-consolidated)

Scope1 (direct emissions from fuel use)

864t-CO₂

Scope2 (indirect emissions from electricity use)

552t-CO₂

Effectively switching office electricity to renewable energy

Since 2023, AEON delight has been promoting the use of renewable energy by purchasing FIT non-fossil certificates equivalent to the amount of electricity consumed at our Tokyo headquarters and other locations. In November 2024, we expanded this initiative to cover all of our headquarters, regional offices, and other locations*, switching all of our electricity to renewable energy.

*Covers 60 offices, including the headquarters and regional offices (as of November 2024)

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)

2018	2019	2020	2021	2022	2023
16,528t	15,942t	19,774t	18,808t	18,449t	22,372t



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 Enhance the value of management by maximizing the value of our greatest asset—our employees.
- ② Boost employees' willingness and motivation to contribute to management through educational initiatives aligned with company policies, thereby improving performance.
- ③ Respect the knowledge, skills, and experience held by employees as assets, and continue to make effective educational investments to enhance their value.
- ④ Support the improvement of specialized knowledge and acquisition of qualifications so that employees can engage in their work with professional pride in their respective fields.
- ⑤ Provide growth opportunities by listening to, understanding, and leveraging each employee's aspirations.

Human Resource Development System

Career grade	G1	G2	G3	M1	M2	M3	S1	S2	SE
Position	New employee		In charge	Chief	Site manager & Area manager			Office manager, regional office manager, headquarter general manager	
Technical training	Emergency response seminar		Electrical, HVAC, firefighting, plumbing, and refrigeration maintenance management						
	Basic facility management		Seminar for managers entrusted with hospital cleaning						
	Practical facility management, maintenance, and inspection		Instructor training for regional office technical training staff						
Qualification training	Sequence control and maintenance		Firefighting equipment inspection services						
	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						
Management training	Class 1, 2 and 3 building cleaning technicians								
	New employee training		Management candidate training		Office manager training				
	Follow-up 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 Platform)								

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	2020	2021	2022	2023
Number of training courses	200	425	346	329
Total number of trainees	4,865	11,840	14,953	13,127
Training hours per person	9	21	28	24
Training cost per person (thousands of yen)	60	82	108	95

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 FY2023, we provided subsidies of 2.29 million yen to 145 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 FY2023, we provided 83.55 million yen (basic qualification allowance) as allowances for qualifications held. There is a system in place that provides incentive payments for acquiring designated qualifications. Successful candidates for these qualifications are featured in the company newsletter to encourage others to pursue them.

➔ For details on the number of key qualified personnel, see pages 15-16 "AEON delight's Strengths"

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 nine 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 page 41 "Human Resource Development System"

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.

Regarding the "Branch Manager Training" launched in fiscal year 2022, in FY2023, we conducted training for five newly appointed branch managers and also provided additional education for 30 current branch managers. Additionally, for the positions of "Area Manager" and "Site Manager," which are the next in line to become regional and facility heads, we conducted a total of three training sessions, lasting five days each, for 33 individuals, to clarify their roles and present the future direction of AEON delight.

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>



Young Future Planning Project

To resolve management issues and create business models that look to the mid- to long-term future, we are promoting the "Young Future Planning Project," which involves employees selected from across Japan aged in their 20s to 30s. In fiscal year 2023, an idea proposed by this project regarding the utilization of generative AI was realized as the "AI Manager," an interactive AI system for employees, contributing to the improvement of work quality for our staff.



Final Presentation to Senior Management (FY2023)

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". 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

Fiscal Year	2020	2021	2022	2023
Occupational accident frequency rate	2.50	3.80	2.71	6.78

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 1,191 people, mainly Chief Electricity Engineers, went through the VR training program in FY2023. In FY2024, we will develop new VR content related to security operations. Starting in August, we will launch an educational program that allows participants to experience initial fire response through VR as part of fire equipment maintenance training, with 29 participants attending.



VR experience educational program

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 resolve social issues, but also an essential factor in ensuring sustainable growth and creating business opportunities.

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 2024, 37.8% were women and 8.1% were non-Japanese.

Fiscal Year	2023	
Gender wage gap	All workers	61.6%
	Breakdown	
	Regular workers (full-time employees)	83.0%
Paternal leave acquisition rate	Non-regular workers (contract, temporary, part-time)	72.1%
	Male	28.6%
	*Eligible individuals are daily or monthly wage employees who had a child born in fiscal year 2023.	

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 FY2023, we conducted human rights training for 13,517 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

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>

aspects of human rights violations by our own employees, business partners, and local communities, and 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>

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

Board of Directors and Key Meetings		
Board of Directors	FY 2023 Meeting Record: 18 sessions held Chairperson: President and CEO Kazumasa Hamada Committee Composition: 8 Directors (including 4 Outside Directors)	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	FY 2023 Meeting Record: 16 sessions held Chairperson: Outside Auditor Takashi Kuroda Committee Composition: 4 Auditors (including 3 Outside Auditors)	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.
Board of Executive Officers	FY 2023 Meeting Record: 16 sessions held Chairperson: President and CEO Kazumasa Hamada Committee Composition: Executive Officers	The Board of Executive Officers consists of Executive Officers and members appointed by the President and CEO, the chairperson, and discusses management policies, management strategies, and other important management matters. Proposals to be submitted to the Board of Directors are thoroughly discussed in advance at the Board of Executive Officers to ensure comprehensive deliberation and appropriate decision-making by the Board of Directors.

Voluntary Advisory Bodies to the Board of Directors

Nomination and Compensation Advisory Committee	FY 2023 Meeting Record: 8 sessions held Chairperson: Independent Outside Director Asako Takada Committee Composition: 5 Directors (including 3 Outside Directors)	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	FY 2023 Meeting Record: 2 sessions held Chairperson: Independent Outside Director Yoshiaki Hompo Committee Composition: 4 Directors (including 2 Outside Directors), 1 Outside Auditor	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	FY 2023 Meeting Record: 1 session held Chairperson: Independent Outside Director Keiji Yoshikawa Committee Composition: 4 Outside Directors	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.

► Overview of each committee

Key Internal Committees		
Sustainability Committee	FY 2023 Meeting Record: 3 sessions held Chairperson: President and 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 including the review and update of Materiality based on the Basic Policies for Sustainability.
Risk Management Committee	FY 2023 Meeting Record: 2 sessions held Chairperson: General Manager of Group Personnel and General Affairs Dept.	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	FY 2023 Meeting Record: 8 sessions held Chairperson: General Manager of Group Personnel and General Affairs Dept.	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	FY 2023 Meeting Record: 2 sessions held Chairperson: General Manager of the President's Office	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.

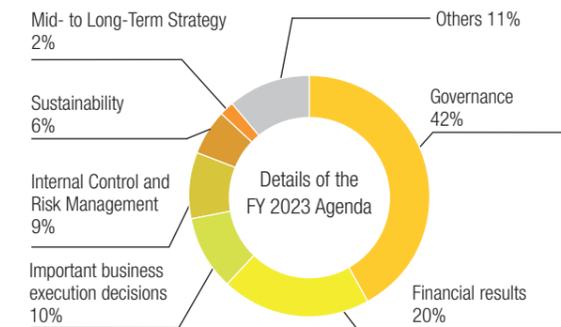
<https://www.aeondelight.co.jp/english/sustainability/governance/corporate.html#ctr1388>

► Number and Percentage of Attendance at Board of Directors Meetings and Board of Auditors Meetings in FY2023

Name	Board of Directors		Board of Auditors	
	Number of attendance	Attendance rate	Number of attendance	Attendance rate
Kazumasa Hamada	18/18 Times	100%		
Goro Miyamae	18/18 Times	100%		
Tetsuya Akutsu	15/15 Times*	100%		
Hiroyuki Watanabe	16/18 Times	88.9%		
Yoshiaki Hompo	18/18 Times	100%		
Keiji Yoshikawa	18/18 Times	100%		
Asako Takada	18/18 Times	100%		
Toshio Shimada	14/15 Times*	93.3%		
Takashi Kuroda	18/18 Times	100%	16/16 Times	100%
Tsukasa Takahashi	18/18 Times	100%	15/16 Times	94%
Eri Ebisui	18/18 Times	100%	16/16 Times	100%
Takafumi Fujimoto	15/15 Times*	100%	13/13 Times*	100%

*Attendance since election at the 50th Annual General Meeting of Shareholders on May 19, 2023 and assumption of office on the same date.

► Board of Directors Meeting Agenda



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 2024, and analyzed and evaluated the results. Based on the results of the analysis and evaluation by the Evaluation Advisory Committee, the Board of Directors assessed the effectiveness of the Board of Directors at a meeting held on April 24, 2024, with the presence of the legal counsel and their expert opinion.

* 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

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 selection 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.

► 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.

► 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).

<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

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 (56.95% of voting rights) of the Company's stock as of February 29, 2024. 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.

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.

FY2023 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

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

Executive compensation for FY2023

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)	100	58	15	27	15	4
Corporate Auditor (excluding Outside Corporate Auditors)	0	0	—	—	—	1
Outside Directors and Outside Corporate Auditors	63	63	—	—	—	8

[About Board of Directors and Auditors Policy on Determining Remuneration Amounts and Calculation Methods](https://www.aeondeelight.co.jp/english/sustainability/governance/officer.html)
<https://www.aeondeelight.co.jp/english/sustainability/governance/officer.html>

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.

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.

▶ **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.

shareholders. 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.

Compliance

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]

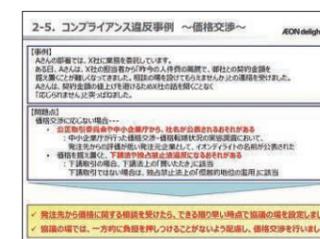
- 1 I promise never to violate relevant laws and regulations.
- 1 I will comply with the quality manuals and never betray the customer's trust.
- 1 I will give safety top priority and strive to prevent any accidents.
- 1 I will never fail to report, communicate, and consult with customers and my superiors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

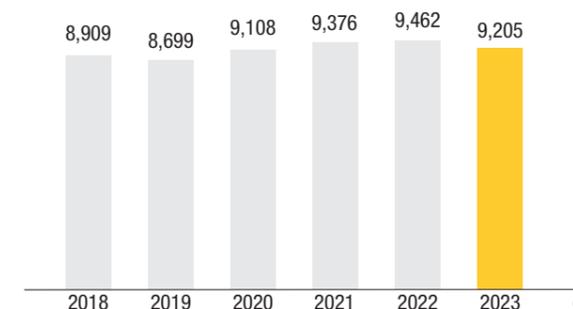
We conduct annual Code of Conduct and human rights training for executives and all employees of the company. We strive to ensure thorough compliance through "Executive Compliance Training" for Group company CEOs and executives, "AEON Code of Conduct Senior Employee Training" for department and branch office managers, and "Aeon Code of Conduct General Employee Training" for general employees.

Additionally, starting from FY 2023, we have introduced "Monthly Compliance Training" for all employees, including part-time staff. In fiscal year 2024, we are addressing practical workplace issues such as "Handling of Personal Information," "Harassment," and "Illegal Long Working Hours and Unpaid Overtime."



Materials actually used in monthly compliance training

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



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). *Supports Malay, Vietnamese, Khmer, and Indonesian languages

Number of whistle-blower cases in FY2023

257 cases

AEON delight Code of Conduct 110 Business Partner Hotline

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

Risk Management

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

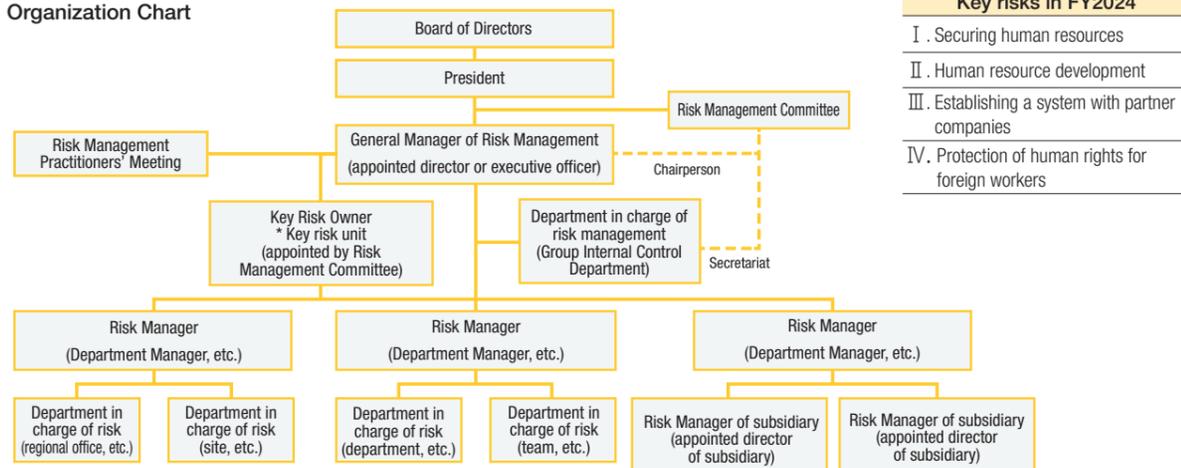
AEON delight Group has established the following systems to make necessary decisions and take actions against various foreseeable risks in the course of its business activities.

- ① From a list of 103 risks (FY 2024) in 12 areas compiled by the General Manager of Risk Management and the Group Internal Control Department, which is in charge of risk management, the Risk Management Committee, consisting of executive officers, selects key risks with particularly major impact.
- ② The Risk Management Committee appoints a Key Risk Owner for each key risk. The Key Risk Owner addresses key risks by directing the risk managers of related departments and Group affiliates and holding risk management manager meetings as necessary.
- ③ The Risk Management Committee receives reports on the status of measures to address key risks from the key risk owners, evaluates and analyzes the content of these reports, and reports the results to the Board of Directors on a regular basis. In addition, if a risk materializes and serious damage is expected, the General Manager of Risk Management promptly reports it to the President.
- ④ For risk management under normal times, each AEON delight division is designated as a Risk Management

Department and is responsible for monitoring the risk management status of risks related to its own division, preventing risk events from occurring, and mitigating losses under the supervision of the risk manager.

- ⑤ The Group Internal Control Department examines risk scenarios and monitors the status of measures taken by each Group company, and reports the status of such measures to the Risk Management Committee on a regular basis.
- ⑥ The Group Corporate Audit Department evaluates the effectiveness of risk management through audits and other means.
- ⑦ In the event of a wide-area or major disaster or other event that hinders business continuity, we establish a disaster response headquarters headed by the President in accordance with the basic rules for business continuity in times of crisis (Basic Rules for BCP) and rules established in association with these rules, to enable more rapid decision-making and execution than under normal circumstances. In addition, we provide education and training in accordance with the business continuity plan, and continuously improve the plan.
- ⑧ The Risk Management Committee discusses and works to review and identify risks with respect to potential risks and risks newly requiring attention that have not yet materialized.

▶ AEON delight Group Risk Management Organization Chart



Key risks in FY2024
I . Securing human resources
II . Human resource development
III . Establishing a system with partner companies
IV . Protection of human rights for foreign workers

Information Security

Strengthening Security for Personal Information and Information Assets

The AEON delight group is committed to continuously maintaining and improving our information security levels based on AEON Group's "Basic Policies on 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.

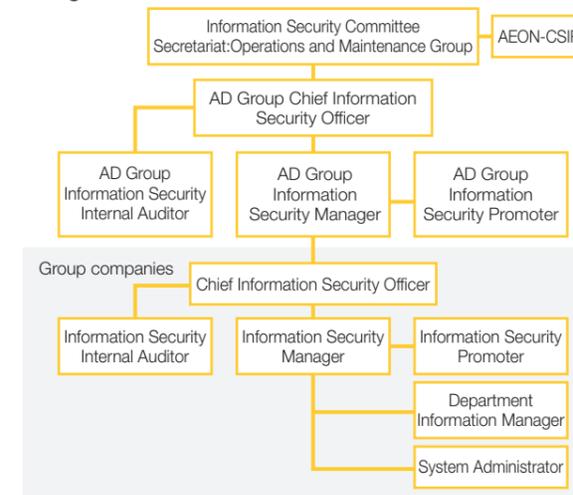
Privacy Policy Personal Information Protection Policy
<https://www.aeondelight.co.jp/english/privacy/>

Management structure

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 Executive Officer Chief Manager of IT 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, we are working to build a system to enhance our responses to the increasingly sophisticated cyber-attacks, as well as incidents that may affect business continuity, by coordinating with AEON-CSIRT*, a specialized team established by the AEON Group to respond to security incidents.

*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. Additionally, starting from fiscal year 2024, the "IT Passport" will be a mandatory examination subject for regular recruits in their second year of employment.

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.

Management Structure

▶ Directors (As of May 17, 2024)



Kazumasa Hamada
President & CEO
Group CEO
Number of shares held: 1,200
Date of Birth: 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 Jermih 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)
Aug. 2023 Director of Aeon Delight (China) Service Management Group Co., Ltd. (current position)



Goro Miyamae
Director and Senior Managing Officer
Chief Manager of Overseas Business
Number of shares held: 1,200
Date of Birth: Nov. 17, 1965

Jan. 1999 Joined Japan Maintenance Co., Ltd. (currently AEON delight Co., Ltd.)
Jun. 2007 Manager, OMS Department, Crisis Management & OMS 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
Jan. 2023 Chairperson of Aeon Delight (Jiangsu) Comprehensive Facility Management Service Co., Ltd. (currently Aeon Delight (China) Service Management Group Co., Ltd.) (current position)
Mar. 2023 Senior Managing Officer in charge of overseeing China business
Chairperson and General Manager of Aeon Delight (China) Co., Ltd. (current position)
Mar. 2024 Director, Senior Managing Executive Officer, and Chief Manager of Overseas Business (current position)



Tetsuya Akutsu
Director and Senior Managing Officer
Chief Manager of Group Business Management (CFO)
Number of shares held: 1,000
Date of Birth: 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 2022 Director of AQITA Inc.
Director of PT Sinar Jermih Sarana (current position)
May 2023 Director and Senior Managing Officer, General Manager of Financial and Accounting Division and CFO of AEON DELIGHT CO., LTD.
Director of Askaintenance Co., Ltd. (current position)
Aug. 2023 Director of Aeon Delight (China) Service Management Group Co., Ltd. (current position)
Mar. 2024 Director, Senior Managing Executive Officer, Chief Manager of Group Business Management, and CFO of the Company (current position)



Hiroyuki Watanabe
Director
Number of shares held: —
Date of Birth: 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
Apr. 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.
Jun. 2023 Outside Director, Inageya Co., Ltd.
Nov. 2023 Director, Inageya Co., Ltd. (current position)
Mar. 2024 Executive Vice President and Executive Officer in charge of Human Resources and AEON Living Zone Promotion, Administration & Risk Management of Aeon Co., Ltd. (current position)

▶ Auditors (As of May 17, 2024)



Takashi Kuroda
Outside Auditor
Number of shares held: —
Date of Birth: 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 Daieli, Inc.
Apr. 2014 Project Team Leader, AEON Financial Service Co., Ltd.
Apr. 2015 Manager of Strategy Department
Apr. 2016 Executive 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)
Director of AEON delight (China) Co., Ltd.
Commissioner, PT Sinar Jermih Sarana (current position)
Auditor of Askaintenance Co., Ltd. (current position)
Aug. 2023 Auditor, AEON DELIGHT (CHINA) SERVICE MANAGEMENT GROUP CO., LTD. (current position)



Kiyonori Suzuki
Outside Auditor
Number of shares held: —
Date of Birth: Mar. 3, 1965

Apr. 1987 Joined The Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)
May 2005 Takanawada Branch Manager and Takanawada Ekmae Branch Manager of Mizuho Bank, Ltd.
Apr. 2008 Examiner of Corporate Examination Department 2
Apr. 2012 General Manager of Semba Corporate Department of Semba Branch
Jun. 2015 Managing Director of Mizuho Capital Co., Ltd.
May 2024 Outside Auditor, AEON delight Co., Ltd. (current position)



Yoshiaki Hompo
Independent Director
Outside Director
Number of shares held: 2,300
Date of Birth: 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 KEHIN 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
Aug. 2021 Director and Chairman of Tobu Top Tours Co., Ltd.
Jun. 2023 Advisor of TOBU RAILWAY CO., LTD. (current position)



Keiji Yoshikawa
Independent Director
Outside Director
Number of shares held: 1,000
Date of Birth: 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 CPMD (Chief Project Management Officer) Director, Representative Executive Officer, and President and CEO Advisor
Apr. 2012 Director, Representative Executive Officer, and President and CEO Advisor
Jun. 2015 Outside Director of Kansai Paint Co., Ltd. (current position)
Jun. 2018 Outside Director, AEON delight Co., Ltd. (current position)
May 2021 Outside Director and Member of the Audit and Supervisory Committee of Fujikura Ltd. (current position)
Jun. 2021



Asako Takada
Independent Director
Outside Director
Number of shares held: 400
Date of Birth: 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. 2006 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
Independent Director
Outside Director
Number of shares held: —
Date of Birth: Jun. 4, 1957

Apr. 1980 Joined Japan Gasoline Co., Ltd.
Jul. 1990 Joined Sanwa Research Institute Corp. (currently Mitsubishi UFI 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
Independent Director
Outside Auditor
Number of shares held: —
Date of Birth: Oct. 8, 1960

Apr. 1985 Joined Ajinomoto General Foods, Inc. (currently Ajinomoto AGF, Inc.)
Certified as certified public tax accountant in the United States
Nov. 1997 Joined KPMG Peat Marwick Tokyo (currently KPMG Tax Corporation)
Mar. 1998 Representative Director, Ebisui Accounting & Consulting (current position)
Jul. 2001 Registered as a United States certified public accountant (JSCPA)
Apr. 2008 Registered as a Certified Fraud Examiner (CFE)
Jun. 2016 Director of JAPAN Society of U.S. CPAs
Jun. 2020 Outside Director of Rich 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)
Apr. 2023 Auditor, The Japan Academy of Family Business (current position)



Takafumi Fujimoto
Auditor
Number of shares held: —
Date of Birth: 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 Daieli, Inc.
Auditor of AEON CREDIT SERVICE CO., LTD.
May 2023 Auditor of AEON DELIGHT CO., LTD. (current position)
Auditor of AEON RETAIL CO., LTD. (current position)
Auditor of AEON Financial Service Co., LTD. (current position)

▶ Executive Officers (As of July 1, 2024)

Managing Officers		Executive Officers					
Noriaki Ikuta New Business PT Leader	Keiji Sagata Chief Manager of Group Corporate Development	Jouji Kitabayashi Chief Manager of Operating	Kiichi Goto Chief Manager of Materials and Vending Machines Business	Tsutomu Taniguchi COO of ASEAN Business	Eisuke Miura Chief Manager of East Japan	Tamotsu Yamamoto Chief Manager of West Japan	
Hiroki Miyamoto Chief Manager of Sales	Liuhan Chen COO of China Business	Daisuke Ninomiya Chief Manager of Group Human Resources Strategy	Emiko Ishii General Manager of President's Office	Keita Akita Chief Manager of IT			



What is customer value that contributes to enhancing corporate value? — Identify targets and create new business models leveraging DX

Toshio Shimada,
Outside Director



For details on career history, please refer to “Management Structure” on page 54.

Board of Directors meetings have room for improvement in discussing medium- to long-term topics

I feel that our Board of Directors meetings are conducted in a careful and thorough manner, with the chairman appropriately summarizing the discussions after taking the time to ensure that all opinions are voiced. Furthermore, as the number of topics to be discussed at Board of Directors meetings increases, there are also measures in place to improve the efficiency of discussions. This includes allowing outside directors to observe execution-related meetings, such as the Board of Executive Officers meetings, and distributing the minutes of these meetings, and I believe that the Board of Directors has maintained its effectiveness.

I believe we are making progress in improving the “discussion of important management priorities” and “reporting on the status of business execution” that were pointed out in the previous effectiveness evaluation (conducted at the Board of Directors meeting in April 2024). However, I would like to take this opportunity to propose that we establish a forum for future-oriented discussions, such

as a medium- to long-term meeting (tentative name). I think it is difficult to have sufficient discussions on the direction for improving corporate value over the medium to long term within the limited time of the Board of Directors meetings. If possible, we can create an atmosphere where opinions can be freely exchanged and discussions can be deepened by holding a meeting separate from the Board of Directors meeting even once a year.

In addition, I was appointed as a member of the Nomination and Compensation Advisory Committee when I became an outside director in 2023. The entire company is extremely committed to human resource development, and the Nomination and Compensation Advisory Committee believes that its top priority is to create a system that can constantly provide a pool of next-generation talent, and we are engaged in discussions about developing next-generation leaders. As a member of the Nomination and Compensation Advisory Committee, I intend to fully understand the role of the committee and fulfill my responsibilities.

What are the unique qualities and strengths that have enabled AEON delight to grow? —

I believe AEON delight’s greatest strength is its spirit of doing everything in service to customers with integrity

as professionals, which is deeply rooted in the company. Since its founding, AEON delight has earnestly addressed

customer needs and provided attentive service, and this has undoubtedly led to the strong trust of customers which has been the source of the company’s growth to date. On the other hand, I also feel that the corporate culture and mindset of “bringing in people to solve prob-

lems” that has been cultivated over the course of the company’s business development has become an issue in accelerating DX promotion. This is because in some cases, attentive service provided by people can become a hindrance to digitization.

Further improve customer satisfaction by combining people and digital technology

With the labor shortage becoming more serious, using digital technology to improve productivity is a matter of urgency. In order for AEON delight to achieve sustainable growth in the future, it will need to combine “people” and “digital technology” in its services, and find the right balance between the two. I believe AEON delight will be able to provide services that are even more closely tailored to customers by accelerating its digitalization efforts, shifting to a direction of entrusting digital technology with the tasks it can handle and freeing up people to focus on more creative work, while protecting the essential value of the services the company provides.

Under the previous medium-term management plan (FY2021-FY2023), “promotion of DX” served as one of the basic policies, and AEON delight made steady progress in its efforts to improve productivity. The new medium-term management plan that started in FY2024 also calls for continued aggressive growth investments aimed at improving productivity through digitalization and creating new services by strengthening data management functions.

The point I think is most important to remember about DX is that DX is a means, and not an end in itself. The discussion should first be about how you want to boost corporate value through DX, followed by using DX to

accelerate the realization of that goal. The main point to consider is whether or not DX is leading to a dramatic improvement in customer value, as well as the productivity of the company itself. From this perspective, while AEON delight’s DX initiatives have achieved a certain level of success in terms of productivity, there is still room for improvement before any tangible results in terms of customer value become apparent.

To achieve DX that not only improves productivity but also contributes to improving customer value, I think it is necessary to reaffirm internally what the customer value that AEON delight offers is, and to clarify and share with everyone what needs to be done to improve customer value and create new value.

As an outside director, I would like to offer advice and suggestions based on my knowledge and experience of being involved in the management of IT companies from the perspective of promoting DX with the ultimate goal of improving customer value.

To this end, I will strive to gain a deeper understanding of AEON delight’s business, organization and culture, and I hope to improve my question-asking and communication skills so that I can provide new insights to the company, including the executive directors.

To stakeholders

What I am always conscious of is that AEON delight and its parent company are both listed companies, and that we need to consider the overall balance from the perspective of protecting minority shareholders, such as by checking whether transparency, fairness and rationality are ensured in transactions between AEON delight and its parent company. In addition, from the perspective of enhancing the corporate value of AEON delight, I believe that my role is to encourage the management team to have an “animal spirit” and to take bold risks to achieve growth.

At the same time, I also want to focus on direct dialogue and engagement with shareholders and investors.

Companies and investors are not adversaries, but rather have a relationship in which they should work together toward the common goal of enhancing corporate value. In this regard, I believe that outside directors, who are entrusted by shareholders to oversee management from an independent perspective, can act as intermediaries to help companies and investors build a relationship of trust and grow together. For this reason, I would like to see the direct exchange of opinions with the capital markets in a variety of formats and forums in the future.

8 Year Financial and Non-Financial Summary

		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Profit and Loss Status		Unit								
Net sales	Million yen	292,607	292,396	302,915	308,582	300,085	317,657	303,776	324,820	
Operating income	Million yen	14,139	12,909	13,030	16,001	15,230	15,733	15,814	15,235	
Operating Profit Margin	%	4.8	4.4	4.3	5.2	5.1	5.0	5.2	4.7	
Ordinary income	Million yen	14,263	13,381	13,362	15,949	15,268	15,789	16,006	15,482	
Net income attributable to parent company shareholders	Million yen	7,093	6,397	6,415	9,348	11,680	10,665	10,152	10,707	
Comprehensive income	Million yen	7,862	7,707	6,007	9,039	12,329	11,529	11,003	11,591	
EBITDA (Operating Profit + Amortization of Goodwill + Depreciation)	Million yen	16,962	16,077	16,435	19,205	18,607	19,222	19,518	19,255	
Financial Status										
Net assets	Million yen	84,604	89,143	75,539	81,286	88,281	95,421	99,391	104,212	
Total assets	Million yen	137,870	144,678	134,071	136,917	136,565	142,859	150,628	160,257	
Per Share Indicators										
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	2,124.04	
Net income per share	Yen	134.99	121.68	122.92	187.21	233.69	213.26	203.54	219.70	
Diluted net income per share	Yen	134.62	121.34	122.61	186.94	233.47	213.12	203.40	219.57	
Management Indicators										
Equity ratio	%	59.4	59.5	54.6	57.6	64.0	66.2	65.3	64.3	
Return on equity (ROE)	%	8.9	7.6	8.1	12.3	14.1	11.7	10.5	10.6	
Dividend payout ratio	%	40.7	50.1	51.3	34.7	35.1	39.4	41.8	39.1	
Price/earnings ratio	times	25.7	30.9	33.7	17.6	13.6	14.0	14.6	15.6	
Cash Flow Status										
Cash flows from operating activities	Million yen	11,703	13,568	12,373	7,371	10,403	12,598	8,895	18,518	
Cash flows from investing activities	Million yen	2,233	(2,666)	12,256	13,838	(7,325)	(386)	(10,715)	(4,319)	
Cash flows from financing activities	Million yen	(2,400)	(3,264)	(19,686)	(3,392)	(5,324)	(4,572)	(6,181)	(6,922)	
Cash and cash equivalents at end of year	Million yen	31,004	38,722	43,437	61,151	58,937	67,520	59,996	67,714	
Non-Financial Indicators										
Greenhouse gas emissions (Scope1,2)	Consolidated	t-CO ₂	—	—	—	—	—	1,463	3,451	3,442
	Non-consolidated	t-CO ₂	—	—	—	—	—	1,463	1,468	1,416
Amount of solar power generation		1,000 kWh	7,809	8,016	7,806	7,600	7,717	7,912	7,477	7,842
Reduction in power consumption of installed energy saving equipment	Lighting equipment	1,000 kWh	57,607	34,775	33,356	24,691	33,404	26,165	47,646	103,616
	Air conditioning equipment	1,000 kWh	17,230	9,688	20,406	17,737	20,168	24,266	29,897	31,011
	Refrigerated case	1,000 kWh	399	1,296	3,590	1,645	1,615	1,794	4,849	13,690
Industrial waste emissions		t	14,831	12,328	16,528	15,942	19,774	18,808	18,449	22,372
Consolidated total number of employees		person	12,558	13,430	20,877	22,062	20,117	20,200	21,719	21,209
Number of employees		person	4,004	4,034	4,050	4,074	4,118	4,174	4,231	4,326
Number of female employees		person	298	322	348	381	427	467	509	578
Number of managers		person	616	622	618	607	662	609	675	721
Number of female managers		person	8	9	8	7	15	16	14	19
Annual paid leave acquisition rate		%	50.2	51.3	54.1	64.7	63.5	64.9	74.3	74.8
Paternal leave acquisition rate		%	0.0	12.5	18.2	6.4	3.1	7.2	13.0	28.6
Maternal leave acquisition rate		%	100.0	87.5	81.8	100.0	100.0	100.0	95.2	100.0
Employment rate of persons with disabilities		%	1.45	1.75	2.11	2.25	2.12	2.13	2.42	2.31
Occupational accident frequency rate		%	—	4.60	4.59	1.77	2.50	3.80	2.71	6.78
Number of directors		person	13	13	11	6	6	8	8	8
Number of outside directors		person	2	3	3	3	3	4	4	4

*New revenue recognition standard has been adopted from FY2022.

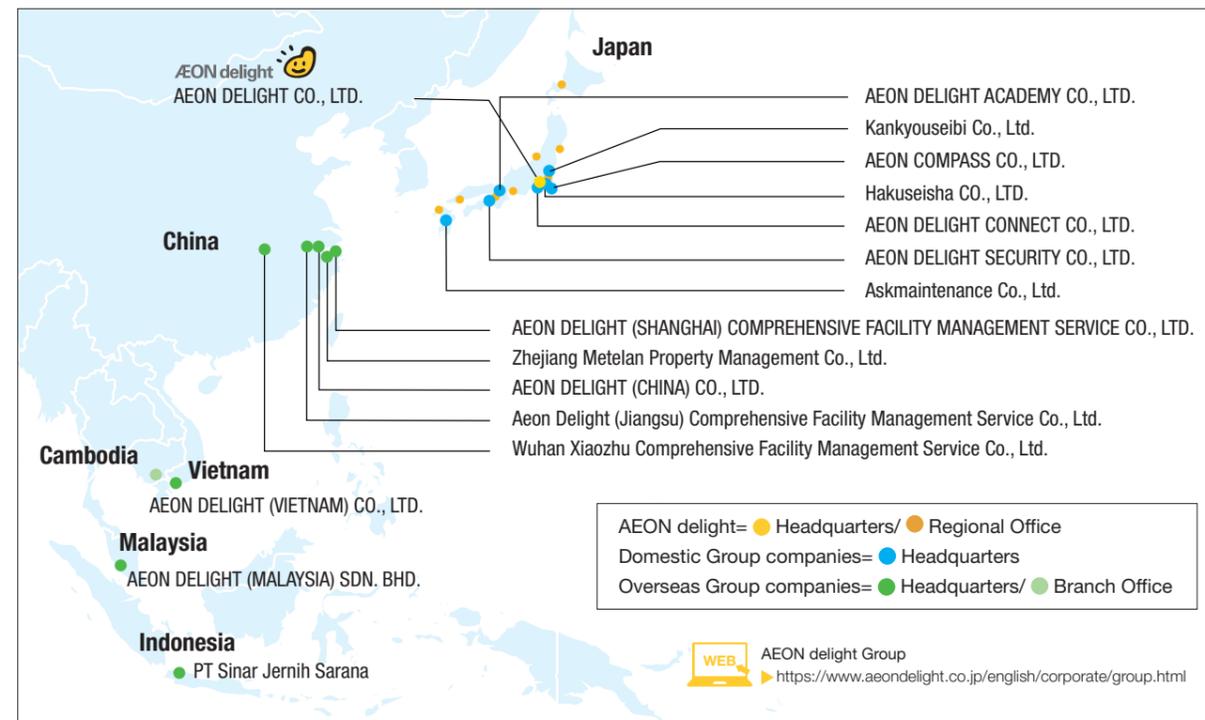
*Non-financial indicators other than the consolidated number of employees are shown on a non-consolidated basis.

*The paternity leave acquisition rate has been calculated based on the human capital disclosure standards since FY 2023.

Corporate profile (As of February 29, 2024)

Company Name	AEON DELIGHT CO., LTD.	Capital	3,238 million JPY
Founded	November 16, 1972	Description of Business	Facility Management
Headquarters	Teitokanda Bldg. 1-1-1 Kandanishiki-cho, Chiyoda-ku, Tokyo 101-0054	Number of Employees	4,326 Group total: 21,209
Osaka Office	Minamisemba Heart Bldg. 2-3-2 Minamisemba, Chuo-ku, Osaka City, Osaka 542-0081		

Offices



Major consolidated subsidiaries (As of February 29, 2024)

Japan

- AEON DELIGHT ACADEMY CO., LTD.
- AEON DELIGHT SECURITY CO., LTD.
- Kanyouseibi Co., Ltd.
- AEON DELIGHT CONNECT CO., LTD.
- AEON COMPASS CO., LTD.
- Hakuseisha CO., LTD.
- Askmaintenance Co., Ltd.

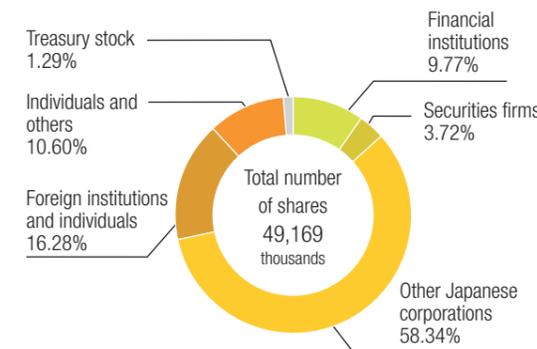
Overseas

- AEON DELIGHT (CHINA) CO., LTD. [China]
- AEON DELIGHT (CHINA) SERVICE MANAGEMENT GROUP CO., LTD. [China]
- WUHAN XIAOZHU COMPREHENSIVE FACILITY MANAGEMENT SERVICE CO., LTD. [China]
- AEON DELIGHT (SHANGHAI) COMPREHENSIVE FACILITY MANAGEMENT SERVICE CO., LTD. [China]
- Zhejiang Metelan Property Management Co., Ltd. [China]
- AEON DELIGHT (MALAYSIA) SDN. BHD. [Malaysia]
- AEON DELIGHT (VIETNAM) CO., LTD. [Vietnam]
- PT Sinar Jernih Sarana [Indonesia]

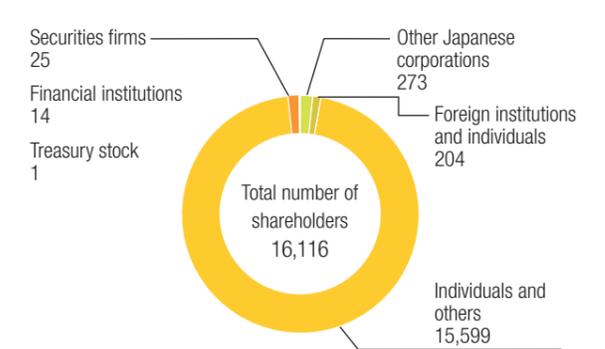
Stock information (As of February 29, 2024)

Total number of issued shares	49,169,633	Stock code	9787
Total number of shareholders	16,116	Fiscal year end	End of February
Stock exchange	Tokyo Stock Exchange, Prime Market		

Shares by type



Shareholders by type



Major shareholders

Shareholders	No. of shares held (thousands)	% of issued shares
AEON CO., LTD.	27,613	56.89
The Master Trust Bank of Japan, Ltd. (Trust account)	3,170	6.53
AEON delight Business Partner Stock Ownership Association	1,316	2.71
Custody Bank of Japan, Ltd. (Trust account)	871	1.80
SMBC Nikko Securities Inc.	788	1.63
AEON delight Employee Stockholding Association	693	1.43
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	640	1.32
Nomura Securities Co.,Ltd. Self-transfer account	600	1.24
The Nomura Trust and Banking Co., Ltd. (Trust account)	499	1.03
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Mizuho Bank, Ltd. Settlement & Clearing Services Department)	484	1.00

* Aside from the number of shares listed above, the Company holds 634 thousands treasury shares (1.29% 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.

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

Stock price and trading volume trends

