

AEON Delight
Corporate Governance Guidelines

AEON DELIGHT CO., LTD.

《Corporate Governance Guidelines of AEON Delight》

Foreword

Our company hereby specifies our purposes, missions, and promises with society as our management principle and code of conduct, and describes them in the “Corporate Governance Guidelines of AEON Delight” as our universal value.

Our company aims to achieve effective corporate governance based on these guidelines, in order to actualize the sustainable growth of our enterprise and the medium to long-term improvement of corporate value, while preventing unhealthy corporate behavior.

These guidelines comply with laws, regulations, the articles of incorporation, corporate principle, etc. and are used for achieving more effective corporate governance.

Our Management Principle

- We pursue the creation of “Environmental Value” for the customers and for the local communities.

Code of conduct

- I will be always grateful that I am supported by many people and keep a humble heart.
- I will behave honestly and faithfully at all times.
- I will keep improving myself to offer services that exceed the expectations of customers.
- I will keep trying to create the environmental value of AEON Delight without hesitation.
- I will try to contribute to our local community as a member of AEON Delight.
- I will respect my coworkers with the aim of maintaining our delightful working environment.

Chapter 1 General Provisions

【Article 1 Purpose】

The purpose of these guidelines is to achieve the most appropriate corporate governance suited for satisfying social demand and our managerial environment, in order to fulfill our responsibility toward stakeholders through the sustainable growth and corporate value improvement of our company, so that our company will “create environmental value” as our management principle, and keep being indispensable to society.

【Article 2 Basic policy for corporate governance】

Our company defines a corporate governance system as “a system for supporting the sustainable growth of our company that has a good balance between ‘offense’ and ‘defense’ from the following four viewpoints.”

- ① Means for integrating the business activities of the members (executives and employees) of our enterprise under one policy or vector and then utilizing managerial resources to the maximum degree.
- ② Basic promises that underpin the trusting relationships with stakeholders who support our enterprise

- ③ Preparedness for unexpected ordinary or extraordinary events
- ④ Rules each enterprise should follow for surviving as a member of society

【Article 3 Positioning of these guidelines】

1. These guidelines are positioned as our basic principles for corporate governance, following relevant laws, including the Companies Act, and the articles of incorporation.
2. Our company prioritizes the enhancement of the effectiveness of corporate governance for our business administration, and keeps enriching corporate governance.

Chapter 2 Relationships with shareholders, and good, smooth relationships with stakeholders other than shareholders

【Article 4 Principle of shareholder equality】

1. Our company shall treat all shareholders equally according to the type and amount of shares they hold.
2. Our company shall not provide a specific shareholder with special benefits, such as the provision of property benefits.

【Article 5 General meetings of shareholders】

1. Each general meeting of shareholders is attended by shareholders who have voting rights to make supreme decisions, which shall reflect the intentions of shareholders properly. [Supplementary principle 1-1 (1)]
2. If a proposal is approved at a meeting of shareholders, but there are quite a few dissenting votes, the reasons for opposition and why there are many dissenting votes shall be analyzed, and necessary measures shall be discussed. [Supplementary principle 1-1 (1)]
3. The exercise of a voting right at a general meeting of shareholders is a right of shareholders, and so our company shall make efforts so that shareholders can exercise their voting rights appropriately.
 - (a) Our company will appropriately provide shareholders with necessary information for making a sound judgment at a general meeting of shareholders [Supplementary principle 1-2 (1)]
4. Our company will dispatch convocation notices to shareholders while securing the accuracy of information as early as possible so that shareholders can think over the items to be discussed at a general meeting. The information written in said convocation notices will be electronically released through TDnet and our website during a period from the board of directors' decision to convene a general meeting of shareholders to the dispatch of said convocation notices. [Supplementary principle 1-2 (2)]
5. Our company will appropriately specify the date, place, etc. of each general meeting of shareholders, so that many shareholders can attend said meeting and make their opinions reflected. [Supplementary principle 1-2 (3)]
6. Our company will develop an environment in which not only the shareholders attending a general meeting of shareholders, but also all other shareholders can exercise their voting rights appropriately. [Supplementary principle 1-2 (4)]

【Article 6 Basic policy for capital measures】

1. Our company will make efforts to actualize sustainable growth through active investment, improve shareholder value in the medium to long term, and return more profits to shareholders according to the growth of our company. In addition, we emphasize return on equity (ROE) as an indicator of capital efficiency, and we are conscious of 12% level for the time being.
2. With regard to the allocation of annual profits, we will keep payout ratio around 40% stably, while emphasizing the balance between growth investment and profit sharing with shareholders. [Principle 1-3]

【Article 7 Strategically held shares】

1. Our company may hold the shares of other companies than our subsidiaries and affiliates within a reasonable range, for the strategic purpose of maintaining and cementing the medium to long-term relations with said companies, strengthening the tie-ups with said companies, etc. On the other hand, we will not hold such shares for the purpose of investment, etc. other than the above mentioned strategic purpose. We will disclose the purpose of holding listed shares, etc.
2. The board of directors will examine the purposes of holding major strategically held shares and the rationality thereof every year, while considering the medium to long-term economic rationality and future outlooks. If it is judged that our company should stop holding some shares, said shares shall be sold.
3. With regard to the exercise of voting rights for strategically held shares, we will determine whether or not to vote for each bill, after discussing whether said bill would contribute to the maintenance and strengthening of good relations with our company, whether said bill would contribute to the medium to long-term growth of our company and business partner, whether the drop in share price would cause tremendous loss, etc. while taking into account the original purpose of holding said shares. [Principle 1-4]

【Article 8 Protection of shareholders' rights】

1. With regard to capital measures, which would lead to the change and significant dilution of authority, our company will discuss the necessity and rationality thereof so that said measures will not cause undue harm to shareholders, secure legitimate procedures, and properly disclose the description of said measures to shareholders. [Principle 1-6]
2. With regard to the introduction and implementation of measures against takeovers, our company will discuss the necessity and rationality thereof, secure legitimate procedures, and give sufficient explanations to shareholders. [Principle 1-5]
3. If the shares of our company undergo a takeover bid, we will explain the policy of the board of directors. [Supplementary principle 1-5 (1)]

【Article 9 Prevention of transactions that go against shareholders' interests】

1. Neither directors nor auditors shall pursue their own or a third party's interests, while going against the interests of our company.

2. Neither directors nor auditors conduct conflicting-interest or competing transactions, without obtaining the approval of the board of directors in accordance with the Companies Act.
3. Any directors who have some interests (including personal one and business one other than our company) shall not be involved in decision making of the board of directors mentioned in the previous section.
4. Our company belongs to the corporate group led by AEON Co., Ltd., and so our company has transactions with other group companies mainly for the management of commercial facilities of the Aeon Group on a daily basis. When our company conducts a transaction with the parent company, etc., our company will make fair, proper decisions pursuant to the arm's length principle, while considering the necessity of said transaction, the consistency between said transaction and ordinary transactions with a third party, etc. in order to protect minority shareholders. In detail, the board of directors shall specify that in order to start an important transaction worth a certain amount of money, such as a transaction with a company of the Aeon Group, it is necessary to have a resolution of the board of directors and report on said transaction to the board of directors, while considering the characteristics of our business, and establish the criteria for discussing such a transaction at a meeting in the regulations for the board of directors, etc. [Principle 1-7]
5. In order to prevent insider transactions, our company will establish “the regulations for the prevention of insider transactions and the management of inside information,” and strictly enforce said regulations.

【Article 10 Dialogues with shareholders】

1. Our company will have constructive dialogues with shareholders with a rational method in a reasonable range approved by our company, in order to contribute to the sustainable growth and medium to long-term improvement of corporate value of our company. [Principle 5-1]
2. The board of directors will develop necessary systems by appointing a director or an executive officer as an information disclosure manager, establishing an information disclosure department, etc. in order to promote constructive dialogues with shareholders, etc. [Principle 5-1]

【Article 11 Disclosure and transparency of information】

1. Our company will disclose the following items in addition to those mentioned herein, for appropriately disclosing information pursuant to law, securing the transparency and fairness of decision making in our company, and achieving effective corporate governance. [Principle 3-1]
2. Basic policies for business administration, including managerial strategies, managerial plans, and capital measures
3. Basic philosophy and policy for corporate governance
4. Quantitative and qualitative information that is helpful for understanding the business conditions of our company, including the information that is found to be demanded by investors through the dialogues with them
5. We will make efforts to disclose and offer information in English within a reasonable range as much as possible, from the viewpoint of international information disclosure.

【Article 12 Good, smooth relationships with stakeholders other than shareholders】

1. Our company respects various stakeholders, including customers, business partners, employees, shareholders, and local communities, and maintain good, smooth relationships with them, in order to improve medium to long-term corporate value. [Principle 2-1]
2. Our company will specify the code of conduct, diffuse it among all employees of the Aeon Group, and make them follow the code, in order to “create environmental value” under our corporate principle, while cooperating with stakeholders appropriately and respecting their interests. [Principle 2-2]
3. Our company will tackle the problems regarding sustainability, including social and environmental issues, actively and proactively. [Principle 2-3]
4. Our company considers that the existence of a variety of viewpoints and values reflecting diversified experiences, skills, and attributes would be helpful for securing the sustainable growth of our company, and secures diversity including the facilitation of success of female employees. [Principle 2-4]

Chapter 3 Corporate governance systems

【Article 13 Systems for the boards of directors and auditors】

1. Our company shall choose to have the board of auditors, and auditors or the board of auditors will audit the execution of duties of directors and the board of directors. [Principle 4-10]
2. The board of directors of our company has the two functions: the operation and supervision of business. The board of directors will adopt the operating officer system for the purpose of streamlining the decision making process for business operation and entrust the board of operating officers with part of the decision making for business operation. [Principle 4-10]
3. The board of directors shall be composed of various directors with diversified backgrounds, including expertise and experience, and the number of directors shall be up to 20, so that the functions of the board of directors can be exerted effectively and efficiently. [Supplementary principle 4-11 (1)]
4. The board of directors shall have 2 or more independent external directors who are independent and neutral. [Principle 4-8]
5. Over half of the members of the board of auditors shall be external auditors, and at least one member shall be an independent executive designated by a stock exchange, in order to secure the independence of the board of auditors. External auditors shall be selected from experts in finance, accounting, law, business administration, etc.
6. Our company will have a nomination and remuneration advisory committee as an arbitrary advisory committee of the board of directors, in order to enact the policies and standards for the nomination of candidate directors and the remunerations of directors, and improve the independence, objectivity, and accountability for nominating candidate directors and determining remunerations in the board of directors. [Supplementary principle 4-10 (1)]
7. Our company will have an evaluation advisory committee as an arbitrary advisory committee of the board of directors in order to strengthen the independence and objectivity of evaluation and analysis to measure the effectiveness of the board of directors. [Supplementary principle 4-11 (3)]

【Article 14 Nomination and remuneration advisory committee】

1. The board of directors will have a nomination and remuneration advisory committee as an arbitrary advisory committee.
2. The chairperson of the nomination and remuneration advisory committee, in principle, is the external directors of our company, and the committee shall be consisted of directors (including several external directors) and auditors. [Supplementary principle 4-10 (1)]
3. The nomination and remuneration advisory committee shall provide advice and reports to the board of directors on the following matters.
 - (a) Policies, standards and procedures concerning election and nomination of candidate directors and candidate auditors. [Supplementary principle 4-3 (1)]
 - (b) Election and nomination of candidate directors and candidate auditors based on the above policies. [Supplementary principle 4-3 (1)]
 - (c) Guidance concerning the succession planning of the representative director and president, etc. [Supplementary principle 4-1 (3)]
 - (d) Policies, standards and procedures concerning director compensation. Incentive plans based on medium to long-term business results and risks as well as interlocking elements with shareholder value. [Supplementary principle 4-2 (1)]
 - (e) Contents of director compensation based on the above policies. [Supplementary principle 4-2 (1)]

【Article 15 Evaluation advisory committee】

1. The board of directors will have an evaluation advisory committee as an arbitrary advisory committee.
2. The chairperson of the evaluation advisory committee, in principle, is an external director, and the committee shall be consisted of directors (including several external directors) and auditors.
3. The evaluation advisory committee shall provide advice and reports to the board of directors once a year based on their analysis and evaluation of the functions of the board of directors. [Supplementary principle 4-11 (3)]

【Article 16 Business operation systems】

1. The board of directors shall make important decisions concerning the business management of our company. The important decisions to be made by the board of directors are regulated in the “Board of Directors Regulations”. For the business operation matters that are not regulated in the regulations, the decision shall be made in accordance with our company’s internal rules such as “Duties and Regulations for Official Authority” and “Approving Authority Regulations”. [Supplementary Principle 4-1 (1)]
2. The duties shall be executed by a department led by a corporate officer in accordance with our company’s internal rules such as “Duties and Regulations for Official Authority” and “Approving Authority Regulations”. The range of responsibilities for each department that will execute the duties is specified in “Duties and Regulations for Official Authority”.

【Article 17 Roles, duties, etc. of the board of directors】

1. The board of directors shall play the most important role in the corporate governance system of our company.
2. The board of directors shall establish the goal of our company (i.e. corporate principle) and shape the strategic direction of our company. The board of directors' decision concerning the business management of our company shall be in line with this strategic direction. [Principle 4-1]
3. The Board of directors shall create an environment that supports appropriate risk-taking behavior. [Principle 4-2]
4. The board of directors shall conduct highly effective supervision of senior management including directors and operating officers from independent and objective standpoint. [Principle 4-3]
5. The board of directors shall aim to realize corporate philosophy through establishment of the best corporate governance, perform its supervisory functions and make the best decision based on fair judgment.
6. The board of directors shall decide important matters as regulated in laws, regulations, the articles of incorporation and “Board of Directors Regulations” and supervise the tasks executed by the directors and corporate officer. [Supplementary principle 4-1 (1)]
7. In order to improve mobility and flexibility, the board of directors may delegate decision making of the matters other than the important matters that are specified in the “The Board of directors Regulations” and execution of the decided tasks to the designated officers such as directors and operating officers including the representative director and president in accordance with the internal regulations such as “Duties and Regulations for Official Authority”. [Supplementary principle 4-1 (1)]
8. The board of directors must make efforts to achieve the corporate principle and contribute to medium to long-term growth of corporate value and shareholders' joint gain. It also has responsibilities to make fair judgment and take actions against the acts that may damage them. [Principle 4-5]
9. The board of directors should acknowledge that the medium term management plan is one of the commitments to the shareholders and make efforts to achieve the goals of the plan. If the goals are not achieved, the board of directors must examine and explain the causes of failure and our company's actions to address the issues and reflect the examination results to the future plans. [Supplementary principle 4-1 (2)]
10. The board of directors shall bear responsibilities for compliance, accuracy of financial reports and risk management systems and supervise the effective establishment and operation of such systems. In order to maintain the supervisory function, the board of directors shall meet every 6 months to confirm the internal control situation, in addition to the monthly meeting, in order to check the effectiveness of the internal control systems. [Supplementary principle 4-3 (4)]

【Article 18 Operation of the board of directors】

1. The board of directors shall strive to create an environment in which free-spirited and constructive discussion and opinion exchange, including raising issue by the external directors, are respected. The

operation of the board of directors is specified in the Board of Directors Regulation and Board of Directors Body Regulations. The secretariat of the board of directors shall work on the following matters for the board of directors meetings to create lively discussions. [Principle 4-12]

2. Agendas, deliberation length, and frequency of each board of directors meeting shall be set to allow necessary and sufficient deliberation for the members to make decision on important business operation and supervision of the business operation. [Supplementary principle 4-12 (1)]
3. Information concerning agenda of each board of directors meeting shall be distributed well in advance of the meetings. If requested, questions shall be accepted even before the meeting, and the proposer of the agenda shall provide sufficient explanation and information beforehand to enable all the attending members to make a decision on the agenda. [Supplementary principle 4-12 (1)]

【Article 19 Directors】

1. Directors are elected at a general meeting of shareholders, and they shall serve for a term of one year as specified in the articles of incorporation.
2. Directors have duty of care of a good manager and duty of loyalty.
3. Directors shall collect sufficient information to operate their duties, seek explanations, deliberate by proactively expressing their opinions and execute their rights to vote at the Board of directors. [Principle 4-13]
4. Directors shall solve management issues of our company by exercising the board of directors' rights to propose agenda and to convene board of directors meetings in a timely and appropriate manner.
5. Directors shall demonstrate their ability and execute their duties using sufficient time in order to respond to the trust from the shareholders.

【Article 20 External directors】

1. External directors shall facilitate sustainable growth of our company using their knowledge and provide guidance to enhance the medium to long-term corporate value. [Principle 4-7 (i)]
2. External directors shall ensure that their opinions are appropriately reflected in nominating candidate directors, deciding the remunerations of directors, and assessing the board of directors through activities of various advisory committees. [Principle 4-7 (ii)] [Principle 4-10]
3. External directors shall monitor and supervise conflict of interests between our company and the management/majority shareholders. [Principle 4-7 (iii)]
4. External directors shall appropriately reflect the diverse stakeholders' opinions such as minority shareholders to the board of directors, independently from the majority shareholders. [Principle 4-7 (iv)]
5. External directors shall take initiative to enhance fairness in the judgment and actions of the board of directors and achieve the best corporate governance.
6. If it is deemed necessary to make transparent, fair, prompt and bold decisions for our company, external directors can seek additional necessary information from our company. Furthermore, if it is deemed necessary, external directors can seek guidance from external experts at the expense of our company. [Supplementary principle 4-13 (1) (2)]

【Article 21 Criteria for judging the independence of external directors】

In line with the criteria for judging the independence as specified by the Tokyo Stock Exchange and the Companies Act, our company defines the criteria for judging the independence of external directors as follows:

1. The person is not or did not once serve as executive director, executive officer, corporate officer or employee of our company, its subsidiaries, parent company or brother companies (hereinafter collectively referred to as “executive/employee”) currently or in the past 10 years.
2. The person is not or has not been applicable to the following status currently or in the past 3 years.
 - (a) Major shareholder (person who is directly or indirectly entitled to 10% or more of the total voting rights of our company) of our company or his/her executive/employee.
 - (b) Partner of our company’s accounting auditor or employee who is involved with audit of our company.
 - (c) Executive/employee of our company’s major lender (lender for which the borrowed amount exceeds 2% of the consolidated net assets).
 - (d) Executive/employee of our company’s major business partner (the business partner with which the business amount exceeds 2% of annual consolidated sales).
 - (e) Lawyer, accountant, tax accountant, or other consultant who has received JPY 10 million or more per financial year from our company Group, in addition to officer’s remuneration.
 - (f) Executive/employee of a non-profit organization to which our company Group donates JPY 10 million or more and the amount of donation exceeds 2% of the total income of said organization.
 - (g) Spouse of the person applicable to above 1 or (a) to (f), or person who is collateral line up to the second degree to the person applicable to above 1 or (a) to (f). [Principle 4-9]

【Article 22 Board of auditors】

1. The board of auditors shall audit business operation by directors/executive officers, make decision on the contents of agenda concerning appointment and dismissal of accounting auditors whose names will be submitted to the general meeting of shareholders as well as non-reappointment of accounting auditors, and perform accounting audit and other tasks as determined by laws and regulations.
2. The board of auditors shall, in a timely and appropriate manner, receive reports from directors, employees and accounting auditors concerning matters necessary to audit business operation by directors/management. At the same time, the board of auditors shall secure adequate network by, for example, sharing necessary information with accounting auditors, internal audit department and external directors, in an effort to enhance audit quality and achieve efficient audit. [Supplementary principle 3-2 (2)]
3. The board of auditors shall determine basic policies, regulations and procedures that are necessary for executing its duties.
4. Independence of the decisions made by the board of auditors from directors shall be guaranteed to secure objectivity of audit, in terms of instructions of tasks and personnel assessment, etc. [Supplementary principle 4-13 (3)]

5. The board of auditors shall collaboratively work with external directors to enable them to strengthen their information collection capacity without compromising their independence. [Supplementary principle 4-4 (1)]

【Article 23 Auditors】

1. Auditors shall audit business operation by directors/management as an independent entity that is entrusted by the shareholders and has the authority to investigate business and property.
2. Full-time auditors shall utilize high levels of information collection capacity as full time members, organize audit environment, and audit and validate establishment and operation of internal control system on a daily basis.
3. Full-time auditors shall share any information learned during the course of their duties with other auditors and make efforts to assist external directors in collecting information. [Supplementary principle 4-4 (1)]

【Article 24 External auditors】

1. External auditors shall be aware that they are expected to objectively express their honest audit opinions from independent and neutral point of view in line with the fact that their election is required by laws to enhance independence and neutrality of the audit system and the reasons for their election.
2. External auditors who are appointed to be independent officers shall act to achieve fair and appropriate decision making of the management to pursue profit of general shareholders and our company, and express their opinions from the point of view to benefit general shareholders, in collaboration with other independent officers.

【Article 25 Representative director and president】

1. The representative director and president shall lead operation of business activities to achieve the management plans in accordance with the strategies and management policies that are decided by the board of directors as a director as well as the general manager of business operation.
2. The representative director and president can entrust individual operating officer with specific business operation.
3. In order to fulfill the responsibilities as the general manager of business operation, the representative director and president shall organize the system to operate business, host operating officers' meetings, and supervise and lead business operation by operating officers. In addition, the representative director and president shall nominate candidate operating officers to the board of directors and evaluate them.

【Article 26 Operating officers】

1. Operating officers shall serve for a term of one year, and the board of directors shall elect and dismiss them.
2. Operating officers who concurrently hold the post of director shall bear responsibilities to supervise management of the entire company as directors and to execute assigned duties as operating officers.

【Article 27 Selection of candidate directors and auditors】

1. The selection criteria for candidate internal directors are as follows:
 - To have character and knowledge suitable to be director.
 - 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.
 - 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.
2. The election criteria for candidate external directors are as follows:
 - To agree with our company's business philosophy and code of conducts.
 - To have rich experiences as management such as chief executive officer or have equivalent experiences and knowledge.
 - To be able to make a judgment independently from our company's management team.
 - To be able to attend board of directors meetings of our company most of the time.
 - To meet our company's criteria of independence. [Principle 3-1] [Supplementary principle 4-3(1)][Supplementary principle 4-11(1)]
3. When electing auditors, 1 or more auditors who have sufficient knowledge concerning finance and accounting shall be elected. [Principle 4-11]
4. The board of directors shall nominate and appoint candidate directors and candidate auditors for an agenda of a general meeting of shareholders based on the reports from the nomination and remuneration advisory committee.
5. In the event that a director violates or is likely to violate laws and regulations or the articles of incorporation, or if there arises any matter that is deemed difficult to properly perform his/her duties, a proposal for dismissal of such director shall be submitted to the general meeting of shareholders.

【Article 28 Remunerations for directors and auditors】

1. Remunerations of directors are consisted of basic remuneration, performance-based remuneration, and share remuneration stock option as an incentive for enhancing medium to long-term corporate value. The total amount shall not exceed the amount approved at the general meeting of shareholders. [Principle 3-1][Principle 4-2][Supplementary principle 4-2 (1)]
2. Remuneration of auditors shall be determined through discussion by auditors and shall not exceed the total amount of remuneration approved at the general meeting of shareholders. Remuneration of external directors and auditors is consisted of basic compensation that is not performance-based in consideration of their roles. [Principle 3-1]
3. The board of directors shall determine the remuneration of directors based on the reports from the nomination and remuneration advisory committee within the range of the amount approved at the general meeting of shareholders.

【Article 29 Evaluation of the board of directors】

1. The board of directors shall analyze and evaluate effectiveness of the board of directors as a whole every year based on the reports from the evaluation advisory committee and self-assessment reports from each director and disseminate the summary results. [Supplementary principle 4-11 (3)]

【Article 30 Policy for the training of directors and auditors】

1. Our company shall provide and recommend training opportunities and support the training costs to enable directors and auditors to appropriately play their expected roles and responsibilities. The board of directors shall confirm if appropriate actions are taken or not. [Principle 4-14]
2. In acquiring the knowledge necessary for directors and auditors to fulfill their roles and responsibilities, our company shall provide opportunities for directors and auditors to understand general matters such as the roles and responsibilities required of directors and auditors (including legal responsibilities) and matters specific to our company such as knowledge of our company's business, finances, and organization. [Supplementary principle 4-14 (1)]

【Article 31 Whether directors and auditors are part-time】

1. Directors and auditors including external directors and auditors shall allocate necessary time and effort to their duties to appropriately fulfill the role and responsibilities. From this point of view, it is desirable that they do not concurrently take up other executive officers' positions of listed companies. The status of directors and auditors (whether they are part-time or full-time) shall be disclosed every year. [Supplementary principle 4-11 (2)]

【Article 32 Internal control】

1. Enriching internal control of our company and its consolidated subsidiaries is an important element for our company to achieve sustainable growth and maintain trust from shareholders. The board of directors shall determine the basic principles concerning the internal control system based on the relevant laws such as the Companies Act and Financial Instruments Exchange Act in order to ensure the appropriate business operation.
2. As systems to operate based in accordance with the basic principles of the internal control system, our company will establish a division that is responsible for internal control and risk management concerning compliance and financial reporting mainly in the compliance office department. The internal audit department shall evaluate the effectiveness of the internal control system and recommend improvements as needed.
3. As part of supervising management, the board of directors, in principle, shall receive reports on internal control status every 6 months and confirm that appropriate internal control is carried out in line with the basic principles of the internal control system. [Supplementary principle 4-3 (4)]

【Article 33 Whistle-blowing system】

1. Our company will establish an appropriate whistle-blowing system and an internal reporting center which is independent of our directors to enable the employees to report illegal or inappropriate acts

and other sincere doubts to our company without fear of retribution and enable our company to objectively validate and appropriately use the reported information and doubts. [Principle 2-5]

2. The board of directors and the board of auditors shall make efforts to ensure that the whistle-blowing system functions effectively. Furthermore, the information provided through the whistle-blowing system shall be reported to the board of directors and the board of auditors periodically or as needed. [Principle 2-5]

【Article 34 External accounting auditor】

1. Our company recognizes that the responsibilities of external accounting auditors shall be to secure credibility of financial reports and they play important role in achieving the best corporate governance. Based on this recognition, our company takes appropriate measures to ensure appropriate audit. [Principle 3-2]
2. The board of auditors shall appropriately select candidate external accounting auditors and establish standards to appropriately evaluate accounting auditors. [Supplementary principle 3-2 (1)]
3. The board of auditors shall confirm if external accounting auditors have necessary independence and expertise. [Supplementary principle 3-2 (1)]
4. External accounting auditors must conduct organizational operation of business to maintain the quality of audit. The board of directors shall secure adequate audit time to allow the accounting auditors to conduct high quality audit. [Supplementary principle 3-2 (2)]
5. The board of directors and board of auditors shall set quarterly meetings where external accounting auditors can discuss inadequacies and issues that they identified through audit with directors and auditors. The inadequacies pointed out by external accounting auditors shall be followed by the internal audit department until they are solved.
6. The board of auditors shall request external accounting auditors to attend the board of auditors meetings as needed and exchange opinions. [Supplementary principle 3-2 (2)]

Chapter4 Performance of Function as an Owner of Corporate Pension Asset

【Article 35 Corporate Pension Fund】

1. 1. Our company shall establish a corporate pension fund system (name: Aeon Corporate Pension Fund), which is to be a funded defined-benefit plan established by AEON CO., LTD. and its main domestic affiliates, including our company. In order to guarantee that this pension fund system will be able to securely provide pension benefits and lump-sum payments to the beneficiaries in the future, the assets in the fund are to be managed with the objective of securing the long-term comprehensive income required for this purpose, within an acceptable range of risk on the basis of the pension fund's financial situation, and so the proportionate ratios of the composition of the policy assets shall be determined having listened to, and taken into account of, the opinions of external persons with the requisite specialist expertise in this area.
2. The fund shall establish an Asset Management Committee, select investment products, conduct operational monitoring on a quarterly basis, and determine the investment products at the delegation committee, so as to maximize the benefits for the beneficiaries of the fund and to properly and appropriately manage conflicts of interest. The Asset Management Committee shall be composed of

persons selected from among parties in positions of responsibility in the Finance Departments, etc., of the companies subscribing to the Fund and external persons with the requisite specialist expertise in this area. [Principle 2-6]

Chapter 5 Others

【Article 36 Self review of these guidelines】

1. The board of directors shall conduct self-review every year to confirm if the execution of their duties is in line with these guidelines and enhance the effectiveness of corporate governance.
2. In cases where exemptions from these guidelines need to be made, the board of directors shall clearly provide the reasons and clarify that they have taken appropriate measures in line with the purposes of these guideline.

【Article 37 Amendment 】

1. The contents of these guidelines shall be periodically reviewed by the board of directors and, as needed, amended based on the decision at the board of directors.
2. The department that holds primary responsibility for these guidelines is the Group Internal Control Department.

Supplementary provision

【Article 1】

These guidelines shall be effective as of June 1, 2016.

Established on May 24, 2016

Revised on April 12, 2017

Revised on May 23, 2017

Revised on December 14, 2018

Revised on May 26, 2020

Revised on November 30, 2021

Revised on April 7, 2022