

Inspiring Enthusiasm



Aeon Fantasy Co., Ltd.

Integrated Report 2022

AEON

 Planting Seeds of Growth
We are AEON

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Editorial policy

We are pleased to announce the publication of our first Integrated Report, a comprehensive document comprising both financial and non-financial information. Key components of the Aeon Fantasy Integrated Report 2022, which is designed for shareholders, investors, and other stakeholders, include our Purpose, management strategy, business strengths, operations report, sustainability policy/structure, material issues, and ESG information.

Period covered

The report chiefly covers the fiscal year (FY) 2021 (March 2021 to February 2022), though it also includes activities before or after that period.

Scope covered

The report mainly covers Aeon Fantasy Co., Ltd. and companies in its corporate group.

Guidelines referenced

- International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC, now VRF)
- Guidance for Collaborative Value Creation from Japan's Ministry of Economy, Trade and Industry

What can Aeon Fantasy do to create a society in which children can be children?

Since our establishment in 1988, we have been providing fun times and experiences to bring smiles to children's faces. However, the future in which children will live will be filled with issues, such as climate change and the now-endemic novel coronavirus (COVID-19).

In this uncertain society, we have begun to take on new challenges, asking ourselves what we can do and who we should be so that children, the future custodians of our society, can be children.



Under the theme of *connecting the smiles of the earth, the community, and children*, we organized an event that involved redecorating the interior of a store with handprints from local children. The children's palms became the leaves of a bright, colorful, and cheerful tree design. Going forward, we will continue to engage with children to create settings that are overflowing with *smiles*.

Aeon Fantasy's Purpose

Inspiring enthusiasm in every child so that there is a smile on every face

What does it mean to take our children seriously? It means recognizing that they are tomorrow's adults and that whatever impact we have on them today will determine the shape of our future.

Companies like to talk about efficiency and optimization. But it takes so much more to bring a smile to a child's face. That's why we at Aeon Fantasy have made it our mission to do more than anyone to deliver joy to children.

We want our passion to inspire enthusiasm in our children so that there is a smile on every face around the world.

This is, and will continue to be, our purpose at Aeon Fantasy.



Aeon Fantasy's value creation

The value Aeon Fantasy creates for a world overflowing with smiles

Aeon Fantasy's value creation

- Create opportunities for *being connected* so that children can experience *fun*
- Ensure the *Fantasy employee happiness*, the source of children's opportunities for *being connected* and *fun*
- Make the provision of *safe & secure* and *hospitality* of the like that only Aeon Fantasy can deliver the foundation of our business activities

What Aeon Fantasy values most:



Fun and being connected

Aeon Fantasy believes that to realize a world overflowing with smiles, it is vital to bring smiles to children's faces and to spread those smiles to others. To achieve this, we will continue taking on the challenge of bringing to children the kind of fun that can absorb them to the point that they cannot hear the sounds and voices around them, and giving shape to that fun. We are also making progress in creating

settings and spaces and training Fantasy employee that lead to children being connected, so as to spread the smiles of each child to others in a wide circle. We will facilitate opportunities for being connected, between children and their families, and between children and their families on the one hand and Fantasy employee on the other, to take them into a world that is overflowing with smiles.



Fantasy employee happiness

The source of fun and opportunities for being connected for children is, without a doubt, our Fantasy employee (i.e., all the employee who work at Aeon Fantasy) in Japan and overseas. We believe that creating an environment in which Fantasy employee can live and work happily and energetically will bring smiles to children, so have positioned ensuring Fantasy employee happiness as part of our value creation. In addition to pursuing health management, the

aim of which is to make the Company one in which Fantasy employee can work comfortably while maintaining good physical and mental health, and diversity management, the aim of which is to leverage the diverse values, experiences, and abilities of individuals in the management of the Company, we are working to create a corporate culture that encourages people to think for themselves and take on challenges.



Safe & secure and hospitality

Children's fun and opportunities for being connected. The source of this is the Fantasy employee happiness. The foundation for all this value creation is safe & secure and hospitality. In addition to that of the settings in which children play, the safe & secure of the hard and soft aspects of the settings in which Fantasy employee work provides the foundation for all our business activities. We regard hospitality as treating people with respect and warmth, not only children and their families but also the people we work with, and we will continue to evolve by utilizing the know-how we have accumulated while conducting our business over the years.

Message from the President

For children's smiles

Ensuring that all Fantasy employee feel *enthused*
— That is my vision for Aeon Fantasy

Tokuya Fujiwara

President



Foreword

Publication of the Integrated Report

In April 2022, we sublimated our corporate motto, which we chose at the time of our founding, into our Purpose, which expresses stronger awareness of our *raison d'être*, i.e., the significance of our presence in society. At the same time, we moved to the Prime Market of the Tokyo Stock Exchange (TSE), the TSE's new top-tier market that has replaced the former First Section.

So going forward, as a company listed on a market that demands exceptionally high standards in terms of governance, earnings foundation, and financial condition, we will continue to work with our stakeholders to achieve sustainable growth and increase our value as an enterprise.

We have also decided to publish this Integrated Report as a means of further disclosing information on the activities of the Group and conveying this information to a wide range of stakeholders. We will strive to disclose information in a transparent manner, proactively communicate the Group's medium- to long-term approach to value creation, and use the report as an engagement tool for facilitating constructive dialogue with our stakeholders.

Thoughts embedded in our Purpose

Continually asking ourselves, "What can we do for children's smiles?"

My first encounter with Aeon Fantasy was in 1995, when I started working part-time at a game arcade, Mollyfantasy, in the Aeon (formerly Jusco) Iga-Ueno store.

On one occasion I saw a small child trying very hard to pick up a medal (arcade token) they had dropped, but which had slid under a game machine. The child stretched out their arm and picked up the medal, blew the dust off it, and put it in the game machine. They won a single medal, so they basically just got back the medal they had put in. The game this kid was playing had different multipliers for different characters, and if you hit a character with a high one, you would get five or ten medals back in return for the one medal you put in. From an adult's point of view, it would be normal to aim for the character with the highest multiplier, but the child continued to repeat the "put one medal in, get one medal back" routine endlessly, and looked like he was really enjoying himself.

It was an unremarkable event in the store, but I still remember it vividly. I thought to myself that this job, which can create smiles in this way, might be a very meaningful job, and after that, as I did my job, I would be asking myself, "What should I do to bring smiles to children's faces?" This is how I got my start as a Fantasy employee, and it is connected with the

thoughts I had as we drew up our Purpose immediately after becoming President in 2021.

Since its establishment in 1997, the Company has achieved rapid growth and development under the corporate motto of "Serving the community by offering dreams, joy, and human contact through play." However, as the years passed, there gradually emerged a sense within the Company that the company's founding principles might have been forgotten.

As the Company grew and moved up through the ranks of JASDAQ in 2002, the TSE's Second Section in 2003, and the First Section in 2005, we began to attract attention in society, and found ourselves under immense pressure to achieve short-term numerical targets for sales and profits. As long as you are company, it is natural to pursue profit. However, I came to the conclusion that to achieve sustainable growth in the future, we needed to reassess and redefine what Aeon Fantasy offers to society and what its *raison d'être* is.

In formulating the Purpose, I first reconfirmed our founder's philosophy and principles, and then spent a year engaging in dialogue with numerous Fantasy employee.

Based on the comments I received, numerous discussions between the young employees who will lead us in the future and the current management team were held, and these resulted in the positioning of children's *smiles* at the center of our *raison d'être*. "Facing tomorrow's adults; this means that we determine the shape of our future." This is our responsibility to the society of the future, and we incorporated it into our Purpose.

Going forward, we will position the Purpose as the top-level concept for the Group, and all the business activities we pursue will be aimed at accomplishing it.

Achieving our Purpose

Establishment of an employee-oriented code of conduct and creation of a liberal organizational culture that allows everyone to take on challenges

To propagate the Purpose internally and encourage changes in the attitudes and behaviors of Fantasy employee, it is vital to have a code of conduct that sets out clear standards for how employees should conduct themselves as they go about their daily work. So at about the same time that we formulated the Purpose, we set up a project team comprising mainly young people, who will lead us in the next era, and the team got to work on putting together a code of conduct.

In drawing up the code, we placed particular emphasis on topics that come up naturally in day-to-day conversations

among employees, and avoided a directive, commanding tone, instead we went with a questioning style, asking things like, "Is this something that will lead to children's smiles?" At the same time, we included lots of concrete examples of behaviors that we often tend to forget day to day. The goal was to create a code of conduct that could be instantly applied to make improvements in the manner of suddenly realizing during an everyday conversation that you had forgotten something, and then quickly getting yourself back on the right path. By continually asking themselves and their colleagues questions on a daily basis, employees can translate the Purpose into something that they can implement on their own.

Through this project, it was possible, through dialogue with young leaders, to match the ideas and thoughts of the management team, including myself, and the employees. At first, I was concerned that I might come across as self-righteous, but my ideas and those of the employees were often on the same page, and I feel that this resulted in a code of conduct exactly like the one I had initially envisioned. Furthermore, we recognize that it is an important role of management to provide an environment in which each employee can think independently and comfortably take on challenges to achieve our Purpose. One way is to create an environment in which it is easy to speak up, and another is to introduce a system for fairly assessing those who have taken on challenges.

I myself have always enjoyed my job when I have felt that I am contributing to the Company through my work. Therefore, at Aeon Fantasy we want all employees, regardless of job title or position, to feel that they are creating value and contributing to the Company and society, and we are pursuing various initiatives to this end.

In 2020, when I took charge of our domestic Japanese operations, I expanded what we call the Challenge Proposal System. With this system, proposals are sought from the frontline, and great ideas are implemented immediately, before being rolled out to our stores nationwide. Improvements have been made, and the system has been expanded and maintained. Store staff draw motivation from the fact that their proposals have been accepted and implemented throughout the country, which makes them feel that they are contributing to the Company.

In addition, in 2022 we introduced an assessment system for project team members. This system is designed to give employees extra marks for being selected as a member of a project team. With the introduction of this new assessment system, I expect that many employees will actively participate in projects, and that even more of them will volunteer for projects and take on new challenges.

Progress with execution of medium-term management plan (FY2021-2023)

Aiming to be a unique edutainment company offering both *play* and *learning*

Under the three-year medium-term management plan we began implementing in FY2021, we are taking on the challenge of completing to two management tasks, *expanding our business domains for the new-normal era* and *restructuring our operations through IT*, with the aim of realizing our medium- to long-term vision of “becoming a unique edutainment company offering both *play* and *learning* throughout the world to bring smiles to the faces of children and their families.”

Edutainment is a term coined to describe the fusion of entertainment and education. Essentially, children learn and grow through play, and while our SKIDS GARDEN and Kidzooona businesses already include edutainment elements, we would like to go even further and expand the scope of our edutainment business to encompass a wider range of activities, based on the concept of *play equals learning*.

For example, we will not be entering traditional education businesses such as tutoring schools and correspondence courses. However, if we can develop an edutainment business that transcends the boundaries of these businesses and results in *smiles*, and provide a wide range of indoor, outdoor, and online activities, we can create new value by leveraging Aeon Fantasy's strengths. Because we have been providing entertainment not only in Japan but around the world, we are able to create new value by expanding our business domains through the utilization of our accumulated customer base, development capabilities, and expert talent. Our new online business, which has already gotten underway, is performing well, and we plan to launch an outdoor business in FY2023. Furthermore, we are considering various ideas for expanding our business domains, including a GMS-integrated edutainment floor model concept that will provide multiple stores related to play, education, learning, and food to AEON MALLS and other commercial facilities.

In FY2021, the first year of the medium-term management plan, sales and profits fell short of our targets due to the prolonged COVID-19 pandemic, but we are steadily moving forward with initiatives for future growth while continuing to implement infection-prevention measures.

In Japan, we have been working to revitalize the Mollyfantasy format, and in December 2021 we completely remodeled the Mollyfantasy Musashi Murayama (Tokyo) store. We have since been refurbishing other stores in a similar style, and as of September 2022 the renovations have already been

completed at four stores. Our chains of strategic small stores such as TOYS SPOT PALO, a capsule toy specialty store, and PRIZE SPOT PALO, a prize specialty store, are also expanding and growing into large businesses.

In China, amid the heavy impact of the COVID-19 pandemic, we worked to expand our floor area in shopping centers to secure new sources of revenue. Regarding new businesses, we opened a new type of facility based on the theme of exercise and health, where customers are provided with feedback on the results of *exercise through play*.

In the ASEAN zone, we mainly operate indoor playgrounds such as Kidzooona, and we are also opening more Tiny Kidzooona and Kid's Box stores. These are smaller outlets designed to match the size of the local economy and the floor area available. In this region, recovery from the COVID-19 pandemic is accelerating, and a Japanese-themed indoor playground called EDOKKO, which launched Indonesia in January 2022 and constitutes a new business model, is also performing well.

Until now, our main approach has been to roll out models that have been successful in Japan in overseas markets, but to create smiles in the future, it will be necessary to develop business formats that meet local needs in each geographical area and offer something different in each region. As a company that has been providing *fun* and *being connected* to children since its inception, we will leverage our expertise to take on the challenges of localization around the world.

Pursuing sustainability management

Creating five types of value based on ensuring the *Fantasy employee happiness* through our business

In our medium-term management plan, we have positioned the pursuit of sustainability management at the core of our corporate activities, and based on our Sustainability Policy, which we formulated as a set of guidelines for accomplishing that objective, we are pushing ahead with initiatives aimed at achieving both a sustainable society and business growth.

We aim to realize a society overflowing with *smiles* by continuously creating and providing the five values of *fun*, *being connected*, *Fantasy employee happiness*, *safe & secure* and *hospitality* to the world through our business.

Among these five values, the one I emphasize the most as an executive is the *Fantasy employee happiness*.

As a company whose *raison d'être* is to create *smiles*, *fun* and *being connected* are obviously vital types of value to create,

but the smiles of our employees are indispensable for this. If the employees appear bored, you will not want to bring your children to the store, and even if you do, they will not experience joy. Only when employees feel happy themselves can they greet customers with smiles, which in turn will lead to smiles on the faces of the children. So the smiles and happiness of employees forms the basis for creating *fun* and *being connected*.

In addition, *safe & secure* and *hospitality*, which Aeon Fantasy has accumulated as know-how since its establishment and that have been handed down through the years, cannot be ensured unless employees approach their work in a positive manner. So our employees are the ones who create value, and we aim to enhance our value as an enterprise through the *Fantasy employee happiness*.

In addition, to create the five value types in a sustained fashion, we have identified six material issues that could affect our business. These are *addressing climate change*, *working toward a recycling-oriented society*, *contributing to children's futures*, *creating organizations that enable employees to work energetically*, *further engaging with local communities*, and *strengthening corporate governance*. To tackle these issues and enhance the effectiveness of sustainability management, we have established the Sustainability Committee, which is chaired by the President. Under this committee, we have set up six “Sustainability Clubs,” one for each material issue, which are crafting and implementing specific initiatives.

At least one-third of the members of the Sustainability Committee are outside experts. In resolving issues, it is first necessary to properly acknowledge the gap between the current situation and the desired situation, and we believe objective, big-picture outside knowledge is essential for that. Members of the clubs, the bulk of whom are young people, also take part in meetings of the Committee so that employees can gain an understanding of the various gaps inside and outside the Company and pick up tips on how to narrow these gaps.

We want the members working on addressing issues in each club to keep presenting ideas they want to try out without being constrained by old internal conventions and practices. Because a company cannot grow with the limited thinking and judgment of the management team alone. It's that kind of era. I believe that sustainable growth will not be achieved unless we become a company in which conversations alone the lines of, “The President says that, but I think this way,” occur spontaneously. I want us to be a company that grows as a result of the management team and the employees running the company and contributing to society together.

To our stakeholders

Expanding each individual's area of expertise and putting the Company on a growth trajectory through management by everyone

Since becoming President, I have continually asked myself how I can contribute to the Company as an executive and what my own particular role should be. I now believe that my strength lies in the fact that I have been able to closely observe the frontline since my days as part-time employee, and that my mission is to put the Company on a growth trajectory by making managerial decisions from the twin perspectives of frontline personnel and customers.

And the realization that *I cannot accomplish anything on my own* is always at the back of my mind. I cannot do it all by myself, so I delegate authority to my subordinates and allow them to make decisions. If my subordinates cannot do it, then there's probably no way I can do it.

Colleagues are essential to accomplish anything, and I expect our employees to participate in management as colleagues. Everyone has their strengths and weaknesses, but their colleagues can make up for whatever one is lacking. I would like to expand each person's area of expertise and make the Company a place in which all of us can grow together.

And I hope that all our stakeholders will continue to support us.



TOPICS: Putting our Purpose into practice

Going from empathy to execution to create a world overflowing with smiles Code of conduct formulation project

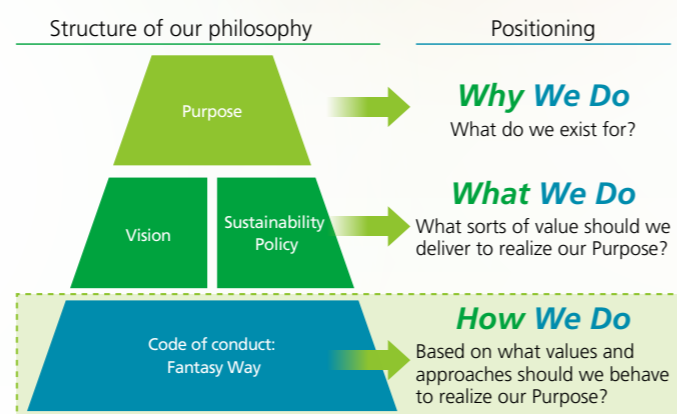
To achieve our Purpose, it will be important to transform the attitudes and behaviors of our Fantasy employee (i.e., all the people who work at Aeon Fantasy). So we recently formulated a code of conduct called the Fantasy Way. Young people, who will steer the Company in the next era, were the central participants in the formulation process, which is described below.

Overview of the code of conduct formulation project

We have positioned the code of conduct as a concept that follows on from our Purpose, Vision, and Sustainability Policy and serves as a guide for making decisions on specific actions in the actual workplace to embody the Purpose. We established the code of conduct in conjunction with the determination of our Purpose in FY2022. We carefully selected elements that would encourage store staff to voluntarily take action in line with the Purpose in the workplace, and focused on content that could be applied on the actual sales frontline and in the Company.

Rather than having the Company unilaterally present a code of conduct in a one-sided fashion, we organized the project so that the code could be formulated based on the collective wishes of the management team and employees, and the project team

settled on the wording after multiple cross-functional discussions with management.



Roadmap to formulation of code of conduct

The members of the code of conduct formulation project and the management team conducted discussions during the three processes of *identification, organization, and narrowing down of the value elements to be included, discussion of applicable situations/names and construction of sentence patterns, and finalization of language and consensus building*, while more

precisely aligning their preferences with each other's.

With the draft language determined through the project as a base, and the value elements, number of words, and form/ wording of the language having been taken into account, the management team reexamined and polished the language.

<p>April-May 2022</p> <p>Identification of language elements</p> <p>[Project team] Sharing and comprehension of the importance of the words the Company uses and the structure of its philosophy. Identification of value elements</p> <p>[Workshops with management team] Classification of the value elements identified by the project team into the three categories of <i>values concerning customers and employees, values concerning work, and common values concerning people and work</i>, ranking of them in order of priority, and determination of important elements</p>	<p>June-July 2022</p> <p>Narrowing down of the words and determination of the form and number of words</p> <p>[Project team] Sharing of feedback from the management team. Re-imagining of situations in which the elements could be applied, specification/ visualization of unacceptable conduct, and then narrowing down to the five elements of <i>cheerfulness/playfulness, gratitude/ thoughtfulness, child-centered customer perspective, and commitment and overcoming fixed ideas</i></p> <p>[Workshops with management team] Consideration of three code of conduct document patterns based on the narrowed-down five elements and forms of expression</p>	<p>July-August 2022</p> <p>Toward the final language - A major turning point, more practical</p> <p>After organization of the language elements, reexamination of the form of expression to enhance comprehension on the frontline, e.g., by adding question marks to create an interrogative tone. Sharing of <i>encapsulated thoughts</i> between the management team and the project team members, and addition of a message as an approach for stirring <i>positive feelings</i> that lead to <i>action</i></p>
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Opinions expressed at the time of consideration of the draft language

1. Employees' project

Participating employees commented that through this project, they were able to share various opinions and ideas with the other members, experience the diversity within the Company, reconsider their own ideal state, and gain a deep understand of

the meaning of each word. Some also expressed a determination to contribute to the Company as communicators going forward, having come to feel *pride* in their work.

The collage includes a photo of a meeting screen with several participants. Three speech bubbles contain the following text:

- "The time we spent trying to put together a common language was really valuable"
- "My attitude changed from being a receiver of the Company's mindset to being a transmitter"
- "I was exposed to the values of people who have different experiences and who work in different departments"
- "I learned that I could gain truly valuable experience and improve myself in a short period of time"

2. Workshops with management team

The language elements proposed by the project team members reflected the utmost respect for the wishes of the members and carried over elements that the Company has always valued, such as *cheerfulness/playfulness* and a *child-centered customer perspective*. The form of the language is dramatically different from before, as instead of invitational suggestions starting

with "Let's," it is more practical, with question marks at the end of the sentences to put them into an interrogative form. Furthermore, after much dialogue, we supplemented the four action expressions aimed at inducing *behavior* by adding a positive and affirming message to the people working at the Company, a move that was hailed by the project team members.

FANTASY WAY (code of conduct)



The code of conduct, formulated following repeated and varied discussions, came to fruition as the Fantasy Way, and comprises four actions and one message. The name Fantasy Way expresses the *path* to the realization of our Purpose, and the four actions and one message are designed to encourage positive self-affirmation, acceptance and appreciation of others, the breaking down of stereotypes, and stimulation of the imagination. To disseminate the Fantasy Way going forward, we are considering the release of a video message from the President, its inclusion in educational programs, and its incorporation into our assessment and commendation systems.

Providing settings and opportunities for *play* that nurture children's enthusiasm

Aeon Fantasy's history

Pursuing children's smiles and providing fun and being connected in every era

Since our establishment in 1988, our main business has been the operation of family-oriented amusement facilities. And what we have always emphasized is *children's smiles*.

We will continue to provide the *fun* and *being connected* that, since our foundation, has always led to countless smiles on the faces of so many children.

Creating places for learning through play

In 2010, we launched Kidzooona as part of a creative education business based on *play*, an area in which we have vast experience. The number of stores is still on the rise as they have been well received by families in Japan, China, and the ASEAN zone as play spaces that foster creativity and social skills. We now offer various forms of *play plus learning* by, for example, developing edutainment machines.



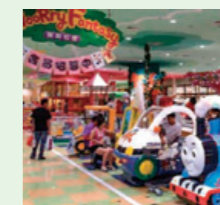
First Kidzooona store



Edutainment business - a new business model

Bringing fun and being connected to children overseas

In 2007, we took a new step by establishing a local subsidiary in China, our first foray into Asia ex-Japan, where growth is expected. In hot ASEAN countries in particular, there is a strong demand for play spaces that are safe, secure, and clean, and since children play in similar ways regardless of the country, we have been able to leverage our expertise in *children's play* to our advantage.



First store in China



First FANPEKKA store

Providing places where children and their families can play with peace of mind

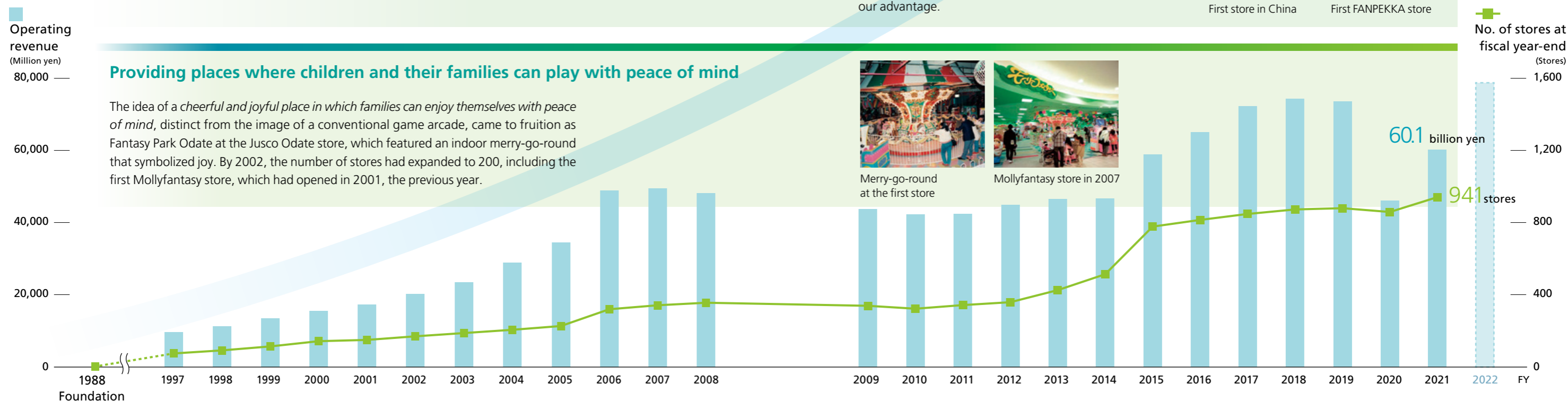
The idea of a *cheerful and joyful place in which families can enjoy themselves with peace of mind*, distinct from the image of a conventional game arcade, came to fruition as Fantasy Park Odate at the Jusco Odate store, which featured an indoor merry-go-round that symbolized joy. By 2002, the number of stores had expanded to 200, including the first Mollyfantasy store, which had opened in 2001, the previous year.



Merry-go-round at the first store



Mollyfantasy store in 2007



Company history

- 1988** Establishment of amusement department within shopping center division of Jusco Co., Ltd. Opening of first store, Fantasy Park Odate
- 1997** Incorporation of Aeon Fantasy Co., Ltd.
- 1998** Establishment of corporate motto and philosophy
- 2002** Listing on JASDAQ market
- 2003** Listing on Second Section of Tokyo Stock Exchange
- 2005** Listing on First Section of Tokyo Stock Exchange
- 2006** Merger with Mycal Create Co., Ltd.
- 2007** Establishment of Aeon Fantasy Beijing (now Aeon Fantasy China)
- 2011** Establishment of Aeon Fantasy Malaysia
- 2012** Establishment of Aeon Fantasy Thailand
- 2014** Establishment of Aeon Fantasy Indonesia and Aeon Fantasy Philippines
- 2015** Merger with Fun Field Co., Ltd.
- 2017** Establishment of Aeon Fantasy Vietnam
- 2022** Selection for Prime Market of Tokyo Stock Exchange

Aeon Fantasy's businesses and brands

Operating a variety of business formats to provide play experiences

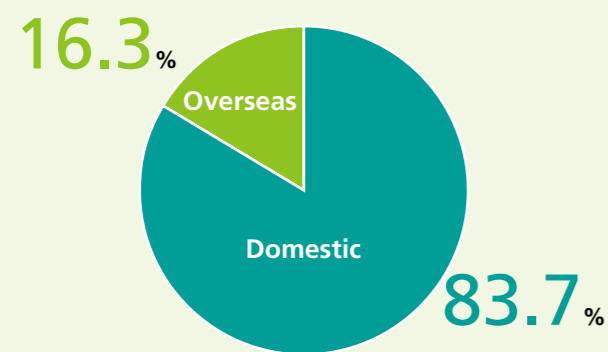
Aeon Fantasy offers safe and secure play facilities in various forms for children and their families around the world, and also provides online services. Going forward, we will continue to bring smiles to the faces of children and their families.



Net sales for the fiscal year to Feb. 2022

60.17 billion yen

Ratio of domestic and overseas net sales



No. of Group employees

7,180 persons

Business locations

981 stores in 8 countries

Japan, China, Malaysia, Thailand, Philippines, Indonesia, Vietnam, and Cambodia



Business segments

Domestic businesses

The main businesses are amusement facilities such as Mollyfantasy and playgrounds such as Kidzooona, which provide experience value from play. In addition, we are expanding our capsule toy specialty store business, which is more dedicated to specialized play, the online domain, and our hot-bath business.

China business

To achieve our next phase of growth amid an intensifying competitive environment, we will be pressing ahead with the development of the Molly Edutainment Exercise Hall business model, which is based on the theme of play + health, and Molly Vitality Space, which utilizes popular entertainment content.

ASEAN business

To supplement our mainstay Kidzooona business, we will localize playgrounds by creating a pattern of store openings that match local conditions and the sizes of facilities, and thereby increase profitability.

Main brands

Indoor domain

Amusement facilities



We operate these stores in large shopping malls, and they target children aged 12 years old or under and their families. As a play spaces where children can enjoy themselves to their heart's content in a safe and comfortable environment, they are hugely popular among local people.

Playgrounds



Japanese-style hospitality, carefully selected playground equipment, and experiences that parents and children can enjoy together while nurturing children's creativity and social skills are loved by families in Japan and around the world.

Online domain



Online crane games
This service allows customers to enjoy playing crane games (claw machines) online anytime, anywhere using a PC or smartphone.

Playgrounds



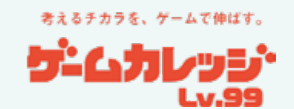
Play leaders (qualified nursery school teachers, kindergarten teachers, or staff who have received in-house specialist education) develop children's basic mental and physical strength by playing with them.

Playgrounds



These next-generation playgrounds are based on the motif of an enchanted Finnish town. The goal is to facilitate children's independent growth through play and to nurture their ability to cope with change.

Online schools
With online learning gaining attention, this is a new style of learning for elementary school students that allows them to study at home by playing games.



Other brands

We operate various types of business aimed at spreading smiles.



Amusement spots packed with the hottest games



Japanese-themed playgrounds



Capsule toy specialty stores



Mollyfantasy stores that cater to a wider range of customers



Playgrounds with characters from popular TV shows for toddlers



Hot-bath facility for families to enjoy

Feature

Creating stores that nurture children's enthusiasm

With the provision of cheerful and safe play spaces for families as our starting point, we leverage the know-how we have accumulated over the years to create innovative stores that get children enthused. Here we describe Mollyfantasy and Kidzooona, brands under which we operate numerous stores around the world.

Mollyfantasy

Family amusement spaces that bring smiles to the faces of everyone in the family



Lots of original and appealing forms of play on offer

Mollyfantasy provides a variety of fun activities, including rides that even small children can enjoy as well as the latest prize games. We also focus on developing original machines that enable children to learn as they play. In addition, the stores host regular events run by our entertainment leaders that feature our original character, Lala-chan.



Numerous edutainment machines



Event where children can meet Lala-chan



Specialist staff support play



Creativity and social skills are fostered through play

Helping children to grow by separating them from their parents

Next door, at SKIDS GARDEN, play leaders (qualified preschool teachers or specialist staff who have received in-house education) support children as they play. Because the children play away from their parents, they can grow by developing independence and self-reliance.

Kidzooona

Bonding time that nurtures children's minds and bodies



A variety of activities deepen bonds between parents and children and among children

The name Kidzooona is derived from the Japanese word *kizuna*, which means "bond." Large-sized playground equipment and educational toys from around the world are available for parents and children to play with, enabling them to deepen their bonds by sharing emotions and experiences.



Children play to their heart's content on original playground equipment



Toy corner with toys from around the world

As a safe and secure play spaces for families

To make them safe and secure play spaces for families, the playground equipment has been developed in accordance with Japanese safety standards for park facilities, and the equipment is arranged so that the entire store is visible, with no blind spots. Every day, all areas and playground equipment are cleaned and toys are disinfected to provide families with safety and secure mind.



Layout that allows you to see all the way to the back



Using checklists to inspect equipment

Spreading Japanese-style hospitality around the world

Kidzooona was born in Japan, but we now also operate stores overseas, mainly in China and the ASEAN zone. We pursue the highest level of service by providing local staff with guidance and event training using an educational curriculum.



188 stores in China and ASEAN countries



Training for local staff

Aeon Fantasy's strengths

Use our strengths from continuous interaction with children as a future source of value creation

As a pioneer in children's entertainment, our strength in drawing out children's smiles and spreading them globally constitutes the source of new value creation for the future.

1 Settings and opportunities for producing smiles that spread across the globe

Children's play knows no borders. Our unique business approach, which we have refined over the past 35 years, has been widely accepted overseas and our stores have increased in number. We are able to leverage our distinctive presence as a provider of entertainment from Japan that can be enjoyed worldwide.

Business operations: **981** stores in **8** countries
 Proportion of stores overseas: **45** %
 Proportion of stores operated outside the Group (overseas): **68** %

(As of June 30, 2022)



2 Connection with children and their families

Another of our strengths is the depth of our customer base, which includes 200 million visitors and numerous members in Japan and abroad. Especially in Japan, our stores are always close at hand, and mothers and fathers love the fact that they can take their children to one in an instant. This connection helps us come up with new play ideas and maintain stable business growth.

Total annual visitors (including overseas): **200** million persons
 No. of members (including overseas): **4.2** million persons
 Store recognition: **72.7** %



3 Development capabilities for broadening play

Over the years, Aeon Fantasy has studied children's preferences concerning colors, ways of movement, and characters, accumulating know-how about what delights children. That is why we are able to develop and offer so many unique businesses and original amusement machines, playground equipment, and events.

No. of businesses developed: **13**
 Original amusement machines ratio (domestic): **48.1** %
 Original playground equipment ratio (overseas): **70** %



4 Expert talent for children's smiles

Our personnel, who provide fun and being connected to children, are another strength that no other company can match. In addition to focusing on the recruitment and training of in-store staff, such as by proactively hiring nursery school teachers, we have established several in-house qualification systems to support play and enhance the quality of our services.

No. of qualified nursery school teachers and kindergarten teachers: **325** persons
 No. of CS instructors: **1,254** persons
 No. of entertainment leaders: **303** persons
 No. of qualified electricians: **80** persons (in Japan)



5 Culture of embracing challenge

Ever since launching our indoor amusement park business, a brand new business model, we have taken on the challenge of achieving numerous industry firsts, both in Japan and overseas. And this spirit of challenge is still alive and well today through our Challenge Proposal System, which invites suggestions from employees.



Value creation model

Aiming for a world overflowing with *smiles*, we will continue to provide children and their families with the experience value of *play*

What we will always emphasize, just as we have done until now, is children's *smiles*. Going forward, we will engage with children through three domains based on our unique strengths, while challenging ourselves to create sustainable value by realizing our medium- to long-term vision and tackling material issues.

Changes in social environment

Acceleration of birthrate decline in Japan
Acceleration of the digitalization of society
Increase in double-income households

Changes in business environment

Diversification of the leisure market
Intensification of competition in the amusement market

Changing consumer attitudes and needs in the wake of the COVID-19 pandemic

Suburbanization of living areas and revitalization of rural areas

Five strengths and businesses

1 Settings and opportunities for producing *smiles* that spread across the globe

2 Connection with children and their families

3 Development capabilities for broadening *play*

4 Expert talent for children's *smiles*

5 Culture of embracing challenge

Online domain

- Online crane games
- Online schools etc.

Indoor domain

- Amusement facilities such as Mollyfantasy
- Playgrounds such as Kidzooona
- Hot-bath facilities

mollyfantasy



Outdoor domain

Outdoor experience and glamping facilities that augment local government initiatives

Continually supporting children's growth in an increasingly uncertain society

We are looking at what is needed for children in the midst of dramatic changes in the social environment, such as the acceleration of birthrate decline, digital transformation (DX), and the spread of COVID-19.

Expanding our business domains by leveraging our all-round ability to create *play*

In addition to demonstrating the strengths we have accumulated, we will expand the domains in which we operate beyond the indoor domain to also encompass the online and outdoor domains as we respond to changes in society.

Medium-term management plan

P.23 >

1. Evolution and expansion of our play spaces
2. Shift to portfolio management
3. Full digitalization
4. Transformation of human resources, organization, and culture to support growth

Vision

A unique edutainment company offering both *play* and *learning* throughout the world to bring smiles to the faces of children and their families

Material issues

P.27 >

1. Addressing climate change
2. Working toward a recycling-oriented society
3. Contributing to children's futures
4. Creating organizations that enable employees to work energetically
5. Further engaging with local communities
6. Strengthening corporate governance

Evolving into an edutainment company and offering experiences that combine *play* and *learning*

Based on this vision, we will be implementing our medium-term management plan, which consists of four basic policies, and tackling our six material issues to pursue sustainable growth through our business.

Value creation



Purpose

Inspiring enthusiasm in every child so that there is a *smile* on every face

Contributing to the future of society by focusing on children's *smiles*

We will continue to interact with children, who will make up the next generation, and generate five types of value for them. And through *play*, we will support children's growth and create a world overflowing with *smiles*.

Medium-term management plan

By expanding our business domains and restructuring our operations, become an edutainment company that continues to create value

Medium-term management plan (FY2021-2023)

Strategic targets	Achieve operating revenue of 85.5 billion yen and operating profit of 6.0 billion yen in FY2023, and evolve into a unique edutainment company	FY2021 targets	FY2022 targets	FY2023 targets
	Operating revenue (Unit: 100 million yen)	700	788	855
	Operating profit (Unit: 100 million yen)	14	43	60

(1) Evolution and expansion of our play spaces

Indoor domain

In this domain, we offer indoor play and experience value to bring smiles to the faces of children and their families. In addition to our mainstay Amusement Business and Indoor Playground Business, we operate a Capsule Toy & Prize Specialty Store Business that specializes in specific games, and a Hot-Bath Business to provide relaxation to families with children.

Online domain

We are growing this domain, which offers play or learning through play, by leveraging the advantages of online channels. Specifically, we operate an Online Business that offers crane games and lottery games and an Online School Business that promotes children's growth by enabling them to learn through games.

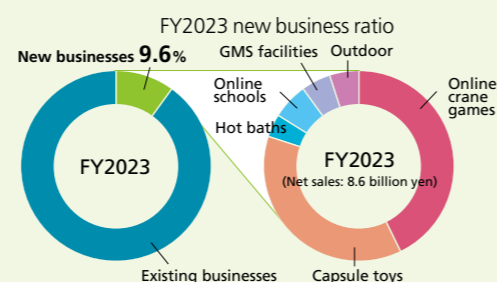
Outdoor domain

To respond to the growing demand for outdoor play since the emergence of COVID-19, and to help children to grow through outdoor experiences, in this domain we operate a Local Co-existence Business developed in cooperation with local residents and government bodies.

(2) Shift to portfolio management

We will use the following indicators to track our progress with business domain expansion and restructuring:

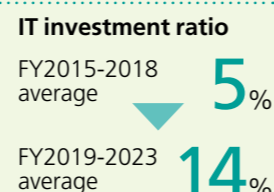
- Expansion of new business ratio (target for FY2023: 9.6%)
- Expansion of proportion of stores operated outside the Group (Target for FY2023: 19% of domestic stores operated outside the Group)
- Continuation of aggressive IT investment to drive DX



(3) Full digitalization

We will pursue DX with both offensive and defensive approaches.

- Offense: Customer data collection and analysis and one ID for Aeon Fantasy businesses
- Defense: Reduction of time taken for back-office operations and replacement of core systems
- Expansion of IT investment ratio



(4) Transformation of human resources, organization, and culture to support growth

Cultural transformation

- Clarification of our role in moving toward sustainable society

Organizational transformation

- Shift of human resources to growth areas
- Transition from a functional organizational structure to a division-based structure

Systemic transformation

- Revamp of systems in response to the new growth strategy
- Revamp of assessment system
- Revamp of education system

Medium-term management plan progress/projections

FY2021 performance

Net sales
60.1 billion yen

Operating profit (loss)
-3.4 billion yen

Despite the impact of COVID-19, net sales and operating profit both increased year on year, rising throughout the year thanks to the strong performance of the prize departments in our mainstay Japan businesses and an acceleration in the opening of small and specialty stores, a move aimed at expanding our floor area in shopping centers both in Japan and overseas.

FY2022 forecasts

Net sales
78.9 billion yen

Operating profit (loss)
2.6 billion yen

Key measures in FY2021

Indoor domain

- Opening of refurbished Musashi Murayama as a new model for Mollyfantasy stores. The facility is designed based on the concept of coexistence with the community, and edutainment and digital service functions have been introduced
- Opening of 32 capsule toy stores and two new prize specialty stores, a new business model, in Japan
- Opening of Japanese-themed indoor playground called EDOKKO in Indonesia

Online domain

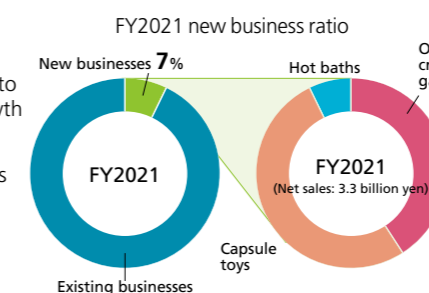
- Online crane game sales up 39.7% year on year
- Launch of online scratch (online lottery) service in November 2021

Outdoor domain

- Expansion of new courses at online schools
- Progress with implementation of plan to open an outdoor experience-type glamping facility called Myu no Mori in Yamanashi Prefecture in FY2023

- Proportion of net sales from new businesses up from 2% in FY2019 to 7% in FY2021 on the back of growth of the capsule toy business

- In the proportion of domestic stores expanded into commercial areas around stations and in department stores and home centers: Up from 14% in FY2019 to 16% in FY2021



- Installation of sensors and other equipment for collection and analysis of customer data
- Reduction of back-office work (18% reduction)
- Deployment of tools for reducing person-to-person contact as an infection control measure
- Raising of security standards

- Formulation of Purpose and Sustainability Policy
- Proactive hiring of expert talent
- Strengthening of education for current employees to develop independent leaders

Key measures for FY2022

- Expansion of capsule toy and prize specialty stores with the ultimate goal of opening 100 new stores per year
- Opening of second store for the hot-bath business in Hamamatsu, Shizuoka Prefecture in September
- Opening of the Molly Edutainment Exercise Hall business model, which is based on the theme of play + exercise, in China in July

- Continuation of taking on the challenge of expanding new businesses, as in FY2021 (expansion of specialty store business, hot-bath business, and local co-existence business)
- Continuation of store opening outside the Group and aggressive IT investment

- Digital marketing
- Linkage of Aeon Fantasy and corporate group members
- Action to replace core systems at corporate headquarters

- Formulation of Purpose and Sustainability Policy
- Formulation of code of conduct in order to propagate Purpose
- Shift to a division-based structure in order to speed up decision making
- Overhaul of assessment components and assessment system

Sustainability policy and structure

In our medium-term management plan announced in April 2021, we stated that we would pursue sustainability management as the core of our corporate activities. And in April 2022, we formulated our Sustainability Policy. Going forward, we will enhance the effectiveness of our sustainability management, as we aim to become a company that contributes to a sustainable society while raising its value as an enterprise.

Aeon Fantasy Sustainability Policy

We at Aeon Fantasy believe that facing today's children means facing tomorrow's adults; this means that we determine the shape of our future. Our goal is to inspire enthusiasm in every child and put a smile on everyone's face.

We see the values we create through our business as fun, being connected, Fantasy employee happiness, safe & secure and hospitality. Fun and being connected are the most important values needed to make people smile, and Fantasy employee happiness is essential for that. We will continue providing these five values to the whole world, running our business on the foundation of the safe & secure and hospitality that only Aeon Fantasy can provide.

In order to maintain these five values, we will keep working with our partners to protect the global environment through initiatives such as addressing climate change and working toward a recycling-oriented society; to solve social issues by contributing to children's futures, creating organizations that enable employees to work energetically, and further engaging with local communities; and to strengthen corporate governance.

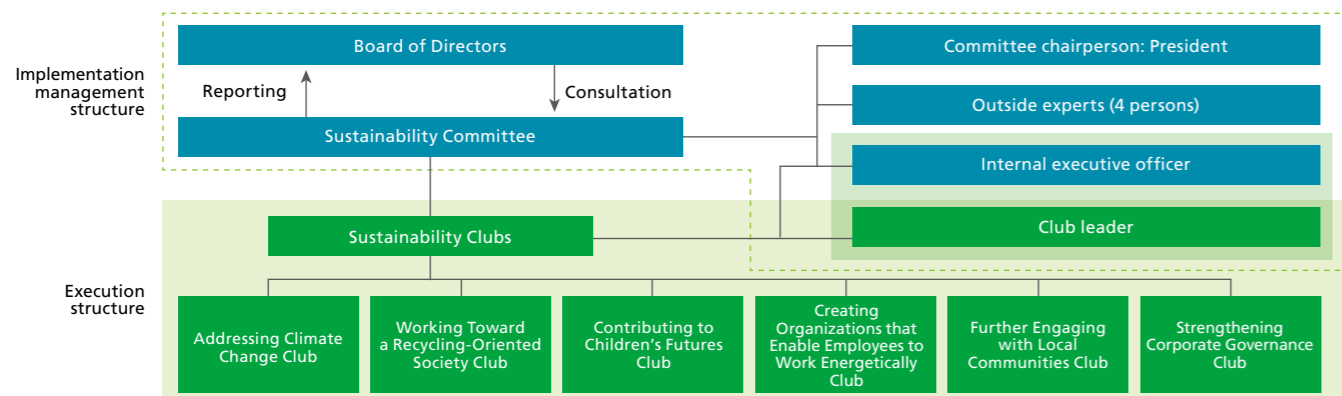
Structure for pursuing sustainability

(1) Establishment of Sustainability Committee as an advisory body to the Board of Directors

- We have set up the Sustainability Committee as an advisory body to the Board of Directors, with the aim of pursuing sustainability management as the core of our management activities.
- The Committee is chaired by the President and one-third or more of its members are external experts. It discusses and reports on matters specified by the Board of Directors.

(2) Establishment of Sustainability Clubs as subordinate organizations of the Sustainability Committee

- We have set up Sustainability Clubs, which are cross-departmental teams for crafting and implementing specific initiatives for each material issue identified by the Company.
- The clubs will be led by our next generation of talent and work to enhance the viability of sustainability management.



Messages from outside experts on the Sustainability Committee

Taking on the challenge of developing an edutainment business that will lead to reinvigoration

Social innovation is about working on addressing social issues and creating new value. First of all, as we move closer to 2030, the target year for the SDGs, it will be necessary to work together with local communities and stakeholders to tackle issues in the three areas of climate change, recycling society, and biodiversity, viewing them positively as opportunities as well as risks. In particular, I hope that the Company will embrace the challenge of developing an edutainment business that will utilize natural capital and lead to the reinvigoration of people, nature, and society.

It is important for employees to be receptive to diverse values

To achieve diversity management, i.e., management that welcomes diversity, managers will need to manage not only employees with diverse attributes and workstyles, but also ones with diverse values that differ from their own. If managers cannot handle this new role, diversity management will not be achievable. At the same time, it is important for each employee to achieve diversity *within* themselves, and to be receptive to diverse values. I look forward to seeing Fantasy employee participating in a wide variety of internal and external activities.

Activities with an awareness of social issues lead to the accumulation of intangible assets

Values are shifting toward stakeholder capitalism, which is the view that a company is not the possession of its shareholders, but of everyone. It is clear from the various things occurring in the world that action based on someone else's sacrifice is unsustainable. Corporate activities with an awareness of social issues lead to the accumulation of intangible assets, and this results in the generation of stable profits. I hope that the Company will achieve steady growth through a big-picture approach to management whereby an eye is kept on society as a whole.

Offering my full support for Aeon Fantasy, a company serious about tackling the SDGs

Ever since the term "sustainable development" emerged at a UN conference held in 1992, nations have been tackling the problem of waste, and action on climate change has been a priority. However, 30 years later, the situation in the world has not changed for the better, and I feel that it is only recently that interest has finally started growing in Japan. I am delighted that Aeon Fantasy, which helps nurture the children who will be responsible for the world in the future, has committed to lead Japan in seriously tackling the SDGs, and that I am able to assist it in this endeavor. I will therefore be offering the Company my full support.

Junko Owada

Professor, Social Innovation Course, Department of Policy Studies, Doshisha University

Provides support for utilizing SDGs future cities and biodiversity to create sustainable communities. Author of *Utilizing the SDGs for Community Development*. Received a Commendation from the Minister of Internal Affairs and Communications in 2021 Community Development Awards (Individual Category)



Hiroki Sato

Professor, Graduate School of Strategic Management, Chuo University

Also an author, with his most recent book being *Diverse Human Resources Management* (joint author, Chuokeizai-sha). Member of the Cabinet Office's Council for Gender Equality, and member of the committee for developing the selection criteria for the Ministry of Economy, Trade, and Industry's revamped Nadeshiko Brand.



Masataka Fujii

President and Representative Director, Immersion Co., Ltd. Part-time Lecturer, Ibaraki University Graduate School

His life's work is studying great companies that are successful in business but also benefit society. In each of the past 13 years, he has visited over 100 companies to observe their operations, combining the insights gained with theory and explaining his conclusions in an easy-to-understand manner.



Tomomi Matsuhisa

SDGs Consultant Japan International Cooperation Agency (JICA) Specially-appointed Lecturer, The University of Electro-Communications

Involved in environmental issues, mainly waste disposal in developing countries, for about 30 years. Has worked in various settings in the public and private sectors and at an NPO, promoting sustainable development from a broad range of perspectives.



Identification of material issues

Regarding the social value we aim to deliver and material issues we aim to tackle, we selected social issues with reference to the SDGs, examined them in terms of two axes, namely their importance for the Company and their importance for stakeholders, and ultimately identified six material issues.

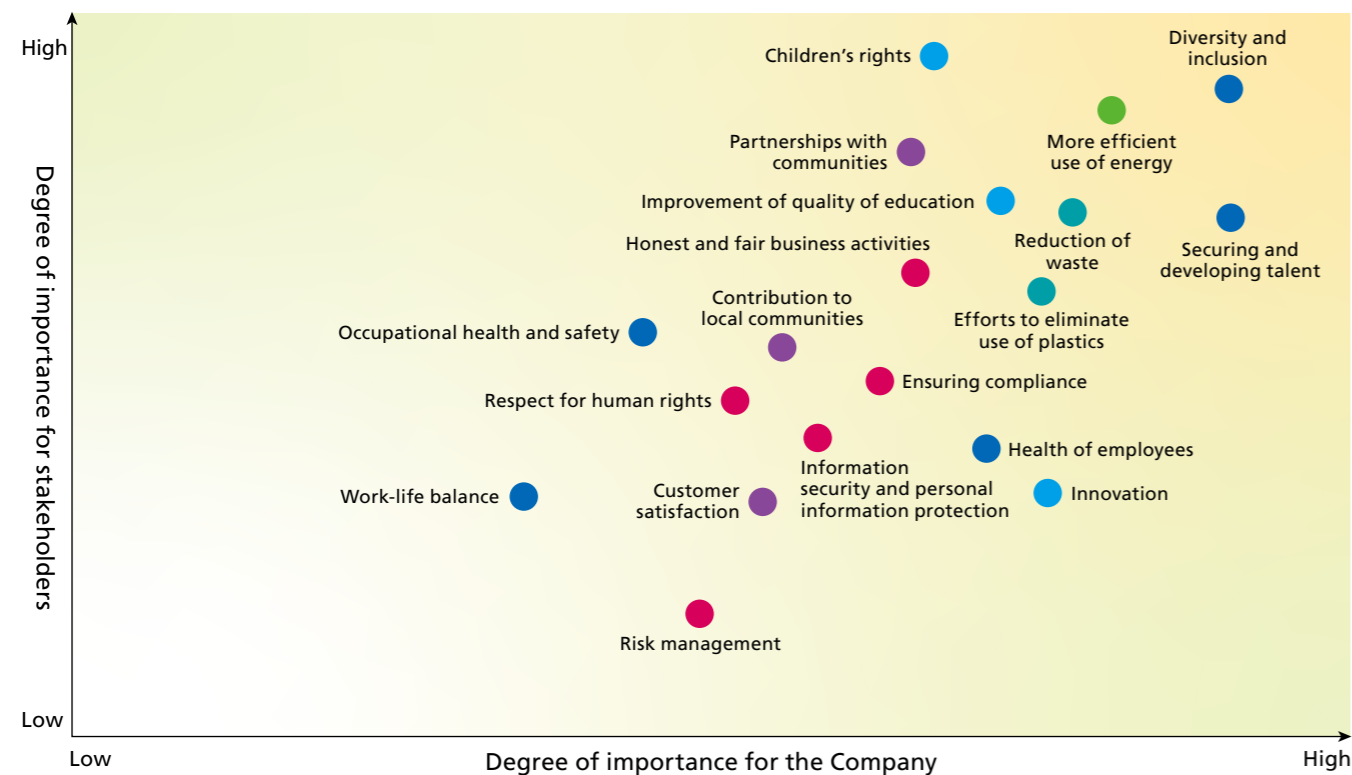
Material issues identification process

STEP 1 Selection of issues	<ul style="list-style-type: none"> Before identifying material issues, we first selected social issues with reference to the SDGs and the Global Risks Report, while also taking into account future megatrends. We then narrowed down the issues in terms of risks and opportunities in our business activities, and selected important social issues for the Company.
STEP 2 Importance for stakeholders	<ul style="list-style-type: none"> With respect to importance for stakeholders, we defined reference indicators based on the Ten Principles of the UN Global Compact, the Task Force on Climate-related Financial Disclosure (TCFD), and ESG indices such as the DJSI and the FTSE Index Series. We also referred to information from business partners and competitors that we considered relevant to our own business activities.
STEP 3 Importance for the Company	<ul style="list-style-type: none"> For each social issue, each member of our management team assessed its importance for the Company in terms of both opportunities and risks. With the results of these assessments as a base, the management team held discussions and classified the issues into six main themes.
STEP 4 Determination of material issues	<ul style="list-style-type: none"> Following their approval by the Board of Directors, we determined the social issues that the Company should place priority on addressing as material issues. Once they had been determined, we put in place a structure for tackling and monitoring the material issues, set targets (KPIs) for each of them, and considered what action to take.

Materiality matrix

Six material issues

- Addressing climate change
- Working toward a recycling-oriented society
- Contributing to children's futures
- Creating organizations that enable employees to work energetically
- Further engaging with local communities
- Strengthening corporate governance



Material issues

Material issues	Long-term targets (2050/2040)	Medium-term targets (2030)	Action
E Addressing climate change	Quantitative target 2040: Aim to achieve zero total emissions of CO ₂ etc. from our stores Qualitative target Rethink <i>the obvious</i> for the sake of future children, and create a society in which the earth and everyone on it <i>smiles</i>	Reduce energy-derived CO ₂ emissions from business operations by 30% (compared to FY2018) (Per 100 million yen in net sales)	Adoption of LED lighting in amusement machines "Lights down" campaign Development of amusement machines and equipment for environmental learning and playing Strategy formulation and information disclosure in line with TCFD recommendations
	Working toward a recycling-oriented society	Create a society that encourages everyone to <i>reduce trash, consider whether items can be used again, and recycle ones that cannot</i> Reduce the total amount of plastics* used in stores by 30% (compared to FY2019) <small>*Five main types</small> Disposal of less than 10% of amusement machines no longer needed in stores	Recycling of capsules (for capsule toys) Reduction of plastic fixtures used in stores Increase in percentage of amusement machines recycled
S Contributing to children's futures	Create a society that protects the rights of children, who will build the society of the future, and allows as many people as possible to dream of the future with <i>smiles</i> on their faces	Creating new opportunities to spread children's <i>smiles</i>	Expansion of stores, amusement machines and equipment for <i>safe & secure</i> play Pursuit of businesses that bring play and learning to as many children as possible Creation of opportunities to play and learn about social issues Working with customers to support activities to protect children's rights
			Promotion of diversity (Education on how to make the most diverse values and creation of opportunities for getting to know one another) Workstyle reform
S Creating organizations that enable employees to work energetically	Become a Company that ensures that all Fantasy employee feel enthused about both work and play	Percentage of section managers and above who are female in Japan and overseas: 50% Percentage of hires who have disabilities: 5% Percentage of males eligible for childcare leave who actually take such leave: 100% Iki-iki level of Fantasy employee: 75% <small>*Iki-iki level = Average percentage of positive responses to survey items related to job satisfaction and ease of working</small>	Conduct of surveys and action for improvement
			Visits to social welfare facilities Parties at stores for children from social welfare facilities Decoration of stores with local children
G Further engaging with local communities	Create communities overflowing with <i>smiles</i> by providing settings for fun and being connected	Cumulative total of community service activities conducted at stores in Japan and overseas: 12,000 times	Visits to social welfare facilities Parties at stores for children from social welfare facilities Decoration of stores with local children
			Strengthening of the structure for implementing the Corporate Governance Code Provision of compliance training (Japan and overseas) Strengthening of governance at overseas subsidiaries Human rights due diligence
G Strengthening corporate governance	Become a company that builds trust with stakeholders, protects Fantasy employee, and can grow sustainably		Strengthening of the structure for implementing the Corporate Governance Code Provision of compliance training (Japan and overseas) Strengthening of governance at overseas subsidiaries Human rights due diligence

(Unless otherwise stated, targets and action are for domestic business operations only)

Tackling material issues

We have set up Sustainability Clubs, which are cross-departmental teams for crafting and implementing specific initiatives for each material issue identified by the Company. The clubs will be led by our next generation of talent and work to enhance the viability of sustainability management. Here are messages from the club leaders, who are taking steps to tackle material issues.

Addressing Climate Change Club Leader

Thinking about the earth *now* for the future of children

Aeon Fantasy's Purpose is to *create a world overflowing with children's smiles*. That means protecting the world so that children can live in it with *smiles* on their faces. The key to achieving this is changing the mindsets of all those connected with Aeon Fantasy. Adults need to think about the environment as well as the Company. And children need to think about the future as well as today. We will be striving to make our activities an impetus for action by large numbers of people.



Seiya Mizusawa
Manager, Management Strategy Group, Strategy Department

Long-term qualitative target (aspiration)

Rethink the obvious for the sake of future children, and create a society in which the earth and everyone on it smiles

Working Toward a Recycling-Oriented Society Club Leader

Working together with customers to realize a recycling society

As representatives of Aeon Fantasy, we will do our utmost to realize a recycling society for the sake of children's *smiles*. But this isn't something we Fantasy employee can achieve on our own. For example, the recycling of capsule toys is only possible with the cooperation of our customers. We will create stores in which customers can cooperate with us naturally while enjoying themselves, and work together as one to foster a recycling society.



Yutaro Kaminaga
Manager, Social Media Promotion, Sales Planning Group, Marketing Department

Long-term qualitative target (aspiration)

Create a society that encourages everyone to reduce trash, consider whether items can be used again, and recycle ones that cannot

Contributing to Children's Futures Club Leader

Creating places where as many children as possible can play safely and securely

Following repeated discussions within the Club, we decided on three main directions for our activities: (1) ensuring the *safe & secure* of children in stores, (2) creating places where as many children as possible can play, and (3) making donations (support for children). We have set up teams, and each team is currently conducting different activities. Although there are some activities that will not yield immediate results, we will work steadily, starting with things that we can do that are right in front of us, and I myself will fulfill my responsibilities as the leader by striving to contribute to *the future of children*.



Yuha Tsutsumi
Area Manager, Yamaguchi/Kitakyushu Area, Kyushu/Okinawa Division, Amusement Business Department

Long-term qualitative target (aspiration)

Create a society that protects the rights of children, who will build the society of the future, and allows as many people as possible to dream of the future with smiles on their faces

Creating Organizations that Enable Employees to Work Energetically Club Leader

Leveraging the motivation of diverse employees to expand the circle of *smiles*

With the environment surrounding companies and people's values constantly changing, companies need to make use of diverse human resources. Intrinsic motivation to work, such as that which comes from the excitement and enjoyment of the workplace, is an important factor for bringing *smiles* to the faces of employees. To provide a foundation for diverse workstyles, we will be focusing on increasing the proportions of managers who are women, hires who have disabilities, and males eligible for childcare leave who actually take such leave. At the same time, I will be take steps to transform workstyles in each department, while referring to survey results.



Ho Setsu
Area Manager, Naka-Kanagawa Area, Tokai Division, Amusement Business Department

Long-term qualitative target (aspiration)

Become a Company that ensures that all Fantasy employee feel enthused about both work and play

Further Engaging with Local Communities Club Leader

Create new communities by providing *settings for being connected*

In recent years, *opportunities for being connected* with children in the local community have been on the decline. We would like to be like a *big brother* or *big sister* to these children, forming a new community within the local community and providing *opportunities for being connected*. To this end, we will contribute to local communities through activities such as visiting social welfare facilities in Japan and overseas, inviting children from them to parties in our stores, and decorating stores with local children.



Ryo Goto
Area Manager, Aichi Area, Tokai Division, Amusement Business Department

Long-term qualitative target (aspiration)

Create communities overflowing with smiles by providing settings for fun and being connected

Strengthening Corporate Governance Club Leader

Aiming to be a company that will always be loved and trusted by all stakeholders

When I thought about what is required to achieve the Purpose the Company has declared, what came to mind was that the Company needs to grow sustainably and *continue to exist* 10, 20, or even 50 years from now. In recent years, there have been an increasing number of cases where companies have been driven into financial difficulties and even bankruptcy due to a loss of credibility caused by systematic fraud. In addition, corporate responses to human rights issues are attracting attention around the world, and external scrutiny of companies is becoming increasingly severe. The club will work to *strengthen corporate governance*, one of the material issues, so that Aeon Fantasy can become a company loved and trusted by all.



Kazuya Uoji
Accounting Manager, Financial Group, Finance Department

Long-term qualitative target (aspiration)

Become a company that builds trust with stakeholders, protects Fantasy employee, and can grow sustainably

Environmental initiatives

Disclosure based on TCFD recommendations

An increase in natural disasters and extreme weather events due to climate change may cause physical damage to the stores of Group companies, and this may affect our business operations. In September 2022, we expressed our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), with the aim of achieving both a sustainable society and corporate growth. We have analyzed risks and opportunities, including the impact of climate change

issues on our business activities, with a view to disclosing information going forward. And in the future, we will continue endeavoring to further improve and expand the information we disclose.



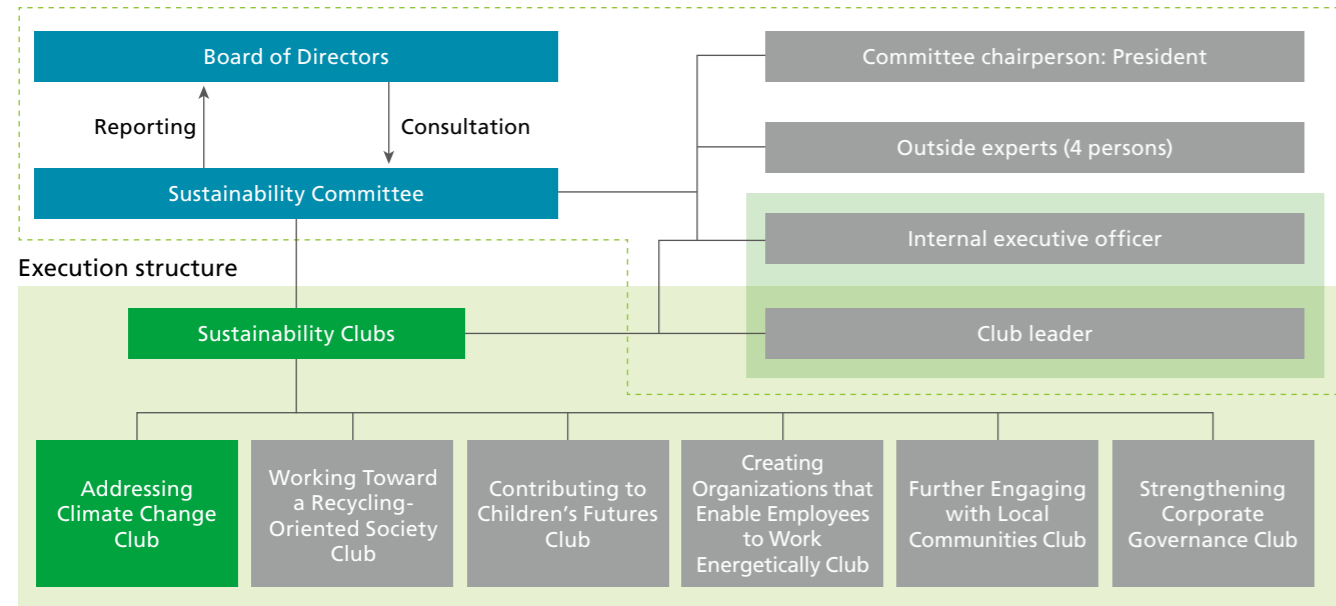
Governance

In April 2022, we established our Purpose and Sustainability Policy. And at the same time, we set up the Sustainability Committee* as an advisory body to the Board of Directors, with the aim of establishing a cross-departmental execution structure, positioning medium- to long-term sustainability issues at the center of our management activities, and facilitating ongoing

and focused discussion.

We also established the Addressing Climate Change Club as one of the subordinate organizations of the Sustainability Committee. The Club deliberates on initiatives and targets, and reports to the Sustainability Committee and the Board of Directors.

Implementation management structure



*About the Sustainability Committee

The Sustainability Committee deliberates on the following matters at the request of the Board of Directors, to which it reports:

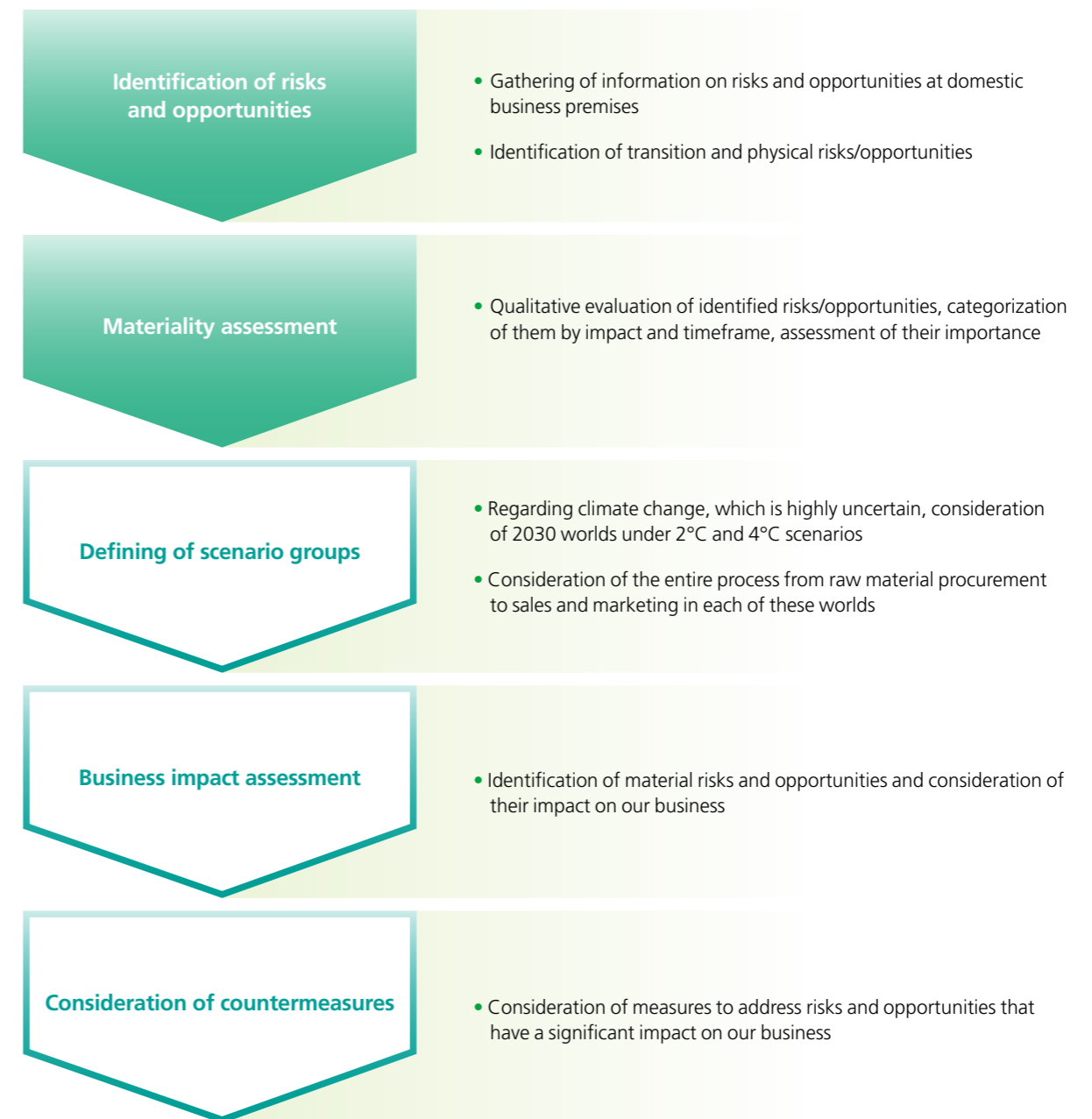
- (1) Determination and modification of our sustainability management policy and material issues
- (2) Determination and modification of numerical targets for sustainability management
- (3) Reporting on the status of each club's efforts
- (4) Other up-to-date information and insights related to sustainability

Strategy

We believe that the risks associated with climate change will have a long-term impact on the future of children and our own business growth.

Looking ahead to 2040, the target year of the Aeon

Decarbonization Vision, in 2022 we identified risks and opportunities presented by climate change and our management team assessed their materiality.



Completed Not yet completed

Environmental initiatives

Main risks and opportunities

Risks

Broad category	Narrow category	Changes in the world	Impact on us	Degree of impact
Transition risks	Policies and regulations	Environmental taxation and regulations	Cost increases due to soaring procurement costs, materials prices, etc., as a result of carbon taxes and other greenhouse gas (GHG) emission control policies	Medium
			Increase in tax burden due to introduction of carbon taxes etc.	Small
			Revenue decreases due to restrictions on store operations (e.g., hours of operation) as a result of restrictions on energy use etc.	Medium
	Markets and technologies	Energy price increases	Cost increases due to higher energy prices	Small
Physical risks	Acute	Intensifying typhoons and torrential rains	Cost increases for stores, employees, etc. for repairs due to increased frequency and magnitude of extreme weather events	Large
			Revenue decreases due to store closures and shorter hours as result of increased frequency and magnitude of extreme weather events	Large
	Chronic	Increase in average temperatures	Increased costs as air conditioning etc. runs for longer hours and more energy is required	Small

Opportunities

Broad category	Narrow category	Changes in the world	Impact on us	Degree of impact
Opportunities	Resource efficiency	Promotion of energy conservation and use of renewable energy	Operating cost decreases due to implementation of energy-saving measures for existing amusement machines, store facilities, etc.	Small
	Products and services	Development of products/services that meet needs related to addressing to climate change	Expansion of profit-earning opportunities through the development and expansion of our lineup of environmentally-conscious amusement machines and equipment	Medium
			Achievement of both revenue growth and cost reductions by specializing in and expanding <i>low-power-consumption, energy-saving business models</i>	Small
			Increased earnings by strengthening operational competitiveness, including customer service, in the Indoor Playground Business	Large
	Markets	Growing environmental awareness Eco-shift in consumer behavior	Expansion of growth opportunities by developing new environmentally-conscious businesses and business models	Large

Risk management

Identification of climate-change risks

The Addressing Climate Change Club, a subordinate organization of the Sustainability Committee, has examined risks related to climate change, and the Risk Management Subcommittee, our risk management body, has re-identified risks and opportunities.

Going forward, we will be estimating the impacts of the identified risks.

Climate-change risk identification and management process

Recognizing that risks and opportunities associated with climate change have a significant impact on our business strategy, everyone in the Company came together to identify climate-related risks and opportunities. Our management team then performed a materiality assessment following repeated discussions.

Next, we will estimate the impacts and rank the risks/opportunities in order of priority, and then consider what action to take.

Metrics and targets

We have set GHG emissions in Scope 1 and 2 (Japan) as a medium-term metric for managing climate-related risks and opportunities.

Using FY2018 as the base year, we manage GHG emissions

Integration into Company-wide risk management structure

In accordance with our Basic Policy on the Establishment of Internal Control Systems, we have set up the Internal Control Committee as an organ to assist the Board of Directors for the purpose of strengthening of corporate governance.

In addition, as a subcommittee of the Internal Control Committee, we have established the Risk Management Subcommittee to discuss risk assessments concerning safety/security risks, disasters, crimes, accidents, and operational risks in Japan and overseas. It ranks Company-wide risks that have been identified, after which the Board of Directors determines material risks for the Company as a whole.

The Risk Management Subcommittee meets approximately six times a year to monitor progress in addressing risks, and reports regularly to the Board of Directors through the Internal Control Committee.

per 100 million yen in net sales. Our GHG emissions (Scope 1, 2, and 3) in FY2021 are shown in the table below. We will be working to achieve our 2030 target of a 30% reduction in CO₂ emissions (compared to 2018), which we announced in FY2021.

Greenhouse gas emissions (Scope 1, 2, and 3)

Fiscal year	2018	2019	2020	2021
Scope 1 (metric tons of CO ₂)	48.6	194	171	212
Scope 2 (metric tons of CO ₂)	37,218	26,136	24,228	28,258
Scope 1 and 2 total (metric tons of CO ₂)	37,267	26,331	24,399	28,471
Net sales (Japan: 100 million yen)	592	599	382	504
Emissions per 100 million yen in net sales	63.0	44.0	63.9	56.5
Scope 3 (metric tons of CO ₂)	—	42,185	33,276	40,906
Scope 1, 2, and 3 total (metric tons of CO ₂)	—	68,516	57,675	69,376

Notes: The Group calculates GHG emissions using the GHG Protocol methodology.
Emissions from all businesses in Japan are subject to calculation.
Scope of emissions calculation based on the GHG Protocol
Scope 1: Direct emissions by the businesses themselves
Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies

Environmental initiatives

Addressing climate change

Adoption of LED lighting in amusement machines

Aiming to reduce energy-derived CO₂ emissions from our operations by 30%, we have started by reducing the amount of electricity used in our stores. We have begun using LED lighting for amusement machines to reduce the amount of electricity consumed by the machines. Starting with the switch to LEDs at the Kita Toda store on March 1, 2022, we completed the conversion of 428 stores and 14,888 machines to LEDs over the six-month period through August 31, 2022. This has resulted in a reduction of approximately 7% in the electricity consumed in our business operations (compared to 2018), as well as a drop of approximately 2,309 metric tons of CO₂ emissions per year.



LED conversion of amusement machines by our electricians

Development of amusement machines and equipment for environmental learning and playing

As part of our efforts to connect our desire to care for the environment to the next generation, we are developing amusement machines and equipment that enable people to learn about environmental issues in a fun way through games. In 2021, we developed “Guruguru Recycle-n,” an amusement machine to facilitate learning about garbage separation and recycling mechanisms. The machine was developed under the supervision of Shuichi Takizawa, a comedian who is one half of *manzai* comedy duo Machine Guns. Takizawa also works as a garbage collector, and uses his comic persona to teach people how to sort their trash in the right way. It was exhibited at the Toyonaka Festival run by the City of Toyonaka City Osaka Prefecture in August 2022 to raise awareness about reducing garbage, and all proceeds from the event were donated to the city’s Global Warming Prevention Fund.



Guruguru Recycle-n, an amusement machine that helps players learn about recycling

Working toward a recycling-oriented society

Reduction of plastics used in stores

As a first step in our efforts to reduce the amount of plastic thrown away at our stores, in 2020 we changed the material of the prize bags that customers use to take home the items they have won. We have switched them from fossil-derived raw materials to plant-derived raw materials (biomass content of 30%), but we also are asking our customers to bring their own bags. Besides the prize bags, we are going to be pressing ahead with the recycling of toy-containing capsules, reducing equipment and supplies, and so on.



Bioplastic prize bag

Social initiatives

Contributing to children’s futures

Working with customers to support activities to protect children’s rights

Since November 2012, we have designated the 11th of every month as Fantasy Smile Day: Play and Donate. On that day, we allocate 10% of the takings from specified machines in our stores to activities that contribute to post-disaster reconstruction, support for children, and environmental conservation. In March 2021, the 10th anniversary of the Great East Japan Earthquake, we extended Fantasy Smile Day: Play and Donate to four days from March 11 (Thu.) to 14 (Sun.), and used the money raised to support reconstruction in East Japan through the Iwate

Learning Hope Fund, the Great East Japan Earthquake Miyagi Children Scholarship Fund, and the Great East Japan Earthquake Fukushima Donation for Children.



Fantasy Smile Day held on four days in March 2021

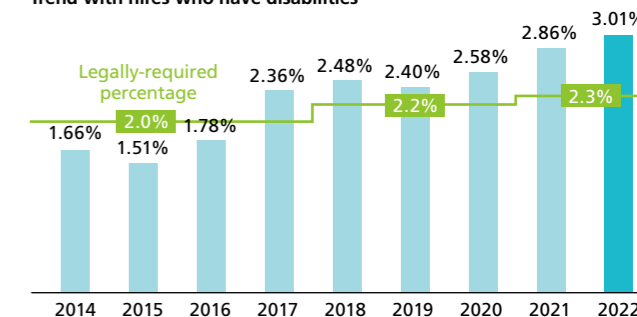
Creating organizations that enable employees to work energetically

Promotion of diversity

We began hiring people with disabilities in FY2008. In March 2017, we established a dedicated department, Job Support, to recruit people with disabilities, help the departments to which they are assigned to understand disabilities, and provide them with support to help them settle in and start contributing after they have been assigned. Regarding recruitment, we run online company briefing sessions and hire them to perform specific tasks as specialist professionals. Furthermore, in cooperation with support organizations, we strive to provide employment that offers a sense of security by allowing prospective employees to visit our stores and receive vocational training. We also run a trial employment scheme that enables them to experience working at the Company before they decide to join us.

In FY2021, we introduced a new assessment system for persons with disabilities to help them settle in and start contributing after they have been assigned. We have also taken steps to encourage them to thrive, such as making them team leaders and promoting to regular employees ones who were part-time employees. And as for job content, we are offering workstyles that allow individuals to demonstrate their strengths. Specifically, we have created what we call spot work, which lies somewhere between *routine work*, i.e. simple tasks, and *professional work*, i.e., challenging and specialized tasks. As a result of these efforts to ensure employees with disabilities *thrive*, two of them (as of June 2022) are thriving as team leaders, uniting their respective teams. In addition, persons with disabilities now account for 3.01% of hires, and 91% of them stay with us.

Trend with hires who have disabilities



Type of disability	No. of persons	Percentage of total
Physical	39	28.3%
Intellectual	21	15.2%
Mental	78	56.5%
Total	138	

(As of June 30, 2022)



Employees with disabilities work as part of teams, with the aim of enabling them to thrive

Social initiatives

Workstyle reform

We believe that the *smiles* of Fantasy employee (i.e., all the people who work at Aeon Fantasy) are the source of *smiles* for children and their families, and we are creating organizations that enable employees to work energetically.

Since 2020, we have been pursuing health management, i.e., management aimed at keeping employees healthy, with initiatives such as boosting the proportion of employees who undergo health checkups and reducing the proportion who are smokers. Aiming to become a company in which diverse talent can thrive, we introduced a work-from-home system back in 2013. And in FY2021, we introduced a scheme for promoting store managers who are contract or part-time employees to regular employee status. As a result of these initiatives, in March 2022 were designated as a Certified Health & Productivity

Management Outstanding Organization (Large Corporation Category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program designed by the Ministry of Economy, Trade and Industry and administered by the Nippon Kenko Kaigi. At the same time, we received the Kurumin Certification from the Minister of Health, Labor and Welfare in recognition of our efforts to support childrearing.



Further engaging with local communities

Visits to social welfare facilities and parties at stores for children from social welfare facilities

To realize a world overflowing with smiles, our wish is to bring *smiles* to the faces of as many children as possible and to spread the circle of *smiles* to others.

To that end, since 1998 we have been organizing *parties* at stores for children from social welfare facilities and special-needs schools, and also making visits to social welfare facilities. On these days, there are events featuring Lala-chan, and the children can play on our amusement machines as much as they like. We also give them presents. To date, we have hosted more than 6,000 of these parties in Japan and abroad, expanding the circle of *smiles* to encompass over 160,000 children.



Thank you letters from children

A visit to a social welfare facility

Decoration of stores with local children

At the Mollyfantasy Musashi Murayama store, which reopened following refurbishments on December 24, 2021, the kids' corner was remodeled on the theme of *the earth's and children's future*. We safely reused materials that would normally be discarded, such as wood produced during forest thinning and old tires, for the wall and trimmings, and about 40 children from a local nursery school helped paint the wood and decorate the wall with their palm prints, which became the leaves of a tree design. So we decorated the store in an ethical way together with local residents.

Going forward, we will continue to connect with the future by decorating stores with local children.



A child painting (Mollyfantasy Musashi Murayama store, December 2021)

Governance initiatives

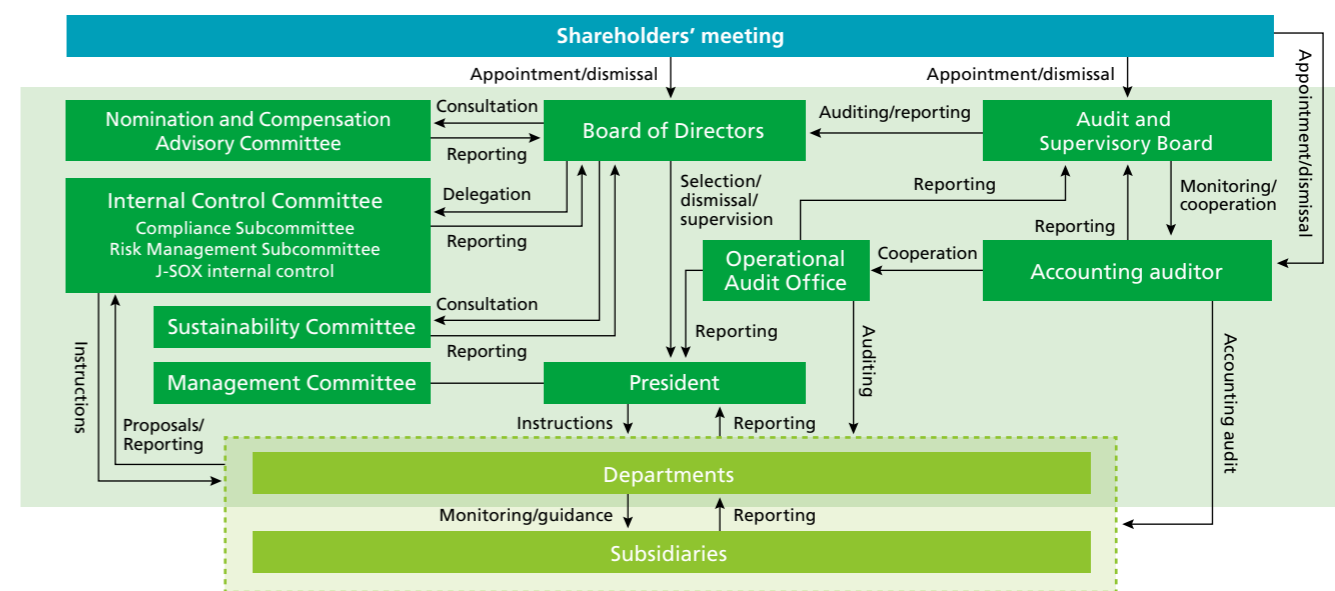
Strengthening corporate governance

Basic approach to corporate governance

Aeon's basic principles are "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." These principles, along with our own Purpose, shall inform all our corporate activities. We will strive to actively engage in dialogue with customers and other stakeholders, and proactively disseminate information to ensure appropriate collaboration. Furthermore, we will disclose information that is appropriate and easy to understand, and ensure transparency and fairness in decision-making. And to ensure the Company's sustainable growth and enhance its enterprise value, the Board of Directors will present growth strategies and management plans based on our

corporate philosophy, support prompt and bold decision-making, and provide effective supervision. We have declared that we will pursue sustainability management as the core of our corporate activities. We will enhance the effectiveness of our sustainability management, as we aim to become a company that contributes to a sustainable society while raising its value as an enterprise. To that end, we have formulated a Sustainability Policy, defined specific initiatives, and set numerical targets. At the same time, we will reflect the opinions and assessments obtained through constructive dialogue with shareholders in the management of the Company, utilizing them to deliver sustainable growth and enhance enterprise value.

Governance structure (as of May 27, 2022)



(1) Board of Directors

The Board of Directors comprises eight directors (including two outside directors) and meets once a month to make decisions on management policies, matters stipulated by law, and important management-related matters, as well as to observe the execution of duties by directors. In addition to these regular monthly meetings, the Board of Directors also meets at other times as necessary.

(2) Audit and Supervisory Board

The Audit Committee comprises four auditors. Auditors attend meetings of the Board of Directors to fully observe the Board of Directors and directors' decision-making. The Audit Committee also meets regularly to discuss the status of business execution by the Board of Directors and each director. Furthermore, it receives reports from all the directors on the operations they are in charge of, and states its opinions.

(3) Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee comprises two independent outside directors and the President, and we established it with the aim of enhancing our corporate governance structure by ensuring the objectivity of assessments and decisions related to the nomination and compensation of

directors and by clarifying the decision-making process. It deliberates on decisions concerning the nomination and compensation of directors etc. at the request of the Board of Directors, to which it reports.

(4) Internal Control Committee

In accordance with our Basic Policy on the Establishment of Internal Control Systems, we have set up the Internal Control Committee as an organ to assist the Board of Directors for the purpose of establishing a structure for strengthening corporate governance. The Committee comprises internal directors, full-time auditors, and the head of the Operational Audit Office.

(5) Sustainability Committee

The Sustainability Committee comprises outside experts on material issues for the Company, who have been approved by the Board of Directors, as well as internal directors and other members appointed by the Committee chairperson. We established it with the aim of both addressing environmental and social issues through our business wherever possible and growing our business, so as to achieve our Purpose of "Inspiring enthusiasm in every child so that there is a *smile* on every face." It deliberates on matters concerning the Company's sustainability management at the request of the Board of Directors, to which it reports.

Governance initiatives

Directors and auditors skill matrix

	Name	Outside	Independent	Experience / knowledge							
				Corporate management	Legal affairs / risk management	Human resources / labor affairs	Finance	IT / digital	Sales / marketing	Global experience	New businesses
Director	Tokuya Fujiwara			●					●	●	●
	Yoshinori Iseki				●		●	●			
	Takeshi Kyogoku			●		●			●	●	
	Yoshihiro Tamura								●		●
	Wataru Koiwa			●					●	●	●
	Nobuyuki Fujiwara			●					●	●	●
	Kazuko Oya	●	●	●	●	●			●		●
Auditor	Mami Yamashita	●	●	●	●				●		●
	Yoshihiko Takegaki	●		●	●	●	●		●		●
	Shigeji Sugimoto	●	●		●		●				
	Shion Okamoto	●	●		●		●			●	
	Kyoko Hayashi										●

Note: The table above does not show all of the experience and knowledge possessed by the officers, but the main ones are marked.

Criteria for determining independence of outside officers

We have specified independence criteria for independent outside directors (including candidates for director), and their appointment is conditional on these criteria being met. Note that independent outside directors continue to meet the

independence criteria after assuming office, and if appointed to a key position, their independence is verified by the Board of Directors based on the independence criteria.

Reasons for appointment of independent directors and their attendance at meetings

Outside director	Reason for appointment	No. of attendances (FY2021)
Oya Director	She was appointed as an outside director because she actively offers opinions and recommendations on important matters related to the Company's management based on her extensive experience and high-level insight in global corporate management, gained through serving as a manager and auditor at companies with operations around the world.	Board of Directors: 17/17 meetings
Yamashita Director	She was appointed as an outside director because we believe that her experience studying abroad and working at a U.S. investment bank gives her a high level of competence in terms of understanding of international business and analyzing domestic and international information, and that she can provide high-level guidance and advice on overseas expansion and new businesses, which will be essential for the future growth of the Company.	(Outside director since May 2022)
Sugimoto Audit and Supervisory Board Member	He was appointed as an outside auditor because he has been involved in accounting audit engagements for many years as a certified public accountant at an audit firm, and we believe that he can supervise overall management and provide effective advice based on his extensive experience and wide-ranging insight in accounting auditing.	Board of Directors: 15/17 meetings Audit and Supervisory Board: 12/14 meetings
Okamoto Audit and Supervisory Board Member	She was appointed as an outside auditor because she is a licensed attorney in Japan and the U.S. and performs domestic and international legal work focusing on M&A, corporate reorganization, and corporate law, and we believe that she can supervise overall management and provide effective advice based on her extensive experience and wide-ranging insight.	(Outside auditor since May 2022)

Improving the effectiveness of the Board of Directors

Each year, all the directors and auditors respond to a questionnaire asking them for their assessment of the effectiveness of the Board of Directors. In March 2022, responses were received from all of them. The Board of Directors then deliberated them and compiled a self-assessment. As a result, it was decided to aim to have independent outside directors make up at least one-third of the Board of Directors, and to strive to enhance the knowledge that is lacking. And regarding the administration of meetings of the Board of Directors, to ensure that there is sufficient time for discussion, it was confirmed that consideration should be given to optimizing the number of agenda items and to delegating authority to subordinate bodies.

Officers' compensation

The compensation of the Company's directors is discussed by the Nomination and Compensation Advisory Committee, which is chaired by an outside director and of which the majority of members are outside directors, and the results of these discussions are reported to the Board of Directors. The process is therefore highly objective and transparent.

The Board of Directors decides on the Company's policy regarding the determination of the amount of compensation for directors and the method of calculation thereof. The Nomination and Compensation Advisory Committee discusses policies for evaluating the performance of directors as well as the appropriateness of performance evaluations and levels of base and performance-linked compensation, and then reports its conclusions to the Board of Directors. Based on these conclusions, the Board of Directors discusses the payment of base and performance-linked compensation, and then delegates the final decision on the amount of compensation for each director

to the President. The authority delegated covers the amounts of each director's base compensation and performance-linked compensation, the latter of which is based on the performance of the operations for which they are responsible.

Succession planning

The Board of Directors deliberates on and determines succession plans for directors, including the President, and auditors following deliberations by the Nomination and Compensation Advisory Committee. Potential successors are then enrolled in the Aeon Group's executive development program, and also recommended for Aeon Fantasy Top Seminar, our own executive development program that was launched in 2020, to accelerate the speed with which candidates can be turned into capable successors.

Aeon Fantasy Top Seminar

This is an educational program, with the President serving as the dean and participants handpicked from among senior managers. The lecturers are professionals and entrepreneurs who can guide the participants, and the mission of the program is for participants to acquire the management knowledge required of executives and the ability to think things through, fully execute, and view oneself as a key person, as well as to become a leader and propose solutions to management issues. The program lasts around one year, after which the participants are ready to take the reins of the Company as executives for the next era. Since its launch in January 2020, 21 participants have completed the program. Furthermore, from the participants final presentations, we adopt the proposal that presents the best business opportunity, put together an execution structure, and take action to turn it into reality. Going forward, we will continue to identify and train successors.

Risk management

Risk management initiatives

The Risk Management Committee (now the Risk Management Subcommittee), chaired by the full-time director and officer for administration and risk management supervisor, met six times during FY2021. After assessing risks in Japan, China, and ASEAN countries, we determined 24 risks to focus on addressing, and worked to reduce them by checking on progress and considering new countermeasures. In particular, we continue to hold meetings on tackling COVID-19, and have implemented measures to block droplet transmission and improve ventilation to ensure that facility operations offer safety and peace of mind. In addition, to prepare for large-scale disasters, we continue to participate in the annual Aeon Group-wide comprehensive disaster drills. And every month, we conduct drills involving use of a tool for sharing one's

safety status and drills to confirm the safety of all employees.

Compliance initiatives

The Compliance Committee (now the Compliance Subcommittee), chaired by the full-time director and officer for administration and risk management supervisor, met six times during FY2021 to review the details and results of measures and activities for compliance with the Labor Standards Act and laws and regulations related to fair trading, and to consider activities for future improvement. In addition, we conduct annual seminars on the Aeon Code of Conduct, which emphasizes compliance management, i.e., compliance in all business operations, provide ongoing education on various laws and regulations, and make sure that all employees are fully aware of our compliance-related activities.

Outside directors' chat

For children, *play equals learning*, and the Company should be one that magnifies their potential

With the revision of the Corporate Governance Code, outside directors are now required to observe and supervise management even more objectively. We asked two of our outside directors how they rate Aeon Fantasy right now, and also about the challenges it faces and their expectations for its future.

An energetic approach to management makes it important to hedge risks

Oya: It's been more than nine years since I became an outside director of Aeon Fantasy, and I've found the management team to be extremely energetic in their management and in their work.

Yamashita: I've only been here for a little while, but I feel exactly the same way. I think the *amusement* segment has a lot to do with that, and my impression is that this is *an exciting company and a great company*.

Oya: And perhaps because of that, it often takes on really challenging projects, doesn't it? Of course, there are many positive aspects to that, but challenges also pose risks.

Yamashita: The Company's also super proactive about overseas expansion.

Oya: Indeed. It's moving aggressively into relatively high-risk countries, most notably China, the Philippines, and Indonesia. Though of course, developing countries are also very attractive because of their huge potential as growing markets. So while we don't want to discourage positive

feelings, we gather information on the regions concerned and discuss what sorts of risks there are. As outside directors, we need to maintain an objective viewpoint.

Yamashita: Speaking of the role of outside directors, my work until now has involved the provision of services for parents raising children. So I believe that what's required of me is to objectively grasp what it is the so-called "child-rearing generation" as well as the society that surrounds them expects from the Company, and to get that perspective incorporated into the Company's management.

Oya: Kokoruku, the company you run, seems to have a similar world view to that of Aeon Fantasy.

Yamashita: Actually, I had the opportunity to talk with members of the management team before taking up the position of outside director at the Company, and I was struck by how much we had in common in terms of our way of thinking. President Fujiwara himself said, "In developing new businesses, we want to focus on areas where we can give back to children, nurturing their smiles and enthusiasm," and that truly resonated with me.

Efficient and productive discussions with a medium-term perspective are vital

Oya: Over the past few years, meetings of Aeon Fantasy's Board of Directors have seen those present become more proactive in expressing opinions and asking questions concerning matters outside of their own purview. So the discussions at the meetings have become a lot livelier. Though if I may say so, it would be nice if the issues on the agenda for board meetings were made a bit clearer, so that we could have more *efficient and productive discussions*.

Yamashita: This is a problem at many companies, not just this one, but I would like more time to be allocated to *medium- to long-term discussion*. One way to solve this problem would be to create a new forum, separate from the current deliberative bodies, for inside and outside directors to exchange views with each other. If this could lead to *broad discussions from a medium- to long-term perspective*, there would also be benefits at the normal board meetings.

Oya: That's actually something that's been suggested by people in the corporate

governance field in recent years, right? I, too, think that there should be many such opportunities for free discussion. I feel that a series of medium- to long-term discussions, in particular, would be an efficient way to improve things, as the perspectives of everyone attending the meetings could be broadened and shared.

Yamashita: Regarding the current medium-term management plan, my prime focus is new businesses. While the Company is used to pursuing new businesses, when entering a completely new field, it is essential to discard previous ways of doing things. It cannot just be an extension of the old. Discussions from truly medium- to long-term perspective, such as on how to secure and optimally allocate the human resources required will be essential.

The Company should be one that magnifies children's future potential

Yamashita: In that sense, the Company's recently-defined Purpose presents the approach that will serve as the cornerstone. If the Purpose is regarded as the center

circle, then even new businesses that at first glance may seem unorthodox can be viewed as lying on that circle.

Oya: A key task going forward will be to make employees conscious of the Purpose. The Company is now a very large organization. And it is critical for the organization to get everyone, including those working in the stores, on the same page. I believe that employees must be trained so that whenever something happens in their workplace, all individuals will make decisions that are aligned with the Purpose.

Yamashita: I'd like to see the entire workforce instilled with an attitude of "we're going to tackle this issue in this way because of who we are as company." Aeon Fantasy, especially, is an organization responsible for children's futures, so I think it's important to find ways of making an impact in that area.

Oya: You're right. I think it's going to be important to *properly develop the unique characteristics of Aeon Fantasy*. Ultimately, it will be necessary to work out *how to make children smile*, and I hope the Company can come up with some

symbolic activities. For example, I'd like to see the creation of learning opportunities that allow children to experience things with their five senses and develop the kinds of sensitivity and intelligence that cannot be measured in quantitative terms. Because for children, *play equals learning*.

Yamashita: The power of children's play is truly amazing. Kids have the ability to learn through play by exploring things for themselves. In fact, for hundreds of years, there's been an educational philosophy that *the driving force for children's learning is their inquisitiveness*, and as a *children's play provider*, Aeon Fantasy is in a position to provide settings and content that are overflowing with possibilities. So I really want the Company to believe in the power of children's play, believe in possibilities, and embrace challenges.

Oya: Things like that make employees proud, don't they? While it's important to look at *how sales are doing*, an awareness that *this company exists because of these activities* among the people that actually cultivate that is what makes employees proud. I hope that all the employees will be able to feel that as they engage in their work.

Kazuko Oya

Outside director (Nomination and Compensation Advisory Committee chair)

Having served as an executive officer and auditor of Shiseido Co., Ltd., a company that does business all over the world, she has extensive experience and high-level insight in global corporate management. Since her appointment as an outside director of the Company in May 2013, she has actively offered opinions and suggestions on important matters related to the Company's management, including during deliberations at Board of Directors meetings.



Mami Yamashita

Outside director

After working in IT consulting, she headed to the U.S. to study, and earned an MBA (Master of Business Administration). After returning to Japan, she worked for a U.S. investment bank and a financial consulting firm, where she oversaw the launch of several new businesses. She has extensive experience and knowledge in entrepreneurship and management, having also launched Kokoruku, a platform that enables mothers to enjoy time to themselves away from home, in December 2013.

List of officers (as of May 18, 2022)

Director



Tokuya Fujiwara
President

Mar. 2000 Joined the Company
Mar. 2008 Chief Manager, Machine Group, Product Headquarters, the Company
Mar. 2009 Chief Manager, Medal Group, Product Headquarters, the Company
Dec. 2010 Product Headquarters deputy manager, the Company
Sep. 2011 Product Headquarters manager, the Company
Mar. 2013 Product Development Headquarters manager, the Company
May 2013 Director, the Company
Mar. 2017 Officer for global products and new businesses, the Company
May 2017 Full-time director, the Company
Mar. 2020 Head of domestic business, Amusement Business Headquarters manager, the Company
Mar. 2021 Head of domestic business, the Company
May 2021 President, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 6,300



Takeshi Kyogoku
Director and Managing Executive Officer
In charge of Sales Management

Apr. 1994 Joined Mycal Corp. (now Aeon Retail Co., Ltd.)
Sep. 1997 Joined Mycal Create Co., Ltd. (now the Company)
Apr. 2012 General Manager, Personnel Group, the Company
May 2014 President and Representative Director, Aeon Fantasy Group Philippines, Inc.
Jun. 2018 Personnel Headquarters manager, the Company
May 2019 Director, Personnel Headquarters manager, diversity promotion supervisor, the Company
Mar. 2021 Director, Personnel and General Affairs Headquarters manager, diversity supervisor, the Company
May 2021 Full-time director and head of domestic business, the Company
Mar. 2022 Director and full-time executive officer for sales, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 1,800



Wataru Koiwa
Director and Executive Officer
In charge of Overseas Business
Senior General Manager, Edutainment Business Development Department

Mar. 2003 Joined the Company
Feb. 2012 General Manager, Business Model Development Group, the Company
May 2013 Global Business Promotion Headquarters deputy manager, the Company
Aug. 2014 New Business Development Headquarters deputy manager, the Company
Mar. 2016 Head of ASEAN business, Indoor Playground Division manager, the Company
Apr. 2016 Director, Aeon Fantasy (Thailand) Co., Ltd. (to present)
Apr. 2016 Director, Pt. Aeon Fantasy Indonesia (to present)
Apr. 2016 President, Aeon Fantasy Group Philippines, Inc. (to present)
Jun. 2016 Director and Chairman, Aeon Fantasy (Malaysia) Sdn. Bhd. (to present)
May 2017 Director, the Company (to present)
Mar. 2019 Overseas Business Headquarters manager, Indoor Playground Division manager, the Company
Mar. 2020 Head of ASEAN business, the Company
Mar. 2022 Director and executive officer for overseas business, Edutainment Business Development Headquarters manager, the Company (to present)

Significant concurrent positions: Director and Chairman, Aeon Fantasy (Malaysia) Sdn. Bhd.
Director, Aeon Fantasy (Thailand) Co., Ltd.
Director, Pt. Aeon Fantasy Indonesia
Director, Aeon Fantasy Group Philippines, Inc.
No. of shares of the Company held: 1,300



Yoshinori Iseki
Director and Managing Executive Officer
In charge of Management Control/Risk Management

Apr. 1990 Joined The Daiei, Inc.
Apr. 1995 Joined Daiei Leisure Land, Inc. (now the Company)
Sep. 2006 Corporate Administration Department manager, Fun Field Co., Ltd. (now the Company)
Sep. 2014 Corporate Planning Department manager, the same
Jun. 2015 President's Office deputy manager, the Company
Mar. 2016 PR/IR Office manager, the Company
Mar. 2017 Finance, Accounting and Administration Headquarters deputy manager, the Company
Sep. 2017 Finance, Accounting and Administration Headquarters manager, the Company
Mar. 2018 Finance and Accounting Headquarters manager, the Company
May 2019 Director, the Company
May 2021 Full-time director and officer for administration, Finance and Accounting Headquarters manager, risk management supervisor, the Company
Mar. 2022 Director and full-time executive officer for administration, risk management supervisor, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 0



Yoshihiro Tamura
Director and Executive Officer
In charge of Merchandise and Development Management
Senior General Manager, Development Management

Dec. 1993 Joined Jusco Co., Ltd. (now Aeon Co., Ltd.)
Mar. 2008 Chief Manager, Gift Group, Product Headquarters, the Company
Feb. 2011 West Japan Business Headquarters manager, the Company
May 2012 Director, the Company (to present)
Sep. 2014 Officer for sales, the Company
Sep. 2015 Sales Planning Headquarters manager, the Company
May 2016 Officer for sales, the Company
May 2017 Development Headquarters manager, the Company
Mar. 2020 Global Development Headquarters manager, the Company
Mar. 2021 Development Headquarters manager, the Company
Mar. 2022 Director and executive officer for products and development, Development Headquarters manager, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 10,700



Nobuyuki Fujiwara
Director

May 2004 Joined the Company
Jan. 2012 Managing Director, Aeon Fantasy (Beijing) Co., Ltd. (now Aeon Fantasy (China) Co., Ltd.)
Jan. 2013 Chairman and Managing Director, the same
Jan. 2014 Chairman, the same
Sep. 2015 Head of China business, the Company
May 2017 Director, the Company
May 2018 President, the Company
Mar. 2021 Head of services and specialty stores, Aeon Co., Ltd. (to present)
May 2021 Chairman and Representative Director, the Company (to present)
May 2021 Director, Megaspots Co., Ltd. (to present)
May 2021 Director, G-Foot Co., Ltd. (to present)
May 2021 Director, Cox Co., Ltd. (to present)

Significant concurrent positions: Head of services and specialty stores, Aeon Co., Ltd.
Director, Megaspots Co., Ltd.
Director, G-Foot Co., Ltd.
Director, Cox Co., Ltd.
No. of shares of the Company held: 4,900



Kazuko Oya
(Outside) Director
(independent officer)

Apr. 1973 Joined Shiseido Co., Ltd.
Jun. 2001 Executive officer, the same
Jun. 2007 Full-time auditor, the same
Jun. 2010 Outside auditor, Tokyo Electric Power Company
May 2011 Chairman, Shiseido Social Welfare Foundation
Jun. 2011 Advisor, Shiseido Co., Ltd.
Dec. 2011 Outside auditor, MTI Ltd.
May 2013 Outside director, the Company (to present)
Jul. 2013 Outside director, Asahi Mutual Life Insurance Company (to present)
Jun. 2015 Outside auditor, Melight Co., Ltd.
Oct. 2015 Auditor, Japan Aerospace Exploration Agency

Significant concurrent positions: Outside director, Asahi Mutual Life Insurance Company
No. of shares of the Company held: 0

Auditor



Yoshihiko Takegaki
(Outside) Audit & Supervisory Board Member

Sep. 2008 Joined Aeon Hokkaido Co., Ltd., Corporate Planning Office manager, the same
Mar. 2009 Executive officer, Corporate Planning Office manager, the same
May 2011 Director and executive officer, Business Headquarters manager, New Business Promotion Department manager, the same
Sep. 2012 Executive officer, Sales Headquarters manager, the same
Mar. 2015 Executive officer, Administration Headquarters manager, the same
May 2016 Full-time executive officer, Administration Headquarters manager, diversity promotion officer, the Company
May 2019 Full-time outside auditor, the Company (to present)
May 2019 Outside auditor, Aeon Entertainment Co., Ltd., (to present)
Mar. 2020 Auditor, Aeon Fantasy (China) Co., Ltd.

Significant concurrent positions: Outside auditor, Aeon Entertainment Co., Ltd.
Auditor, Aeon Fantasy (China) Co., Ltd.
No. of shares of the Company held: 0



Shion Okamoto
(Outside) Audit & Supervisory Board Member (independent officer)

Sep. 2008 Joined Mori Hamada & Matsumoto (law firm)
Sep. 2013 Worked at London and Tokyo offices of Herbert Smith Freehills
Apr. 2015 Seconded to Legal Affairs Department, Mitsubishi Corporation
Aug. 2016 Joined Yahoo Japan Corporation
Aug. 2016 Seconded to YJ Capital Inc. (now Z Venture Capital Inc.)
Aug. 2021 CFO and General Counsel, the same
Apr. 2022 Seconded to Z Holdings Corporation
Apr. 2022 Engagement Manager, Finance Department, the same (to present)
May 2022 Outside auditor, the Company (to present)

Significant concurrent positions: Engagement Manager, Finance Department, Z Holdings Corporation
No. of shares of the Company held: 0

Executive officers

Kojiro Ikeda
Head of China Business, Chairman and Managing Director, Aeon Fantasy China

Yuya Shiozawa
Senior General Manager, Strategy Department

Sou Li
Senior General Manager, Human Resources & General Affairs Department



Mami Yamashita
(Outside) Director
(independent officer)

Apr. 2001 Joined NEC Corporation
Aug. 2006 Credit sales supervisor, Credit Sales Department, J.P. Morgan Japan
Nov. 2007 Group manager, Business Promotion Department, The Risk Data Bank of Japan, Ltd.
Dec. 2013 President and Representative Director, Kokoroku Co., Ltd. (to present)
Feb. 2017 Director, Learning Journey
Jun. 2018 Outside director, Honda Tsushin Kogyo Co., Ltd. (to present)
May 2022 Outside director, the Company (to present)

Significant concurrent positions: President and Representative Director, Kokoroku Co., Ltd.
Outside director, Honda Tsushin Kogyo Co., Ltd.
No. of shares of the Company held: 0



Shigeji Sugimoto
(Outside) Audit & Supervisory Board Member (independent officer)

Apr. 1974 Joined Tohmatsu, Awoki & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 1978 Registered as a Certified Public Accountant
Jul. 1989 Partner, the same
Dec. 2015 Left the same
Jan. 2016 Established Sugimoto Shigeji Certified Public Accountant Office
May 2016 Outside auditor, the Company (to present)
Jun. 2016 Outside auditor, Aeon Bank Co., Ltd. (to present)
Jun. 2016 Outside auditor, Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation) (to present)
Jun. 2020 Outside auditor, Osaka Steel Co., Ltd. (to present)

Significant concurrent positions: Outside auditor, Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation)
Outside auditor, Aeon Bank Co., Ltd.
Outside auditor, Osaka Steel Co., Ltd.
No. of shares of the Company held: 0



Kyoko Hayashi
Audit & Supervisory Board Member

Sep. 1995 Joined Jusco Co., Ltd. (now Aeon Co., Ltd.)
Sep. 1999 International Planning Department, the same
Aug. 2002 Overseas Company Administration Department, the same
Mar. 2006 Overseas Business Planning and Development Department, the same
Jun. 2012 Business Promotion Department, the same
Aug. 2017 Services and specialty stores supervisor, the same (to present)
May 2022 Auditor, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 0

Financial and non-financial highlights

Financial information	FY2012 ^{*1}	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operating results (Unit: million yen)										
Net sales	44,868	46,541	46,632	58,831	65,058	72,174	74,243	73,492	46,116	60,170
Gross profit (loss)	6,264	5,466	5,669	6,544	7,977	10,811	10,004	8,726	-2,660	1,687
Selling, general and administrative expenses	2,862	2,930	3,040	3,795	4,207	4,840	5,352	5,515	4,768	5,095
Operating profit (loss)	3,402	2,536	2,629	2,748	3,769	5,970	4,651	3,211	-7,429	-3,408
Ordinary profit (loss)	3,490	2,645	3,417	2,630	3,498	5,598	4,299	2,387	-7,719	-3,385
Net income (loss) attributable to owners of the parent	1,535	1,117	1,338	1,480	1,697	2,986	1,865	-325	-9,277	-4,507
Net income (loss) per share (yen)	84.71	61.60	73.76	76.70	86.18	151.53	94.58	-16.47	-469.51	-228.07
Diluted net income per share (yen) ^{*2}	84.46	61.40	73.50	76.42	85.88	150.99	94.33	-	-	-
Return on equity (ROE)	8.1%	5.6%	6.4%	6.5%	6.8%	11.3%	6.6%	-1.2%	-42.8%	-31.8%
Financial position (at the end of each business year) (Unit: million yen)										
Net assets	19,988	20,618	21,608	24,744	25,619	28,369	29,220	27,128	16,922	11,841
Total assets	26,684	27,978	30,041	41,040	43,328	46,928	48,891	55,739	53,961	51,235
Net assets per share (yen)	1,084.95	1,117.92	1,170.74	1,239.44	1,283.33	1,409.05	1,449.36	1,348.77	844.86	591.51
Shareholders' equity ratio	73.7%	72.5%	70.7%	59.5%	58.4%	59.2%	58.5%	47.8%	30.9%	22.8%
Return on assets (ROA)	13.7%	9.7%	11.8%	7.4%	8.3%	12.4%	9.0%	4.6%	-14.1%	-6.4%
Cash flows (Unit: million yen)										
Cash flows from operating activities	6,152	6,674	3,570	8,156	10,349	10,672	9,588	10,271	183	6,176
Cash flows from investing activities	-5,672	-8,023	-3,146	-12,571	-7,660	-11,416	-12,069	-10,849	-6,964	-7,091
Cash flows from financing activities	-580	-820	-394	4,285	112	-506	1,862	96	8,445	1,395
Cash and cash equivalents at end of term	5,250	3,246	3,369	3,724	6,442	5,132	4,533	4,132	5,718	5,986
Share information										
No. of shareholders (Persons)	12,837	13,614	16,693	12,347	10,066	10,532	16,189	20,503	20,098	22,644
Total no. of shares outstanding (Shares)	18,175,688	18,175,688	18,175,688	19,713,825	19,713,825	19,713,825	19,728,325	19,751,625	19,762,025	19,768,825
Non-financial information										
No. of stores at fiscal year-end (Stores)	365	437	514	778	815	850	873	880	859	941
Figures in parentheses represent the number of which are franchise stores	(9)	(25)	(25)	(14)	(16)	(10)	(9)	(10)	(10)	(10)
Floor area at end of term (m ²)	262,748	302,868	347,251	492,624	542,331	590,766	617,430	631,518	618,405	610,583
Average floor area during term (m ²)	260,816	277,653	326,771	441,353	515,280	559,602	603,032	625,643	626,178	616,306
No. of employees (consolidated) ^{*3}	3,395	4,055	4,482	6,430	7,184	7,767	8,926	7,645	7,518	7,180
Japan	740	1,380	1,893	2,965	3,640	4,165	5,311	4,115	4,695	4,140
Overseas	2,655	2,675	2,589	3,465	3,544	3,602	3,615	3,530	2,823	3,040
No. of female managers in Japan and overseas							223	297	306	318
Percentage of managers who are female in Japan and overseas							50.0%	53.5%	53.3%	53.1%
Percentage of hires who have disabilities			1.66	1.51	1.78	2.36	2.48	2.40	2.58	2.86

*1 Due to a change in the fiscal year, FY2012 lasted 12 months and 8 days from February 21, 2012 to February 28, 2013.

*2 Diluted net income per share for the period from FY2019 to FY2021 is not shown in the above table because there was a net loss per share, even though dilutive securities existed.

*3 The number of temporary employees is calculated on the basis of an eight-hour work day.

Company overview (as of August 31, 2022)

Company overview

Trade name	Aeon Fantasy Co., Ltd.
Headquarters office	1-6, Nakase, Mihama-ku, Chiba-shi, Chiba-ken
Website	https://www.fantasy.co.jp/company/
Founded	October 1969 (incorporated in February 1997)
Capital stock	1,806 million yen (fiscal year to Feb. 2022)
Business	Operation of amusement facilities and indoor playgrounds in shopping centers

Consolidated subsidiaries

- Aeon Fantasy (China) Co., Ltd., Beijing, China
- Aeon Fantasy (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia
- Aeon Fantasy (Thailand) Co., Ltd., Bangkok, Thailand
- Aeon Fantasy Holdings (Thailand) Co., Ltd., Bangkok, Thailand
- Aeon Fantasy Group Philippines, Inc., Manila, Philippines
- Pt. Aeon Fantasy Indonesia, Jakarta, Indonesia
- Aeon Fantasy Vietnam Co., Ltd., Ho Chi Minh, Vietnam

Network

No. of stores 981 (consolidated) including franchises etc.



Share information (as of August 31, 2022)

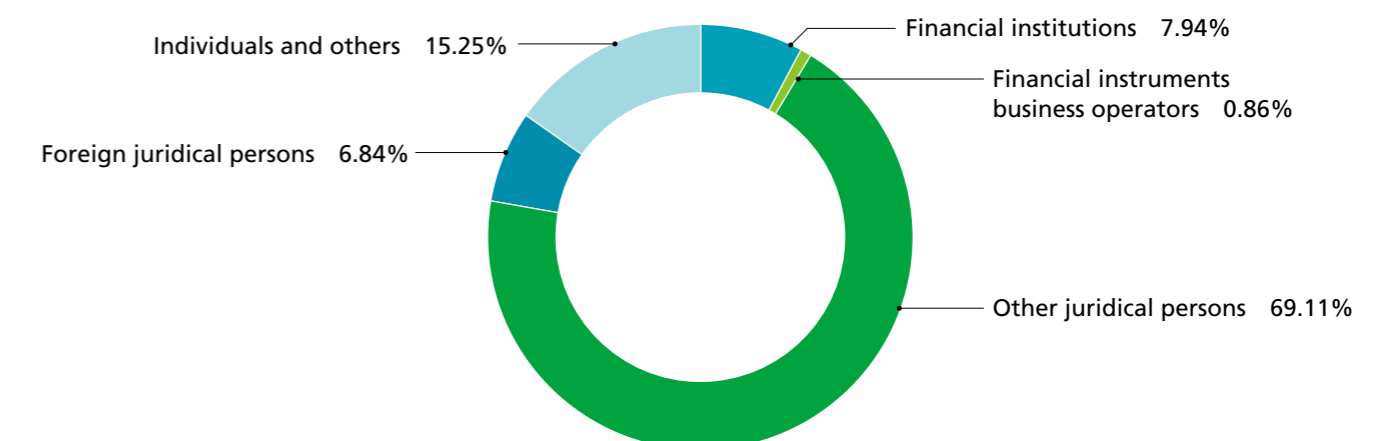
Status of shares

Total no. of authorized shares	50,000,000
Total no. of shares outstanding	19,768,825
No. of shareholders	16,994

Major shareholders (top 10)

Name of shareholder	No. of shares held (Unit: 1,000 shares)	Percentage shareholding
Aeon Co., Ltd.	13,004	65.78
The Master Trust Bank of Japan, Ltd. (trust account)	755	3.82
The Nomura Trust & Banking Co., Ltd. (mutual fund account)	406	2.06
Custody Bank of Japan, Ltd. (trust account)	331	1.68
MSCO Customer Securities	228	1.15
Government of Norway	213	1.08
JPLLC-CL JPY	173	0.88
UBS AG London Asia Equities	130	0.66
RBC ISB Lux Non Res/Dom Rate-UCITS Clients Account-MIG	126	0.63
Maxvalu West Japan Co., Ltd.	115	0.58
Aeon Financial Service Co., Ltd.	115	0.58
Aeon Mall Co., Ltd.	115	0.58

Percentage of shares held by each type of shareholder



Inspiring Enthusiasm



Aeon Fantasy Co., Ltd.

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