

Inspiring Enthusiasm



AEON Fantasy Co., LTD.
**Integrated
Report
2023**



 Planting Seeds of Growth
We are AEON

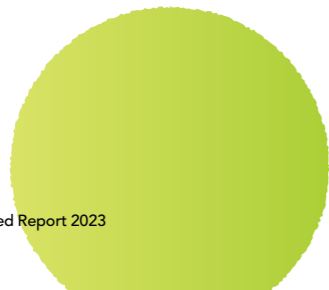
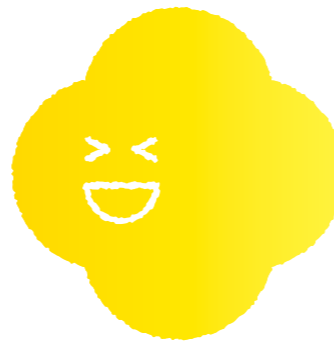
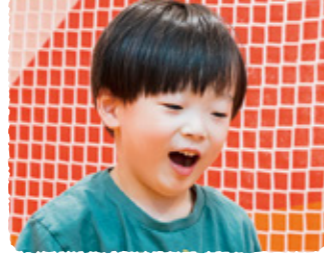
Inspiring enthusiasm in every child so that there is a smile on every face

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.



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Editorial Policy

At AEON Fantasy, we publish the Integrated Report as a tool for communication with our shareholders, investors, and various other stakeholders. In this second edition of the Integrated Report, we highlight our medium- to long-term value creation stories based on the Purpose we established in FY2021. We do so by mainly focusing on our business development and strengths, our course of action and initiatives for further growth, and reports on our ESG activities.

Period covered

FY2022 (March 1, 2022, to February 28, 2023)
Some reported information includes that on activities before or after this period.

Scope covered

AEON Fantasy Co., LTD. and its Group companies

Guidelines referenced

- IFRS Foundation: International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry: Guidance for Collaborative Value Creation



Becoming a Company That Can Continue to Make Children Smile

Our Endeavors Aimed at Further Growth Have Already Begun

Tokuya Fujiwara
 President
 AEON Fantasy Co., LTD.

Clear recovery from the pandemic predominantly in Japan and ASEAN countries

In FY2022, consolidated net sales increased 20.8% year on year to 72.69 billion yen, while operating profit improved 4.257 billion yen year on year for a profit of 849 million yen. This can be attributed to a return to normality following the COVID-19 pandemic in the second half of the year, and the ensuing recovery in both our domestic and overseas businesses.

In our domestic businesses, an increase in number of COVID-19 infections during the summer holidays, a major period of business competition for us, resulted in a drop in net sales. Although we were not able to achieve the numbers in our full-year plan, results in the second half of the year recovered and surpassed the levels in FY2019. In addition to steady, positive results from an increase in capsule toy and prize specialty store openings, we are also seeing a recovery in our timed playground equipment and medal (arcade token) departments, results in which for many years had been stagnant. We believe that both of these

achievements will benefit us in the next fiscal year.

In our overseas businesses, impacts from the pandemic were very different in each country. In China, for example, although the country's prolonged zero-COVID policy ended in December, soon after infections increased rapidly, and difficult market conditions continued throughout the year. On the other hand, in ASEAN countries, which had gotten the pandemic under control in the beginning of the fiscal year, we had more customers than expected visit our stores, and as a result we achieved record highs in both sales and profit. Positive results in ASEAN countries can be attributed to two factors.

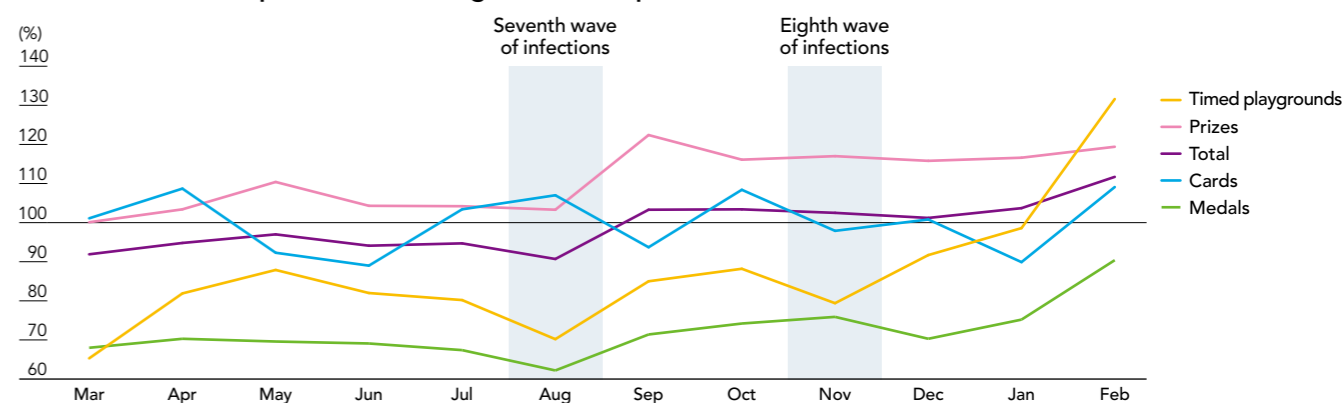
One is that the common initiatives we implemented in each country are bearing fruit. Some ASEAN countries have strict legal restrictions on amusement facilities, and so due to management difficulties and other circumstances, our main operations in the region have centered on timed playgrounds. As such, the capabilities of staff who play with the children and make sure they have a good time

Quarterly Net Sales and Operating Profit in the Fiscal Year to Feb. 2023

(Unit: Million yen, %)

| | Net sales | | | Operating profit | | |
|-----------|---------------------|---|------------------------------------|---------------------|---|------------------------------------|
| | Period under review | Increase/decrease compared to previous term | Increase/decrease compared to 2019 | Period under review | Increase/decrease compared to previous term | Increase/decrease compared to 2019 |
| Q1 | 16,161 | 21.3 | (10.1) | (325) | 1,434 | (635) |
| Q2 | 18,918 | 27.2 | (9.8) | 622 | 1,441 | (1,920) |
| Q3 | 17,698 | 22.6 | 5.8 | (431) | 919 | (67) |
| Q4 | 19,912 | 13.5 | 11.9 | 983 | 461 | 260 |
| Full year | 72,690 | 20.8 | | 849 | 4,257 | |

Net Sales in Core Departments (Existing Stores) Compared to 2019



are essential. With no choice but to suspend operations during the pandemic, we focused on developing store staff through seminars and educational events. These activities were a great success, and upon reopening of our facilities, our well-prepared staff were ready to welcome children back. Moreover, due to a drop in sales, general, and administrative expenses at our ASEAN head office, as well as a thorough reduction in unreasonable, wasteful tasks, we were able to transition to an efficient, lean management structure. These successes helped to drive growth in both sales and profit in our ASEAN businesses.

Another factor is our acquisition of the highest share of the amusement facility market in Malaysia and the playground market in the Philippines. In both of these countries, by introducing effective amusement machines and providing services and playground equipment of a much higher quality than our competitors, we were able to quickly differentiate ourselves from rival stores. In the Philippines in particular, we have pioneered and expanded the large indoor playground market. As a result, we have earned the hopes and trust of developers, and are in a position where we are one of the first to be asked to open new facilities.

In FY2023, although in Japan and ASEAN countries we expect markets to recover further, in China, we anticipate that markets will not return to pre-COVID levels until FY2024 onwards. Overall, we forecast net sales of 86.2 billion yen (a year on year increase of 18.6%) and operating profit of 4 billion yen (a 3.15 billion yen increase over the previous year). In Japan, in addition to continuing with the expansion of our specialty store business for capsule toys and prizes, we will also work to further evolve our businesses to cater to childcare needs. Overseas, we will aim to reliably capture demand by promoting flexible store openings in line with the size of our business areas and developers.

Uncovering the company's challenges and Purpose through experiences from the pandemic

For companies like us with real stores, the three years of the pandemic presented an incredibly tough management environment. That said, there are many things we uncovered and acquired by confronting the reality of the challenging situation we were in.

For example, the pandemic revealed that our then

business policies, as well as our internal standards and rules, were not sufficient to keep up with the drastic changes in our business environments and in customers' needs. It therefore presented us with an opportunity to return to our founding mindset and reconsider our Purpose alongside management and the employees responsible for the next generation.

We formulated our Purpose (see p. 01), and repositioned children's smiles at the center of our management. At the same time, we elevated our Purpose into something that defines our responsibility for future society: 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. We have no doubt that this Purpose will be a key driving force as we aim to achieve sustainable growth.

Meanwhile, with fewer opportunities for children to play at our stores due to the pandemic, there was a prolonged period during which our employees could not find a meaning in their work. This new definition helped to build a sense of unity among our employees as they determined to fulfil our Purpose, while it also enabled them to work together to overcome a difficult period. Timing-wise, the formulation of our purpose was ideal.

The pandemic also served to clarify the future course of action for the development of our businesses. In our current medium-term management plan, which began in FY2021, we described our intention to become an edutainment company. In these three years we have repeatedly hypothesized, tested, and verified new business developments to help us achieve this vision. While there have been many failures, one thing we have clarified is that there is overwhelming demand among our customers for playgrounds. This is evident both in our strong performance in ASEAN countries, as well as in the speed of recovery in playground sales in Japan and China. As the pandemic draws to a close, what are children finding most enjoyable? One answer can be seen in the quick recovery of our Playground Business.

In March 2023, we opened a new type of playground, CHIKYUU NO NIWA, in Tokyo Solamachi (see p. 21). Currently, the number of customers is increasing at a faster pace than our initial plan. The concept for CHIKYUU NO NIWA is "a space where children can play while learning about the charm and importance of the earth." At the same time, we have



The new playground, CHIKYUU NO NIWA, that opened in Tokyo Solamachi

"reverse imported" our style of operations in ASEAN countries, where children and employees enjoy playing together, and are focusing on staff training. We have also increased the number of staff, and this has led to greater enjoyment for children and in turn the broad support of our customers.

Today, customers' play-related needs are becoming increasingly diverse. Although conventionally customers would visit our facilities while shopping, an increasing number of customers are visiting our facilities exclusively for their children to play, be it for a long time, a short time, to play with prizes, or to play with medals, for example. In line with our customers' objectives, centered on our playgrounds we will aim to create value in playing to inspire enthusiasm among children, and work with our employees to fulfil our Purpose.

Becoming a corporate group that can promote the growth of children's emotions, mind, and body

As we work to fulfil our Purpose, our aim is to become a company that can promote the growth of

children's emotions, mind, and body by creating enjoyment for them.

Children learn a great deal through play. That is to say, playing and learning do not exist independently from one another. For example, by interacting with others through play, children can learn about social rules, cooperation, and independence, and develop their emotions at the same time. The same goes for their mind and body. We believe that to become an edutainment company, it is incredibly important that we confront children's growth through play and constantly examine the unique value we can provide as AEON Fantasy.

As we do so, it will become apparent that we must also revise the structure of our business. Currently, our amusement business, which is centered on our amusement machines, accounts for approximately 80% of domestic sales and 70% of sales in China. Our mainstay in this area is Mollyfantasy. In addition to further evolving this business in the future, in line with customers' needs we will also seek to expand our capsule toy and prize specialty stores, both of which achieved significant growth during the pandemic.

However, in order for us to develop into a company that promotes the growth of children's emotions, mind, and body, there is a limit to what we can achieve with these businesses alone. In response, we realized the significance of value that contributes to children's growth—that is, the added value of our Playground Business and the creation of platforms for play between children and our staff using our in-store playground equipment. Looking ahead, our plan is to focus on enhancing this value. And, by developing this into our next growth driver, we will endeavor to create even greater value.

In the Playground Business, our main attractions in Japan and overseas are SKIDS GARDEN and kidzooona, respectively. On top of the aforementioned CHIKYUU NO NIWA, we will examine new business developments and aim to improve the ratio of the Playground Business in overall sales in Japan and China over the medium to long term. Moreover, we will also work to reinforce the Playground Business in ASEAN countries, where it is already the mainstay of our operations (see p. 19).

Of course, there are certain hurdles that must be overcome for us to proceed with this course of action. If we are to adopt our ASEAN-style of playground operations, where store staff enjoy playing alongside children, we must deploy a large number of staff, and in Japan and China this could lead to issues around profitability. However, due to the high level of service by deploying a large number of staff at our new playground, CHIKYUU NO NIWA, visitors have been happy even with the high price per customer, which was something we could not achieve with our previous Playground Businesses. In this sense, we have successfully balanced our value proposition with price. These initiatives were born from the ideas of our young employees, and previously we may have abandoned the ideas due to our focus on profitability. However, today they are a result of our efforts to create new value, stemming from our desire to make children smile.

While creating new value comes with issues, successively taking on new challenges like this will allow us to pioneer our own way forward. In the new medium-term management plan we are scheduled to announce next fiscal year, we will further clarify the course of action and issues for our businesses, and develop growth strategies aimed at the fulfilment of our Purpose.

Implementing sustainability management and companywide efforts to enhance corporate value

In 2022, we formulated our Sustainability Policy and established a Sustainability Committee comprising external experts as an advisory body to the Board of Directors. In doing so, we began full-scale sustainability management (see p. 27). Moreover, we have also set up Sustainability Clubs as subordinate organizations of the Sustainability Committee as cross-departmental teams handling AEON Fantasy's six material issues. We have begun activities in each club aimed at achieving quantitative and qualitative targets.

Of these six material issues, I am paying particularly close attention to "Creating organizations that enable employees to work energetically." As a company whose Purpose is to make children smile, it is essential that we create working environments that enable employees to work with a sense of both happiness and enjoyment so that they can welcome children with smiles. This is the key to achieving our Purpose. In September 2022, we formulated the Fantasy Way code of conduct to guide us toward fulfilment of our Purpose. The aim of Fantasy Way is to enable employees to think independently and take on new challenges to make children smile. To ensure that these efforts naturally come up in conversation in employees' day to day tasks, Fantasy Way comprises four calls to action. With management leading the way in communicating these calls to action, we are promoting their spread throughout the company. In the future, we will focus on creating environments that facilitate the fulfilment of our Purpose, such as by creating personnel evaluation systems to recognize employees implementing Fantasy Way.



Fantasy Way

We will also proactively invest in our human resources. In terms of human resource development,

we offer in-house seminars for each position within the company and cover all costs for the acquisition of qualifications that help employees boost their skill sets. We are also focusing on providing support to employees raising children. One of our medium-term targets for 2030 is to ensure that 50% of section managers and above are female in Japan and overseas, and in FY2022 we achieved a ratio of 46%. Another medium-term target is to ensure that 100% of eligible males take childcare leave, and we achieved this target in FY2022. In addition, we have further relaxed conditions for our Temporary Childcare Subsidy System^{*1}, which we have continued since 2017, while in FY2022 we also launched the Hagukumi Leave System^{*2}, ensuring generous support for employees raising children.

Meanwhile, for our sustainability management initiatives, we are responding to society's strong demand for climate change action. While we have been steadily reducing our CO₂ emissions by shifting to the use of LED for amusement machines, moving forward we will go one step further and work to reduce Scope 3 emissions. Through the Sustainability Committee, we are receiving advice from external experts on how to take our efforts to the next level, and to take the initiative as the industry's leading company, we plan to look at activities to reduce CO₂ emissions across the supply chain.

We are now in the second year of our Sustainability Club activities since the launch as an in-house project. Although concrete achievements are still to come, this year all club members are taking part of their own accord in full support of the activities. Recently it feels as though interest and understanding of sustainability throughout the company is steadily growing. Moving forward, in having management and employees run the company and contribute to society together, I hope we can enhance our corporate value and continue to achieve growth.

^{*1} The company subsidizes the cost of temporary childcare when the child cannot attend nursery school due to illness or recovery from illness, etc. In 2022 we relaxed conditions for use of the system by enabling its use on Sundays and public holidays.

^{*2} Special paid leave (up to five consecutive days) outside of the designated annual number of days for employees to use within one year of their spouse giving birth.



Achieving sustainable growth to bring smiles to the faces of children across the world

As our business performance shows signs of recovery following the negative impacts of the pandemic, in spring 2024 we are scheduled to announce our new medium-term management plan ahead of our next stage of growth. In these past few years, having taken stock of our Purpose and engaged in trial and error in line with customer needs, I have discovered and am confident in the new vision for AEON Fantasy. More than anything, however, I firmly believe that management and employees will be key to developing the company into something even better.

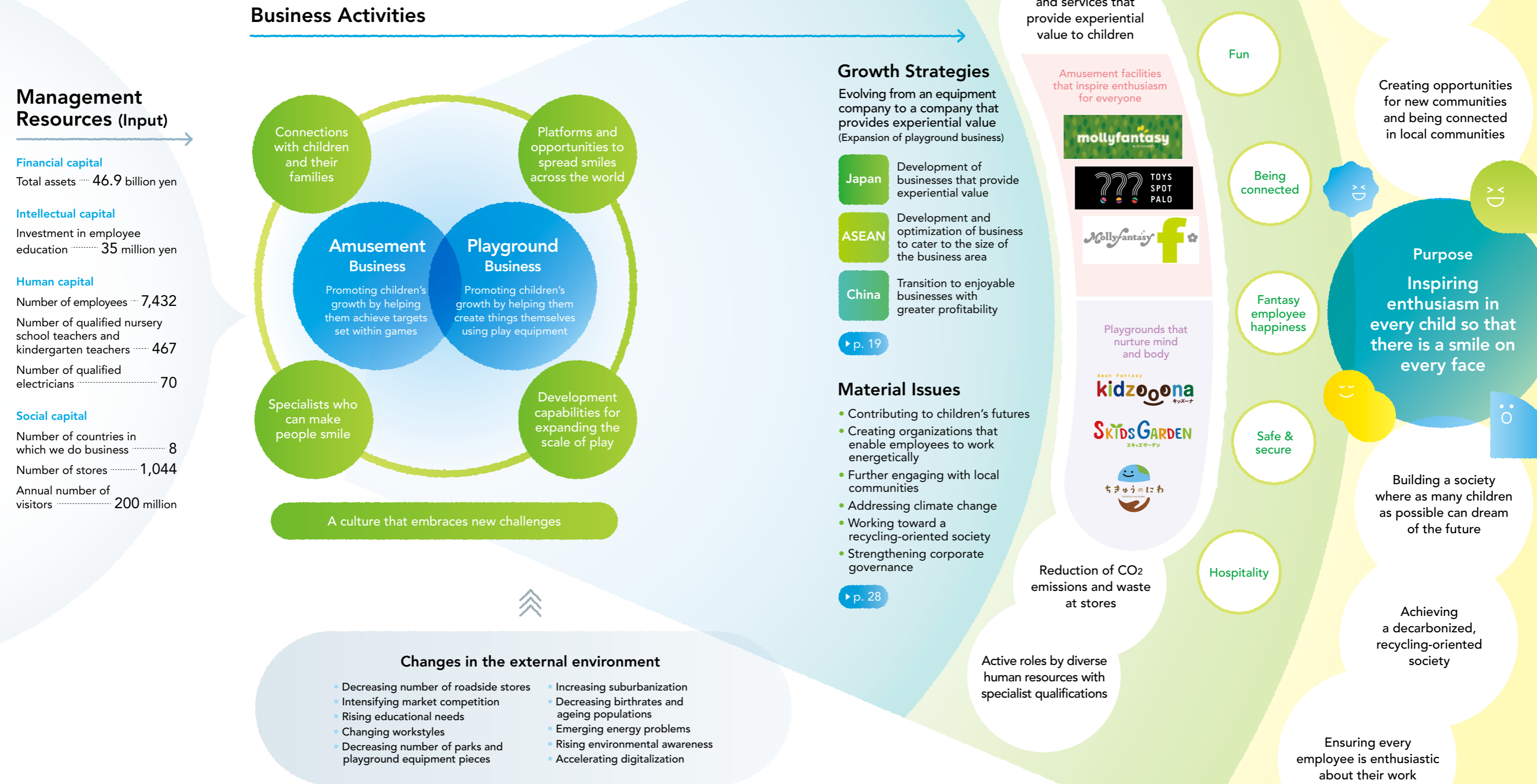
As manager, I am putting together a vision for AEON Fantasy so that we can grow as a company that continues to make children smile 30 years or 50 years into the future. I hope to develop an organization that inspires our employees' parents, children, and friends to say what a wonderful company they work at and how happy they must be to be contributing to society.

To our stakeholders, please look forward to the future of AEON Fantasy. I ask for your continued understanding and support as we aim to make forward progress.



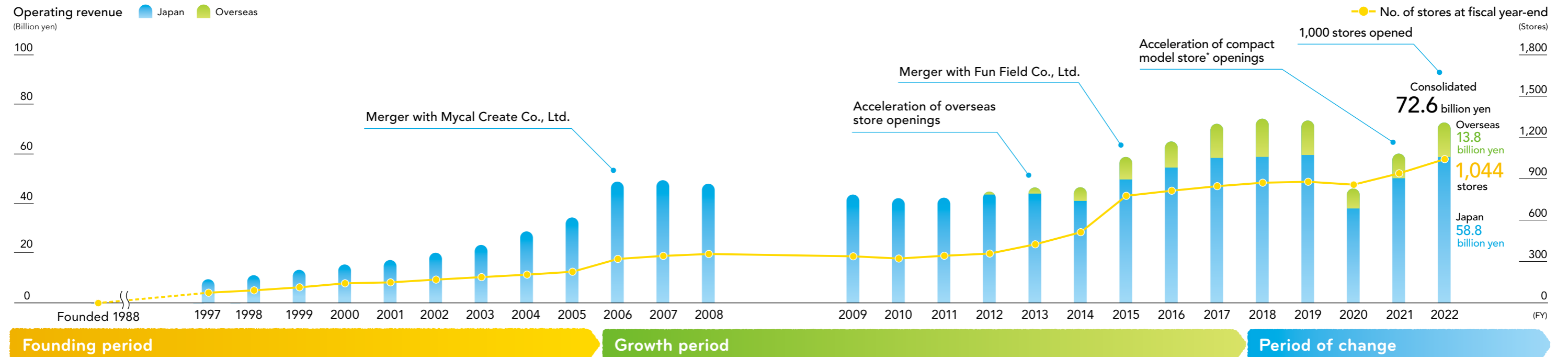
Value Creation Model

At AEON Fantasy, based on our five accumulated strengths, we are contributing to children's smiles through two mainstay businesses. Ahead of further growth, while focusing on the creation of play experiences, we will also tackle our six material issues to provide society with diverse value and create a world with a smile on every face.



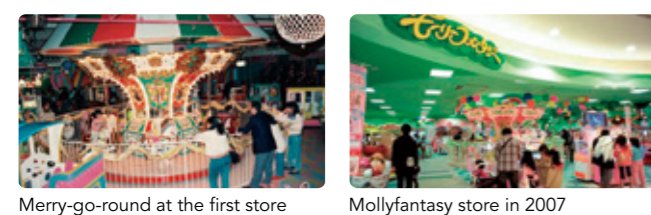
Value Creation History

Since its founding in 1988, AEON Fantasy has focused on children and their families and developed various businesses in countries across the world. One thing that remains unchanged since then is our emphasis on children's smiles. Moving forward, we will continue to support children's growth through play and provide new value.



Creation of New Value Through Indoor Amusement Parks

In 1988, we opened an amusement facility for families based on the "cheerful and safe indoor amusement park" concept. Transforming the conventional image of amusement facilities, which were recreational facilities for young people, we provided a new concept based on fun and connection for families. In 2001, we opened our first Mollyfantasy store, which is today one of our mainstay businesses, and in 2005 we opened our 200th store in Japan.



Two Mergers and Expansion Overseas Becoming an Amusement Industry Leader

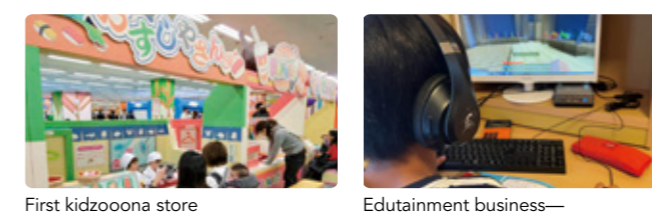
In 2006 and 2015, we conducted two mergers to expand the scale of our business. In terms of both sales and number of stores we took the top spot in the Japanese amusement industry. Moreover, kickstarted by our expansion into China in 2007, we proceeded with the opening of new stores overseas, mainly through our Playground Business, and entered six new countries in 10 years. Our facilities have received particularly wide acclaim in ASEAN countries, where there is high demand for safe and hygienic indoor play areas.



Providing New Value Centered on Children's Growth

Creating Spaces for Learning Through Play

In addition to in the Playground Business, which develops children's creativity and social skills, we also develop original equipment and machines in the Amusement Business. Through these developments, we have expanded our businesses with a focus on the edutainment concept: Learning while playing. Moreover, we also entered the Hot-Bath business and the Outdoor Business, diversifying our businesses with play and family connection at the core.



Creating New Value Through the Promotion of Children's Growth

Although the industry as a whole was significantly impacted by the pandemic, our prize and capsule toy businesses in Japan continued to perform strongly, while sales have also grown in ASEAN countries post-pandemic. It is clear to see that demand for play opportunities remains unchanged. Since then, we have reimagined the value of playing for children and families, and elevated this into our Purpose. Utilizing the strengths we have accumulated to date, we will aim to provide new value through children's growth.



| Company history | | | | | | | | | | |
|---|--|--|---|---|---|---|---|---|--|---|
| 1988 Establishment of amusement department within shopping center division of Jusco Co., Ltd. | 1997 Establishment of AEON Fantasy Co., Ltd. | 2002 Listing on JASDAQ market | 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 |
| 1998 Opening of first store, Fantasy Park Odate | 1998 Establishment of corporate motto and philosophy | 2003 Listing on Second Section of Tokyo Stock Exchange | | | | | | | | 2022 Selection for Prime Market of Tokyo Stock Exchange Reached 1,000 stores worldwide |

* Stores that are opened in accordance with the small area.

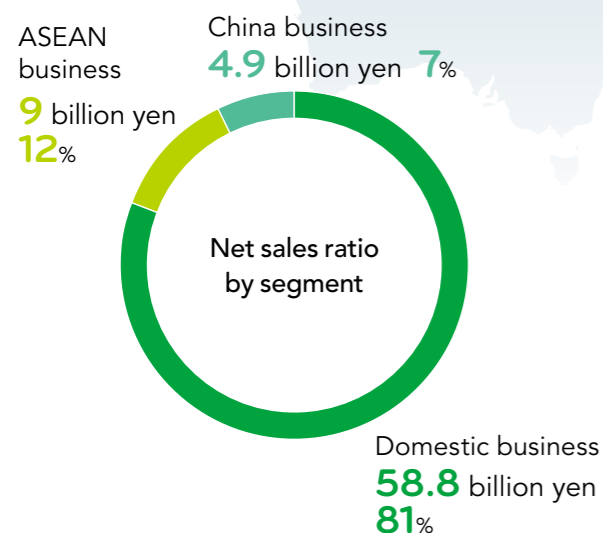
Business Development

AEON Fantasy provides a wide range of facilities and services in Japan and across Asia centered on its Amusement Business and Playground Business. By optimizing these businesses in line with the region, commercial facility, or target they are developed for, we are contributing to the creation of smiles among as many children as possible.

Net sales for the fiscal year to Feb. 2023
72.69 billion yen

Operating profit for the fiscal year to Feb. 2023
849 million yen

1,044 stores in 8 countries



• Domestic business

Centered on the Amusement Business, we operate stores mainly at nationwide shopping centers. In recent years, we have accelerated our opening of compact model stores, which continue to perform well, and our share of the market is growing. Moreover, to fulfil the Purpose and Sustainability Policy we established in 2022, we are also working on the development of new businesses based on two themes: children's growth and the SDGs.

• ASEAN business

We operate stores in major urban areas across the ASEAN region mainly through the Playground Business. In addition to working with the AEON Group, we are partnering with local influential developers to expand our store openings. In particular, our Japanese safety standards and quality of customer service are highly regarded, which our competitors would not be able to provide, and in terms of these intangible qualities, we are maintaining our competitive advantage.

• China business

We operate both the Amusement Business and the Playground Business in China's major cities. In 2022, we opened a new business to support children's growth through exercise and health. In this way, we are engaging in business development in line with changing market needs. We are also proactively making use of digital technologies through apps and e-commerce sites, for example.

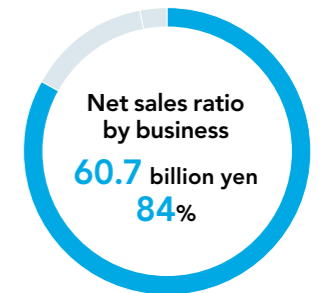
Business Domains

Amusement

Spaces That Inspire Enthusiasm and Make People Smile

With a thorough focus on cheer, hygiene, and safe & secure, we operate amusement facilities for families. In addition to providing various opportunities for play to inspire enthusiasm among both children and their families, such as prize games, medal games, and rides for small children, we also develop original machines and equipment that enable children to learn while playing.

| Business Type | Year | Brand/Logo | Number of stores (FY2022) |
|------------------------|------|-----------------|---------------------------|
| Amusement for families | 2001 | mollyfantasy | 592 stores |
| Amusement for all ages | 2010 | Mollyfantasy f | 46 stores |
| Compact model stores | 2018 | TOYS SPOT PALO | 183 stores |
| | 2021 | PRIZE SPOT PALO | |



Number of stores
Japan **601** stores (73.2%)
Overseas **220** stores (26.8%)

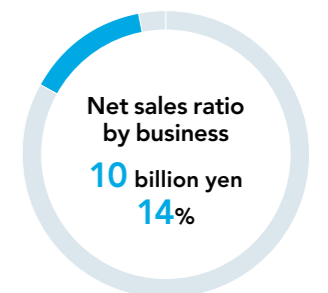
Number of members
Child members in Japan **740,000**
Online members **600,000**

Playground

Spaces That Inspire Free Play and Being Connected

We operate indoor playground facilities equipped with large playground equipment that children can enjoy to the fullest, as well as educational toys to develop their creativity. We support children's physical and mental growth by enabling them to interact through play with their families, friends, and store staff. We also operate themed playgrounds mainly overseas.

| Business Type | Year | Brand/Logo | Number of stores (FY2022) |
|--|------|--------------|---------------------------|
| Indoor park playground | 2010 | kidzoogona | 193 stores |
| Childcare support through play Stores where mother and child can spend time separately | 2009 | SKIDS GARDEN | 55 locations |
| Large themed stores to enhance brand value | 2015 | FANPEKKA | 12 stores |
| Developing environmental awareness through play Large SDG-themed stores | 2023 | おゆきわ | 1 store |



Number of stores
Japan **60** stores/locations (23.0%)
Overseas **201** stores (77.0%)

Of which ASEAN countries
Malaysia **30** stores
Thailand **21** stores
Philippines **51** stores
Indonesia **32** stores
Vietnam **10** stores

Other Businesses

Diversification of Businesses Centered on Play

Using the expertise we have accumulated to date, we are tackling new businesses centered on play and family connection. For example, we operate outdoor facilities that provide opportunities to interact with nature, hot-bath facilities for relaxation with the family, and online games that can be played anytime, anywhere.



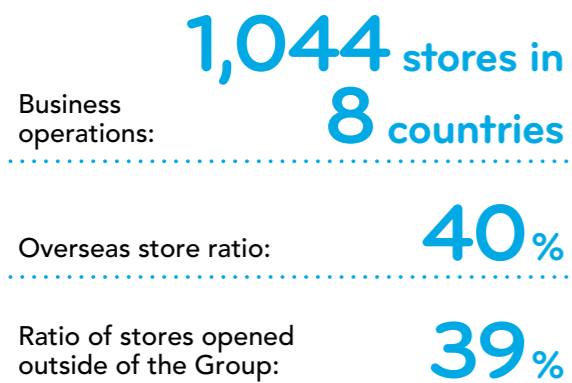
Strengths That Generate Value

As a pioneer of children’s entertainment, AEON Fantasy has tackled an array of businesses since its founding. Our ability to draw out children’s smiles and spread them globally is the source of new value creation for the future.



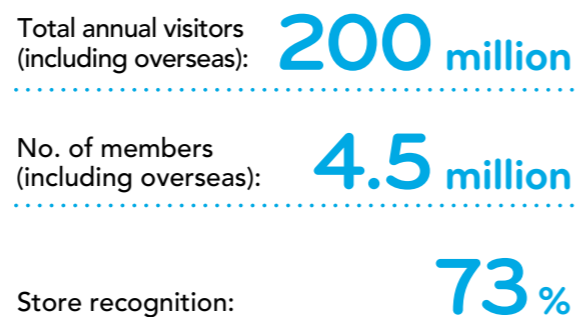
Platforms and opportunities to spread smiles across the world

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.



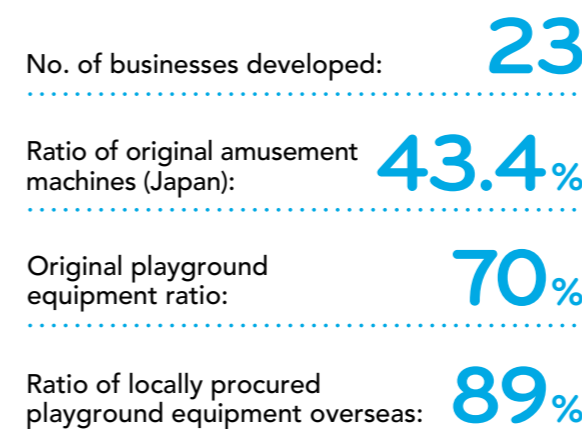
Connections with children and their families

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.



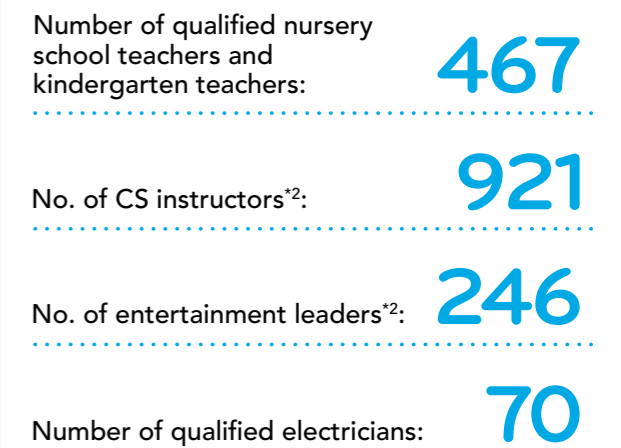
Development capabilities for expanding the scale of play

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



Specialists who can make people smile^{*1}

Our personnel, who provide children with “Fun” and “Being Connected,” 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.



^{*1} All domestic figures ^{*2} In-house qualification



A culture that embraces new challenges

To date, we have taken on numerous industry-first challenges, such as our entry into the amusement industry through a new indoor amusement park for families, transforming the conventional image that amusement parks were for young people. This spirit has been incorporated into Fantasy Way, which we formulated in 2022, and is now a symbol of our uniqueness at AEON Fantasy.



Medium-term Management Plan

Current Medium-term Management Plan Progress

Strategic Targets

| | Plan targets | Fiscal year to Feb. 2022 | Fiscal year to Feb. 2023 | Fiscal year to Feb. 2024 (forecast) |
|------------------|------------------|--------------------------|--------------------------|-------------------------------------|
| Net sales | 85.5 billion yen | 60.1 billion yen | 72.6 billion yen | 86.2 billion yen |
| Operating profit | 6 billion yen | -3.4 billion yen | 800 million yen | 4 billion yen |

In the fiscal year ended February 2023, recovery in the China business was delayed due to store closures caused by restrictions from the country's zero-COVID policy. On the other hand, prize departments in the domestic businesses performed strongly and ASEAN businesses began to recover following the lifting of restrictions in each country. As a result, consolidated net sales reached 72.6 billion yen and operating profit 800 million yen, marking significant improvements over the previous year in both areas.

Progress with Key Measures

| Key Measures | Initiatives up until FY2022 |
|--|--|
| Evolution and expansion of our play spaces | <ul style="list-style-type: none"> Expansion of sales floor area and opening of compact model stores <ul style="list-style-type: none"> Increase in capsule and prize specialty store openings in Japan (total 183) Increase in small store openings overseas (total 31) Response to new lifestyles through new businesses and services and creation of demand <ul style="list-style-type: none"> Enhancement of value provided through renewal of mainstay businesses (multifunctional floor with childcare support areas, new Mollyfantasy) Development of new businesses to promote learning about nature and the environment (CHIKYUU NO NIWA, Mieux Forest) Provision of subscription services to promote increase in average customer spend (Yokubari-Pass) |
| Shift to portfolio management | <ul style="list-style-type: none"> Creation of a multifunctional management foundation through expansion of new businesses and opening of new stores <ul style="list-style-type: none"> Improvement of ratio of new businesses in overall net sales (FY2022: 6.4%) Increase in store openings outside the Group (FY2022: 54%) Acceleration of digital shift <ul style="list-style-type: none"> Expansion of digital members (FY2022: 740,000) Expansion of ratio of investments in IT in overall investment amount (FY2022: 7.6%) |
| Full digitalization | <ul style="list-style-type: none"> Offensive and defensive operational improvement through DX <ul style="list-style-type: none"> Significant reductions in back-office work through introduction of tools and systems (-12.4%) Expansion of digital members (total 740,000) |
| Transformation of human resources, organization, and culture to support growth | <ul style="list-style-type: none"> Creation of in-house culture to promote new challenges <ul style="list-style-type: none"> Formulation of Purpose, Sustainability Policy, and Code of Conduct (FY2021, FY2022) Increase in decision-making speed through creation of sales divisions (FY2022) Creation of flexible working environments by making store supervisors into employees and more detailed employee categories |

Business Measures by Segment

| | Results of business measures in FY2021/FY2022 | Business measures for FY2023 |
|-------|--|--|
| Japan | <ul style="list-style-type: none"> Development of new businesses and services <ul style="list-style-type: none"> MOLLY.ONLINE Scratch PRIZE SPOT PALO Enhancement and development of existing businesses and services <ul style="list-style-type: none"> Development of new Mollyfantasy Reinforcement of Yokubari-Pass Opening of second OYUGIWA store | <ul style="list-style-type: none"> Development of new businesses and services <ul style="list-style-type: none"> CHIKYUU NO NIWA, Mieux Forest SKIDS GARDEN (single store opening) Multifunctional floor with childcare support areas Enhancement and development of existing businesses and services <ul style="list-style-type: none"> Resumption of investment in medal department Further expansion of compact model stores |
| ASEAN | <ul style="list-style-type: none"> Opening of new business EDOKKO (Indonesia) Increase in openings of compact model stores KID's BOX Increase in store openings in temporary areas | <ul style="list-style-type: none"> Further expansion of KID's BOX store openings (+17 stores) Update of kizooona Development of original playground equipment |
| China | <ul style="list-style-type: none"> Opening of new business Molly Edutainment Exercise Hall Increase in openings of compact model stores | <ul style="list-style-type: none"> Continuation of compact model store openings Increase in store openings in temporary areas |

Key Measure 1: Examples of the Evolution and Expansion of Our Play Spaces

Creation of multifunctional floor with childcare support areas (Kashiwa, Chiba Prefecture, Japan)

In April 2023, we opened a multifunctional floor with childcare support areas at AEON MALL Kashiwa. Centered on the family amusement facility Mollyfantasy and the adjoining SKIDS GARDEN, we have brought together various tenants required for families raising children, including an after-school club and children's clinic. Through one-stop response to children's and parent's needs, we will contribute to the revitalization of the regional childcare community.



Opening of Mieux Forest—An entertainment-type glamping facility (Uenohara, Yamanashi Prefecture, Japan)

In July 2023, we opened Mieux Forest, a glamping facility for families. In addition to accommodation and meals, the facility also provides opportunities for children to interact with nature through nature-rich obstacle courses and workshops where they can experience rural community development. In this initiative, we have extended our accumulated expertise in playground development to a new channel in the outdoors.



Development of a new business—Molly Edutainment Exercise Hall (Wuhan, Hubei Province, China)

Launched in July 2022, the Molly Edutainment Exercise Hall is an exercise-themed large-scale playground developed in line with rising health awareness in China. Linked with educational programs from Chinese elementary schools, dedicated trainers offer exercise and gymnastics support. The facility is equipped with LED monitors and various other state-of-the-art equipment, and visitors can track their growth using digital playground equipment and a dedicated app developed in-house.



Key Measure 2: Portfolio Management Progress

| | |
|--|---|
| <p>New business ratio</p> <p>As of the end of FY2022 → End of FY2023 target</p> <p>6.4% → 9.6%</p> | <p>Number of digital members</p> <p>As of the end of FY2022 → End of FY2023 target</p> <p>740,000 → 1.26 million</p> |
| <p>Stores opened outside the Group</p> <p>As of the end of FY2022 → End of FY2023 target</p> <p>54% → 70%</p> | <p>Ratio of IT investments</p> <p>As of the end of FY2022 → End of FY2023 target</p> <p>7.6% → 14%</p> |

Toward the Next Stage of Growth

Becoming a Company That Promotes Children's Growth Ahead of the Fulfilment of Our Purpose

For children, playing is learning and an essential part of their growth. At AEON Fantasy, to create a world in which there is a smile on every face, we will provide enjoyable experiences that inspire children's enthusiasm to develop their emotions, mind, and body and support their healthy growth.

Our Vision

Becoming a company that nurtures children's **emotions**, **mind**, and **body** through the creation of enjoyable experiences

Value provided (children's growth)



Key Strategy

To develop businesses that contribute to children's growth and in turn provide more opportunities to experience the value of play

| | Previous strategies | Future strategies |
|-------|---|---|
| Japan | <ul style="list-style-type: none"> Nationwide rollout of safe & secure family amusement facilities (Mollyfantasy) Increase in store openings centered on areas relevant to families (toy sales areas, etc.) | <p>Development of businesses that provide experiential value</p> <ul style="list-style-type: none"> Development of new playground businesses centered on children's growth and the provision of social value Enhancement and creation of multifunctional amusement facilities through the expansion of play experiences Proactive store openings both inside and outside the Group Continued opening of compact model stores |
| ASEAN | <ul style="list-style-type: none"> Mass development of a single business for speedy store rollouts Store openings after selection of business areas that match type of business | <p>Development and optimization of business to cater to the size of the business area</p> <ul style="list-style-type: none"> Development of small businesses for small business areas Update of existing businesses in medium business areas Multiple store openings in a single shopping center in large business areas Differentiation through Japan-quality products and customer service |
| China | <ul style="list-style-type: none"> Increase in store openings mainly using domestic successes as a foothold for overseas expansion | <p>Transition to enjoyable businesses with greater profitability</p> <ul style="list-style-type: none"> Expansion of the Playground Business Development of new businesses in line with market needs |



Nurturing the Future for Children and the Earth: State-of-the-art Playground CHIKYUU NO NIWA

CHIKYUU NO NIWA was opened in 2023 in Tokyo Solamachi as the central store of its Solafuru Park. Since opening, it has received wide acclaim for its stunning interior design, wide range of playground equipment for people of all ages, and high levels of customer service.

Customer Value 1 Interior Design for Learning About the Earth and the Environment

Based on the theme “playing with the earth,” the store comprises different areas centered on different motifs—icebergs, volcanoes, seas, and forests, for example. Showcasing global and environmental challenges through various approaches, the space provides visitors with opportunities to experience the attraction and value of the earth through interaction with nature.

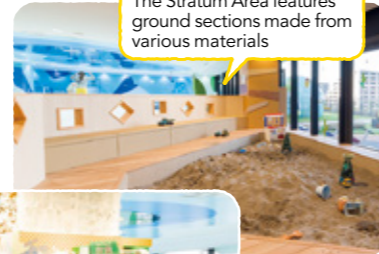
Kids Garden

This is the main section of CHIKYUU NO NIWA. With large slides resembling icebergs, net playground equipment modeled on volcanoes, and sandpits representing the earth’s stratum, the section is filled with dynamic playground equipment for an outdoor park-like experience. Moreover, with an area for pretend play, the section facilitates play through carefully selected educational toys from across the world.

Playground equipment made from recycled materials



The Stratum Area features ground sections made from various materials



Playground equipment to learn about recycling



Baby Garden

This zone is for babies and children up to the age of two. There are various opportunities for play that naturally bring smiles to children’s faces.



Get Garden

This game zone showcases our desire to care for the earth with a wooden interior, for example. It is a place where anyone can spend some relaxing time as if in an outdoor park.



Customer Value 2 Various Play Systems to Promote the Growth of Children’s Emotions, Mind, and Body

Utilizing the expertise in play development that we have accumulated to date, CHIKYUU NO NIWA brings together a range of items to inspire children’s enthusiasm, from equipment that promotes physical movement to equipment that encourages thinking. Through various opportunities for play and the connection that comes with it, we are nurturing children’s emotions, mind, and body to promote growth.



We develop children’s desire to cooperate and help one another through being connected with friends of different ages and store staff. Moreover, through pretend play with friends and family, we promote the development of imagination and expression.



Through SDG-themed events and workshops, for example, we naturally equip children with knowledge of the environment. We also improve their thinking ability through toys of various colors, shapes, and mechanisms.



We develop children’s muscular strength, endurance, and agility through large playground equipment which they can enjoy to the fullest, through large movements like jumping, running, and throwing.

Customer Feedback

- With sandpits, play house areas, educational toys, outdoor terrace playground equipment, ball pools, and highly safe indoor playground equipment, I’ve no doubt that children will be very happy playing here. It’s safe, secure, and clean, so We’ll definitely be coming back. The customer service was great, too.
- The staff were very friendly and We’ll definitely come back. Parents can play with their children on everything the store has, from bouncy air cushions and ball pools to rides, puzzles, and play house shops.
- There is lots of equipment with earth-related names and so it’s a great way to teach children about the importance of the environment.



Creating Play Areas That Are Attractive Overseas

Since expanding operations into China in 2007, AEON Fantasy has gone on to open playground facilities in nine Asian countries. Our priority is not on simply installing playground equipment, but providing unmatched experiential value. This is the reason we continue to be chosen and loved by customers, developers, and local communities.

Customer Value

Safe and Secure Play Areas and Unmatched Experiential Value

Enjoyable experiences through connection with staff

At our playgrounds, a common sight is one of parents enthusiastically watching over their children as they play alongside our staff. This unique experiential value that we provide is unmatched elsewhere and one of our main attractions.

For us to generate value, a key strength of ours is the staff who can inspire enthusiasm in children. Our staff have received dedicated training, and are experts at lifting children’s spirits through their expressions, language, and invitations to play.



Safe, secure, and clean play areas

Every day, all areas and playground equipment within our facilities are cleaned and inspected, and all our toys are disinfected. Moreover, all our playground equipment is developed in line with Japanese park facility safety standards. This Japanese level of safety and security has earned us the broad support of families.

Developer Value

Response to Diverse Play Area Needs

Depending on the country, region, or area, the scale of our business areas and the level of income of our customers vary. We make sure to develop businesses in line with these diverse needs. This has enabled us to significantly increase our number of store openings and build high-quality relationships with major developers. When inviting amusement and playground facilities to their developments, we have won the trust of developers who understand the value of AEON Fantasy and so are given priority in store openings.



Social Value in Local Communities

Creating Employment Opportunities and Contributing to Regional Revitalization

Employing staff and building a unique educational system



At AEON Fantasy, we hire local staff for our playground facilities. After employment, we regularly host various training programs to equip staff with the ability to inspire enthusiasm among children. Rather than simple enjoyment, we teach our staff how to provide impressive levels of customer service. Even during the pandemic when there were long-term restrictions on business, we continued to employ and educate our staff. These initiatives are helping to maintain stable employment.

Providing opportunities for play to various children in the community



We are also proactively engaging in social contribution activities in various countries. For example, at the request of and in cooperation with groups working with local governments and welfare facilities, we invite children who do not usually have the opportunity to play at paid facilities to temporary playgrounds. These activities have been praised and welcomed by our local communities.

Message from the Officer in Charge of Financial Affairs



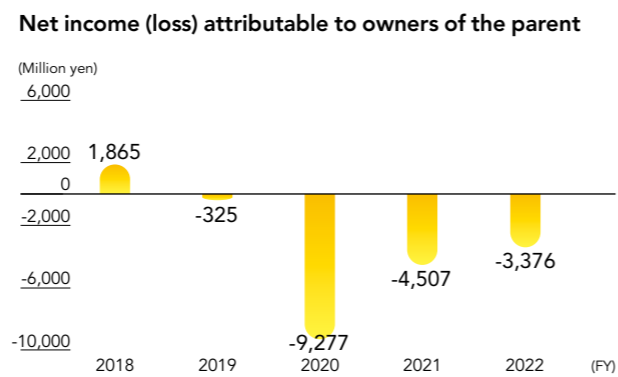
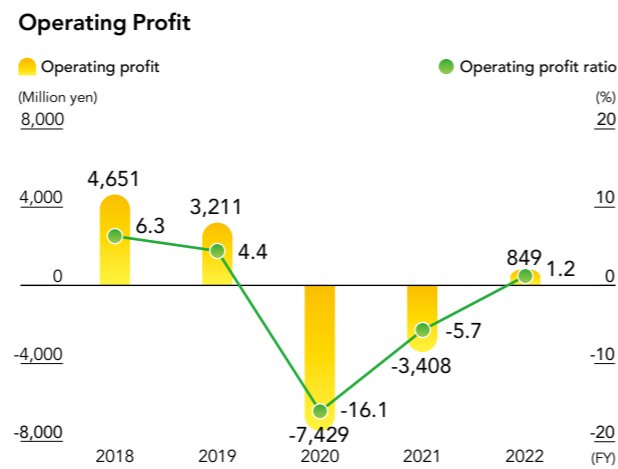
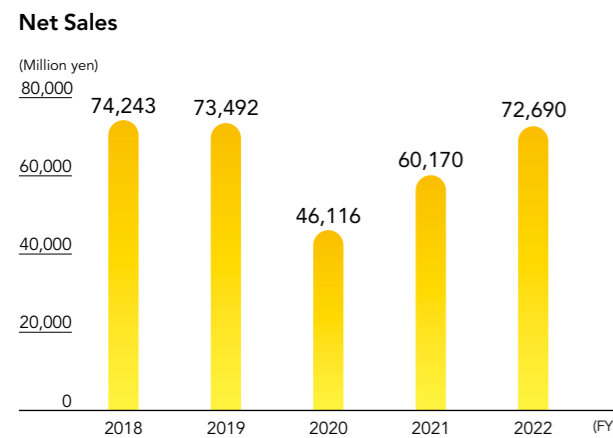
Aiming for the Sustainable Improvement of Our Corporate Value Through Further Performance Improvements and Effective Growth Investments

Yoshinori Iseki
 Director and Managing Executive Officer for Administration, Risk Management Supervisor

Review of the Previous Fiscal Year

In FY2022, as impacts from the COVID-19 pandemic began to subside, our consolidated business results improved significantly mainly in our ASEAN and domestic businesses.

By segment, in our ASEAN business we achieved record highs in net sales and operating profit. This can be attributed to rising needs for our playgrounds among customers, as well as our reinforcement of promotions and events, and efforts to improve the level of our customer service. In our domestic businesses, although there were some impacts from the pandemic, net sales and operating profit continued to recover. In the China business, although net sales growth was sluggish due to the country's prolonged zero-COVID policy, since March 2023 net sales figures have recovered to more than 80% of pre-COVID levels.



Financial Challenges

As a company we were significantly impacted by the pandemic, and as a result issues with our financial structure came to the fore. Specifically, while our shareholders' equity ratio was 47.8% in February 2020,

by February 2023 this had fallen to 16.9%. Moreover, our debt-to-equity ratio increased from 0.5 in February 2020 to 3.0 in February 2023. On the other hand, since last year we have experienced a strong recovery mainly in our ASEAN and domestic businesses.

In line with these circumstances, moving forward we will aim for further profit improvements and effective growth investments. By controlling our interest-bearing debt, we will work to improve and reinforce management indicators such as shareholders' equity ratio and debt-to-equity ratio, as well as our financial structure, to promote our growth on a global scale and ensure stable shareholder returns.

| | February 2023 | From year ending February 2024 To year ending February 2027 | Long-term target |
|----------------------------|---------------|---|------------------|
| Shareholders' equity ratio | 16.9% | More than 30% | More than 40% |
| Debt-to-equity ratio | 3 | Within 1.5 | Within 1.0 |

*Interest-bearing debt for debt-to-equity ratio excludes lease obligations.

Investment and Fundraising Policy

In terms of investments, in FY2022 we opened 113 stores in Japan (consolidated total of 142), as well as 102 compact model stores, which boast excellent investment efficiency. In total, we invested 6.298 billion yen across the year (compared to 7.289 billion yen the previous year), implementing effective investments while ensuring a return to positive figures in consolidated operating profit. Operating cash flow increased 2.881 billion yen year on year to 9.057 billion yen, cash flow from investing was -4.845 billion yen, and loans payable decreased 2.142 billion yen year on year.

This fiscal year, mainly in Japan and ASEAN countries we will aim for more than 250 store openings, and we plan to implement around 10 billion yen in investments across the year, which will be the first time since the year ended February 2020. Moreover, in Japan we will recommence investments aimed at the reorganization of our amusement machines and aim for further net sales improvements in the medal department, results in which have continued to improve since last year. At the same time, we will proactively invest in IT to improve operational efficiency and reinforce our sales capabilities.

In terms of fundraising, to prepare for financing risks in Japan we have increased our short-term loans and overdraft facility accounts, securing a loan limit of around 30 billion yen from eight domestic banks. Although our overdraft agreements involve short-term loans, we are making adjustments to switch some of our overdraft facility accounts to long-term loans in the future. In

doing so, we will aim for a more stable balance sheet. For our overseas subsidiaries, we are aiming to secure around two to three months' worth of operating expenditures in cash equivalents to prepare for any unforeseen circumstances. Moving forward, with a focus on the abovementioned financial challenges, we will engage in stable financing activities and examine diverse fundraising methods to secure the funds necessary for future growth investments.

Management with a Focus on Capital Cost

While there are many different approaches to values that form the basis for calculating capital cost, we have adopted the weighted average cost of capital (WACC) method, understanding it as a value based on which investors can gauge expected returns. We have calculated our current WACC as between 8% and 9%, while we are targeting ROE of more than 10%. To achieve this ROE target, we will expand our ASEAN business, where our stores boast high profit ratios, and in turn seek to improve the ratio of overseas net sales. At the same time we will move forward with portfolio management. For financial leverage, we will make every effort to achieve an optimal debt ratio in the future.

Shareholder Returns

At AEON Fantasy, one of our most important management targets is the long-term and stable return of profits to our shareholders. We are promoting the enhancement of internal reserves and the reinforcement of our financial structure, implementing shareholder returns while comprehensively considering a range of factors including performance and dividend payout ratio. In the previous fiscal year, although net income attributable to owners of the parent was in the red, with an emphasis on continuous dividends, we paid an annual dividend of 10 yen per share. This fiscal year, as we prioritize financial soundness, we again anticipate an annual dividend of 10 yen as per the previous year. We plan to increase dividends in the future when uncertainties surrounding profit and loss in our China business are resolved and when we expect profit to exceed our consolidated performance forecasts.

Looking ahead, we will focus on improving our financial structure to support our growth strategies, and in turn achieve further improvements in our corporate value and stable shareholder returns. At the same time, I will personally oversee proactive IR activities to ensure investors gain a thorough understanding of our initiatives to achieve growth and corporate value improvements. I will make every effort to fulfil my responsibilities as the officer in charge of financial affairs.



Sustainability Management

Sustainability Promotion System

At AEON Fantasy, we formulated the Sustainability Policy in 2022 and are promoting sustainability management as the core of our corporate activities.

We have also set up the Sustainability Committee as an advisory body to the Board of Directors to manage numerical targets and the progress of our sustainability initiatives. 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.

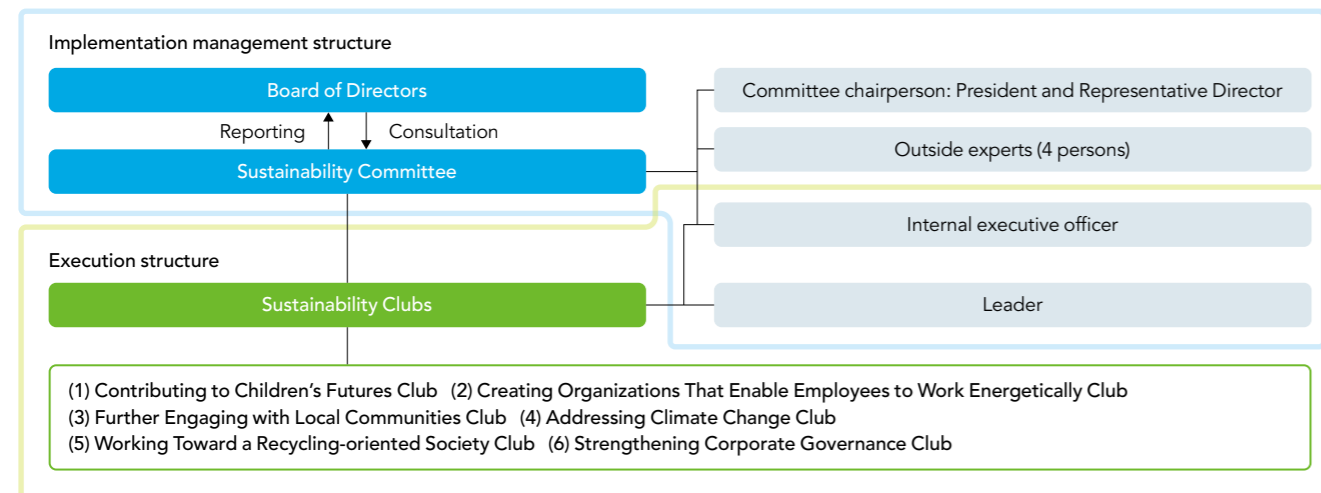
We have set up Sustainability Clubs as subordinate

organizations of the Sustainability Committee. They are cross-departmental teams to handle each material issue, and have begun examining and implementing specific initiatives. Each club's activities are led by personnel who will lead the next generation of company management, and initiatives are underway to achieve specific indicators and targets.

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 corporate value.

▶ [Sustainability Policy](https://www.fantasy.co.jp/company/sustainability/sustainabilitypolicy/) (in Japanese)
<https://www.fantasy.co.jp/company/sustainability/sustainabilitypolicy/>

Sustainability Promotion System



Main Topics of Discussion for the Sustainability Committee (FY2022)

| Date | Main topics of discussion |
|-------------------|---|
| May 16, 2022 | Vision, targets, and details of initiatives for each material issue |
| July 11, 2022 | Decisions on targets and initiatives to be publicized, information disclosure based on TCFD recommendations |
| December 13, 2022 | Progress on publicized targets and initiatives |

Material Issue Identification Process

| | |
|---|--|
| 1 Selection of issues | 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. |
| 2 Importance for stakeholders | 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. |
| 3 Importance for the Company | 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. |
| 4 Determination of material issues | 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. |

Material Issues

| Material issues | Long-term targets (2050/2040) | Medium-term targets (2030) | Action |
|--|---|--|--|
| S Contributing to children's futures | Creation of a society that protects the rights of children who will build the society of the future, and that allows children to dream of the future with smiles on their faces | Creation of new opportunities to spread children's smiles | Expansion of stores, amusement machines and equipment for safe & secure 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 |
| S Creating organizations that enable employees to work energetically | A Company that ensures that Fantasy People feel enthused about both work and play | Percentage of section managers and above who are female in Japan and overseas: 50% Percentage of employees who have disabilities: 5% Percentage of eligible males who take childcare leave: 100% Iki-iki level of Fantasy employees: 75% <small>*Iki-iki level = Average percentage of positive responses to survey items related to job satisfaction, ease of working, and growth</small> | Support for activities that protect children's rights alongside customers |
| | | | Promotion of diversity (Education on how to make the most of diverse values and creation of opportunities for getting to know one another) |
| S Further engaging with local communities | Creation of communities full of smiles by providing opportunities for fun and connection | Cumulative total of community service activities engaged at stores in Japan and overseas: 12,000 | Workstyle reform |
| | | | Implementation of surveys and action for improvement |
| E Addressing climate change | Quantitative target 2040: Aim to achieve zero CO ₂ and other emissions from our stores Qualitative target Reexamination of the norm for future children and the creation of a society which promotes a happy earth and happy people | Reduction of energy-derived CO ₂ emissions from business operations by 30% (compared to 2018) <small>*Per 100 million yen in net sales</small> | Visits to social welfare facilities |
| | | | Reduction of Scope 1 and 2 CO ₂ emissions |
| | | | Reduction of Scope 3 CO ₂ emissions (new) |
| E Working toward a recycling-oriented society | Creation of a society that encourages everyone to reduce waste, reuse where possible, and recycle | Promotion of initiatives alongside customers to reduce waste Reduction of total amount of plastic waste from stores by 30% (compared to FY2019) <small>*Five main types</small> Disposal of less than 10% of amusement machines no longer needed in stores | Parties at stores for children from social welfare facilities |
| | | | Reuse and recycling of capsules for capsule toys |
| | | | Promotion of initiatives for climate-related risks and opportunities |
| G Strengthening corporate governance | A company that builds trust with stakeholders, protects Fantasy People, and grows sustainably | | Reduction of the use of and waste from plastic fixtures in stores |
| | | | Increase in percentage of amusement machines recycled |
| | | | Strengthening of the structure for implementing the Corporate Governance Code |
| G Strengthening corporate governance | | | Provision of compliance training (Japan and overseas) |
| | | | Strengthening of governance at overseas subsidiaries |
| | | | Implementation of human rights due diligence |

*Unless otherwise stated, targets and action are for domestic business operations only
 *Some of the information disclosed has been revised

Society

Contributing to Children's Futures

| Medium-term Target (2030) | Initiatives | FY2022 Target | FY2022 Assessment/Achievements | |
|---|--|--|--------------------------------|--|
| Creation of new opportunities to spread children's smiles | Expansion of stores, amusement machines and equipment for safe & secure play | Establishment of safety standards for stores and playground equipment | △ | Completion of stocktaking for all departments |
| | Pursuit of businesses that bring play and learning to as many children as possible | Completion of identification of issues in the implementation of universal design principles in stores | ○ | Completion of identification of issues through customer surveys |
| | Creation of opportunities to play and learn about social issues | Development of new businesses to teach children about environmental and social issues | ○ | Opening of CHIKYUU NO NIWA in March 2023 |
| | Support for activities that protect children's rights alongside customers | Implementation of uniform fundraising activities in seven countries including Japan to protect children's rights | △ | Determination of support organizations in each country ahead of implementation in FY2023 |

○: Very Good △: Good

Expansion of Stores, Amusement Machines and Equipment for Safe & Secure Play

Creation of Safety Standards for Stores and Operations

We are moving forward with the creation of children's safety and security standards to provide children with more comfortable, safer, and more secure play spaces. In FY2022, we confirmed and conducted assessments of the safety standards of our current stores, playground equipment, and amusement machines. Moreover, aiming to create stores for all children with or without disabilities to play in a safe environment with peace of mind, we carried out a survey for customers visiting our kidzooona Omiya store in Saitama Prefecture in October 2022. In line with the challenges we discovered through this survey, we will progress with both tangible and intangible improvements when opening and revitalizing stores in the future. In doing so, we will increase the number of stores that anyone can enjoy in a safe and secure manner.



Sandpits that even children in wheelchairs can enjoy (installed at new store CHIKYUU NO NIWA in FY2023)



Pursuit of Businesses That Bring Play and Learning to as Many Children as Possible

Implementation of LalaYume Activities

LalaYume activities began in 2003 to teach children the importance of having a dream and the joy of making this dream come true. The aim is to create a society in which as many children as possible maintain their dreams for the future. For its 32nd edition in FY2022, we fulfilled the dreams of a seven-year-old child who wished to commentate on a live horse race. We hosted a workshop with a professional commentator in advance, teaching the child the key points of commentary before allowing him to have a go at commentating on an actual horse race. Despite some nerves, the child successfully completed his commentary. FY2023 marks the 20th anniversary of our LalaYume activities, and with help from AEON Group companies, our plan is to fulfil the dreams of 20 children.



The child received advice in advance from a professional commentator



He was absorbed in race commentary

Free Invitations to Our Stores in Japan and Overseas on World Children's Day

Held on November 20 every year, World Children's Day was established by the United Nations to promote mutual understanding among children worldwide and to improve children's welfare. On this day in 2022, we opened up all 210 of our playgrounds in Japan for free, while also offering free invitations to a total of 7,000 children at our overseas facilities. Moreover, we offered children free admission to each of our OYUGIWA hot-bath facilities on this day. Moving forward, while promoting the development of children's physical and mental health through play, we will continue with activities to bring smiles to the faces of as many children as possible.



All our playgrounds in Japan were opened for free



We offered free invitations to 7,000 children overseas

Providing Game-based Learning Programs to Children with Developmental Disabilities at After School and Daycare Service

In July 2022, we began offering a game-based learning program through our online school gamecollege_lv99. We hosted the program via MySchool@Hannan, an after school and daycare service for elementary, junior high, and high school students with developmental disabilities, characteristics, or challenges. Under the supervision of game-based education experts, gamecollege_lv99 offers courses that help develop logical thinking capabilities, creativity, communicational skills, problem-solving skills, the ability to achieve goals, and multitasking skills. These curricula are used to nurture the capabilities of children attending after school and daycare services from various different angles.



Children taking part in a game-based learning program

Creation of Opportunities to Play and Learn About Social Issues

Hosting SDG Events at Our Playgrounds

In November 2022, we hosted Recycling Master events based on one of 17 SDG goals, Responsible Consumption and Production, at 55 of our SKIDS GARDEN playgrounds. The aim of these events is to create a sustainable society by teaching children who will create societies of the future the importance of the SDGs through play. We welcomed 943 children to these events in November. In the future, we will continue to host events that use play to teach children the importance of the SDGs.



SKIDS GARDEN Kurashiki



SKIDS GARDEN Kitatoda

Support for Activities That Protect Children's Rights Alongside Customers

Play & Donate and AEON Fundraising to Rescue Children in Ukraine

Since November 2012, every month on the 11th we have hosted the Fantasy Smile Day Play & Donate. On this day, 10% of sales from selected amusement machines are donated to children's support activities and environmental protection activities. In FY2022 (donations from FY2021), we donated a total of 1,192,560 yen. Moreover, every March we host the Extended Play & Donate fund which we donate 10% of sales around March 11 to recovery efforts in the Tohoku region. Donations in FY2022 totaled 2,496,040 yen and were presented to three organizations. Elsewhere, from mid-March to the end of April in FY2022, we hosted the AEON Fundraising to Rescue Children in Ukraine to support children who have been forced to live unfamiliar lives as evacuees due to Russia's sudden invasion. We presented the 659,127 yen donated by our customers to UNICEF Japan.

Society

Creating Organizations That Enable Employees to Work Energetically

| Medium-term Target (2030) | Initiatives | FY2022 Target | FY2022 Assessment/Achievements | |
|---|--|--|--------------------------------|--|
| Percentage of section managers and above who are female in Japan and overseas: 50% Percentage of employees who have disabilities: 5% Percentage of eligible males who take childcare leave: 100% | Promotion of diversity (Education on how to make the most of diverse values and creation of opportunities for getting to know one another) | Percentage of section managers and above who are female in Japan and overseas: 44% | ○ | Percentage of section managers and above who are female in Japan and overseas: 46% |
| | | Percentage of employees who have disabilities: 3.2% | ○ | Percentage of employees who have disabilities: 3.2% |
| | | Percentage of eligible males who take childcare leave: 50% | ○ | Percentage of eligible males who take childcare leave: 100% |
| Iki-iki level* of Fantasy People: 75% | Workstyle reform Implementation of surveys and action for improvement | Reduction of routine and non-routine tasks for area managers | ○ | Percentage of people who responded "worktime has been reduced": 94% |
| | | Completion of creation of morality surveys for use in Japan and overseas | ○ | Implementation and completion of morality survey following creation |

*Iki-iki level = Average percentage of positive responses to survey items related to job satisfaction and ease of working ○: Very Good

Promotion of Diversity

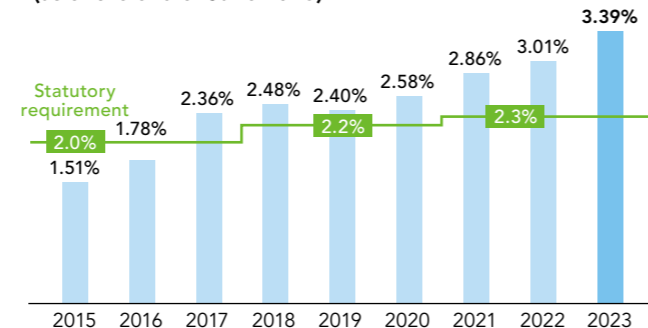
Promoting Employment of People with Disabilities

At AEON Fantasy, we began employing 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. In terms of recruitment activities, we host online company briefings and promote the recruitment of 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 them from part-time employees to regular employees. 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.

Moreover, we conduct interviews with employees one, three, and six months after they join the Company, implementing initiatives to improve retention rates. As a

result, as of the end of June 2023, the percentage of people with disabilities in our workforce surpassed statutory requirements at 3.39%, and our retention rate in FY2022 stood at approximately 89%. To achieve our goal of a 5% employment rate of people with disabilities, and to promote the recruitment and success of people with disabilities at our stores, we plan to create the Guide to the Success of People with Disabilities, containing an overview of the recruitment process, and initiatives to promote understanding of disabilities and improve retention rates. We also plan to host seminars to promote understanding of disabilities.

Percentage of employees who have disabilities (as of the end of June 2023)



Introduction of New Workstyle Systems That Inspire Enthusiasm and Suit Various Lifestyles

In June 2022, we introduced two new leave systems—Hagukumi Leave and Donor Leave—for all employees, including part-timers. Hagukumi Leave is paid leave (up to

five consecutive days) outside of the designated annual number of days for employees to use within one year of their spouse giving birth. Donor Leave, meanwhile, was introduced following employee feedback, and enables employees to take special leave when donating bone marrow or peripheral blood stem cells. The introduction of these systems has expanded the range of workstyles that employees can select based on their individual lifestyles. In the future, aiming to fulfil our Purpose, we will continue to create working environments that inspire enthusiasm among each member of staff, who are key to making our customers smile.



Receipt of the Chiba Prefectural Governor Prize at an Awards Ceremony for Companies Promoting Gender Equality

On January 24, 2023, we received the Chiba Prefectural Governor Prize in recognition of our diversity promotion initiatives, efforts to create cultures and systems for comfortable working environments, and workstyle reforms. At AEON Fantasy, in addition to a system that allows younger employees to consult with their senior colleagues and a self-development subsidy system, we also offer a temporary childcare cost subsidy system, partner with nursery schools to secure childcare slots, and offer the Hagukumi Leave System. In these and other ways, we are working to create systems that facilitate a balance between childcare and work for both men and women. At the same time, we host training programs to eliminate preconceived notions about gender roles in the workplace and to create comfortable workplace environments, and are aiming to create a culture in which it is easy for employees to use our systems. We will continue striving to create comfortable working environments where employees can work with vitality and joy.



Award ceremony at the Chiba Prefectural Office

Workstyle Reform

Certified Health & Productivity Management Outstanding Organization and Kurumin Certification

Since 2020, we have been pursuing health management—that is, 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 we 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.



Implementation of Employee Surveys and Action for Improvement

Implementation of Surveys to Understand Iki-iki Level and Issues

Most important resource to create our corporate value "Fun" and "Being connected" is all AEON Fantasy personnel including Japan and overseas that we call "Fantasy People." We believe creating an environment where Fantasy People can live and work happily and energetically will bring smiles to children. In 2022, we designed and implemented a survey to understand employee's iki-iki level in numbers and to visualize any issues. In designing the survey, based on advice from external experts, we formulated questions based on each component that we believe makes up employees' iki-iki level. For one month between February 1 and 28, 2023, we implemented the survey for Fantasy People both in Japan and overseas, and received responses from around 7,300 people. Aiming for an iki-iki level of 75%, we will analyze the issues discovered through this survey and use our findings for future improvement initiatives.

Society

Further Engaging with Local Communities

| Medium-term Target (2030) | Initiatives | FY2022 Target | FY2022 Assessment/Achievements | |
|---|---|---|--------------------------------|---|
| Cumulative total of community service activities engaged at stores in Japan and overseas: 12,000 | Visits to social welfare facilities | | | |
| | Parties at stores for children from social welfare facilities | Number of social contribution activities in Japan and overseas: 926 | ○ | Number of social contribution activities in Japan and overseas: 1,266 |
| | Decoration of stores with local children | | | |

○ : Very Good

Visits to Social Welfare Facilities and Parties at Stores

Initiatives in Japan: Resumption of Lala-chan's Heartfelt Tour

Lala-chan's Heartfelt Tour sees Lala-chan, the popular mascot of our Mollyfantasy amusement facilities, visit nationwide children's homes and hospitals to support children's healthy growth. These activities began in 2016, and Lala-chan visited 28 facilities up until 2019, before the COVID-19 pandemic put a stop to visits in 2020 and 2021. During this time, we only sent DVDs and event materials to 200 children's homes across Japan. In 2022, however, we resumed Lala-chan's Heartfelt Tour and Lala-chan visited 19 children's homes throughout Japan while ensuring thorough infection prevention measures. Through these enjoyable events we were able to bring smiles to the faces of approximately 250 children.



Seikozaki Home (December 16)



Bethlehem Gakuen (December 19)

Initiatives in China and ASEAN: Resumption of Parties and Visits

Through our overseas business companies, who operate numerous playground facilities across the region, we regularly plan and implement initiatives that involve visiting children from local communities or local welfare facilities, or inviting them to come and play at our playgrounds. Although due to the pandemic we significantly reduced the number of parties held at our stores, in FY2022 we gradually resumed activities, hosting a total of 1,207 parties in China (856) and ASEAN countries (351) and welcoming approximately 150,000 children to our stores to play. Moving forward, we will aim to create communities overseas that are full of smiling people and provide opportunities to play for local children.



A visit in Thailand



A party in Vietnam



A party in Malaysia



A party in Indonesia

Environment

Addressing Climate Change

| Medium-term Target (2030) | Initiatives | FY2022 Target | FY2022 Assessment/Achievements | |
|--|--|--|--------------------------------|---|
| Reduction of energy-derived CO2 emissions from business operations by 30% (compared to 2018)* | Reduction of Scope 1 and 2 CO2 emissions | 7% reduction (58.6 t-CO2/100 million yen) - Completion of 100% shift to LEDs for amusement machines - Implementation of "Lights down" campaign | ○ | Achievement of approximately 30% reduction in both total volume and per net sales (compared to FY2018) |
| | Reduction of Scope 3 CO2 emissions (new) | Future examination | — | — |
| | Provision of opportunities to play and learn about the environment | In-house development of playground equipment to learn about environmental issues | ○ | Planned sequential rollout from March 2023 |
| | Promotion of initiatives for climate-related risks and opportunities | Formulation of strategies in line with TCFD recommendations and partial completion of relevant information disclosure | ○ | Planned implementation of financial impact calculations and examination of countermeasures in FY2023 |

*Unit: 100 million yen in sales

○ : Very Good

Adoption of LED Lighting in Amusement Machines

At AEON Fantasy, we are aiming for environmentally friendly store operations with low CO2 emissions through the reduction and saving of energy used in store operations. As one measure, by the end of August 2022 we shifted to LED lighting in all amusement machines installed at our domestic amusement facilities.

With 424 stores in Japan, we operate the largest number of amusement facilities in the domestic industry (as of the end of June 2022). Including the four indoor playground facilities at which we have installed amusement machines, we have achieved a total annual reduction of around 3.5 million Kwh by shifting from fluorescent lamps to LEDs in 14,645 amusement machines at 428 stores. Moreover, by switching all our lighting, including ceiling lighting, to LEDs, and by saving unused electricity, we have almost achieved our target of a 30% reduction in energy-derived CO2 emissions from our business operations by 2030 (compared to FY2018) eight years ahead of schedule. In addition to reducing our environmental burden, this has also helped to reduce workload and cost thanks to a decrease in frequency of bulb replacements.

Using the expertise and experience that our electrical engineers gained in work-at-height training through these activities, in FY2023 we began a new initiative to share our learnings with other companies. These



In-house maintenance staff switching to LEDs

activities have widely contributed to improved operational efficiency and an increase in net sales.

Looking ahead, we will continue with and expand our initiatives with an eye on revising our CO2 emissions reduction targets.

Development of Amusement Machines and Equipment and Expansion of Opportunities for Environmental Learning and Playing

As one of our efforts to carry on the importance of protecting the environment to future generations, we are moving forward with the development of amusement machines and equipment that allow children to learn about environmental issues. We have exhibited these machines and equipment at various events outside our stores. One example is the Guruguru Recycle-n amusement machine we developed in 2021 to teach children about recycling and sorting waste. We have provided children with numerous opportunities to play and learn using this machine at various events, including the Toyonaka Festival hosted by Toyonaka City in Osaka Prefecture in August 2022, the Waste Reduction and Recycling Game Event at AEON MALL Fujinomiya in December 2022, and the Sustainable Life Day: Decarbonization for a Better Tomorrow Event held at AEON MALL Sakai Kitahanada in February 2023.



The event at Sakai Kitahanada

Focus: Initiatives Based on TCFD Recommendations

Disclosure Based on TCFD Recommendations

An increase in natural disasters and extreme weather events due to climate change may cause physical damage to our stores, and this may affect our business operations. In September 2022, we expressed our support for the recommendations of the TCFD, with the aim of achieving both a sustainable society and corporate growth. In the future, we will move forward with analyses of the relevant risks and opportunities, such as the impact climate change issues could have on our business activities, and while reflecting our findings into our management strategies and initiatives, we will aim for further enhancement of our information disclosure.



Governance

At AEON Fantasy, we have set up the Sustainability Committee (chaired by the President and Representative Director) as an advisory body to the Board of Directors to ensure continuous and specialized discussions relating to sustainability management. We have also established the Addressing Climate Change Club as one of the subordinate organizations of the Sustainability Committee. The club is responsible for implementing and managing the progress of climate change initiatives and numerical targets and reporting to the Committee and Board of Directors.

identified in FY2022, the Sustainability Committee and Risk Management Subcommittee are managing progress. In terms of our medium-term target to reduce energy-derived CO2 emissions from our business operations by 30% compared to 2018 (per 100 million yen of net sales), we have formulated and are moving forward with our countermeasure implementation plan and reduction plan, reporting progress to the Sustainability Committee and the Board of Directors.

Indicators 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 per 100 million yen in net sales. Our GHG emissions (Scope 1, 2, and 3) in FY2022 are shown in the table below. We will continue with the relevant initiatives as we aim to achieve our medium-term targets for 2030.

FY2022 CO2 emissions:
29.3% reduction compared to FY2018
 (Medium-term target: Reduce volume per 100 million yen in net sales by 30% compared to FY2018)

| CO2 emissions | | (Unit: t-CO2) | | |
|------------------------------|----------------------------------|---------------|--------|--------|
| Classification | | FY2018 | FY2021 | FY2022 |
| Total volume | Scope 1 | 49 | 194 | 532 |
| | Scope 2 | 37,218 | 30,811 | 25,577 |
| | Scope 1 and 2 subtotal | 37,267 | 31,005 | 26,109 |
| | Reduction rate compared to 2018 | - | 15.7% | 29.8% |
| Per 100 million yen of sales | Domestic sales (100 million yen) | 592 | 504 | 588 |
| | Emissions per 100 million yen | 63 | 62 | 45 |
| | Reduction rate compared to 2018 | - | 1.0% | 29.3% |
| Scope 3 | | - | 39,229 | 37,669 |
| Scope 1, 2, and 3 total | | 37,267 | 70,235 | 63,777 |

*FY2021 emissions have been partially amended due to changes in calculation methods.

Strategy

Main Risks and Opportunities for AEON Fantasy

Risks

- Cost increases due to rising procurement costs, materials prices, etc., as a result of carbon taxes and other greenhouse gas (GHG) emission control policies
- Revenue decreases due to restrictions on store operations (e.g., hours of operation) as a result of restrictions on energy use, etc.
- Cost increases for stores, employees, etc., for repairs due to increased frequency and magnitude of extreme weather events
- Revenue decreases due to store closures and shorter hours as a result of increased frequency and magnitude of extreme weather events

Opportunities

- Expansion of profit-earning opportunities through the development and expansion of our lineup of environmentally-conscious amusement machines and equipment
- Increased earnings by strengthening operational competitiveness, including customer service, in the Playground Business

Response

1. Promotion of energy-saving measures
2. Expansion of renewable energy procurement
3. Promotion of the 3Rs
4. Development of new business models

Risk Management

Following discussions and examinations by the Addressing Climate Change Club on the risks and opportunities

Working Toward a Recycling-oriented Society

| Medium-term Target (2030) | Initiatives | FY2022 Target | FY2022 Assessment/Achievements | |
|---|---|--|--------------------------------|--|
| Promotion of initiatives alongside customers to reduce waste | Reuse and recycling of capsules for capsule toys | Verification of creation and operation of capsule collection boxes | ○ | Completion of verification of operational methods. Installed at stores above certain standards |
| Reduction of total amount of plastic waste* from stores by 30% (compared to FY2019) | Reduction of the use of and waste from plastic fixtures in stores | Completion of verification of experiments and operations aimed at implementation of 3Rs for two types of plastic fixtures used in prize machines | ○ | More than 80% collection rate for plastic fixtures. Planned implementation at all stores from FY2023 |
| | | Experiments and verification aimed at review of hand towels (eliminating individual packaging and looking at installation) | △ | Completion of implementation at some stores (undecided on future course of action) |
| Disposal of less than 10% of amusement machines no longer needed in stores | Increase in percentage of amusement machines recycled | Completion of surveys on recycling and reuse rates at all business sites | ○ | Completion of surveys. Disposal rate fell 1.3% compared to 2021 |

*Five main types

○: Very Good △: Good

Recycling of Capsules (for Capsule Toys)

As one initiative aimed at reducing plastic usage, we have begun collecting capsules that customers no longer need. Through the reuse and recycling of the collected capsules we will reduce the amount of plastic we use. For 18 days from November 3 (Thursday; public holiday), 2022, including World Children's Day, we participated in the SDGs Christmas: Bringing Color to Christmas with Waste event held at AEON MALLs. This workshop-style event involved the creation of Christmas ornaments using unused flowers and capsules, and Christmas tree decorations.

The event was planned by AEON MALL to help children learn about the SDGs in an enjoyable manner and to reduce unused flower and plastic waste. Our role was to provide the empty capsules from capsule toys. Moving forward, we will continue to proactively engage in initiatives to reduce capsule waste.

Reduction of Plastic Fixtures Used in Stores

Of the plastic fixtures we use in our stores, we have begun an experiment in which we collect and reuse the clear cases

and pillow cases included in prizes that customers no longer need. We have succeeded in collecting just under 90%, and so in FY2023 we will begin collecting unused materials at all our stores. We will also work to expand initiatives to reuse other plastic fixtures.



Clear case collection box

Increase in Percentage of Amusement Machines Recycled

To reduce the disposal rate of amusement machines no longer required in-store, we are working to reuse them within the Company in Japan and overseas, reuse them by selling them onto other companies, and reuse them as resources. By increasing the number of clients who are willing to recycle our amusement machines, we have significantly reduced disposal rates. In the future, we will continue promoting initiatives alongside our clients.

Governance

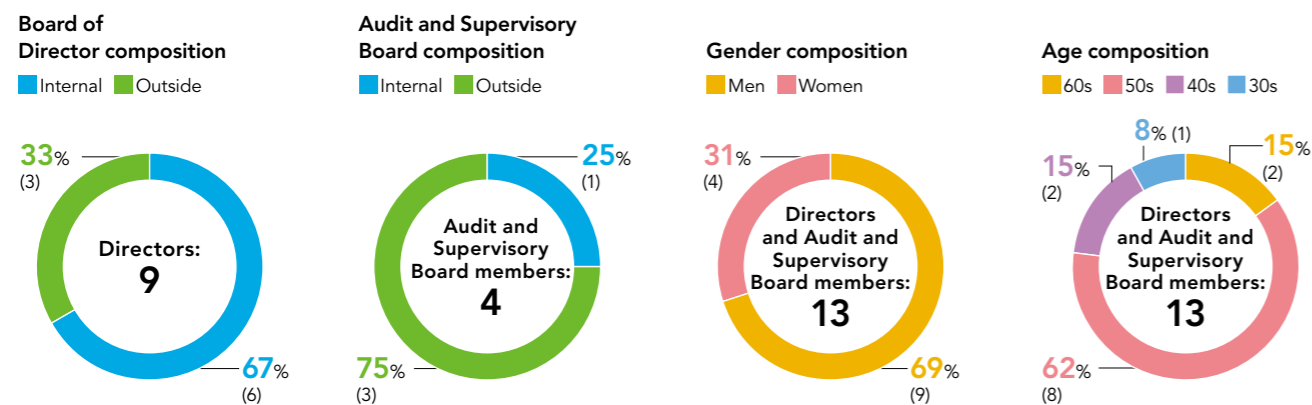
Strengthening Corporate Governance

Basic Approach to Corporate Governance

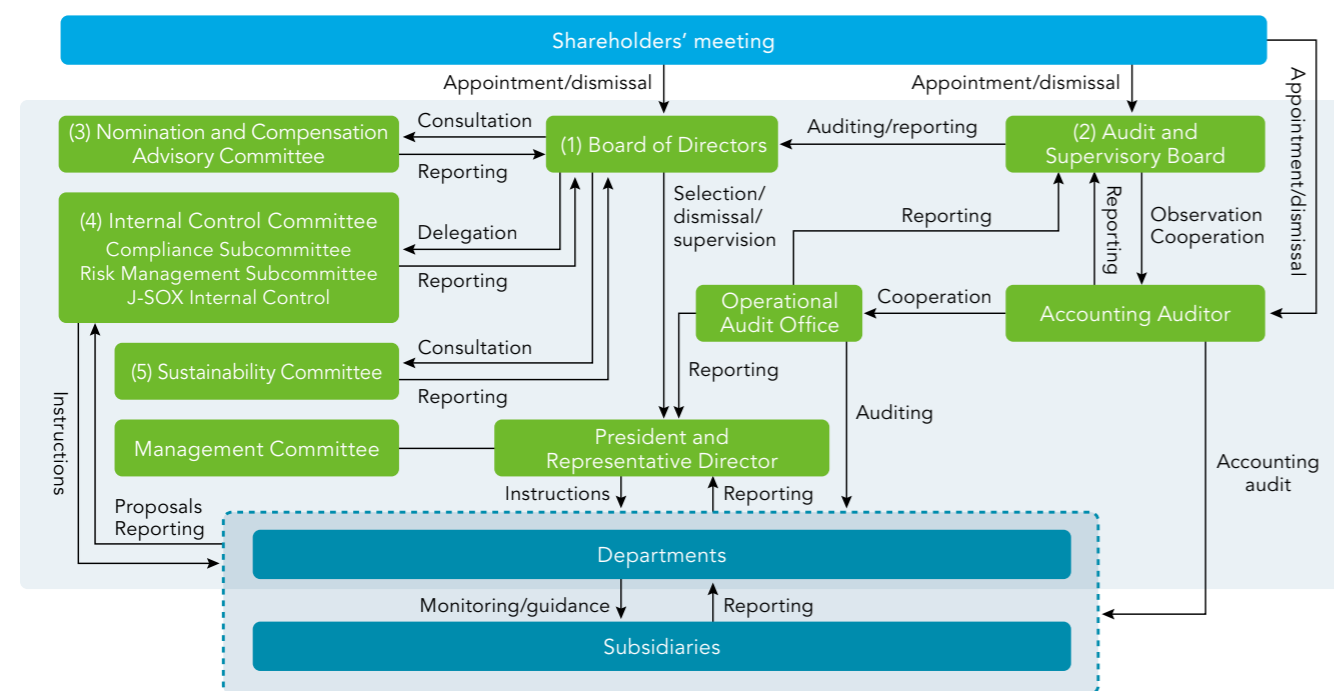
AEON's basic principles are "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." These principles, along with our own Purpose, shall inform all our corporate activities. We will strive to actively engage in dialogue with customers 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. Moreover, 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 July 28, 2023)



(1) Board of Directors

The Board of Directors comprises nine directors, of which three are outside directors. The Board 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 and Supervisory Board comprises four Audit and Supervisory Board members, of which three are outside Audit and Supervisory Board members. Auditors attend meetings of the Board of Directors to fully observe the Board of Directors and directors' decision-making. The Audit and Supervisory Board 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 three independent outside directors and the President and Representative Director, 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.

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 | Nobuyuki Fujiwara | | ● | | | | | | ● | ● | ● |
| | Tokuya Fujiwara | | ● | | | | | | ● | ● | ● |
| | Yoshinori Iseki | | | | ● | ● | ● | ● | | | |
| | Takeshi Kyogoku | | | ● | | ● | | | ● | ● | ● |
| | Yoshihiro Tamura | | | | | | | | ● | | ● |
| | Wataru Koiwa | | | ● | | | | | ● | ● | ● |
| | Kazuko Oya | ● | ● | ● | ● | ● | | | ● | | ● |
| Auditor | Mami Yamashita | ● | ● | ● | ● | | | ● | | ● | |
| | Chisaki Kusajima | ● | ● | ● | | | | ● | | | |
| | Masanori Kawaguchi | ● | | ● | | | ● | ● | | ● | |
| | Shigeji Sugimoto | ● | ● | | ● | | ● | | | | |
| | Shion Okamoto | ● | ● | | ● | | ● | | | ● | |
| | Katsuyoshi Noguchi | | | | | | ● | | | | |

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

Governance

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 Officers and Their Attendance at Meetings

| Outside officer | Reason for appointment | Attendance (FY2022) |
|------------------------------------|--|---|
| Kazuko 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 |
| Mami 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. | Board of Directors: 14/14 meetings *Outside director since May 2022 |
| Chisaki Kusajima (Director) | She was appointed as an outside director due to her extensive experience in corporate IT-related operations, and later her establishment of an independent IT consulting firm. We believe she can provide high-level guidance and advice on DX promotion and the expansion of our online businesses, which will be essential for the future growth of the Company. | *Outside director since May 2023 |
| Shigeji Sugimoto (Auditor) | He was appointed as an outside auditor because he has been involved in accounting audit operations 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: 17/17 meetings Audit and Supervisory Board: 14/14 meetings |
| Shion Okamoto (Auditor) | 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. | Board of Directors: 14/14 meetings Audit and Supervisory Board: 11/11 meetings |

Assessing the Effectiveness of the Board of Directors

At AEON Fantasy, every year we analyze and assess the effectiveness of the Board of Directors.

Overview of the Assessment Process

(1) The Board of Directors first identified assessment categories required for assessing its effectiveness, before conducting a survey with directors and Audit and Supervisory Board members.

Survey assessment categories

- (a) Composition of the Board of Directors
- (b) Operation of the Board of Directors
- (c) Provision of information to independent outside officers

- (2) The Board of Directors Secretariat then summarized the results of the survey based on the assessment of each director and Audit and Supervisory Board member.
- (3) Based on this summary, the Board of Directors held discussions on each issue.

Assessment Results

In each category, results were above the mid-level. While improvements were seen in the composition of the Board of Directors, there were issues to be addressed in discussing strategic matters, securing the relevant time for discussions, and enhancing subsidiary risk information and management information, for example.

Future Initiatives for the Board of Directors

To further enhance its effectiveness based on the issues uncovered in the effectiveness assessment, the Board of Directors will engage in the following initiatives moving forward.

- (1) Enhancement of discussions on strategic matters
- (2) Further examination and close investigation of risks in agenda items
- (3) Provision of information on risks and compliance at subsidiaries at the appropriate timing
- (4) Enhancement of information regarding subsidiary management
- (5) Enhancement of communication with outside directors and outside Audit and Supervisory Board members

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 and Representative Director. 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.

Director Training

The Company continuously provides opportunities for the necessary training and learning relating to compliance and governance, for example, to ensure that directors and Audit and Supervisory Board members can fulfil their roles and responsibilities effectively. In FY2022, full-time directors attended a seminar on crisis management and public relations. We also provide human rights training and compliance training. Moreover, for outside directors and outside Audit and Supervisory Board members, we provide opportunities for them to inspect our stores upon their appointment to ensure a thorough understanding of our businesses. After their

appointment, we continue to provide them with the necessary expertise and information related to our businesses.

Succession Planning

The Board of Directors deliberates on and determines succession plans for directors, including the President and Representative Director, and Audit and Supervisory Board members 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.

Dialog with Shareholders and Investors

We have formulated the Basic Policy for Constructive Shareholder Dialog and created a system to promote constructive dialog with our shareholders, with the department in charge of investor relations serving as the point of contact.

IR meetings in FY2022: 166 (127 in the previous year)

Basic Policy for Constructive Shareholder Dialog

- (1) We will proactively engage in constructive dialog through our IR activities to build good relationships with our shareholders and investors.
- (2) The department in charge of investor relations will take the lead in shareholder dialog activities, aiming for organic collaboration with the Finance and Accounting Department and the General Affairs Department to ensure constructive dialog.
- (3) When a shareholder requests an individual meeting, we will agree to the meeting if it is deemed that doing so will contribute to the sustainable growth of the Company and the medium- to long-term enhancement of our corporate value.
- (4) In addition to hosting twice yearly regular financial results briefings for our shareholders and investors, we will also provide opportunities for briefings through small meetings as necessary.
- (5) Presentation materials from our financial results briefings will be available on our website.
- (6) The opinions we obtain through dialog with our shareholders and investors will be reported to and discussed by the Board of Directors and Management Committee, and the results of these discussions will be reflected back into future dialog with shareholders and investors.
- (7) When engaging in dialog with our shareholders, to ensure equality between shareholders when handling undisclosed material information, in compliance with the Financial Instruments and Exchange Act and any related acts, and to ensure the control of insider information, we will manage the undisclosed information based on the Regulations on Internal Information Management and Insider Trading.

Governance

Compliance and Risk Management

Compliance

The Compliance Subcommittee, chaired by the director and managing executive officer for administration and risk management, met six times during FY2022 to review the details and results of measures and activities for compliance with the Labor Standards Act, laws and regulations related to fair trading, and the Act on Control and Improvement of Amusement Business, and to consider activities for future improvement. In addition, we conduct annual seminars which emphasize compliance management, i.e., compliance in all business operations, and provide ongoing education on various laws and regulations to make sure that all employees are fully aware of our compliance-related activities.

Risk Management

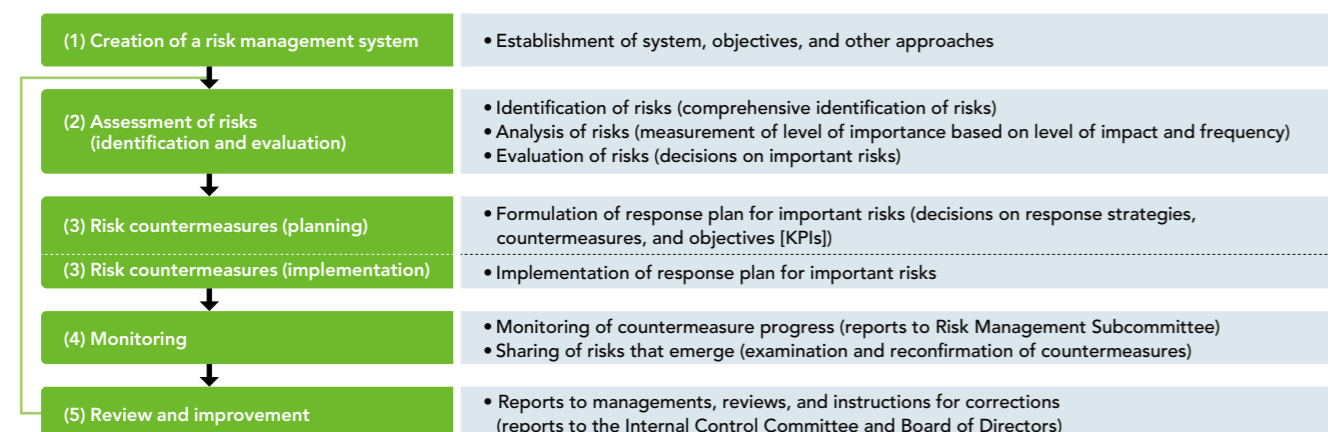
Risk Management

At AEON Fantasy, we prioritize the prevention of risks that are likely to emerge. By predicting and analyzing the potential impact that these risks could have on the Company as a whole, we implement measures to tackle particularly important risks as a priority. We have also created a risk management process, and based on the results of the regular monitoring of our risk countermeasures by the Risk Management Subcommittee, we issue reports to management and conduct reviews as necessary.

Risk Management Process

In terms of risk management, we use a PDCA cycle to gain a comprehensive understanding of companywide risks and identify important risks. In addition to allocating management resources to important risk countermeasures as a matter of priority, the Risk Management Subcommittee regularly monitors the progress of the countermeasures. When risks emerge, information on the risks are shared before implementing and reconfirming countermeasures.

Risk Management Process



Risk Management Subcommittee Activities

The Compliance Subcommittee, chaired by the director and managing executive officer for administration and risk management, met six times during FY2022. After evaluating risks in Japan, China, and ASEAN countries, the Subcommittee established 24 risks to focus on in Japan, 3 in China, and 14 in ASEAN countries. The Subcommittee then monitored the progress of the countermeasures and examined new countermeasures to reduce the level of risk. The Subcommittee established KPIs for important risks, evaluating them based on a scoring system. It has confirmed a reduced level of risk by examining scores at the beginning and end of the period.

Reinforcement of Information Security

At AEON Fantasy, in principle, we abide by the AEON Group Information Security Standards. In particular, we are focusing on reinforcing our information security at end points and at the boundaries of our networks. In FY2022, to respond to high-level cyberattacks that have the potential to bypass our conventional measures, we introduced biometric authentication (facial recognition) and managed detection and response (MDR) systems. The biometric authentication systems are compatible with multidevice cameras, and match images to prevent third-party impersonation. MDR systems, meanwhile, involve real-time monitoring and analysis by cyber security experts. They can instantly detect and gauge signs of high-level cyber attacks and immediately build a system for protection.

Focus: Implementation of Human Rights Due Diligence

Our Purpose is “Inspiring enthusiasm in every child so that there is a smile on every face,” and we conduct our business activities to fulfil this Purpose. For us to ensure sustainable business activities on a global scale, it is incredibly important that we contribute to the achievement of the Sustainable Development Goals and engage in business and human rights initiatives, with a particular focus on respect for children’s human rights. In July 2023, we formulated the AEON Fantasy Basic Policy on Human Rights. Based on this policy, moving forward we will implement human rights due diligence as we aim to create a society in which there is thorough respect for human rights. We believe that the creation of a society that respects the human rights of our stakeholders is the foundation for reinforcing our corporate governance and protecting stakeholder interests. As such, we have positioned human rights initiatives within the scope of our governance activities.

▶ AEON Fantasy Basic Policy on Human Rights (in Japanese) : <https://www.fantasy.co.jp/company/sustainability/humanrights>

Implementation of Human Rights Due Diligence



Risk Assessment Results (Japan)

The six risks (those requiring special response) we identified are as follows.

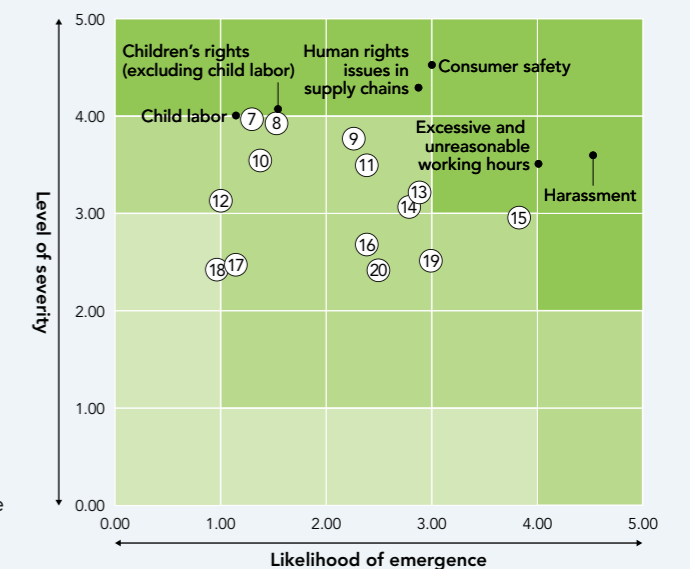
- (1) Consumer safety
- (2) Human rights issues in supply chains
- (3) Children’s rights (excluding child labor)
- (4) Child labor
- (5) Harassment
- (6) Excessive and unreasonable working hours

*Overseas risk assessments are scheduled for the second half of FY2023 onwards

Other risks

- (7) Human rights issues relating to technology/AI
- (8) Forced labor
- (9) Rights to privacy
- (10) Human rights issues relating to the environment and climate change
- (11) Intellectual property rights
- (12) Rights of indigenous and local people
- (13) Discrimination
- (14) Human rights issues relating to gender
- (15) Occupational health and safety
- (16) Rights for foreign workers
- (17) Freedom of association and rights to collective bargaining
- (18) Rights to receive social security
- (19) Insufficient or unpaid wages, living wages
- (20) Bribery and corruption

Risk Mapping



List of Officers (as of May 18, 2023)

Director



Nobuyuki Fujiwara
Chairman of the Board of Directors

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 and Representative Director, the Company
Mar. 2021 Head of Services and Specialty Stores, AEON Co., Ltd.
May 2021 Chairman and Representative Director, the Company
May 2021 Director, Mega Sports Co., LTD
May 2021 Director, G-Foot Co., Ltd.
May 2021 Director, Cox Co., Ltd.
May 2022 Director, the Company
May 2022 Chairman and Director, AEON Entertainment Co., Ltd.
Mar. 2023 Head of Services, AEON Co., Ltd. (to present)
Mar. 2023 President and Representative Director, AEON Entertainment Co., Ltd. (to present)
May 2023 Chairman and Director, the Company (to present)
May 2023 Director, AEON Eaheart Co., Ltd. (to present)

Significant concurrent positions
Head of Services, AEON Co., Ltd.
President and Representative Director, AEON Entertainment Co., Ltd.
Director, AEON Eaheart Co., Ltd.
No. of shares of the Company held: 4,900



Yoshinori Iseki
Director and Managing Executive Officer
Officer for Administration, Risk Management Supervisor

Apr. 1990 Joined The Daiiei, Inc.
Apr. 1995 Joined Daiiei 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 Managing Director and Officer for Administration, Finance and Accounting Headquarters Manager, Risk Management Supervisor, the Company
Mar. 2022 Managing Director and Officer for Administration, Risk Management Supervisor, the Company
May 2022 Director and Managing 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
Officer for Products and Development, Development Headquarters Manager

Dec. 1993 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
Mar. 2008 Chief Manager, Gift Group, Product Headquarters, the Company
Mar. 2009 Chief Manager, Prize Group, Product Headquarters, the Company
Feb. 2011 West Japan Business Headquarters Manager, the Company
Apr. 2012 West Japan Sales Headquarters Manager, the Company
May 2012 Director, the Company (to present)
Dec. 2013 West Japan Sales Headquarters Manager, New Business Development Headquarters Manager, the Company
May 2014 Officer for Sales, New Business Development Headquarters Manager, the Company
Sep. 2014 Officer for Sales, the Company
May 2015 West Japan Sales Headquarters Manager, 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 Officer for Products and Development, Development Headquarters Manager, the Company
May 2022 Executive Officer, Officer for Products and Development, Development Headquarters Manager, the Company (to present)

Significant concurrent positions: None
No. of shares of the Company held: 6,700



Tokuya Fujiwara
President and Representative Director

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 Managing 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 and Representative Director, the Company (to present)
May 2023 Director, AEON Entertainment Co., Ltd. (to present)

Significant concurrent positions
Director, AEON Entertainment Co., Ltd.
No. of shares of the Company held: 6,500



Takeshi Kyogoku
Director and Managing Executive Officer
Officer for Sales

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 Managing Director and Head of Domestic Business, the Company
Mar. 2022 Managing Director, Officer for Sales, the Company
May 2022 Director and Managing Executive, Officer for Sales the Company (to present)
May 2023 Director, AEON Culture Co., Ltd. (to present)

Significant concurrent positions
Director, AEON Culture Co., Ltd.
No. of shares of the Company held: 1,800



Wataru Koiwa
Director and Executive Officer
Officer for Overseas Business, Edutainment Business Development Headquarters Manager

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 Head of ASEAN Business, Edutainment Business Development Headquarters Manager, the Company
May 2022 Executive Officer, 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



Kazuko Oya
Director (Outside)
(Independent Officer)

Apr. 1973 Joined Shiseido Co., Ltd.
Jun. 2001 Executive Officer, the same
Jun. 2007 Managing 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



Chisaki Kusajima
Director (Outside)
(Independent Officer)

Apr. 1983 Joined Sega Enterprises, Ltd. (now Sega Corporation)
Jan. 2011 Information Systems Department Manager, Corporate Headquarters, the same
Sep. 2018 Representative Director, Wiz Sophia Corporation (to present)
Jun. 2019 Outside Director, Syuppin Co., Ltd. (to present)
May 2023 Outside Director, the Company (to present)

Significant concurrent positions
Representative Director, Wiz Sophia Corporation
Outside Director, Syuppin Co., Ltd.
No. of shares of the Company held: 0

Auditor



Masanori Kawaguchi
Managing Auditor
(Outside)

Sep. 2002 Joined AEON Forest Co., Ltd.
Sep. 2002 General Planning Office Manager, the same
Dec. 2007 President and Representative Director, Aeonbody Co., Ltd.
Mar. 2009 General Planning Office and CRM Manager, AEON Forest Co., Ltd.
Apr. 2009 Management Headquarters Deputy Manager, the same
Apr. 2011 Director, Management Headquarters Manager, the same
May 2013 Director, Management Headquarters Manager, Overseas Business Supervisor, Laura Ashley Japan Co., Ltd.
Sep. 2018 Strategy Department, AEON Co., Ltd.
May 2021 Director, Management Supervisor, Reform Studio Co., Ltd.
May 2023 Managing Outside Auditor, the Company (to present)
May 2023 Outside Auditor, AEON Entertainment Co., Ltd. (to present)

Significant concurrent positions
Outside Auditor, AEON Entertainment Co., Ltd.
No. of shares of the Company held: 0



Shion Okamoto
Auditor (Outside)
(Independent Officer)

Sep. 2008 Joined Mori Hamada & Matsumoto (law firm)
Sep. 2013 Worked at both 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



Mami Yamashita
Director (Outside)
(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, Kokoruku Inc. (to present)
Feb. 2017 Director, Learning Journey
Jun. 2018 Outside Director, Honda Tsushin Kogyo Co., Ltd.
May 2022 Outside Director, the Company (to present)

Significant concurrent positions
President and Representative Director, Kokoruku Inc.
No. of shares of the Company held: 0



Shigeji Sugimoto
Auditor (Outside)
(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 & SUMIKIN BUSSAN CORPORATION (now NIPPON STEEL TRADING CORPORATION) (to present)
Jun. 2020 Outside Auditor, Osaka Steel Co., Ltd. (to present)

Significant concurrent positions
Outside Auditor, NIPPON STEEL TRADING CORPORATION
Outside Auditor, AEON Bank Co., Ltd.
Outside Auditor, Osaka Steel Co., Ltd.
No. of shares of the Company held: 0



Katsuyoshi Noguchi
Auditor

Apr. 1991 Joined Jusco Co., Ltd. (now AEON Co., Ltd.)
May 2010 Account Group Manager, Accounting Department, the same
Aug. 2013 Consolidated Accounting Department Manager, the same
Apr. 2018 Accounting Department Manager, the same
Mar. 2022 Accounting Department General Manager, the same (to present)
May 2023 Auditor, the Company (to present)

Significant concurrent positions
Accounting Department General Manager, AEON Co., Ltd.
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
Strategy Headquarters Manager

Sou Li
Personnel and General Affairs Headquarters Manager

Tatsuya Kato
Finance and Accounting Headquarters Manager

Messages from Outside Directors

Feasible Plans and Progress Reports Are Essential to Becoming a Leading Company

Kazuko Oya

Director (Outside) (Independent Officer)



To achieve AEON Fantasy's Purpose and create a world in which there is a smile on every face, the Company's directors are taking the lead in promoting business activities that balance safe and secure hospitality with the establishment of a robust management foundation. To prepare for risks in various areas, such as legal affairs, natural disasters, human rights, and financial affairs, members of the Board are proactively sharing opinions and making decisions on matters outside their areas of responsibility.

Since becoming an outside director, I have strived to use my accumulated experience in diverse industries to provide advice mainly on governance and management matters to enhance the Company's corporate value. Moreover, in addition to participating in Board of Director meetings, I also proactively visit frontline sites in advance to collect information, as well as confirm any issues at Management Committee meetings. Further, amid the challenging circumstances presented by the spread of the COVID-19 pandemic, I continued to offer advice to facilitate efficient management while anticipating rapid social changes with a focus on tackling the Company's challenges: branding and reinforcing its financial foundation.

In formulating the new medium-term management plan, when looking at changes in the global environment and rapid advancements in AI, for example, we must take into account

the growing importance of playing and learning for children using their five senses, which is essential to their development. Based on this understanding, at the Board of Directors I have requested that we examine wide-ranging and open discussions aimed at the formulation of specific, feasible plans, and the provision of interim reports on our progress both inside and outside the Company. I believe this is essential if we are to develop into a leading company in indoor entertainment.

In terms of sustainability management, the Company has formed a Sustainability Committee headed by the President and comprising sustainability experts. Through this Committee, sustainability proposals in line with the Company's business activities are regularly reported to the Board of Directors. Moving forward, while widely promoting activities that symbolize our sustainability management both inside and outside the Company, I also believe it will be important to promote understanding among each employee to enable them to implement their own sustainability activities.

Communicating Information on IT Risks, Measures That Require Immediate Attention, and DX Geared Toward the Future

Chisaki Kusajima

Director (Outside) (Independent Officer)



Effective Initiatives with a Focus on the Company's Abundant Assets and Human Resources

Mami Yamashita

Director (Outside) (Independent Officer)



It has now been a year and several months since I became an outside director of the Company. During this time, I have seen an increase in communications and discussions from medium- to long-term viewpoints at the Board of Directors, and I sense that the Board's effectiveness is steadily improving. At Board meetings, I focus on asking quality questions that prompt those in charge of agenda items, as well as other meeting participants. Moving forward, I hope we can engage in active discussions on human resource strategies, for example, which will be essential as we aim to leverage the strengths we have in the large number of young human resources and women in management.

Moreover, it will also be important to engage in discussions, including on the effectiveness of our monitoring of the medium-term management plan, which is at the core of the Company's management. In the formulation of the next medium-term management plan, as outside directors our aim is to broadly participate in every stage, from conceptualization to the incorporation of specific measures. In the medium-term management plan, it is essential that we enhance our existing businesses while taking risks to tackle new domains. However, for a company like AEON Fantasy that operates businesses for children, there are of course risks that should not be taken.

I joined AEON Fantasy as an outside director in May 2023. Although I have only participated in the Company's management for a short while, it is clear to see that, based on its Purpose, the Company continues to take on new challenges without being bound by precedent.

Through participation in Board meetings, I have also seen the Company's open culture and positive approach to information disclosure, something which is ideal for an organization working to bring smiles to children's faces. Every meeting is also full of constructive discussions. Moreover, be it the executive management that I work with, management at each workplace, or individual employees, every individual tackles their work autonomously and with real energy.

When looking at the recent drastic environmental changes caused by technological advancements, for example, by the time today's children are adults, environments will have changed beyond our imagination, be it in workstyles or how people spend their leisure time. However, no matter how much society changes, the true happiness of children and the adults

This is why thorough risk management is key. In addition to preventing injuries and accidents, the Company must also focus on health and human rights, for example. This is something I hope the Board can discuss further in the future.

We are also seeing the gradual establishment of sustainability management, which is central to our corporate activities. After discussions by the Board of Directors on activity policies and future courses of action, the Sustainability Committee and Sustainability Clubs provide reports on the progress of sustainability initiatives. In the future, it is important that we examine measures to ensure the thorough reflection of the expertise and data we gain from these activities into management decisions. What social issues can only be solved by AEON Fantasy? The answer to this question should form the basis for the Company's sustainability management moving forward. I hope that the Company can implement initiatives that focus on areas where its abundant assets and human resources can be utilized to maximum effect.

that make this a reality will remain unchanged. More than anything, smiling children can create a happy society.

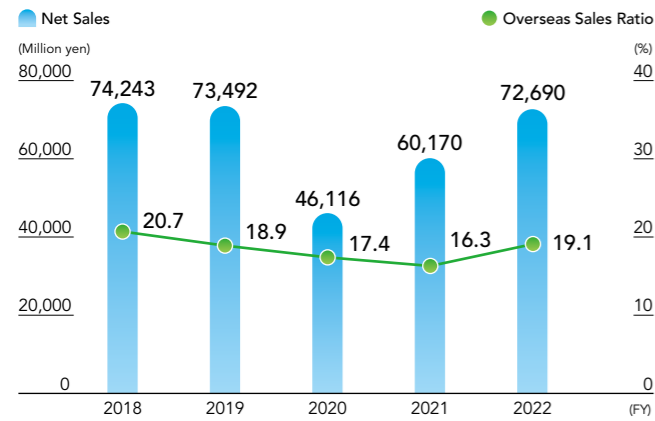
While future conditions and possibilities are unknown, DX can be achieved by tackling current and future issues with a flexible approach using state-of-the-art technologies. Currently, IT and DX is yet to take root in many of the Company's operations, and so moving forward it will be essential to formulate a medium-term plan with a focus on future society and the Company's Purpose, and steadily implement the relevant initiatives.

I have been in the IT industry for many years, and although our targets were different to those of AEON Fantasy's, I worked at an amusement company where I focused on the use of IT. Looking ahead, I will utilize my unique perspectives to proactively provide opinions on latent IT risks in the Company's existing businesses, measures that require immediate attention, and DX initiatives geared toward the future. In doing so, I will do everything I can to fulfil my role as a Fantasy People.

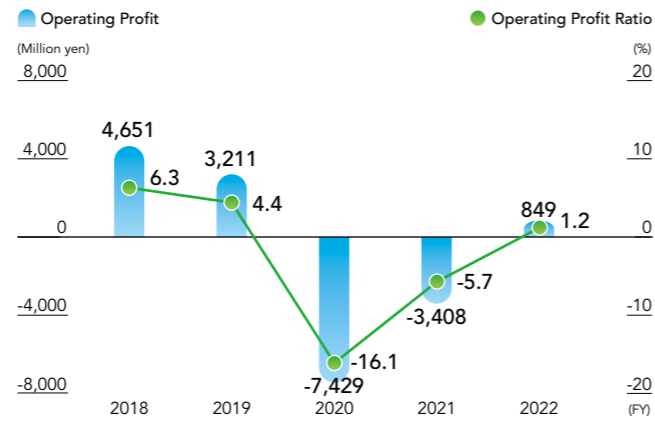
Financial and Non-financial Highlights

Financial Highlights

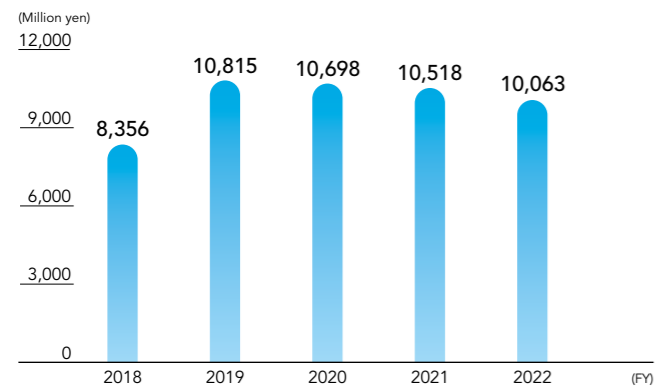
Net Sales and Overseas Sales Ratio



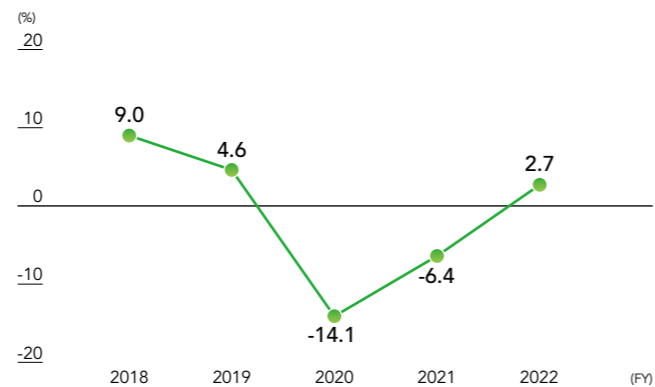
Operating Profit and Operating Profit Ratio



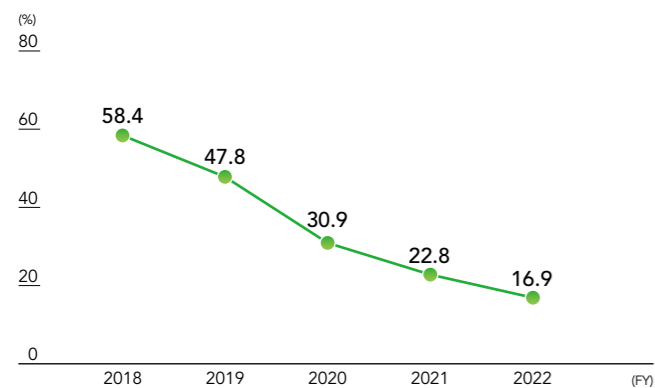
Depreciation and Amortization Cost



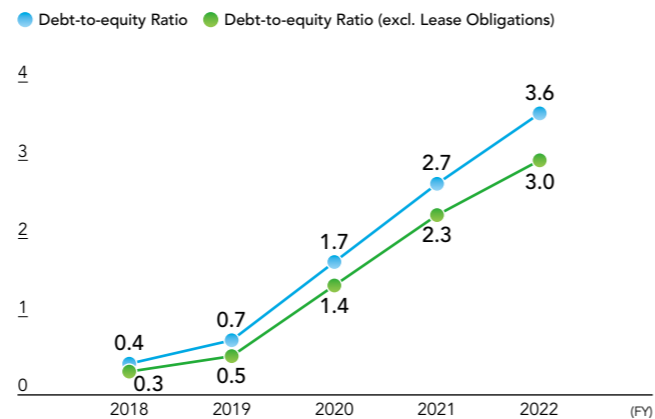
Return on Assets (ROA)



Shareholders' Equity Ratio

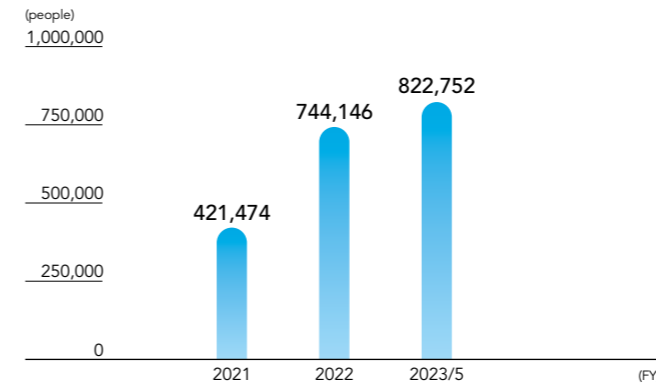


Debt-to-equity Ratio

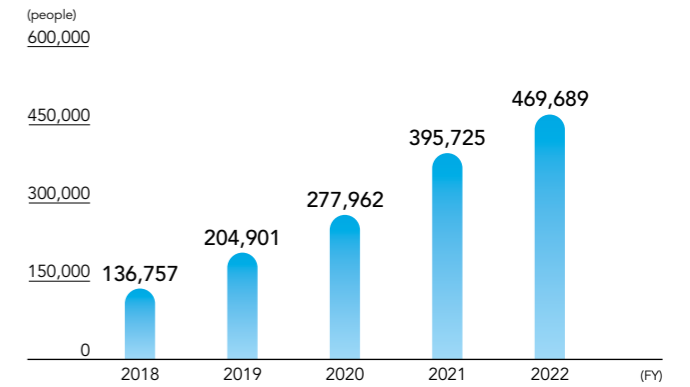


Non-Financial Highlights

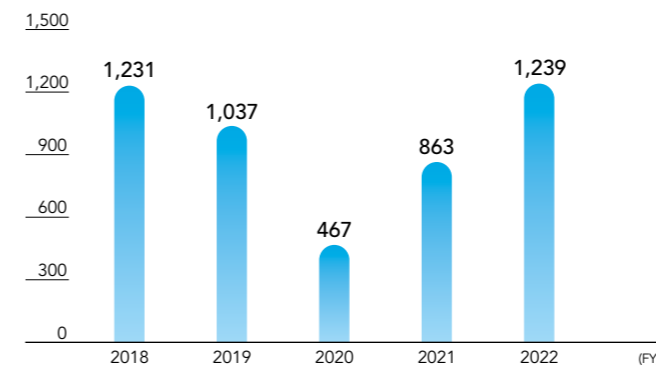
Total Number of Mollyfantasy DX Members



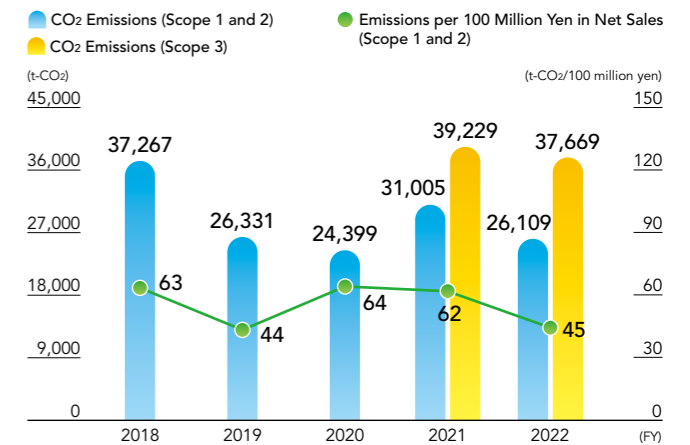
Number of X (Formerly Twitter) Followers



Number of Visits and Parties for Children at Social Welfare Facilities (Japan and Overseas)

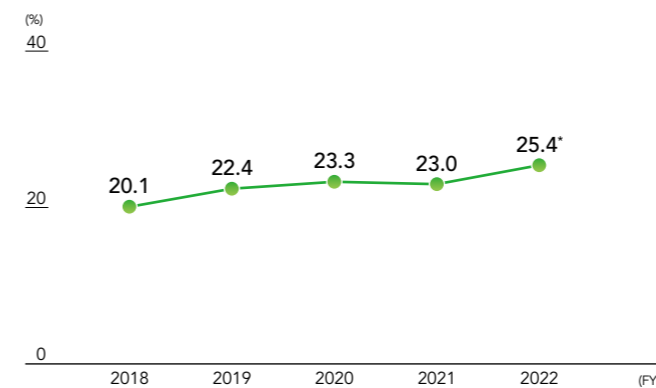


CO₂ Emissions



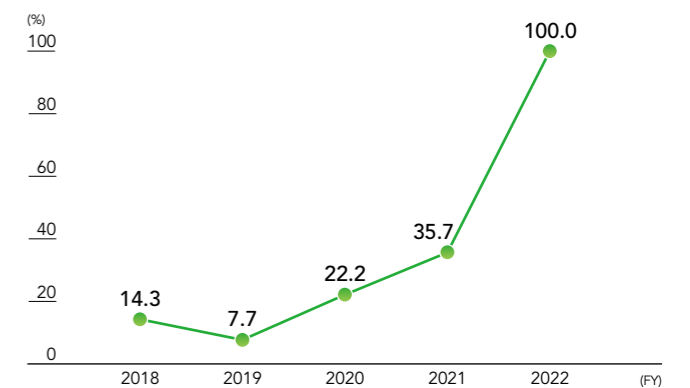
* FY2021 emissions have been partially amended due to changes in calculation methods

Percentage of Section Managers and Above Who Are Female in Japan



* Reference: Overseas 58.7%; Consolidated 45.8%

Percentage of Eligible Males Who Take Childcare Leave



10-year Summary of Consolidated Management Indicators

| Financial information | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|----------|----------|----------|----------|-----------|-----------|-----------|-----------|---------|---------|
| Fiscal year (Unit: million yen) | | | | | | | | | | |
| Net sales | 46,541 | 46,632 | 58,831 | 65,058 | 72,174 | 74,243 | 73,492 | 46,116 | 60,170 | 72,690 |
| Net sales by segment (Domestic businesses) | 44,083 | 41,135 | 49,777 | 54,557 | 58,446 | 58,861 | 59,637 | 38,092 | 50,339 | 58,797 |
| (China business) | 1,084 | 3,531 | 6,423 | 7,175 | 9,040 | 9,647 | 7,642 | 6,895 | 7,721 | 4,858 |
| (ASEAN business) | 1,373 | 1,966 | 2,630 | 3,325 | 4,687 | 5,734 | 6,212 | 1,128 | 2,109 | 9,034 |
| Operating profit (loss) | 2,536 | 2,629 | 2,748 | 3,769 | 5,970 | 4,651 | 3,211 | -7,429 | -3,408 | 849 |
| Ordinary profit (loss) | 2,646 | 3,417 | 2,630 | 3,498 | 5,598 | 4,299 | 2,387 | -7,719 | -3,385 | 1,318 |
| Net income (loss) before taxes | 2,544 | 3,013 | 2,453 | 3,160 | 5,080 | 3,441 | 652 | -11,808 | -4,783 | -2,049 |
| Net income (loss) attributable to owners of the parent | 1,118 | 1,338 | 1,480 | 1,697 | 2,986 | 1,865 | -325 | -9,277 | -4,507 | -3,376 |
| Depreciation and amortization cost | 5,076 | 4,803 | 6,202 | 6,593 | 7,206 | 8,356 | 10,815 | 10,698 | 10,518 | 10,063 |
| End of fiscal year (Unit: million yen) | | | | | | | | | | |
| Net assets | 20,613 | 21,608 | 24,744 | 25,619 | 28,369 | 29,220 | 27,128 | 16,922 | 11,841 | 8,138 |
| Total assets | 27,972 | 30,041 | 41,040 | 43,328 | 46,928 | 48,891 | 55,739 | 53,961 | 51,235 | 46,917 |
| Cash flows (Unit: million yen) | | | | | | | | | | |
| Cash flows from operating activities | 6,674 | 3,570 | 8,156 | 10,349 | 10,672 | 9,588 | 10,271 | 183 | 6,176 | 9,057 |
| Cash flows from investing activities | -8,023 | -3,146 | -12,571 | -7,660 | -11,416 | -12,069 | -10,849 | -6,964 | -7,091 | -4,845 |
| Cash flows from financing activities | -820 | -394 | 4,285 | 112 | -506 | 1,862 | 96 | 8,445 | 1,395 | -4,379 |
| Cash and cash equivalents at end of term | 3,246 | 3,369 | 3,724 | 6,442 | 5,132 | 4,533 | 4,132 | 5,718 | 5,986 | 6,058 |
| Per share information (Unit: yen) | | | | | | | | | | |
| Net income (loss) per share (yen) | 61.64 | 73.76 | 76.70 | 86.18 | 151.53 | 94.58 | -16.47 | -469.51 | -228.07 | -170.82 |
| Dividend per share (yen) | 30 | 30 | 30 | 31 | 41 | 50 | 50 | 30 | 20 | 10 |
| Net assets per share (yen) | 1,117.61 | 1,170.74 | 1,239.44 | 1,283.33 | 1,409.05 | 1,449.36 | 1,348.77 | 844.86 | 591.51 | 401.98 |
| Financial indicators | | | | | | | | | | |
| Operating profit margin | 5.4% | 5.6% | 4.7% | 5.8% | 8.3% | 6.3% | 4.4% | -16.1% | -5.7% | 1.2% |
| Return on equity (ROE) | 5.6% | 6.4% | 6.5% | 6.8% | 11.3% | 6.6% | -1.2% | -42.8% | -31.8% | -34.4% |
| Return on assets (ROA) | 9.7% | 11.8% | 7.4% | 8.3% | 12.4% | 9.0% | 4.6% | -14.1% | -6.4% | 2.7% |
| Shareholders' equity ratio | 72.5% | 70.7% | 59.5% | 58.4% | 59.2% | 58.4% | 47.8% | 30.9% | 22.8% | 16.9% |
| Debt-to-equity ratio (incl. lease obligations) | - | 0.0 | 0.3 | 0.3 | 0.3 | 0.4 | 0.7 | 1.7 | 2.7 | 3.6 |
| Debt-to-equity ratio (excl. lease obligations) | - | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.5 | 1.4 | 2.3 | 3.0 |
| Non-financial information | | | | | | | | | | |
| No. of stores at fiscal year-end (stores) | 412 | 489 | 764 | 799 | 840 | 864 | 870 | 849 | 931 | 1,035 |
| Total number of Mollyfantasy DX (formerly Mollyfantasy Fan Club) members ^{*1} | - | - | - | 993,589 | 1,515,534 | 1,505,639 | 1,527,830 | 1,366,500 | 421,474 | 744,146 |
| Number of X (formerly Twitter) followers | - | - | 3,980 | 10,100 | 56,367 | 136,757 | 204,901 | 277,962 | 395,725 | 469,689 |
| Number of employees ^{*2} | 4,055 | 4,482 | 6,430 | 7,184 | 7,767 | 8,926 | 7,645 | 7,518 | 7,180 | 7,432 |
| Percentage of employees who have disabilities | - | 1.66 | 1.51 | 1.78 | 2.36 | 2.48 | 2.40 | 2.58 | 2.86 | 3.20 |
| Number of visits and parties for children at social welfare facilities (Japan and overseas) ^{*3} | 211 | 207 | 156 | 136 | 470 | 1,231 | 1,037 | 467 | 863 | 1,239 |
| Amount raised by Fantasy Smile Day Play & Donate, etc. (thousand yen) | 1,100 | 3,515 | 3,781 | 1,520 | 2,051 | 3,222 | 3,208 | 1,041 | 1,622 | 3,088 |
| CO ₂ Emissions (Scope 1 and 2) (t-CO ₂) | - | - | - | - | - | 37,267 | 26,331 | 24,399 | 31,005 | 26,109 |

*1 Transitioned from a stamp-based membership system to a new digital membership system in 2021.

*2 Number of employees includes temporary employees (8-hour equivalent).

*3 Figures up until FY2016 only include activities in Japan. Figures include overseas activities from FY2017 onwards.

Company Overview (as of August 31, 2023)

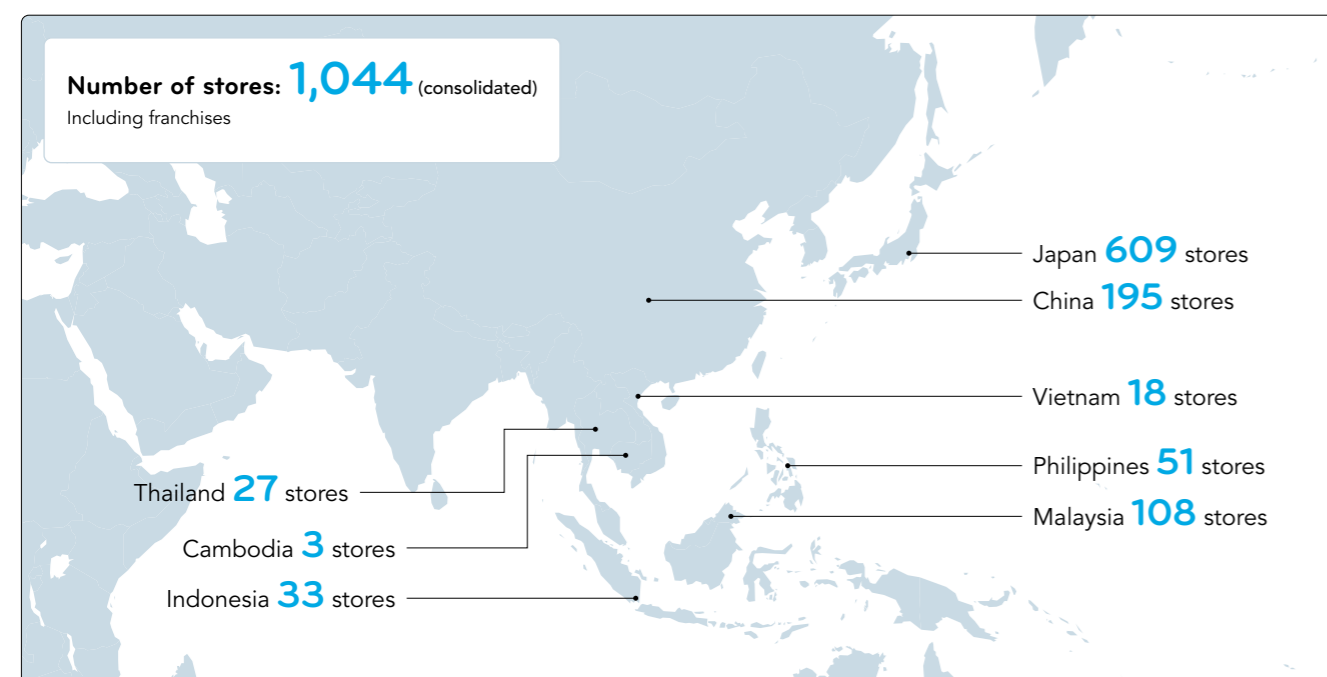
Company Overview

| | |
|---------------------|---|
| Trade name | AEON Fantasy Co., LTD. |
| Headquarters office | 1-6, Nakase, Mihama-ku, Chiba-shi, Chiba, Japan |
| Website | https://www.fantasy.co.jp/company/ (in Japanese) |
| Founded | October 1969 (incorporated in February 1997) |
| Capital stock | 1,806 million yen (fiscal year to Feb. 2023) |
| 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 City, Vietnam |

Network (as of February 28, 2023)



Stock Information (as of August 31, 2023)

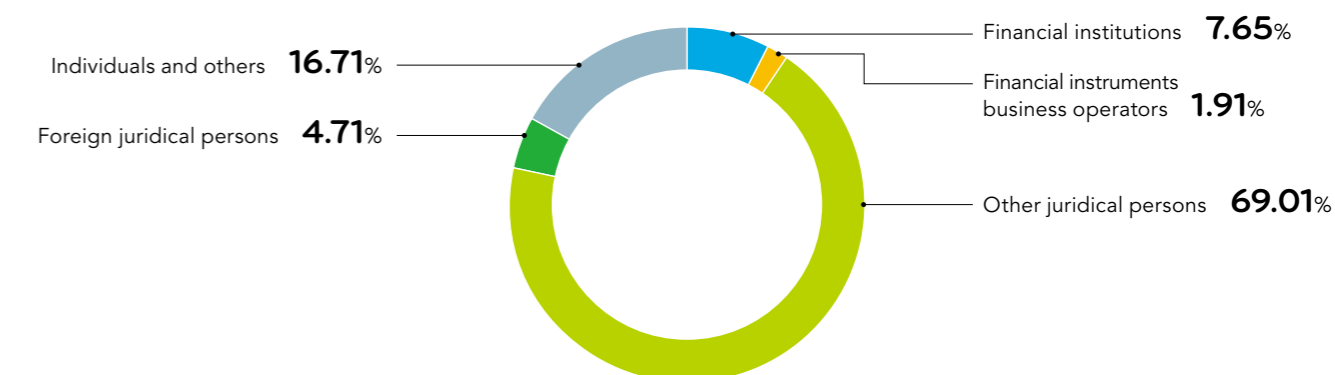
Stock of shares

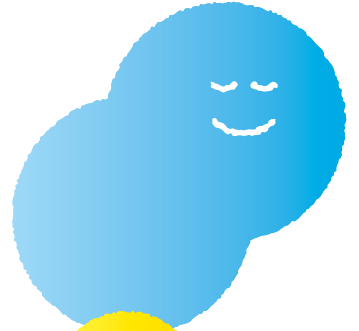
| | |
|---------------------------------|------------|
| Total no. of authorized shares | 50,000,000 |
| Total no. of shares outstanding | 19,770,725 |
| No. of shareholders | 18,630 |

Major Shareholders

| Name of shareholder | No. of shares held (Unit: 1,000 shares) | Percentage of shareholding |
|--|--|----------------------------|
| AEON Co., Ltd. | 13,004 | 65.77 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 791 | 4.00 |
| Custody Bank of Japan, Ltd. (trust account) | 606 | 3.07 |
| Government of Norway | 371 | 1.88 |
| Nomura Securities Co., Ltd. | 305 | 1.54 |
| RBC ISB Lux Non Res/Dom Rate-UCITS Clients Account-MIG | 183 | 0.93 |
| Maxvalu West Japan Co., Ltd. | 115 | 0.58 |
| AEON Financial Service Co., Ltd. | 115 | 0.58 |
| AEON MALL Co., Ltd. | 115 | 0.58 |
| BNYM AS AGT/CLTS 10 PERCENT | 90 | 0.46 |

Percentage of shares held by each type of shareholder





AEON Fantasy Co., LTD.

m BAY POINT Makuhari 8F, 1-6, Nakase, Mihama-ku, Chiba-shi, Chiba 261-0023, Japan
<https://www.fantasy.co.jp/company/> (in Japanese)