

CHAIRMAN'S STATEMENT



DATUK ISKANDAR BIN SARUDIN

Chairman



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Dear Shareholders,

On behalf of the Board of Directors of AEON CO. (M) BHD. (“AEON” or “the Company”), I hereby present the annual report and audited financial statements for the financial year ended 31 December 2020 (“FY2020”).

YEAR IN REVIEW

FY2020 was by far, the most challenging year for our business. However, the various challenges faced during the financial year served as catalysts for AEON to quantum leap our digital journey, while further establishing our brand as a leading household name in Malaysia.

Embracing and adapting to the prevailing scenario in FY2020, AEON has continued to achieve steady progress in the realisation of its transformation journey. FY2020 has made AEON more customer driven, market focused and technologically driven towards further developing its living zone ecosystem.

As most of us are well aware, FY2020 was impacted by the COVID-19 pandemic, an unprecedented black swan event. The retail sector in particular was affected by the onset of a new normal as consumers’ consumption patterns and behaviours shifted rapidly during the pandemic period.

Even industries deemed essential services faced various operational and logistical issues, amidst reduced consumer spending and consumption.

AEON rose to meet the aforementioned challenges in a proactive and strategic manner. By drawing on our organisational culture and our people, our inherent business strengths and from our business approaches of Agile, Genba and

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Entrepreneurial, we have weathered the storm to emerge more resilient, flexible and ready for the future.

For FY2020, AEON recorded another year of profitability and has continued to reward shareholders with dividends. We have continued to operate as usual, albeit with compliance to COVID-19 SOPs, ensuring reliability and providing trust and confidence to consumers; that AEON is there for them to meet their basic needs during this most crucial time.

Equally noteworthy, beyond business and operational achievements, the Board draws a measure of satisfaction that AEON has continued to care for the people in its ecosystem. This includes employees, tenants, vendors, suppliers and customers.

One key highlight is our support in assisting our tenant community to transition into the digital marketplace and also to improve their brand visibility. Beyond providing rebates, discounts and incentives, we have also provided tangible support in expanding their market reach, improving operational efficiency via back-office support, providing avenues online to reach customers and more.

REVENUE

10.8%

RM4.051 billion

2019: RM4.539 billion

OPERATING PROFIT

27.7%

RM259.3 million

2019: RM358.7 million



AEON Malaysia Chairman Datuk Iskandar bin Sarudin (right) receiving Best Taxpayer Award 2020 on behalf of AEON from Finance Minister Yang Berhormat Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz (middle).

Our efforts have been fruitful as AEON in FY2020 achieved a tenancy occupancy rate of 83.8%.

These and other highlights and achievements are captured in the Management Discussion and Analysis ("MD & A") section of this annual report. I invite you to review the MD & A towards gaining a more informed perspective of how AEON has created value in FY2020 for itself and others, and essentially how we have come out from FY2020 better, stronger and more prepared for the future.

FINANCIAL PERFORMANCE

In FY2020, AEON posted revenue of RM4.051 billion, 10.8% lower compared to the previous financial year's RM4.539 billion. Company topline performance was lower, attributed to reduced revenue contribution particularly from the retail business segment. On the back of reduced

revenues, profit from operations was lower at RM259.3 million, 27.7% lower, year-on-year.

The Company has undertaken various strategic measures to yield cost and operational efficiencies and also to increase brand visibility as well as presence within the digital marketplace. Efforts have also been placed in ensuring healthy and sustainable profit margins for our products amidst mismatch and disruption of supply chains in FY2020.

With this, AEON has achieved reduced Operating Expenses ("OPEX"), while growing its market presence. Online sales have seen notable improvements in FY2020, year-on-year.

The Company's balance sheet remains fundamentally robust with healthy cashflows and a robust cash position to meet working capital requirements.



Specific details on the Company's financial performance is given in the MD & A section of this annual report.

On the back of hard-won efficiencies, improved productivity and new offerings based on our innovative digitalisation strategies, the Board and Management are optimistic of an improved business and financial performance in FY2021.

SAFEGUARDING OUR PEOPLE

Beyond business and operational performance, we have been fully committed to keeping our workforce healthy and safe, not forgetting our valued customers, tenants and other stakeholders.

In FY2020, all required measures as per the Government's SOPs for retail sector operations were implemented to keep the AEON community within our ecosystem as safe as possible from COVID-19. We complied with all SOPs and most importantly, our employees were excellent for their discipline and strict adherence to SOPs. Their contributions in particular, have enabled a safer shopping environment across all AEON properties.

Beyond SOPs compliance, the Board is pleased to say that AEON has looked after the wellbeing of its employees. I wish to highlight that despite reduced consumer spending and retail appetite, Management has not resorted to laying off employees. We have remained true to our ethos; that AEON is a "family" that takes care of its own, even during the most difficult of times.

We will continue to focus on further developing AEON. The Board and Management will continue to drive the democratisation of resources to develop a retail ecosystem driven by technology and integrated with the human elements of retail. This approach will be key to driving our growth and progress going forward.



AEON continued to pursue its CSR efforts notwithstanding the disruptive effects of the pandemic.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITIES

AEON champions six United Nations Sustainable Development Goals ("SDGs"). These are SDG 3: Good Health and Well-being, SDG 4: Quality Education, SDG 8: Decent Work & Economic Growth, SDG 12: Responsible Consumption & Production, SDG 15: Life On Land and SDG 16: Peace, Justice and Strong Institutions.

The adopted United Nations SDGs are further linked to AEON's key pillars of business purposes namely People, Planet and Peace (3Ps). Consistent with these SDGs, AEON has continued to pursue its Corporate Social Responsibilities ("CSR") efforts notwithstanding the disruptive effects of COVID-19.

In FY2020, from frontliners to displaced members of society; to those who have lost their livelihoods, AEON has stepped forward to lend a wide range of financial and non-financial assistance. Programmes and events held included (but were not limited to) assistance provided to the police force and army personnel, distribution of home care boxes, chairs and other amenities to healthcare frontliners in hospitals and more.

Other activities held in FY2020 were the Kotak Merdeka programme, Piece of Love campaign, AEON Berkas Ramadan and AEON Berkas Korban initiatives, flood relief and homeware assistance and also Tabung AEON di Hatiku – A Mask Story.

Specific details of these CSR programmes and initiatives are provided in the Sustainability Statement section of this report.

OUTLOOK AND PROSPECTS

While a return to pre-COVID normalcy can only be expected at the start of FY2022, the various strategic efforts undertaken in FY2020 are beginning to show positive results for the Company going into the second quarter of FY2021.

Despite the continued lingering effects of COVID-19, AEON is seeing stronger growth and customer traction, amidst a highly competitive retail landscape with many established and new players.

We draw confidence that the government's ongoing vaccine dissemination campaign will help to restore consumer confidence and progressively, a stronger appetite to spend on the back of pent-up

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demand and improving incomes, going forward.

Our focus in FY2021 is to drive our New Retail ecosystem, while continuing to exercise vigilance against external challenges. This includes ensuring continued compliance to all SOPs during the transitional, recovery period of FY2021.

We have drawn up strategies that will enable a more customer oriented stance as the pandemic scenario dissipates over time and a pre-COVID-19 scenario emerges.

In the longer term, the adopted six United Nations SDGs that have been encapsulated into three key pillars of business purpose, People, Planet and Peace (3Ps) make up the essence of our business.

We will continue to be led by our 3Ps in delivering both financial and non-financial value for true, long-term business and operational sustainability.

In essence, AEON is well positioned to remain competitive and to grow towards being an employer of choice, a preferred retail and consumer experience partner store, and a continued leader for exemplary corporate sustainability and good governance.

By putting people and customers first and continuing to embrace technology,

AEON is poised to develop a New Retail Model that focuses on providing seamless offline to online customer experiences.

ACKNOWLEDGEMENTS

In an unprecedented year of change and challenge, the Board wishes to firstly thank the AEON workforce, whose stellar contributions during the pandemic year have been so instrumental in our FY2020 narrative of continued resilience and progress.

Their willingness to adapt to the new normal; to make personal and professional sacrifices and to uphold a high level of professionalism is greatly appreciated by the Board. We count on their continued commitment to delivering another year of growth and progress in FY2021.

The Board also wishes to thank the Management of AEON for their business acumen and strategic response in ensuring that the Company remained robust during FY2021. I also take this opportunity to thank my fellow Board members for their wise counsel and exemplary service to the Company; especially for their contributions on the various Board Committees.

In particular, I wish to acknowledge Mr Poh Ying Loo, Mr Charles Tseng and Mr Yasuo Nishitohge, all of whom retired from the Board on 24 June 2020.

AEON thanks them for their tenure of service and for having played a pivotal part in the Company's journey of growth. Notably, for their stewardship and contributions during the first half of FY2020 and at the height of the virus pandemic period.

In the same vein, I also wish to acknowledge Mr Hiroyuki Kotera, who retired from the Board on 21 January 2021. The Board extends its sincere appreciation to Mr Kotera for the significant role he has played since his ascendance to the Board in FY2016. We give all retired directors our wishes for their future endeavours.

At the same time, on behalf of the Board, Management and staff, I am pleased to welcome two new board members, Mr Soichi Okazaki who came on board on 25 June 2020 and Mr Tsutomu Motomura who joined us on 21 January 2021. I am confident with Mr Okazaki's illustrious 40 years of experience within AEON Group ranging from executive to chairmanship serving in over three countries, and Mr Motomura's extensive experience in marketing, sales numerical and retail management will add further strength and wisdom to the Board.

On a related note, the Board wishes to thank our many valued customers, shareholders, business partners, financiers, government authorities and statutory bodies for their continuous support and confidence in the Company.

Let us all continue to stand united as #OneAEON in facing the challenging times ahead and remain fully committed for the Company to be future ready and continue to grow from strength to strength.

Thank you.

Datuk Iskandar bin Sarudin
Chairman