

LETTER FROM THE CHAIRMAN



AEON is poised to intensify its efforts in delivering an exceptional shopping experience to customers while creating long-term sustainable value for our stakeholders.



DATUK ISKANDAR SARUDIN

Independent Non-Executive Chairman



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Dear Valued Shareholders,

I am delighted to report that AEON attained key milestones and made solid progress in FY2023. Supported by a dedicated team of AEON People, we deepened customer relationships by serving Malaysians across all segments within our community – creating more smiles while connecting more hearts along the way. Navigating through this soft economic environment, we take comfort that our AEON Living Zone ecosystem continues to strengthen our resilience while enabling us to capture new opportunities.

NAVIGATING THROUGH A DYNAMIC RETAIL LANDSCAPE

The ongoing geopolitical tension continues to disrupt global supply chain while the tightening of monetary policies across global markets to suppress inflation have resulted in the slowing of global economic growth. Back home, our local economy is weighed down by elevated cost pressures and a weakened currency, directly impacting consumer spending behaviour as well as the dynamics of the retail landscape in Malaysia.

Reflective of the market landscape and sentiment, the Malaysian economy grew 3.7% in 2023, a sharp decline from the 8.7% recorded in 2022 primarily due to the high base effect from the pent-up demand arising from the reopening of the Malaysian economy post-pandemic. Although footfall to shopping malls has been increasing since the reopening, consumers' purchasing power has softened due to the ongoing macro headwinds including inflation and interest rate hikes.

Cognisant of the interplay between the macroeconomy and industry forces, we leverage the AEON Living Zone ecosystem to serve customers while differentiating ourselves from the rest. By putting customers at the heart of our business, we are able to establish a deep connection with our diverse customer base through understanding their evolving needs and providing them with products and services that cater to their unique preferences and needs. Increasingly, we are also allocating greater resources towards ESG priorities including climate change and worker well-being, ensuring business sustainability to allow us to create and deliver long-term sustainable value to our stakeholders.

REWARDING SHAREHOLDERS

Catering to Malaysians across all age groups, our 35 AEON Stores and 28 AEON Malls with a net lettable area of 13.4 million square feet, continue to attract healthy customer footfall, underpinned by a strong set of products, services and tenant mix that offers something for everyone. Our operational strategies continue to drive innovation and promote synergies across our businesses, enabling us to introduce new offerings and opportunities that appeal not only to our customers but also to tenants, business partners, suppliers as well as employees. Our digital transformation initiatives also ensure we provide a seamless shopping experience for customers while increasing our appeal to the younger customer segment. These measures are enabling us to cultivate long-term loyalty and trust with our customers, future-proofing AEON while further strengthening the AEON brand.

Revenue

FY2023

RM4,129.0m

FY2022: RM4,141.1m

Net Profit

FY2023

RM114.8m

FY2022: RM111.2m

Proposed Dividend Per Share

FY2023

4.0 sen

FY2022: 4.0 sen

Proposed Dividend Payout Ratio

FY2023

49%

FY2022: 50%

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These strategies anchored AEON's competitiveness in the market and enabled us to deliver resilient results amid the changing business landscape. In FY2023, we recorded a net profit of RM114.8 million and the Board has recommended a final dividend of 4.0 sen per share, equivalent to RM56.2 million or a payout ratio of 49%, subject to shareholders' approval in the upcoming AGM. As we progress ahead, we are focused on executing our strategies, while prudently managing our cost base, to enable us to continue to reward our loyal shareholders through dividends and reinvest in our business to capture new opportunities.



CREATING SUSTAINABLE VALUE

At AEON, our commitment to sustainable growth is deeply anchored upon our foundational principles of pursuing peace, respecting humanity, and uplifting communities.

Starting at the top, to ensure that our Board is fit for purpose, it is imperative that Board diversity is maintained – not just in terms of gender, but also background, experience, skills, competencies and age. We have exceeded the 30% threshold for women representatives on our Board. Diversity has been shown to be a key contributor to board effectiveness, positively contributing towards better decision-making, risk management and engagement with the Management. For a more robust governance structure as well as greater oversight of the Company's sustainability journey and strategy, we have also separated the Audit and Risk Management Committee (ARMC) into two committees, namely the Audit Committee (AC) and Sustainability and Risk Management Committee (SRMC) to enable a greater focus on sustainability topics.

The AEON Sustainability Charter (ASC), established in 2022, continues to act as a blueprint that guides us on our sustainability journey ahead. The ASC outlines our ESG goals while ensuring ESG priorities and material matters are embedded as an integral part of our strategies and business decisions, maintaining a balance between financial returns as well as long-term business sustainability.

Our ESG priorities and goals are grouped under five core pillars, namely Environmentally Focused, Responsible Employment, Sustainable Economics, Dynamic Customer Experience and Efficiency & Integrity to enable us to focus our efforts and engage better with key stakeholders to realise meaningful, sustainable change.

To enhance transparency and accountability, we are integrating Bursa Malaysia's Enhanced Sustainability-related Disclosures as part of our sustainability reporting activities. In FY2023, we conducted a thorough materiality assessment to identify and refresh the key matters critical to our business and stakeholders. This assessment involved a comprehensive review of industry standards, our operational landscape, and internal processes. Following the review, we expanded our materiality matters from 12 to 18 with a keener focus on Environmental Stewardship.

These material matters are aligned with the ASC as well as our overall strategic priorities. This ensures that our approach to sustainability is seamlessly integrated into our daily business operations, contributing to the creation of long-term sustainable value for our stakeholders. Additionally, we have set sustainability performance targets that will enable us to continuously monitor our sustainability progress, allowing us to focus on the most relevant, material, and impactful ESG areas.

We are delighted to share that for the second year running, AEON was once again recognised as a constituent of FTSE4Good Bursa Malaysia (F4GBM) Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index in 2023, reaffirming our ESG practices and initiatives.

MOVING FORWARD INTO 2024 AND BEYOND

Looking ahead, AEON is poised to intensify its efforts in delivering an exceptional shopping experience to customers while creating long-term sustainable value for our stakeholders. Leveraging the AEON Living Zone ecosystem, our aim is to grow organically as well as through partnerships and collaborations with tenant

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partners, suppliers and the AEON group of companies to optimise our value proposition. As we continue to strengthen our value proposition and competitive advantage in the industry, our priority is also focused on enhancing ESG practices to generate greater sustainable impact that benefits our community and environment.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to extend our heartfelt appreciation to Dato' Tunku Putra Badlishah Ibni Tunku Annuar, Datuk Syed Ahmad Helmy Syed Ahmad, and En. Abdul Rahim Abdul Hamid who stepped down from our Board in May 2023. Our gratitude goes to them for their invaluable counsel and contributions to AEON during their tenure. We also warmly welcome Dato' Merina Abu Tahir, Ms. Jenifer Thien Bit Leong and En. Mohamad Abdul Naser Md Jaafar @ Yunus to our Board.

I would also like to express my gratitude to Mr. Keiji Ono, who resigned as the Managing Director on 29 February 2024. Thank you for your valuable contributions and we wish you all the very best in your new role with AEON Co., Ltd., Japan. Congratulations to Mr. Naoya Okada on his appointment as our new Managing Director. We are confident that he is the right person to lead AEON as we progress forward.

To all my fellow Directors, I am grateful for your unwavering support and counsel, especially for your wise counsel and contributions to the various Board Committees. I look forward to working together with all of you to drive AEON to greater heights.

To our esteemed customers, business partners, tenants, suppliers, regulators, financiers and shareholders, thank you for your unwavering support and patronage. Last but not least, to our team of AEON People – thank you for your dedication, tenacity and loyalty in ensuring that we continue to elevate customer experience by bringing joy and happiness to customers each time they visit our stores. As we celebrate AEON's 40th Anniversary this year, let us come together to connect more hearts and bring more smiles to every AEON customer.

Thank you.

Datuk Iskandar Sarudin

Independent Non-Executive Chairman