

Key  
Messages

# LETTER FROM THE CHAIRMAN



## LETTER FROM THE CHAIRMAN

Dear Valued Shareholders,

2022 marked a new beginning for AEON. Emerging from the pandemic that changed our lives dramatically, the year 2022 allowed us to strengthen our collective resilience and reimagine our future to deliver new experiences to our customers. Despite the uncertainties, we made steady progress in realising our AEON Living Zone ecosystem, capturing opportunities that resonated with the needs and expectations of our customers. We deepened customer relationships by serving different customer segments across the community.

Through it all, we were constantly guided by our strategic business approaches – Agile, Genba and Entrepreneurial, supported by our loyal team of AEON People who have consistently demonstrated strong commitment to driving strong growth and delivering value to our shareholders.

### DATUK ISKANDAR SARUDIN

Independent Non-Executive Chairman



At AEON, we have designed a pathway that will make us stronger and nimble in the face of future uncertainties. Although pressures will remain high, we will continue to strive to learn from our past to create a better future and deliver value to our stakeholders.

#### OUR OPERATING ENVIRONMENT IN FY2022

In 2022, the world faced challenges on multiple fronts, covering economic, social and health challenges. With COVID-19 in retreat, we witnessed the reopening of international borders and businesses resumed their activities. Adapting to the constant change, the Malaysian government and businesses continuously explored various avenues to stimulate growth, which resulted in the economy expanding by 8.7% in 2022, supported by robust domestic and external demand.

Undeterred by these uncertainties, we experienced a strong growth momentum and improved sales due to the effective execution of customer activities and marketing communication programmes that resulted in higher footfall at our AEON stores nationwide. While we carried out our activities in accordance to the required Standard Operating Procedures (SOPs), we continued to provide to our customers with the best service standards and peace of mind at all our AEON stores. For us, it was important that they were provided with a pleasant shopping experience within a clean and safe environment.

With the resumption of economy, disciplined cost management measures and improved operational efficiencies across the organisation, we recorded stronger profits for FY2022. We centred efforts on delivering the best services and the right products to our customers. In addition, our debt profile has also improved in FY2022 with 32% reduction in borrowings compared to FY2021.

#### REVENUE

FY2022

**RM4.1** billion

FY2021: RM3.6 billion

#### PROFIT AFTER TAX

FY2022

**RM111.2** million

FY2021: RM85.3 million

#### DIVIDEND PER SHARE

FY2022

**4.0** sen

FY2021: 3.0 sen

#### DIVIDEND PAYOUT RATIO

FY2022

**50.5%**

FY2021: 49.4%

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### UPHOLDING CUSTOMER FIRST

At AEON, customers are at the heart of everything we do. Guided by our “Customer First” philosophy, we continuously strived to surpass customer expectations and enhance their experience every time they visit our stores.

Keeping our customers at the heart of our strategy, our digital transformation continued to drive innovation and increased synergies across our businesses, boosted efficiency as well as enabled the introduction of new products and services that created greater value for customers. Building on our Online-Merge-Offline (OMO) strategy and the New Retail model, we enhanced our AEON Living Zone ecosystem by introducing new digitalisation initiatives, both front-end and back-end, to benefit our suppliers, tenants, business partners, employees and customers. Taking an omnichannel approach, we integrated the various AEON platforms onto the iAEON app, featuring new designs and promotions that helped increase our customer base.

With 28 AEON Malls and 35 stores with a nett lettable area (NLA) of 13.4 million square feet, increasing footfall and physical sales remained an essential component in our growth strategy. The successful renovation of AEON Alpha Angle showcased our OMO strategy and Inclusive, Digital and Experiential @AEON (IDEA) concept. IDEA essentially integrates the offerings by our offline and online tenants as well as sustainability elements together in one space, leveraging digital and technology to create a seamless shopping experience. We were heartened by the positive response received by customers, tenants and even suppliers to our IDEA concept.

### DELIVERING VALUE TO OUR SHAREHOLDERS

FY2022 proved to be the year where we improved business performance, notwithstanding the challenging market dynamics. For the continued support received from our shareholders, the Board has recommended a final dividend of 4 sen per share, which is equivalent to RM56.2 million or a payout ratio of 50.5%, subject to the approval of shareholders.

Year	2018	2019	2020	2021	2022
Net Dividend (RM '000)	56,160	56,160	21,060	42,120	56,160
Net Dividend Per Share (sen)	4.00	4.00	1.50	3.00	4.00
Payout Ratio (%)	53.4	51.4	50.8	49.4	50.5

### CHAMPIONING SUSTAINABILITY

At AEON, we believe that a sustainable business is one that not only prioritises financial returns but also protects the environment, nurtures its employees while uplifting its communities and the overall ecosystem. Our efforts in improving the lives of people in the communities, and helping drive progress in terms of industry practices were recognised during the year under review as AEON was added to the FTSE4Good Bursa Malaysia (F4GBM) Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index.

Throughout FY2022, we journeyed towards becoming more nature positive. We continued to address financial inclusivity and climate change, while expanding our commitments to realise a low-carbon economy future, aligned to our People, Peace and Community ethos. Towards this end, we reaffirmed our commitment towards championing Environmental, Social and Governance (ESG) practices with the launch of the AEON Sustainability Charter (ASC).

The ASC is anchored on the five core pillars of #AEONResponsible and aligned to nine United Nations' Sustainable Development Goals (UN SDGs) to ensure our actions are driven by the positive changes we make across all levels of society. It is a blueprint that represents our key stakeholder engagement areas, based on the identified challenges faced by the industry in the communities we serve. Through the ASC, we aim to contribute towards achieving a sustainable society in tandem with the growth experienced at AEON.

Shifting towards more green and sustainable practices, we have installed photovoltaic (PV) solar panels at AEON Taman Maluri and AEON Alpha Angle, and this initiative will be replicated progressively across all our other malls as well. We have also launched EV charging networks and introduced organic waste disposal systems in AEON Alpha Angle to convert organic waste into fertiliser.

We stepped up our initiatives which centred on improving the economic status of entrepreneurs, creating employment opportunities and generating income for the local community. Our successes thus far were made possible through the support of the communities around us, who are part of our ecosystem. Under the AEON Sayap Bagimu umbrella to uplift communities, we contributed essential items to victims affected by natural disasters and extended assistance to over 30,000 school children from eligible B40 families via the Malaysian AEON Foundation.

### COMMITTED TO GOOD GOVERNANCE PRACTICES

Set against a dynamically evolving business and regulatory landscape, AEON continued to uphold a robust governance system 2021, supported by sound internal controls and risk management practices. Guided by the Malaysian Code on Corporate Governance 2021 (MCCG 2021), we have made the necessary policy amendments to comply with the guidelines and regulations. In the context of diversity, we are progressively working towards fulfilling the recommendation by MCCG 2021 of having 30% female representation among our Directors.

To improve corporate governance, integrity and transparency practices, we adopted the Institute of Internal Auditors' Three Lines of Defence Model. We also collaborated with external collaborators such as United Nations Global Compact Network Malaysia and Brunei (UNGCMYB), Malaysian Green Technology and Climate Change Corporation (MGTC) and the Institut Integriti Malaysia (IIM) to drive sustainable programmes and fortify our ESG framework over the long term, in line with the aspirations of our ASC.

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## OUTLOOK AND PROSPECTS

In 2023, the outlook remains moderate as global growth is forecasted to moderate between 1.7% and 2.9% due to weakened economic activity. As a result, Malaysia's growth estimates are forecasted to range between 4% to 5% in 2023, driven by domestic consumption and tourism activities. While the retail industry is expected to continue experiencing robust growth, we are aware of headwinds from tightening financial conditions, elevated inflation in certain markets and escalating geopolitical tensions.

Moving into 2023, we will step up efforts to achieve AEON's strategic priorities, namely providing the best shopping experience to our customers and delivering both financial and non-financial value to our stakeholders for the long term. Cognisant of this, we will continue to enhance our New Retail Business model, optimise digital transformation and innovation as this will allow us to deliver products and services that correlate with the evolving needs of our customers. As we continue to strengthen our competitive advantage in the industry, we will also work to realise our goals of being a force of good in the communities we serve while ensuring sustainable value creation.

## ACKNOWLEDGEMENTS

First and foremost, on behalf of the Board, I would like to record our gratitude and sincere appreciation to Encik Shafie Shamsuddin for his valuable contributions as Managing Director/Chief Executive Officer since January 2020. Under his visionary leadership, AEON has become more resilient and agile to meet future challenges. We wish him success in all his future undertakings.

On that note, we would like to welcome Mr Keiji Ono as the new Managing Director of AEON. Mr Ono brings with him 27 years of experience, having served various roles within the AEON group of companies globally. We look forward to working with him as he guides AEON into our next phase of growth.

I would like to also extend our welcome to Mr Tsugutoshi Seko and Mr Naoya Okada as the new Deputy Managing Directors of AEON and also to our new Independent Non-Executive Directors, Puan Zaida Khalida Shaari and Encik Hisham Zainal Mokhtar. Meanwhile, Mr Hiroaki Egawa had also been appointed as Non-Independent Non-Executive Director. I would also like to extend our thanks and appreciation to Mr Tsutomu Motomuro, Executive Director and Mr Soichi Okazaki, Non-Independent and Non-Executive Director who had resigned from the Board. We wish them well in their future endeavours.

To our Board and all our stakeholders, namely our customers, shareholders, business partners, financiers, suppliers, Government authorities and statutory bodies, thank you for your unwavering commitment and support. Finally, my heartfelt appreciation goes out to all our AEON People – thank you for your hard work, patience, trust and loyalty. You have demonstrated the true meaning of working as a team through your actions, and this has allowed the Company to achieve sustainable growth.

Thank you.

**Datuk Iskandar Sarudin**

Independent Non-Executive Chairman